ALSTOM

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AMENDMENT TO UNIVERSAL REGISTRATION DOCUMENT 2019/2020

This amendment to the Universal Registration Document 2019/2020 was filed on 7 October 2020 with the French financial markets authority (Autorité des marchés financiers - AMF) in its capacity as the competent authority within the meaning of EU Regulation 2017-1129, without prior approval, in accordance with Article 9 of such regulation.

The Universal Registration Document may be used for the offer to the public of securities or the admission of securities to trading on a regulated market, provided it is accompanied by a securities note and, if applicable, a summary and all amendments made to the Universal Registration Document. These documents are approved as a whole by the AMF in accordance with the above-mentioned regulation.

This amendment (the "**Amendment**") supplements and should be read together with the Universal Registration Document 2019/2020 filed with the AMF on 2 June 2020, under number D.20-0508 (the "**Universal Registration Document 2019/2020**").

A reconciliation table is provided in this Amendment to facilitate locating the information incorporated by reference and the information being updated or modified.

In the Amendment, "Alstom" and the "Company" mean Alstom S.A., and the "Group" means the Company and all of its consolidated subsidiaries.

The Universal Registration Document 2019/2020 and the related Amendment are available on Alstom's website (www.alstom.com) under the heading "Finance—Regulated Information," as well as on the website of the AMF (www.amf-france.org).

PRELIMINARY NOTE

In this Amendment:

- "**Acquisition**" means the acquisition by Alstom of control, through Alstom Holdings, a direct and indirect wholly owned subsidiary of Alstom, of all of the entities making up Bombardier Inc.'s Transportation division ("**Bombardier Transportation**");

- "**Affiliate**" means, in relation to any undertaking, any subsidiary or holding company of that undertaking, and any subsidiary of any such holding company, and any other undertaking directly or indirectly Controlling, Controlled by, or under direct or indirect common Control with such undertaking, in each case from time to time. Portfolio companies of the members of the CDPQ group (composed of CDPQ and its Affiliates) shall not be considered Affiliates.

  For the purposes of this definition, "**Control**" means, in relation to any undertaking (the "**Controlled Person**"), being entitled to:

  (a) exercise, or control the exercise of (directly or indirectly), more than 50% of the voting rights at a general meeting of the shareholders, members or partners or other equity holders, in respect of all or substantially all matters to be decided by the meeting of such persons; or

  (b) appoint, remove, or control the appointment or removal of:

    i. members of the Controlled Person's board of directors, supervisory board, or any other similar body of the Controlled Person who are able (in the aggregate) to exercise more than 50% of the voting rights at meetings of that board or governing body in respect of all or substantially all matters;

    ii. any managing member of such Controlled Person; or

    iii. in the case of a limited partnership, the general partner; or

  (c) exercise a dominant influence over the Controlled Person pursuant to its constitutional documents or otherwise.

- "**General Meeting**" means Alstom's combined general shareholders' meeting called for 29 October 2020 to approve the Transaction;

- "**Planned Capital Increase**" means the capital increase of Alstom with preservation of the preferential subscription right for an amount, including issuance premium, of approximately €2 billion, which is planned to be carried out between the General Meeting and the first anniversary of the Completion Date;

- "**Bombardier Inc.**" means Bombardier Inc., a Canadian company that holds, directly or indirectly and jointly with CDPQ, Bombardier Transportation;

- "**Bombardier Transportation**" means all of the entities making up the Transportation division of Bombardier Inc. (i.e. Bombardier Transportation UK2 and its subsidiaries);

- "**Bombardier Transportation UK2**" means Bombardier Transportation (Investment) UK Limited, an English company;

- "**Bombardier UK**" means Bombardier UK Holding Limited, an English company held directly or indirectly by Bombardier Inc.;

- "**CDP Investissements**" means CDP Investissements Inc., a company incorporated under the laws of Québec, held directly or indirectly by CDPQ;

- "**CDPQ**" means Caisse de dépôt et de placement du Québec, a legal entity formed pursuant to the Law on the Caisse de Dépôt et Placement du Québec that holds, directly or indirectly and together with Bombardier Inc., Bombardier Transportation;

- "**Completion Date**" means the completion date of the Acquisition, which will occur on the last Business Day of the second month following the last Business Day of the month during which the last of the conditions precedent provided for in the Acquisition Agreement is satisfied or waived, relating to the receipt of authorisations from the competent authorities regarding (i) merger control, and (ii) foreign investment control (as described in the section 1.2.1 "*Description of the transaction to acquire Bombardier Transportation – Legal aspects of the Transaction – Acquisition of Bombardier Transportation*" in this Amendment;

- "**Business Day**" means a day, except a Saturday or Sunday, on which banks in each of London (the United Kingdom), Paris (France), Montreal (Canada) and New York (United States of America) are open for business generally.

