BOMBARDIER INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

For the three- and six-month periods ended June 30, 2017

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2017
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

The following table shows the abbreviations used in the consolidated financial statements.

Term	Description	Term	Description
AFS	Available for sale	FVTP&L	Fair value through profit and loss
BPS	Basis points	HFT	Held for trading
BT Holdco	Bombardier Transportation (Investment) UK Limited	IAS	International Accounting Standard(s)
CCTD	Cumulative currency translation difference	IASB	International Accounting Standards Board
CDPQ	Caisse de dépôt et placement du Québec	IFRS	International Financial Reporting Standard(s)
CSALP	C Series Aircraft Limited Partnership	L&R	Loans and receivables
DDHR	Derivative designated in a hedge relationship	NCI	Non-controlling interests
DSU	Deferred share unit	OCI	Other comprehensive income (loss)
EBIT	Earnings (loss) before financing expense, financing income and income taxes	PP&E	Property, plant and equipment
		PSU	Performance share unit
EBT	Earnings (loss) before income taxes	R&D	Research and development
EPS	Earnings (loss) per share attributable to equity holders of Bombardier Inc.	RSU	Restricted share unit
		SG&A	Selling, general and administrative
		U.S.	United States of America

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

		Three-month periods ended June 30		Six-month periods ended June 30	
	Notes	**2017**	2016	**2017**	2016
Revenues		**$ 4,092**	$ 4,309	**$ 7,668**	$ 8,223
Cost of sales	10	**3,656**	3,840	**6,823**	7,328
Gross margin		**436**	469	**845**	895
SG&A		**303**	301	**563**	565
R&D	4	**62**	74	**106**	134
Share of income of joint ventures and associates		**(55)**	(18)	**(87)**	(32)
Other expense (income)	5	**(38)**	6	**(29)**	(8)
Special items	6	**287**	357	**310**	431
EBIT		**(123)**	(251)	**(18)**	(195)
Financing expense	7	**194**	187	**333**	355
Financing income	7	**(12)**	(11)	**(22)**	(19)
EBT		**(305)**	(427)	**(329)**	(531)
Income taxes		**(9)**	63	**(2)**	97
Net loss		**$ (296)**	$ (490)	**$ (327)**	$ (628)
Attributable to					
Equity holders of Bombardier Inc.		**$ (289)**	$ (531)	**$ (317)**	$ (692)
NCI		**(7)**	41	**(10)**	64
		$ (296)	$ (490)	**$ (327)**	$ (628)
EPS (in dollars)	8				
Basic and diluted		**$ (0.13)**	$ (0.24)	**$ (0.15)**	$ (0.32)

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in millions of U.S. dollars)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2017	2016	**2017**	2016
Net loss	**$ (296)**	$ (490)	**$ (327)**	$ (628)
OCI				
Items that may be reclassified to net income				
Net change in cash flow hedges				
Foreign exchange re-evaluation	**(1)**	(1)	**(5)**	(7)
Net gain (loss) on derivative financial instruments	**101**	(3)	**94**	127
Reclassification to income or to the related non-financial asset	**30**	81	**90**	190
Income taxes	**(17)**	(19)	**(29)**	(75)
	113	58	**150**	235
AFS financial assets				
Net unrealized gain (loss)	**(1)**	1	**1**	5
CCTD				
Net investments in foreign operations	**(48)**	(46)	**(15)**	(121)
Items that are never reclassified to net income				
Retirement benefits				
Remeasurement of defined benefit plans	**(18)**	(562)	**(79)**	(1,171)
Income taxes	**(23)**	67	**(24)**	73
	(41)	(495)	**(103)**	(1,098)
Total OCI	**23**	(482)	**33**	(979)
Total comprehensive loss	**$ (273)**	$ (972)	**$ (294)**	$ (1,607)
Attributable to				
Equity holders of Bombardier Inc.	**$ (339)**	$ (1,002)	**$ (380)**	$ (1,661)
NCI	**66**	30	**86**	54
	$ (273)	$ (972)	**$ (294)**	$ (1,607)

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

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

	Notes	June 30 2017	December 31 2016	January 1 2016
Assets				
Cash and cash equivalents		**$ 2,217**	$ 3,384	$ 2,720
Trade and other receivables		**1,340**	1,291	1,473
Inventories	10	**6,699**	5,844	6,978
Other financial assets	11	**416**	336	450
Other assets	12	**466**	441	484
Current assets		**11,138**	11,296	12,105
PP&E		**1,932**	1,949	2,061
Aerospace program tooling		**5,725**	5,174	3,975
Goodwill		**1,978**	1,855	1,978
Deferred income taxes		**687**	705	761
Investments in joint ventures and associates		**434**	332	356
Other financial assets	11	**954**	915	870
Other assets	12	**547**	600	797
Non-current assets		**12,257**	11,530	10,798
		$ 23,395	$ 22,826	$ 22,903
Liabilities				
Trade and other payables		**$ 3,926**	$ 3,239	$ 4,040
Provisions	13	**942**	822	1,108
Advances and progress billings in excess of long-term contract inventories		**1,612**	1,539	1,408
Advances on aerospace programs		**1,399**	1,550	2,002
Other financial liabilities	14	**475**	608	991
Other liabilities	15	**2,208**	2,175	2,274
Current liabilities		**10,562**	9,933	11,823
Provisions	13	**1,424**	1,444	918
Advances on aerospace programs		**1,486**	1,535	1,534
Long-term debt		**8,785**	8,738	8,908
Retirement benefits		**2,805**	2,647	2,159
Other financial liabilities	14	**1,148**	999	619
Other liabilities	15	**1,010**	1,019	996
Non-current liabilities		**16,658**	16,382	15,134
		27,220	26,315	26,957
Equity (deficit)				
Attributable to equity holders of Bombardier Inc.		**(5,739)**	(5,243)	(4,067)
Attributable to NCI		**1,914**	1,754	13
		(3,825)	(3,489)	(4,054)
		$ 23,395	$ 22,826	$ 22,903
Commitments and contingencies	20			

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

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

	Attributable to equity holders of Bombardier Inc.											
	Share capital			Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Warrants	Other retained earnings (deficit)	Remea-surement losses	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total equity (deficit)
As at March 31, 2017	$ 347	$ 2,152	$ 73	$ (5,019)	$ (2,831)	$ 137	$ 8	$ (86)	$ (142)	$ (5,361)	$ 1,806	$ (3,555)
Total comprehensive income												
Net loss	—	—	—	(289)	—	—	—	—	—	(289)	(7)	(296)
OCI	—	—	—	—	(32)	—	(1)	111	(128)	(50)	73	23
	—	—	—	(289)	(32)	—	(1)	111	(128)	(339)	66	(273)
Dividends	—	—	—	(6)	—	—	—	—	—	(6)	—	(6)
Share-based expense	—	—	—	—	—	9	—	—	—	9	—	9
Change in NCI	—	—	—	(42)	—	—	—	—	—	(42)	42	—
As at June 30, 2017	**$ 347**	**$ 2,152**	**$ 73**	**$ (5,356)**	**$ (2,863)**	**$ 146**	**$ 7**	**$ 25**	**$ (270)**	**$ (5,739)**	**$ 1,914**	**$ (3,825)**
As at March 31, 2016	$ 347	$ 2,195	$ 10	$ (4,385)	$ (2,683)	$ 109	$ 11	$ (198)	$ (124)	$ (4,718)	$ 1,276	$ (3,442)
Total comprehensive income												
Net income (loss)	—	—	—	(531)	—	—	—	—	—	(531)	41	(490)
OCI	—	—	—	—	(495)	—	1	58	(35)	(471)	(11)	(482)
	—	—	—	(531)	(495)	—	1	58	(35)	(1,002)	30	(972)
Issuance of warrants(1)	—	—	30	—	—	—	—	—	—	30	—	30
Issuance of NCI(1)	—	—	—	243	—	—	—	—	—	243	222	465
Dividends	—	—	—	(6)	—	—	—	—	—	(6)	—	(6)
Share-based expense	—	—	—	—	—	7	—	—	—	7	—	7
As at June 30, 2016	$ 347	$ 2,195	$ 40	$ (4,679)	$ (3,178)	$ 116	$ 12	$ (140)	$ (159)	$ (5,446)	$ 1,528	$ (3,918)

(1) Related to the minority stake in the C Series Aircraft Limited Partnership issued to the Government of Québec on June 30, 2016.

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

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

	Attributable to equity holders of Bombardier Inc.											
	Share capital			Retained earnings (deficit)			Accumulated OCI					
	Preferred shares	Common shares	Warrants	Other retained earnings (deficit)	Remea-surement losses	Contributed surplus	AFS financial assets	Cash flow hedges	CCTD	Total	NCI	Total equity (deficit)
As at December 31, 2016	$ 347	$ 2,152	$ 73	$ (4,905)	$ (2,772)	$ 128	$ 6	$ (123)	$ (149)	$ (5,243)	$ 1,754	$ (3,489)
Total comprehensive income												
Net loss	—	—	—	(317)	—	—	—	—	—	(317)	(10)	(327)
OCI	—	—	—	—	(91)	—	1	148	(121)	(63)	96	33
	—	—	—	(317)	(91)	—	1	148	(121)	(380)	86	(294)
Dividends	—	—	—	(12)	—	—	—	—	—	(12)	—	(12)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(48)	(48)
Share-based expense	—	—	—	—	—	18	—	—	—	18	—	18
Change in NCI	—	—	—	(122)	—	—	—	—	—	(122)	122	—
As at June 30, 2017	**$ 347**	**$ 2,152**	**$ 73**	**$ (5,356)**	**$ (2,863)**	**$ 146**	**$ 7**	**$ 25**	**$ (270)**	**$ (5,739)**	**$ 1,914**	**$ (3,825)**
As at January 1, 2016	$ 347	$ 2,195	$ —	$ (4,219)	$ (2,080)	$ 106	$ 7	$ (375)	$ (48)	$ (4,067)	$ 13	$ (4,054)
Total comprehensive income												
Net income (loss)	—	—	—	(692)	—	—	—	—	—	(692)	64	(628)
OCI	—	—	—	—	(1,098)	—	5	235	(111)	(969)	(10)	(979)
	—	—	—	(692)	(1,098)	—	5	235	(111)	(1,661)	54	(1,607)
Issuance of warrants(1)	—	—	40	—	—	—	—	—	—	40	—	40
Issuance of NCI(1)	—	—	—	243	—	—	—	—	—	243	1,503	1,746
Dividends	—	—	—	(11)	—	—	—	—	—	(11)	—	(11)
Dividends to NCI	—	—	—	—	—	—	—	—	—	—	(42)	(42)
Share-based expense	—	—	—	—	—	10	—	—	—	10	—	10
As at June 30, 2016	$ 347	$ 2,195	$ 40	$ (4,679)	$ (3,178)	$ 116	$ 12	$ (140)	$ (159)	$ (5,446)	$ 1,528	$ (3,918)

(1) Related to the convertible shares issued to the CDPQ on February 11, 2016 in relation to the sale of a minority stake in Transportation and the minority stake in the C Series Aircraft Limited Partnership issued to the Government of Québec on June 30, 2016.

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

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in millions of U.S. dollars)

		Three-month periods ended June 30		Six-month periods ended June 30	
	Notes	**2017**	2016	**2017**	2016
Operating activities					
Net loss		**$ (296)**	$ (490)	**$ (327)**	$ (628)
Non-cash items					
Amortization		**78**	98	**156**	187
Impairment charges on PP&E and intangible assets	5, 6	**43**	—	**43**	—
Deferred income taxes		**8**	(52)	**5**	(56)
Gains on disposals of PP&E	5	**(28)**	(4)	**(30)**	(11)
Share of income of joint ventures and associates		**(55)**	(18)	**(87)**	(32)
Share-based expense	16	**9**	7	**18**	10
Dividends received from joint ventures and associates		**1**	34	**3**	80
Net change in non-cash balances	17	**59**	267	**(279)**	(164)
Cash flows from operating activities		**(181)**	(158)	**(498)**	(614)
Investing activities					
Additions to PP&E and intangible assets		**(443)**	(341)	**(724)**	(649)
Proceeds from disposals of PP&E and intangible assets		**54**	9	**59**	23
Other		**(6)**	4	**22**	1
Cash flows from investing activities		**(395)**	(328)	**(643)**	(625)
Financing activities					
Net proceeds from issuance of long-term debt		**—**	1	**—**	1
Repayments of long-term debt		**(8)**	(39)	**(17)**	(47)
Net change in short-term borrowings	14	**(53)**	111	**54**	111
Dividends paid(1)		**(4)**	(4)	**(8)**	(8)
Issuance of NCI, net of transaction costs(2)		**—**	466	**—**	1,932
Dividends to NCI		**—**	—	**(48)**	(42)
Other		**(38)**	(12)	**(28)**	(23)
Cash flows from financing activities		**(103)**	523	**(47)**	1,924
Effect of exchange rates on cash and cash equivalents		**9**	(60)	**21**	(69)
Net increase (decrease) in cash and cash equivalents		**(670)**	(23)	**(1,167)**	616
Cash and cash equivalents at beginning of period		**2,887**	3,359	**3,384**	2,720
Cash and cash equivalents at end of period		**$ 2,217**	$ 3,336	**$ 2,217**	$ 3,336
Supplemental information(3)(4)					
Cash paid for					
Interest		**$ 161**	$ 99	**$ 297**	$ 274
Income taxes		**$ 19**	$ 22	**$ 32**	$ 57
Cash received for					
Interest		**$ 5**	$ 5	**$ 11**	$ 10
Income taxes		**$ 11**	$ 2	**$ 13**	$ 4

(1) Related to preferred shares.
(2) Related to the convertible shares issued to the CDPQ on February 11, 2016 in relation to the sale of a minority stake in Transportation and the minority stake in the C Series Aircraft Limited Partnership issued to the Government of Québec on June 30, 2016.
(3) Amounts paid or received for interest are reflected as cash flows from operating activities, except if they were capitalized in PP&E or intangible assets, in which case they are reflected as cash flows from investing activities. Amounts paid or received for income taxes are reflected as cash flows from operating activities.
(4) Interest paid comprises interest on long-term debt after the effect of hedges, if any, excluding up-front costs paid related to the negotiation of debts or credit facilities. Interest received comprises interest received related to cash and cash equivalents, investments in securities, loans and lease receivables after the effect of hedges and the interest portion related to the settlement of an interest-rate swap, if any.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2017
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

1. BASIS OF PREPARATION

Bombardier Inc. ("the Corporation" or "our" or "we") is incorporated under the laws of Canada. The Corporation is a manufacturer of transportation equipment, including business and commercial aircraft, as well as major aircraft structural components, and rail transportation equipment and systems, and is a provider of related services. The Corporation carries out its operations in four distinct segments: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation.

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with IAS 34, *Interim financial reporting*, as issued by the IASB. The interim consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation's Financial Report for the fiscal year ended December 31, 2016.

These interim consolidated financial statements for the three- and six-month periods ended June 30, 2017 were authorized for issuance by the Board of Directors on July 27, 2017.

The results of operations and cash flows for the interim periods are not necessarily indicative of the results of operations and cash flows for the full fiscal year.

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

The exchange rates for the major currencies used in the preparation of the interim consolidated financial statements were as follows:

			Exchange rates as at
	June 30, 2017	December 31, 2016	January 1, 2016
Euro	**1.1413**	1.0541	1.0887
Canadian dollar	**0.7677**	0.7430	0.7202
Pound sterling	**1.2971**	1.2312	1.4833

		Average exchange rates for the three-month periods ended		**Average exchange rates for the six-month periods ended**
	June 30, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016
Euro	**1.0981**	1.1300	**1.0813**	1.1157
Canadian dollar	**0.7424**	0.7758	**0.7490**	0.7511
Pound sterling	**1.2789**	1.4372	**1.2583**	1.4344

2. FUTURE CHANGES IN ACCOUNTING POLICIES

Financial instruments
In July 2014, the IASB completed the three-part project to replace IAS 39, *Financial instruments: recognition and measurement* by issuing IFRS 9, *Financial instruments*. IFRS 9, *Financial instruments* includes classification and measurement of financial assets and financial liabilities, a forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability at FVTP&L, will be presented in OCI rather than in the statement of income.

IFRS 9 also introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a more timely basis.

Lastly, IFRS 9 introduced a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 will be effective for the Corporation's fiscal year beginning on January 1, 2018. The Corporation is currently assessing the impact of the adoption of this standard on its consolidated financial statements. The Corporation does not expect significant hedge accounting differences in respect of aerospace segments. The Corporation continues to analyze the application of hedge accounting under the new standard in respect of long-term contracts in the Transportation segment. The Corporation's preliminary analysis has not identified significant recognition or measurement differences in respect of classification and measurement.

Revenue Recognition
In May 2014, the IASB released IFRS 15, *Revenue from contracts with customers*, which supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue* as well as other related interpretations. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services.

For the Corporation the standard comes into effect January 1, 2018, and as a result IFRS 15 will be adopted in the first quarter of 2018. At that time the Corporation will restate its 2017 results, with an opening adjustment to equity as at January 1, 2017.

The Corporation is continuing to assess the impact of the new standard on its consolidated financial statements.