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1. DESCRIPTION OF THE TRANSACTION TO ACQUIRE BOMBARDIER TRANSPORTATION

The "Acquisition of Bombardier Transportation" section in Chapter 1 of the Universal Registration Document 2019/20 is hereby amended and supplemented as follows:

1.1 *Description of the Transaction*

1.1.1 Background of the Transaction

Following discussions among Alstom, Bombardier Inc., and CDPQ, on 17 February 2020 Alstom's Board of Directors approved the Acquisition in principle and approved the signature of a Memorandum of Understanding organising the information-consultation procedure with the relevant Alstom and Bombardier Transportation unions and including an exclusivity clause for the benefit of the parties in connection with the planned Acquisition.

On 16 September 2020, Alstom, Alstom Holdings (a wholly owned subsidiary of the Company), Bombardier Inc., Bombardier UK (a wholly owned subsidiary of Bombardier Inc.), CDPQ, CDP Investissements, BT Rail I L.P. and BT Rail II L.P. (wholly owned subsidiaries of CDPQ) and certain of their subsidiaries entered into a share sale and purchase agreement governing the Acquisition (the "**Acquisition Agreement**").

The Acquisition will be financed in part through a bank facility put in place in April 2020 (see Note 1 to the consolidated financial statements for the fiscal year ended 31 March 2020 in the Universal Registration Document 2019/20 for a detailed description of such financing), consisting of a €2.4 billion syndicated bridge loan, to be refinanced by the Planned Capital Increase and a bond issuance of approximately €400 million. Depending on market conditions and on the progress made on the Transaction, the bond issuance could be launched from the fourth quarter of 2020.

Bombardier UK and CDP Investissements will reinvest a portion of the Acquisition's proceeds in Alstom's capital (further to a delegation of receivables from Alstom Holdings to Alstom in connection with the payment of the Acquisition Price) through capital increases reserved for them, pursuant to the following terms:

- Bombardier UK will subscribe for new ordinary shares of the Company for a maximum amount of €500 million, which may be increased to a maximum of €650 million, pursuant to the terms of the investment agreement entered into on 16 September 2020 (the "**Bombardier Reinvestment Agreement**") as described in Section 1.2.2(a), "*Bombardier Reinvestment Agreement*," of this Amendment (the "**Bombardier Reinvestment**"). These new shares will be paid up by set-off of claims; and

- CDP Investissements (i) will reinvest all amounts received in the Acquisition (with the exception of amounts received in respect of (x) any direct or indirect recapitalisation of Bombardier Transportation by CDPQ and Bombardier Inc. between the signature of the Memorandum of Understanding on 17 February 2020 and the Completion Date, subject to a €750 million cap, and (y) the return on the recapitalisations carried out by CDPQ), which comes to a total subscribed amount, through set-off of claims, of between €1.93 billion and €2.08 billion (depending on the amount of the Second Tranche of the Acquisition Price (as such term is defined below)); and (ii) will subscribe for new shares, to be paid up in cash, for an additional amount of €700 million. The terms of this reinvestment in equity and of an additional €700 million subscription by CDP Investissements are governed by an investment agreement entered into on 16 September 2020 (the

"**CDPQ Reinvestment Agreement**") as described in Section 1.2.2(b), "*CDPQ Reinvestment Agreement*," of this Amendment (the "**CDPQ Reinvestment**" and, together with the Bombardier Reinvestment and the Acquisition, the "**Transaction**").

Pursuant to the terms of the Acquisition Agreement, the parties undertook, upon Alstom's request and as soon as possible after the signature of the Acquisition Agreement, to form a committee comprising representatives of Alstom, Bombardier Inc., and CDPQ, for the purpose of preparing for and planning the integration of Bombardier Transportation into the Alstom Group.