The majority of long-term manufacturing and service contracts at Transportation currently accounted for under the percentage-of-completion method are expected to meet the requirements for revenue recognition over time. The Corporation anticipates its accounting for customer options will change, in particular with respect to when the options are considered in estimated revenues at completion. This change will result in the deferral of revenue and margin and a reduction of equity at transition. The Corporation is currently assessing whether the new standard will result in the deferral of revenue recognition in respect of certain variable consideration such as estimated price escalation.

Revenues from the sale of new aircraft will continue to be recognized when the aircraft have been delivered.

The Corporation will need to account for a significant financing component on orders where timing of cash receipts and revenue recognition differ substantially.

IFRS 15 indicates IAS 37, *Provisions, Contingent liabilities and Contingent Assets*, should be applied to onerous contracts but contains no other requirements as to their measurement. When the new revenue standard is adopted all loss provisions for contracts with customers will need to follow the same policy for the definition of unavoidable costs of fulfilling the contract. The Corporation expects to define unavoidable costs as the costs that the Corporation cannot avoid because it has the contract (for example, this would include an allocation of overhead costs if those costs are incurred for activities required to complete the contract). This approach is currently used for long-term contracts, however it would represent a change in accounting policy for other contracts and would increase the amount of onerous contract provisions and result in a reduction of equity at transition.

While these changes will impact the timing of revenue and margin recognition, and will result in a reduction of equity at transition, there will be no changes to the treatment of cash flows and cash will still be collected in line with contractual terms.

The Corporation will provide further updates during the course of fiscal year 2017 as it advances in its assessment.

Leases

In January 2016, the IASB released IFRS 16, *Leases*, to replace the previous leases Standard, IAS 17, *Leases,* and related Interpretations**.** IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will be effective for the Corporation's fiscal year beginning on January 1, 2019. The Corporation is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.
Where the Corporation is a lessee, the Corporation expects IFRS 16 will result in on-balance sheet recognition of most of its leases that are considered operating leases under IAS 17. This will result in the gross-up of the balance sheet through the recognition of a right-of-use asset and a liability for the present value of the future lease payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating lease expense.

3. SEGMENT DISCLOSURE

The Corporation has four reportable segments: Business Aircraft, Commercial Aircraft, Aerostructures and Engineering Services and Transportation. Each reportable segment offers different products and services and mostly requires different technology and marketing strategies.

Business Aircraft

A global leader in the design, manufacture and aftermarket support for three families of business jets (*Learjet, Challenger* and *Global)*, spanning from the light to large categories.

Commercial Aircraft

Commercial Aircraft designs and manufactures a broad portfolio of commercial aircraft in the 60- to 150-seat categories, including the *Q400* turboprops, the *CRJ Series* family of regional jets as well as the all-new *C Series* mainline jets. Commercial Aircraft provides aftermarket support for these aircraft as well as for the 20- to 59-seat range category.

Aerostructures and Engineering Services

Aerostructures and Engineering Services designs and manufactures major aircraft structural components (such as engine nacelles, fuselages and wings) and provides aftermarket component repair and overhaul as well as other engineering services for both internal and external clients.

Transportation

Transportation provides the most comprehensive product range and services offering in the rail industry and covers the full spectrum of rail solutions, ranging from complete trains to subsystems, services, system integration, signalling and e-mobility solutions.

Corporate and Elimination
Corporate and Elimination comprise corporate charges that are not allocated to segments, elimination of profit on intercompany transactions and other adjustments.

The segmented information is prepared using the same accounting policies as those described in the annual consolidated financial statements for the fiscal year ended December 31, 2016.

Management assesses segment performance based on EBIT and EBIT before special items. The segmented results of operations and other information were as follows:

												Three-month period ended June 30, 2017
		Transportation		**Business Aircraft**		**Commercial Aircraft**		**Aerostructures and Engineering Services**		**Corporate and Elimination**		**Total**
Results of operations												
External revenues	**$**	**1,973**	**$**	**1,386**	**$**	**641**	**$**	**90**	**$**	**2**	**$**	**4,092**
Intersegment revenues		**2**		**—**		**(1)**		**336**		**(337)**		**—**
Total revenues		**1,975**		**1,386**		**640**		**426**		**(335)**		**4,092**
EBIT before special items		**161**		**123**		**(86)**		**33**		**(67)**		**164**
Special items(1)		**213**		**28**		**1**		**—**		**45**		**287**
EBIT	**$**	**(52)**	**$**	**95**	**$**	**(87)**	**$**	**33**	**$**	**(112)**		**(123)**
Financing expense												**194**
Financing income												**(12)**
EBT												**(305)**
Income taxes												**(9)**
Net loss											**$**	**(296)**
Other information												
R&D(2)	**$**	**30**	**$**	**16**	**$**	**10**	**$**	**—**	**$**	**6**	**$**	**62**
Net additions to PP&E and intangible assets(3)	**$**	**18**	**$**	**373**	**$**	**(14)**	**$**	**3**	**$**	**9**	**$**	**389**
Amortization	**$**	**27**	**$**	**25**	**$**	**16**	**$**	**9**	**$**	**1**	**$**	**78**
Impairment charges on intangible assets	**$**	**—**	**$**	**—**	**$**	**5**	**$**	**—**	**$**	**—**	**$**	**5**
Impairment charges on PP&E(1)	**$**	**32**	**$**	**—**	**$**	**—**	**$**	**—**	**$**	**6**	**$**	**38**

												Three-month period ended June 30, 2016
		Transportation		Business Aircraft		Commercial Aircraft		Aerostructures and Engineering Services		Corporate and Elimination		Total
Results of operations												
External revenues	$	1,962	$	1,472	$	764	$	109	$	2	$	4,309
Intersegment revenues		2		1		—		316		(319)		—
Total revenues		1,964		1,473		764		425		(317)		4,309
EBIT before special items		124		98		(103)		30		(43)		106
Special items(1)		37		(114)		483		(39)		(10)		357
EBIT	$	87	$	212	$	(586)	$	69	$	(33)		(251)
Financing expense												187
Financing income												(11)
EBT												(427)
Income taxes												63
Net loss											$	(490)
Other information												
R&D(2)	$	27	$	34	$	6	$	2	$	5	$	74
Net additions to PP&E and intangible assets(3)	$	29	$	162	$	137	$	4	$	—	$	332
Amortization	$	25	$	48	$	13	$	12	$	—	$	98

(1) See Note 6 – Special items for more details.
(2) Includes tooling amortization. See Note 4 – Research and development for more details.
(3) As per the consolidated statements of cash flows.

	Six-month period ended June 30, 2017					
	Transportation	**Business Aircraft**	**Commercial Aircraft**	**Aerostructures and Engineering Services**	**Corporate and Elimination**	**Total**
Results of operations						
External revenues	**$ 3,895**	**$ 2,393**	**$ 1,180**	**$ 197**	**$ 3**	**$ 7,668**
Intersegment revenues	**3**	**—**	**—**	**617**	**(620)**	**—**
Total revenues	**3,898**	**2,393**	**1,180**	**814**	**(617)**	**7,668**
EBIT before special items	**314**	**200**	**(141)**	**62**	**(143)**	**292**
Special items[1]	**232**	**31**	**2**	**—**	**45**	**310**
EBIT	**$ 82**	**$ 169**	**$ (143)**	**$ 62**	**$ (188)**	**(18)**
Financing expense						**333**
Financing income						**(22)**
EBT						**(329)**
Income taxes						**(2)**
Net loss						**$ (327)**
Other information						
R&D[2]	**$ 49**	**$ 27**	**$ 19**	**$ 1**	**$ 10**	**$ 106**
Net additions to PP&E and intangible assets[3]	**$ 24**	**$ 581**	**$ 61**	**$ 11**	**$ (12)**	**$ 665**
Amortization	**$ 51**	**$ 45**	**$ 34**	**$ 25**	**$ 1**	**$ 156**
Impairment charges on intangible assets	**$ —**	**$ —**	**$ 5**	**$ —**	**$ —**	**$ 5**
Impairment charges on PP&E[1]	**$ 32**	**$ —**	**$ —**	**$ —**	**$ 6**	**$ 38**

	Six-month period ended June 30, 2016					
	Transportation	Business Aircraft	Commercial Aircraft	Aerostructures and Engineering Services	Corporate and Elimination	Total
Results of operations						
External revenues	$ 3,841	$ 2,775	$ 1,380	$ 224	$ 3	$ 8,223
Intersegment revenues	3	1	—	669	(673)	—
Total revenues	3,844	2,776	1,380	893	(670)	8,223
EBIT before special items	239	185	(169)	65	(84)	236
Special items[1]	129	(109)	483	(19)	(53)	431
EBIT	$ 110	$ 294	$ (652)	$ 84	$ (31)	(195)
Financing expense						355
Financing income						(19)
EBT						(531)
Income taxes						97
Net loss						$ (628)
Other information						
R&D[2]	$ 50	$ 60	$ 12	$ 4	$ 8	$ 134
Net additions to PP&E and intangible assets[3]	$ 52	$ 315	$ 250	$ 8	$ 1	$ 626
Amortization	$ 49	$ 73	$ 39	$ 26	$ —	$ 187

[1] See Note 6 – Special items for more details.
[2] Includes tooling amortization. See Note 4 – Research and development for more details.
[3] As per the consolidated statements of cash flows.