At Alstom's initiative, on a voluntary bas, Finexsi, an independent expert, has reviewed the terms of the Transaction. Finexsi's fairness opinion, dated 27 September 2020, is included in Annex 1 to this Amendment.

1.1.2 Advantages of the Transaction for Alstom and its shareholders

Alstom is one of the leading players in rail transportation. During the 2016-2019 period, after it refocused its business on mobility in 2016, Alstom saw strong improvement in its operational and financial profile. In 2019 the Group presented a new, ambitious strategic plan, "Alstom in Motion," centred on growth, green and digital innovation, and operational efficiency.

The acquisition of Bombardier Transportation, the fourth largest player in the industry, is a major opportunity for Alstom, enabling it to accelerate its strategic roadmap and respond to the increasing demand for sustainable mobility.

In particular, Bombardier Transportation will provide Alstom with the following:

- A complementary geographical presence that will reinforce Alstom's access to key railway markets, leveraging Bombardier's successful historical track record in Germany, the United Kingdom, and North America, as well as its significant presence in China;

- Attractive complements to Alstom's Rolling Stock portfolio, enabling it to offer a complete product line over all rail segments, in order to better satisfy the specific needs of each of its customers in terms of mobility solutions (in particular for very specific niche products such as the Monorail or the People Mover), while at the same time contributing its recognised expertise through the development of specific local solutions for its strategic customers;

- Significant assets for Alstom's Services business, with access to the largest installed train fleet in the world and a vast maintenance facilities network, in a segment characterised by strong added value, thus opening new opportunities through the strengthening of Alstom's service offerings and geographical coverage;

- Strong complementarity in Signalling and access to strategic markets such as Germany, in order to accelerate deployment of its solutions, leveraging its access to new markets and its highly skilled workers, to consolidate Alstom's objectives in this strategic segment;

- A complete innovation portfolio and significant engineering and Research and Development resources to further reinforce its technological positioning in smart and sustainable mobility solutions; and

- An industrial presence in countries with attractive cost bases, such as the Eastern European countries, Mexico, and China, as well as complementarity in mature markets such as Germany and the United Kingdom.

Alstom's objective is to re-establish Bombardier Transportation's operational potential and profitability and to restore its margins and improve execution quality, in line with Alstom's standards. To achieve this objective, Alstom will leverage clearly identified drivers:

- Particular attention to improving operational indicators and execution of backlog, relying on the systematic deployment of the know-how and good practices that Alstom has developed;

- An action plan to promote the successful integration and deployment of Alstom's processes and technologies on a worldwide scale;

- Alstom's financial discipline and successful experience in improving margins;

- The cultural proximity and thorough knowledge of Bombardier Transportation acquired through numerous joint projects.

Moreover, Alstom has identified concrete synergies and set an objective to generate €400 million in cost synergies per year beginning in the fourth or fifth year following completion of the Acquisition.

Finally, it is Alstom's goal that the Transaction will lead to two-digit accretion of Net Profit per Share (NPPS) to Alstom's shareholders beginning in the second year following completion of the Acquisition. This accretion, which is calculated after cost synergies and implementation costs and before amortisation of the purchase price allocation (PPA), would result from increased efficiency as well as the strengthened operational profile of the combined Group following the Transaction.

Alstom's customers will also benefit from the strengthened expertise and expanded portfolio of the new combined group.

1.1.3 Provisional Transaction timetable

If the Planned Capital Increase occurs prior to the Completion Date

Expected Date	**Step in the Transaction**
29 October 2020	• General Meeting
2nd half 2020 – 1st quarter 2021	• Launch of the Planned Capital Increase, subject to market conditions
1st quarter 2021 (subject to approvals from regulatory authorities and customary conditions precedent)	• Completion Date • Capital increase reserved for Bombardier UK, through the issuance of ordinary shares • Capital increase reserved for CDP Investissements, through the issuance of Preferred Shares immediately converted into ordinary shares or through the issuance of ordinary shares