The reconciliation of total assets and total liabilities to segmented assets and liabilities is as follows, as at:

	June 30, 2017	December 31, 2016	January 1, 2016
Assets			
Total assets	**$ 23,395**	$ 22,826	$ 22,903
Assets not allocated to segments			
Cash and cash equivalents	**2,217**	3,384	2,720
Income tax receivable(1)	**49**	41	56
Deferred income taxes	**687**	705	761
Segmented assets	**20,442**	18,696	19,366
Liabilities			
Total liabilities	**27,220**	26,315	26,957
Liabilities not allocated to segments			
Interest payable(2)	**138**	141	154
Income taxes payable(3)	**214**	222	224
Long-term debt(4)	**8,807**	8,769	8,979
Segmented liabilities	**$ 18,061**	$ 17,183	$ 17,600
Net segmented assets			
Transportation	**$ 223**	$ (33)	$ 354
Business Aircraft	**$ 2,005**	$ 1,448	$ 395
Commercial Aircraft	**$ 560**	$ 434	$ 467
Aerostructures and Engineering Services	**$ 158**	$ 142	$ 434
Corporate and Elimination	**$ (565)**	$ (478)	$ 116

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

4. RESEARCH AND DEVELOPMENT

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2017	2016	**2017**	2016
R&D expenditures	**$ 419**	$ 665	**$ 662**	$ 952
Less: development expenditures capitalized to aerospace program tooling	**(379)**	(630)	**(595)**	(888)
	40	35	**67**	64
Add: amortization of aerospace program tooling	**22**	39	**39**	70
	$ 62	$ 74	**$ 106**	$ 134

5. OTHER EXPENSE (INCOME)

Other expense (income) was as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2017	2016	**2017**	2016
Gains on disposals of PP&E	**$ (28)**	$ (4)	**$ (30)**	$ (11)
Impairment of intangible assets[1]	**5**	—	**5**	—
Changes in estimates and fair value[2]	**(14)**	13	**(4)**	5
Severance and other involuntary termination costs (including changes in estimates)[1]	**2**	(3)	**3**	(2)
Other	**(3)**	—	**(3)**	—
	$ (38)	$ 6	**$ (29)**	$ (8)

(1) Excludes those presented in special items.
(2) Includes net loss (gain) on certain financial instruments measured at fair value and changes in estimates related to certain provisions or certain financial instruments, excluding losses (gains) arising from changes in interest rates.

6. SPECIAL ITEMS

Special items comprise items which do not reflect the Corporation's core performance or where their separate presentation will assist users of the consolidated financial statements in understanding the Corporation's results for the period. Such items include, among others, the impact of restructuring charges and significant impairment charges and reversals.

Special items were as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2017	2016	**2017**	2016
Restructuring charges[(1)]	**$ 218**	$ 44	**$ 241**	$ 156
Primove impairment and other costs[(2)]	**45**	—	**45**	—
Re-negotiation of a commercial agreement[(3)]	**35**	—	**35**	—
Reversal of *Learjet 85* aircraft program cancellation provisions[(4)]	**(11)**	(54)	**(11)**	(54)
Onerous contracts provision - *C Series* aircraft program[(5)]	**—**	492	**—**	492
Pension obligation[(6)]	**—**	(139)	**—**	(139)
Tax litigation[(7)]	**—**	40	**—**	40
Foreign exchange gains related to the sale of a minority stake in Transportation[(8)]	**—**	—	**—**	(38)
Transaction costs[(9)]	**—**	—	**—**	8
Tax impacts of special items	**(8)**	(3)	**(9)**	(13)
	$ 279	$ 380	**$ 301**	$ 452
Of which is presented in				
Special items in EBIT	**$ 287**	$ 357	**$ 310**	$ 431
Financing expense - interests related to tax litigation[(7)]	**—**	26	**—**	26
Financing expense - transaction costs[(9)]	**—**	—	**—**	8
Income taxes - effect of special items	**(8)**	(3)	**(9)**	(13)
	$ 279	$ 380	**$ 301**	$ 452

(1) For the three- and six-month periods ended June 30, 2017, represents severance charges of $188 million and $211 million partially offset by curtailment gains of $2 million, and impairment charges of PP&E of $32 million, all related to previously-announced restructuring actions, respectively. For the three- and six-month periods ended June 30, 2016, represents restructuring charges of $48 million and $173 million and curtailment gains of $4 million and $17 million related to previously-announced restructuring actions, respectively.

(2) Following a reassessment of the value of the *Primove* e-mobility technology and the status of existing contractual obligations, in the second quarter of 2017, the Corporation recorded an inventory write-down of $22 million, impairment charges of PP&E of $6 million, and a contract provision of $17 million. *Primove* offers e-mobility solutions for several types of electronic rail and road vehicles.

(3) A provision was taken during the second quarter of 2017 to reflect the anticipated outcome of a re-negotiation of a commercial agreement with a third party.

(4) Based on the ongoing activities with respect to the cancellation of the *Learjet 85* aircraft program, the Corporation reduced the related provisions by $11 million in the three-month period ended June 30, 2017 ($54 million in the three-month period ended June 30, 2016). The reduction in provisions is treated as a special item since the original provisions were also recorded as special charges in 2014 and 2015.

(5) Represents provision for onerous contracts in conjunction with the closing of *C Series* aircraft firm orders in the second quarter of 2016.

(6) The Corporation had a constructive obligation for discretionary ad hoc indexation increases to certain pension plans. Following a communication to plan members that the Corporation does not expect to grant such increases in the foreseeable future in line with the Corporation's current practice, the constructive obligation amounting to $139 million was reversed.

(7) Represents a change in the estimates used to determine the provision related to tax litigation.

(8) Represents foreign exchange gains related to the reorganization of Transportation under one holding entity necessary to facilitate the placement of a minority stake in Transportation.

(9) Represents transaction costs attributable to the conversion option embedded in the CDPQ investment in BT Holdco.

7. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2017	2016	**2017**	2016
Financing expense				
Accretion on net retirement benefit obligations	**$ 19**	$ 17	**$ 38**	$ 34
Accretion on other financial liabilities	**15**	13	**28**	27
Net loss on certain financial instruments[1]	**41**	7	**28**	13
Accretion on provisions	**5**	2	**10**	5
Amortization of letter of credit facility costs	**4**	11	**8**	16
Changes in discount rates of provisions	**—**	3	**3**	12
Tax litigation[2]	**—**	26	**—**	26
Transaction costs[3]	**—**	—	**—**	8
Other	**19**	19	**32**	31
	103	98	**147**	172
Interest on long-term debt, after effect of hedges	**91**	89	**186**	183
	$ 194	$ 187	**$ 333**	$ 355
Financing income				
Changes in discount rates of provisions	**$ (2)**	$ —	**$ —**	$ —
Other	**(3)**	—	**(5)**	(4)
	(5)	—	**(5)**	(4)
Income from investment in securities	**(2)**	(5)	**(7)**	(5)
Interest on cash and cash equivalents	**(3)**	(3)	**(6)**	(5)
Interest on loans and lease receivables, after effect of hedges	**(2)**	(3)	**(4)**	(5)
	(7)	(11)	**(17)**	(15)
	$ (12)	$ (11)	**$ (22)**	$ (19)

(1) Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.
(2) Represents a change in the estimates used to determine the provision related to tax litigation. See Note 6 – Special items for more details.
(3) Represents transaction costs attributable to the conversion option embedded in the CDPQ investment in BT Holdco. See Note 6 – Special items for more details.

Borrowing costs capitalized to PP&E and intangible assets totalled $44 million and $82 million for the three- and six-month periods ended June 30, 2017, using an average capitalization rate of 6.20% and 6.08%, respectively ($33 million and $59 million and 5.57% and 5.35% for the three- and six-month periods ended June 30, 2016, respectively). Capitalized borrowing costs are deducted from the related interest expense (i.e. interest on long-term debt or accretion on other financial liabilities, if any).

8. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2017	2016	**2017**	2016
(Number of shares, stock options, PSUs, DSUs, RSUs and warrants, in thousands)				
Net loss attributable to equity holders of Bombardier Inc.	**$ (289)**	$ (531)	**$ (317)**	$ (692)
Preferred share dividends, including taxes	**(6)**	(6)	**(12)**	(11)
Net loss attributable to common equity holders of Bombardier Inc.	**$ (295)**	$ (537)	**$ (329)**	$ (703)
Weighted-average number of common shares outstanding	**2,194,862**	2,222,874	**2,194,854**	2,222,942
Net effect of stock options, PSUs, DSUs, RSUs, warrants and conversion option	**—**	—	**—**	—
Weighted-average diluted number of common shares	**2,194,862**	2,222,874	**2,194,854**	2,222,942
EPS (in dollars)				
Basic and diluted	**$ (0.13)**	$ (0.24)	**$ (0.15)**	$ (0.32)

The effect of the exercise of stock options, PSUs, DSUs, RSUs and warrants was included in the calculation of diluted EPS in the above table, except for 352,112,125 and 352,692,200 for the three- and six-month periods ended June 30, 2017, respectively (224,809,781 and 189,228,287 for the three- and six-month periods ended June 30, 2016, respectively) since the average market value of the underlying shares was lower than the exercise price, or because the predetermined target market price thresholds of the Corporation’s Class B Shares (subordinate voting) or predetermined financial performance targets had not been met or the effect of the exercise would be antidilutive. The calculation of diluted EPS did not include the impact of the CDPQ conversion option since the minimum return entitlement was greater than CDPQ’s shares of the BT Holdco net income on an as converted basis assuming Transportation does not achieve its performance targets. The Corporation’s obligation to fund the CSALP through issuance of additional units is not dilutive since the subscription price approximates the fair value of the equity to be acquired.

9. FINANCIAL INSTRUMENTS

The classification of financial instruments and their carrying amounts and fair values were as follows, as at:

	FVTP&L						
	HFT	Designated	AFS	Amortized cost (1)	DDHR	Total carrying value	Fair value
June 30, 2017							
Financial assets							
Cash and cash equivalents	**$ 2,217**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 2,217**	**$ 2,217**
Trade and other receivables	**—**	**—**	**—**	**1,340**	**—**	**1,340**	**1,340**
Other financial assets	**223**	**211**	**349**	**318**	**269**	**1,370**	**1,408**
	$ 2,440	**$ 211**	**$ 349**	**$ 1,658**	**$ 269**	**$ 4,927**	**$ 4,965**
Financial liabilities							
Trade and other payables	**$ —**	**$ 9**	**n/a**	**$ 3,917**	**$ —**	**$ 3,926**	**$ 3,926**
Long-term debt(2)	**—**	**—**	**n/a**	**8,807**	**—**	**8,807**	**9,064**
Other financial liabilities	**287**	**130**	**n/a**	**953**	**231**	**1,601**	**1,643**
	$ 287	**$ 139**	**n/a**	**$ 13,677**	**$ 231**	**$ 14,334**	**$ 14,633**
December 31, 2016							
Financial assets							
Cash and cash equivalents	$ 3,384	$ —	$ —	$ —	$ —	$ 3,384	$ 3,384
Trade and other receivables	—	—	—	1,291	—	1,291	1,291
Other financial assets	144	227	374	310	196	1,251	1,272
	$ 3,528	$ 227	$ 374	$ 1,601	$ 196	$ 5,926	$ 5,947
Financial liabilities							
Trade and other payables	$ —	$ 6	n/a	$ 3,233	$ —	$ 3,239	$ 3,239
Long-term debt(2)	—	—	n/a	8,769	—	8,769	8,624
Other financial liabilities	259	141	n/a	808	368	1,576	1,616
	$ 259	$ 147	n/a	$ 12,810	$ 368	$ 13,584	$ 13,479
January 1, 2016							
Financial assets							
Cash and cash equivalents	$ 2,720	$ —	$ —	$ —	$ —	$ 2,720	$ 2,720
Trade and other receivables	—	—	—	1,473	—	1,473	1,473
Other financial assets	13	230	348	380	349	1,320	1,326
	$ 2,733	$ 230	$ 348	$ 1,853	$ 349	$ 5,513	$ 5,519
Financial liabilities							
Trade and other payables	$ —	$ 1	n/a	$ 4,039	$ —	$ 4,040	$ 4,040
Long-term debt(2)	—	—	n/a	8,979	—	8,979	6,767
Other financial liabilities	41	135	n/a	702	661	1,539	1,426
	$ 41	$ 136	n/a	$ 13,720	$ 661	$ 14,558	$ 12,233

(1) Financial assets are classified as L&R and financial liabilities as other than HFT.
(2) Includes the current portion of long-term debt.
n/a: Not applicable

10. INVENTORIES

Inventories were as follows, as at:

		June 30, 2017		December 31, 2016		January 1, 2016
Aerospace programs	$	**3,200**	$	3,187	$	4,215
Long-term contracts						
Production contracts						
Cost incurred and recorded margins		**8,115**		6,995		7,064
Less: advances and progress billings		**(6,067)**		(5,457)		(5,490)
		2,048		1,538		1,574
Service contracts						
Cost incurred and recorded margins		**488**		221		223
Less: advances and progress billings		**(55)**		(6)		(17)
		433		215		206
Finished products[(1)]		**1,018**		904		983
	$	**6,699**	$	5,844	$	6,978

(1) Finished products include 8 new aircraft not associated with a firm order and 12 pre-owned aircraft, totaling $245 million as at June 30, 2017 (1 new aircraft and 12 pre-owned aircraft, totaling $67 million as at December 31, 2016 and 4 new aircraft and 54 pre-owned aircraft, totaling $279 million as at January 1, 2016).

Finished products as at June 30, 2017 include nil of pre-owned aircraft legally sold to third parties and leased back under sale and leaseback facilities ($19 million as at December 31, 2016 and $81 million as at January 1, 2016). The related sales proceeds are accounted for as sale and leaseback obligations.

The amount of inventories recognized as cost of sales totalled $3,496 million and $6,442 million for the three- and six-month periods ended June 30, 2017, respectively ($3,473 million and $6,796 million for the three- and six-month periods ended June 30, 2016, respectively). These amounts include $120 million and $199 million of write-downs and $6 million and $14 million of reversal of write-downs for the three- and six-month periods ended June 30, 2017, respectively ($82 million and $111 million of write-downs and nil of reversal of write-downs for the three- and six-month periods ended June 30, 2016, respectively).

For the three- and six-month periods ended June 30, 2017, an amount of inventories of $22 million has been recognized as a special item following the impairment of *Primove* assets. See Note 6 – Special items for more details.

In connection with certain long-term contracts, Transportation enters into arrangements whereby amounts are received from third-party advance providers in exchange for the rights to customer payments. There is no recourse to Transportation if the customer defaults on its payment obligations assigned to the third-party advance provider. Amounts received under these arrangements are included as advances and progress billings in reduction of long-term contracts (production contracts) inventories and amounted to €515 million ($588 million) as at June 30, 2017 (€471 million ($496 million) as at December 31, 2016 and (€334 million ($364 million) as at January 1, 2016). The third-party advance providers could request repayment of these amounts if Transportation fails to perform its contractual obligations under the related long-term contract.

11. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

	June 30, 2017	December 31, 2016	January 1, 2016
Derivative financial instruments	**$ 492**	$ 340	$ 362
Investments in securities[1][2]	**352**	380	359
Long-term contract receivables	**243**	231	298
Investments in financing structures[1]	**212**	211	197
Aircraft loans and lease receivables[1]	**49**	64	81
Restricted cash	**7**	10	11
Other	**15**	15	12
	$ 1,370	$ 1,251	$ 1,320
Of which current	**$ 416**	$ 336	$ 450
Of which non-current	**954**	915	870
	$ 1,370	$ 1,251	$ 1,320

(1) Carried at fair value, except for $2 million of aircraft loans and lease receivables, $3 million of investments in securities and $48 million of investment in financing structures carried at amortized cost as at June 30, 2017 ($2 million, $6 million and $46 million, respectively, as at December 31, 2016 and $2 million, $11 million and $46 million, respectively, as at January 1, 2016).

(2) Includes $51 million of securities to secure contingent capital contributions to be made in relation to guarantees issued in connection with the sale of aircraft as at June 30, 2017 ($78 million as at December 31, 2016, and $80 million as at January 1, 2016).

12. OTHER ASSETS

Other assets were as follows, as at:

	June 30, 2017	December 31, 2016	January 1, 2016
Prepaid sales concessions and deferred contract costs	**$ 272**	$ 300	$ 341
Sales tax and other taxes	**233**	238	244
Prepaid expenses	**151**	145	174
Retirement benefits	**122**	124	251
Intangible assets other than aerospace program tooling and goodwill	**99**	112	114
Deferred financing charges	**50**	51	72
Income taxes receivable	**49**	41	56
Other	**37**	30	29
	$ 1,013	$ 1,041	$ 1,281
Of which current	**$ 466**	$ 441	$ 484
Of which non-current	**547**	600	797
	$ 1,013	$ 1,041	$ 1,281

13. PROVISIONS

Changes in provisions were as follows, for the three- and six-month periods ended June 30:

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Other[(1)]	Total
Balance as at December 31, 2016	$ 670	$ 562	$ 111	$ 923	$ 2,266
Additions	53	2	24 [(2)]	28	107
Utilization	(44)	(11)	(42)	(115)	(212)
Reversals	(14)	—	(2)	(1)	(17)
Accretion expense	—	2	—	3	5
Effect of changes in discount rates	—	—	—	5	5
Effect of foreign currency exchange rate changes	9	—	3	1	13
Balance as at March 31, 2017	$ 674	$ 555	$ 94	$ 844	$ 2,167
Additions	50	—	188 [(2)]	72 [(3)]	310
Utilization	(33)	(6)	(25)	(36)	(100)
Reversals	(22)	(3)	—	(29) [(4)]	(54)
Accretion expense	1	2	—	2	5
Effect of changes in discount rates	—	(2)	—	—	(2)
Effect of foreign currency exchange rate changes	21	—	14	5	40
Balance as at June 30, 2017	$ 691	$ 546	$ 271	$ 858	$ 2,366
Of which current	$ 536	$ 68	$ 192	$ 146	$ 942
Of which non-current	155	478	79	712	1,424
	$ 691	$ 546	$ 271	$ 858	$ 2,366

	Product warranties	Credit and residual value guarantees	Restructuring, severance and other termination benefits	Other[(1)]	Total
Balance as at January 1, 2016	$ 725	$ 670	$ 66	$ 565	$ 2,026
Additions	53	—	126 [(2)]	10	189
Utilization	(51)	(3)	(15)	(1)	(70)
Reversals	(10)	(22)	(2)	(56)	(90)
Accretion expense	—	3	—	—	3
Effect of changes in discount rates	1	8	—	—	9
Effect of foreign currency exchange rate changes	15	—	2	1	18
Balance as at March 31, 2016	$ 733	$ 656	$ 177	$ 519	$ 2,085
Additions	56	2	49 [(2)]	545 [(5)]	652
Utilization	(55)	(7)	(25)	(34)	(121)
Reversals	(43)	—	(4)	(56) [(4)]	(103)
Accretion expense	1	1	—	—	2
Effect of changes in discount rates	—	3	—	—	3
Effect of foreign currency exchange rate changes	(12)	—	(6)	(1)	(19)
Balance as at June 30, 2016	$ 680	$ 655	$ 191	$ 973	$ 2,499
Of which current	$ 531	$ 75	$ 190	$ 277	$ 1,073
Of which non-current	149	580	1	696	1,426
	$ 680	$ 655	$ 191	$ 973	$ 2,499

(1) Mainly comprised of onerous contract provisions, claims and litigations.
(2) See Note 6 – Special items for more details on additions related to restructuring charges.
(3) See Note 6 – Special items for more details on the addition related to the re-negotiation of a commercial agreement and on the addition related to the *Primove* impairment and other costs.
(4) See Note 6 – Special items for more details on the reversal of *Learjet 85* aircraft program cancellation provisions.
(5) See Note 6 – Special items for more details on the addition related to the *C Series* aircraft program onerous contracts provision and on the addition related to the tax litigation provision.

14. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

		June 30, 2017		December 31, 2016		January 1, 2016
Derivative financial instruments	**$**	**518**	$	627	$	702
Government refundable advances		**491**		395		411
Vendor non-recurring costs		**346**		351		20
Lease subsidies		**130**		141		135
Short-term borrowings[1]		**57**		—		—
Current portion of long-term debt		**22**		31		71
Sale and leaseback obligations		**—**		25		133
Other		**59**		37		138
	$	**1,623**	$	1,607	$	1,610
Of which current	**$**	**475**	$	608	$	991
Of which non-current		**1,148**		999		619
	$	**1,623**	$	1,607	$	1,610

[1] Relates to amounts drawn under Transportation's €640-million ($730-million) unsecured revolving credit facility. Also see Note 18 – Credit facilities.

15. OTHER LIABILITIES

Other liabilities were as follows, as at:

		June 30, 2017		December 31, 2016		January 1, 2016
Accruals for long-term contract costs	**$**	**688**	$	579	$	606
Supplier contributions to aerospace programs		**647**		650		606
Employee benefits		**629**		652		647
Deferred revenues		**479**		422		397
Income taxes payable		**214**		222		224
Other taxes payable		**97**		163		212
Other		**464**		506		578
	$	**3,218**	$	3,194	$	3,270
Of which current	**$**	**2,208**	$	2,175	$	2,274
Of which non-current		**1,010**		1,019		996
	$	**3,218**	$	3,194	$	3,270

16. SHARE-BASED PLANS

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

						Three-month periods ended June 30
			2017			2016
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**39,121,351**	**2,677,843**	**21,709,319**	15,299,251	4,654,619	22,492,023
Granted	**1,545,263**	**—**	**—**	—	—	1,071,165
Exercised	**—**	**—**	**—**	(65,790)	(161,880)	—
Forfeited	**(602,984)**	**—**	**(353,138)**	(150,153)	(466,140)	(360,077)
Balance at end of period	**40,063,630**	**2,677,843** [(1)]	**21,356,181**	15,083,308	4,026,599 [(1)]	23,203,111

						Six-month periods ended June 30
			2017			2016
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of period	**39,324,712**	**2,677,843**	**22,058,924**	15,627,217	4,883,829	22,332,682
Granted	**2,182,285**	**—**	**—**	—	—	1,659,631
Exercised	**—**	**—**	**—**	(65,790)	(248,883)	—
Forfeited	**(1,443,367)**	**—**	**(702,743)**	(478,119)	(608,347)	(789,202)
Balance at end of period	**40,063,630**	**2,677,843** [(1)]	**21,356,181**	15,083,308	4,026,599 [(1)]	23,203,111

[(1)] Of which 1,260,639 DSUs are vested as at June 30, 2017 (1,362,817 as at June 30, 2016).

The compensation expense, with respect to the PSU, DSU and RSU plans, amounted to $5 million and $11 million during the three- and six-month periods ended June 30, 2017 ($4 million and $6 million during the three- and six-month periods ended June 30, 2016).

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 June 30		**Six-month periods ended June 30**	
	2017	2016	**2017**	2016
Balance at beginning of period	**97,258,265**	74,801,926	**97,039,186**	74,347,206
Granted	**571,158**	1,595,772	**1,927,765**	2,662,979
Forfeited	**(1,465,802)**	(1,829,657)	**(2,472,600)**	(2,442,144)
Expired	**(2,548,000)**	(996,000)	**(2,678,730)**	(996,000)
Balance at end of period	**93,815,621**	73,572,041	**93,815,621**	73,572,041

A compensation expense of $4 million and $7 million was recorded during the three- and six-month periods ended June 30, 2017, with respect to share option plans ($3 million and $4 million for the three- and six-month periods ended June 30, 2016).

17. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2017	2016	**2017**	2016
Trade and other receivables	**$ (123)**	$ 5	**$ (5)**	$ 225
Inventories	**(209)**	283	**(791)**	164
Other financial assets and liabilities, net	**(22)**	(154)	**34**	(165)
Other assets	**25**	129	**30**	190
Trade and other payables	**311**	(155)	**620**	(438)
Provisions	**162**	432	**51**	473
Advances and progress billings in excess of long-term contract inventories	**200**	(111)	**10**	(84)
Advances on aerospace programs	**(238)**	37	**(200)**	(112)
Retirement benefit liability	**(19)**	(148)	**(6)**	(241)
Other liabilities	**(28)**	(51)	**(22)**	(176)
	$ 59	$ 267	**$ (279)**	$ (164)

18. CREDIT FACILITIES

In March 2017, the availability periods of Transportation’s €3,310-million ($3,778-million using the exchange rate as at June 30, 2017) letter of credit facility and the $400-million letter of credit facility, which is available for the Corporation excluding Transportation, were extended by one year to May 2020 and June 2020, respectively. In addition, the maturity dates of Transportation’s €658-million ($750-million using the exchange rate as at June 30, 2017) unsecured revolving credit facility and the $400-million unsecured revolving credit facility, which is available for the Corporation excluding Transportation, were also extended by one year to May 2020 and June 2020, respectively.

Also, in March 2017, Transportation’s €658-million ($750-million using the exchange rate as at June 30, 2017) unsecured revolving credit facility was decreased to €640 million ($730 million using the exchange rate as at June 30, 2017). Short-term borrowings of €50 million ($57 million) remain outstanding under Transportation's €640-million ($730-million) unsecured revolving credit facility as at June 30, 2017 (nil as at December 31, 2016 and January 1, 2016).

Effective in March 2017, the minimum liquidity required by the $400-million letter of credit facility and the $400-million unsecured revolving credit facility, which are available for the Corporation excluding Transportation, is now between $750 million and $850 million depending on the level of the EBITDA to fixed charges ratio, calculated based on an adjusted consolidated basis (i.e. excluding Transportation) at the end of each quarter. The remaining covenants continue to require a minimum EBITDA to fixed charges ratio, a maximum gross debt and minimum EBITDA thresholds, all calculated based on an adjusted consolidated basis (i.e. excluding Transportation). In addition, the Transportation letter of credit and revolving credit facilities financial covenants continue to require a minimum equity, a maximum debt to EBITDA ratio as well as minimum liquidity of €600 million ($685 million) at the end of each quarter, all calculated based on Transportation stand-alone financial data.

In May 2017, the committed amount under Transportation’s €3,310-million ($3,778-million using the exchange rate as at June 30, 2017) letter of credit facility was increased to €3,530 million ($4,029 million using the exchange rate as at June 30, 2017).

19. 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 principal 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 probabilities, 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. 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 fair value for items recorded at FVTP&L and AFS are as follows:

Aircraft loans and lease receivables and investments in financing structures – The Corporation uses an internal valuation model based on stochastic simulations and discounted cash flow analysis to estimate fair value. 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 assumptions to take into account factors that market participants would consider when pricing these financial assets. The Corporation also uses internal assumptions to determine the credit risk of customers without published credit rating. In addition, the Corporation uses aircraft residual value curves reflecting specific factors of the current aircraft market and a balanced market in the medium and long term.

Investments in securities – The Corporation uses discounted cash flow models to estimate the fair value of unquoted investments in fixed-income securities, using market data such as interest-rate.

Lease subsidies – The Corporation uses an internal valuation model based on stochastic simulations to estimate fair value of lease subsidies incurred in connection with the sale of commercial aircraft. 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 – Fair value of derivative financial instruments generally reflects the estimated amounts that the Corporation would receive to sell favourable contracts i.e. taking into consideration the counterparty credit risk, or pays to transfer unfavourable contracts i.e. taking into consideration the Corporation's credit risk, at the reporting dates. The Corporation uses discounted cash flow analyses and market data such as interest rates, credit spreads and foreign exchange spot rate to estimate the fair value of forward agreements and interest-rate derivatives.

The Corporation uses option-pricing models and discounted cash flow models to estimate the fair value of embedded derivatives using applicable market data.

The Corporation uses an internal valuation model based on stochastic simulations to estimate the fair value of the conversion option embedded in the BT Holdco convertible shares. The fair value of the embedded conversion option is based on the difference in value between: the convertible shares' accrued liquidation preference based on the minimum return entitlement; and the fair value of the common shares on an as converted basis. This value is dependent on the Transportation segment meeting the performance incentives agreed upon with the CDPQ, the timing of exercise of the conversion rights and the applicable conversion rate. The simulation model generates multiple Transportation performance scenarios over the expected term of the option. Fair value of the shares on an as converted basis is calculated using an EBIT multiple, which is based on market data, to determine the enterprise value. The discount rate used is also determined using market data. The Corporation uses internal assumptions to determine the term of the instrument and the future performance of the Transportation segment.

The methods and assumptions used to measure fair value for items recorded at amortized cost are as follows:

Financial instruments whose carrying value approximates fair value – The fair values of trade and other receivables, certain aircraft loans and lease receivables, certain investments in securities, certain investments in financing structures, restricted cash, trade and other payables, short-term borrowings and sales and leaseback obligations measured at amortized cost, approximate their carrying value due to the short-term maturities of these instruments, because they bear variable interest-rate or because the terms and conditions are comparable to current market terms and conditions for similar items.

Long-term contract receivables – The Corporation uses discounted cash flow analyses to estimate the fair value using market data for interest rates.

Long-term debt – The fair value of long-term debt is estimated using public quotations, when available, or discounted cash flow analyses, based on the current corresponding borrowing rate for similar types of borrowing arrangements.

Government refundable advances and vendor non-recurring costs – The Corporation uses discounted cash flow analyses to estimate the fair value using market data for interest rates and credit spreads.

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 June 30, 2017:

	Total	Level 1	Level 2	Level 3
Financial assets				
Aircraft loans and lease receivables	$ 47	$ —	$ —	$ 47
Derivative financial instruments[1]	492	—	492	—
Investments in securities	335 [2]	49	286	—
Investments in financing structures	164	—	—	164
	$ 1,038	$ 49	$ 778	$ 211
Financial liabilities				
Trade and other payables	$ (9)	$ —	$ —	$ (9)
Lease subsidies	(130)	—	—	(130)
Derivative financial instruments[1]	(518)	—	(287)	(231)
	$ (657)	$ —	$ (287)	$ (370)

[1] Derivative financial instruments consist of forward foreign exchange contracts, interest-rate swap agreements and embedded derivatives.
[2] Excludes $14 million of AFS investments carried at cost.

Changes in the fair value of Level 3 financial instruments were as follows, for the three- and six-month periods ended:

	Aircraft loans and lease receivables	Investments in financing structures	Trade and other payables	Lease subsidies	Conversion option
Balance as at December 31, 2016	**$ 62**	**$ 165**	**$ (6)**	**$ (141)**	**$ (170)**
Net gains (losses) and interest included in net income[(1)]	**2**	**1**	**—**	**(1)**	**(2)**
Settlements	**(4)**	**(1)**	**—**	**9**	**—**
Effect of foreign currency exchange rate changes	**—**	**—**	**—**	**—**	**(3)**
Balance as at March 31, 2017	**$ 60**	**$ 165**	**$ (6)**	**$ (133)**	**$ (175)**
Net losses and interest included in net income[(1)]	**—**	**—**	**—**	**(2)**	**(46)**
Issuances	**—**	**—**	**(3)**	**—**	**—**
Settlements	**(13)**	**(1)**	**—**	**5**	**—**
Effect of foreign currency exchange rate changes	**—**	**—**	**—**	**—**	**(10)**
Balance as at June 30, 2017	**$ 47**	**$ 164**	**$ (9)**	**$ (130)**	**$ (231)**

	Aircraft loans and lease receivables	Investments in financing structures	Trade and other payables	Lease subsidies	Conversion option
Balance as at January 1, 2016	$ 79	$ 151	$ (1)	$ (135)	$ —
Net gains (losses) and interest included in net income[(1)]	5	10	—	(12)	(2)
Issuances	—	—	(6)	—	(120)
Settlements	(5)	—	1	8	—
Balance as at March 31, 2016	$ 79	$ 161	$ (6)	$ (139)	$ (122)
Net gains (losses) and interest included in net income[(1)]	(3)	14	—	(9)	(1)
Settlements	(3)	—	6	3	—
Balance as at June 30, 2016	$ 73	$ 175	$ —	$ (145)	$ (123)

(1) Of which nil and $1 million represents realized gains for the three- and six-month periods ended June 30, 2017, which are recorded in financing income ($1 million and $2 million represents realized gains for the three- and six-month periods ended June 30, 2016, which are recorded in financing income).

Main assumptions developed internally for Level 3 hierarchy

When measuring Level 3 financial instruments at fair value, some assumptions are not derived from an observable market. The main assumptions developed internally for aerospace segments' level 3 financial instruments relate to credit risks of customers without published credit rating and marketability adjustments to discount rates specific to our financial assets.

These main assumptions are as follows as at June 30, 2017:

Main assumptions (weighted average)	Aircraft loans and lease receivables	Investments in financing structures	Lease subsidies
Internally assigned credit rating	Between BB to CCC (B)	Between BB- to CCC+ (B+)	Between BB- to CCC (B+)
Discount rate adjustments for marketability	9.84%	Between 1.75% and 8.17% (6.33%)	n/a

Also, aircraft residual value curves are important inputs in assessing the fair value of certain financial instruments. These curves are prepared by management based on information obtained from external appraisals and reflect specific factors of the current aircraft market and a balanced market in the medium and long term.

The projected future performance of the Transportation segment is an important input for the determination of the fair value of the embedded derivative option in the convertible shares issued to the CDPQ. The projected future performance of the Transportation segment is prepared by management based on budget and strategic plan.

Sensitivity to selected changes of assumptions for Level 3 hierarchy
These assumptions, not derived from an observable market, are established by management using estimates and judgments that can have a significant effect on revenues, expenses, assets and liabilities. 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 June 30, 2017:

Impact on EBT					
	Change in fair value recognized in EBT for the :		**Change of assumptions**		
Gain (loss)	**Three-month period ended June 30, 2017**	**Six-month period ended June 30, 2017**	**Decrease in aircraft residual value curves by 5%**	**Downgrade the internally assigned credit rating of unrated customers by 1 notch**	**Increase the marketability adjustments by 100 bps**
Aircraft loans and lease receivables	$ (2)	$ (1)	$ (1)	$ (1)	$ (2)
Investment in financing structures	$ (3)	$ (6)	$ (4)	$ (11)	$ (9)
Lease subsidies	$ (1)	$ (1)	n/a	$ 1	n/a

n/a: not applicable

Conversion option
Sensitivity analysis
A 5% decrease in the expected future performance of the Transportation segment would have resulted in a decrease in the fair value with a corresponding gain recognized in EBT for the six-month period ended June 30, 2017 of $16 million.

A 5% increase in the expected future performance of the Transportation segment would have resulted in an increase in the fair value with a corresponding loss recognized in EBT for the six-month period ended June 30, 2017 of $24 million.

20. COMMITMENTS AND CONTINGENCIES

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

	June 30, 2017	December 31, 2016	January 1, 2016
Aircraft sales			
Residual value	**$ 1,300**	$ 1,300	$ 1,669
Credit	**1,223**	1,233	1,248
Mutually exclusive exposure[1]	**(541)**	(557)	(598)
Total credit and residual value exposure	**$ 1,982**	$ 1,976	$ 2,319
Trade-in commitments	**$ 1,485**	$ 1,721	$ 1,818
Conditional repurchase obligations	**$ 170**	$ 207	$ 192
Other			
Credit	**$ 47**	$ 48	$ 48

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

Provisions for anticipated losses amounting to $546 million as at June 30, 2017 ($562 million as at December 31, 2016 and $670 million as at January 1, 2016) have been established to cover the risks from credit and residual value guarantees. In addition, lease subsidies, which would be extinguished in the event of credit default by certain customers, amounted to $130 million as at June 30, 2017 ($141 million as at December 31, 2016 and $135 million as at January 1, 2016).

The Corporation has committed to invest additional capital contributions in CSALP up to a maximum amount of $1.0 billion in case of any liquidity shortfall in CSALP, of which as at June 30, 2017, the Corporation has contributed $535 million in CSALP.

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 all legal proceedings pending as at June 30, 2017, 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.

Transportation
Since the fourth quarter of 2016, one of the Corporation’s subsidiaries is cooperating with police authorities in relation to an on-going investigation alleging questionable actions in regard to a 2013 contract for the supply of signaling equipment to Azerbaijan Railways ADY. The Corporation’s subsidiary has launched an internal review into the allegations which is conducted by external advisors under the supervision of counsel. To date, no charges have been laid against the subsidiary, or any of its employees, and the investigation and the internal review are still ongoing. The underlying contract in Transportation that has given rise to this matter is currently also being audited by the World Bank Group pursuant to its contractual audit rights. The audit is still ongoing and no results have been communicated to the Corporation or its subsidiary. The Corporation’s policy is to comply with all applicable laws and it is fully cooperating with the investigation and the audit. Due to the nature of these proceedings, it is not possible at this time to identify the potential outcome of this investigation.

Investigation in Brazil
On March 20, 2014, Bombardier Transportation Brasil Ltda (“BT Brazil”), a subsidiary of the Corporation, received notice that it was among the 18 companies and over 100 individuals named in administrative proceedings initiated by governmental authorities in Brazil, including the Administrative Council for Economic Protection (“CADE”), and the Sao Paulo Public Prosecutor’s office, following previously disclosed investigations carried on by such governmental authorities with respect to allegations of cartel activity in the public procurement of railway equipment and the construction and maintenance of railway lines in Sao Paulo and other areas. Since the service of process in 2014 on BT Brazil, the competition authority has decided to detach the proceedings against 43 individuals whom it claims to have been difficult to serve process and has also issued additional technical notes dealing with various procedural objections raised by the defendant corporations and individuals. BT Brazil is currently contesting before the courts both the decision to detach the proceedings against 43 individuals and decisions by CADE restricting physical access to some of the forensic evidence.

BT Brazil as a result of the administrative proceedings initiated by CADE in 2014 became a party as defendant to legal proceedings brought by the Sao Paulo State prosecution service against it and other companies for alleged ‘administrative improbity’ in relation to refurbishment contracts awarded in 2009 by the Sao Paulo metro operator CMSP and for ‘cartel’ in relation to a five year-maintenance contract with the Sao Paulo urban transit operator CPTM signed in 2002. In September 2015, the prosecution service of Sao Paulo announced a second public civil action for ‘cartel’ in relation to the follow-on five year maintenance contract covering the period 2007 to 2012. In addition, BT Brazil was served notice and joined in December 2014 a civil suit as co-defendant first commenced by the Sao Paulo state government against Siemens AG in the fall of 2013 and with which the State government seeks to recover loss for alleged cartel activities.

Companies found to have engaged in unlawful cartel conduct are subject to administrative fines, state actions for repayment of overcharges and potentially disqualification for a certain period. The Corporation and BT Brazil continue to cooperate with investigations relating to the administrative proceedings and intend to defend themselves vigorously.

Triumph litigation
Triumph Aerostructures LLC (“Triumph”), a supplier to the Corporation on the *Global 7000* and *Global 8000* aircraft program, filed a lawsuit against the Corporation with the Québec Superior Court, District of Montréal on December 22, 2016 seeking approximately $340 million in compensation for alleged directed changes by the Corporation to the wing requirements that Triumph claims are outside the scope of the contract as well as for alleged delays and disruption in connection with the contract.

In May 2017, Triumph and the Corporation entered into a comprehensive settlement agreement that resolves all outstanding commercial disputes between them, including all pending litigation, related to the design, manufacture and supply of wing components for the *Global 7000* and *Global 8000* aircraft program. The settlement resets the commercial relationship between the companies and allows each company to better achieve its business objectives going forward. The settlement did not have a material impact on earnings.

Metrolinx

In July 2016, Bombardier Transportation Canada Inc. (BTCI), a subsidiary of Bombardier Inc., received a notice of default in respect of its contract to supply 182 Light vehicles to Metrolinx. The contract was entered into on June 14, 2010. The value of the contract is $770 million CDN ($591 million). The Corporation is actively opposing the notice of default utilizing the Dispute Resolution Process under the contract. On October 28, 2016, Metrolinx served BTCI with a Notice of Intention to Terminate the Contract on the basis of the notice of default. In order to prevent Metrolinx from serving a notice of termination until such time as the dispute resolution process is concluded including all adjudication by the Dispute Resolution Panel and any subsequent appeals, BTCI filed an application in Ontario Superior Court on February 10, 2017 seeking an order maintaining the status quo and declaring that Metrolinx is not permitted to terminate the contract. On April 19, 2017, the Superior Court of Ontario granted BTCI's application thereby preventing Metrolinx to terminate its contract with BTCI without first submitting the matter to the Dispute Resolution Board, as provided for in the contract. BTCI intends to fulfill its obligations under the contract. Metrolinx has appealed the order and BTCI is opposing this appeal.

Petition before the U.S. Department of Commerce and the U.S. International Trade Commission

On April 27, 2017, The Boeing Company filed a petition before the U.S. Department of Commerce and the U.S. International Trade Commission seeking the imposition of antidumping and countervailing duties on imports from Canada to the U.S. of large civil aircraft with 100 to 150 seats. The petition was filed pursuant to sections 701 and 731 of the Tariff Act of 1930, 19 U.S.C. § 1671 and 1673. The Boeing petition alleged that the Corporation's *C Series* aircraft program has received government subsidies, that the Corporation is "dumping" the *C Series* aircraft into the U.S. market, and that such sales represent a threat to the domestic aerospace industry in the U.S. The Corporation disagrees with the assertions in the petition and is responding to the petition in the U.S. Department of Commerce and the U.S. International Trade Commission proceedings. On June 9, 2017 the U.S. International Trade Commission made a preliminary affirmative determination, finding that there is a reasonable indication that an industry in the U.S. is threatened with material injury by reason of imports of 100- to 150-seat large civil aircraft from Canada that are allegedly sold in the U.S. at less than fair value and that are allegedly subsidized by the Governments of Canada, Québec and the United Kingdom. The Corporation is expecting the U.S. Department of Commerce to issue during the fall of 2017 its preliminary determinations on applicable duties, if any, and to issue its final determinations during the first half of 2018. The Corporation expects the U.S. International Trade Commission to issue in the first half of 2018 its final determination on the threat of injury. The Corporation is cooperating with the investigations and, at this time, is not able to predict the potential outcome of the proceedings, however if negative it could result in a material adverse impact on the program.