If the Planned Capital Increase occurs after the Completion Date

Expected Date	**Step in the Transaction**

29 October 2020	• General Meeting
1st quarter 2021 (subject to regulatory authorisations and customary prior conditions)	• Completion Date • Capital increase reserved for Bombardier UK, through the issuance of ordinary shares • Capital increase reserved for CDP Investissements, through the issuance of Preferred Shares
Post-Completion Date (1st semester 2021)	• Launch of the Planned Capital Increase, subject to market conditions • Conversion of the Preferred Shares into ordinary shares on the settlement and delivery date of the Planned Capital Increase
One year after the Completion Date	• Conversion of the Preferred Shares into ordinary shares if the Planned Capital Increase has not been completed

1.2 *Legal aspects of the Transaction*

1.2.1 Acquisition of Bombardier Transportation

The Acquisition Agreement provides that Alstom will acquire Bombardier Transportation through its subsidiary, Alstom Holdings (a wholly owned subsidiary of the Company). An organisational chart of the Alstom Group following completion of the Transaction is included in Annex 2 to this Amendment.

The Acquisition Agreement includes customary, warranties, and covenants by each of the parties, as well as, with respect to Bombardier Inc., tax and compliance indemnification, under which total indemnification by Bombardier Inc. for any breach or violation (excluding fundamental warranties, in particular relating to ownership of the shares that are the subject of the Acquisition, the sellers' capacity, their organisation, the approval of regulatory authorities, and the absence of insolvency proceedings) or by CDPQ (which is responsible only for a breach or violation relating to the implementation of information barriers within the CDPQ group) is capped at €100 million. The liability incurred by Bombardier Inc. and CDPQ, with respect to any breach of their respective fundamental warranties, and by Alstom, with respect to any breach of its warranties, is limited to the Acquisition Price.

The Acquisition Agreement includes guarantee undertakings by the sellers with respect to the ordinary course conduct of the business of the Bombardier Transportation entities until the completion date of the Acquisition, and in particular:

(i) Financial and operational reporting obligations (x) on a weekly basis after satisfaction of the last of the conditions relating to the approval of the Acquisition by the competent merger controls and foreign investment controls authorities, with respect to the statement of cash flows and the use of revolving credit lines, (y) on a monthly basis in particular with respect to EBIT and EBITDA, cash position, and the status of its principal customer contracts, and (z) on a quarterly basis with respect to such items as financial statements, cash position, and principal customer contracts;

(ii) An obligation not to carry out or commit to carry out significant transactions outside the ordinary course of their business and/or that could affect the value of the Bombardier Transportation companies without Alstom's consent (which may not be unreasonably delayed or denied). For example, any decision relating to a modification of a significant contract or a significant financing arrangement (subject to certain exceptions), to any action resulting in a change in expenditures of more than 10% of the budget or to a failure to take reasonable steps to prevent such a change, to the commencement of any dispute with an amount in controversy of more than €10 million, or to

any disposal or acquisition of activities for an amount of greater than €10 million is subject to Alstom's prior authorisation (which may not be unreasonably delayed or denied);

(iii) The formation of a Review Committee composed of the CEO and CFO of Bombardier Transportation UK2, as well as of two representatives appointed by CDPQ. Alstom will not have a representative on this committee. The role of the CEO and CFO of Bombardier Transportation UK2 on the committee is to report to the committee on the performance of Bombardier Transportation in terms of Bombardier Transportation's general operational objectives, its obligations under its most significant contracts, and the actions taken with respect to the Covid-10 health situation, on the basis of which the Review Committee will be responsible for making any necessary recommendations. The documentation provided to the Review Committee with respect to the Coronavirus situation will also be communicated to Alstom, unless applicable regulations do not so permit.

In addition, the Acquisition Agreement includes conditions precedent that must be satisfied prior to completion of the Acquisition (the "**Conditions Precedent**"). The Conditions Precedent are as follows:

(i) Authorisation of the Acquisition by the European Commission with respect to the merger control, as well as by the competition authorities in Australia, Canada, China, Russia, South Africa, Taiwan, the United States, Brazil, India, Israel, Mexico, Morocco, Singapore, and Turkey. On 31 July 2020, the European Commission authorised the Acquisition subject to compliance with certain commitments, which had been proposed by Alstom (see below). As of the date of this Amendment, approvals have been obtained for all of the other jurisdictions except Canada, China, South Africa, the United States, Mexico, and Morocco;

(ii) Approval of the Acquisition by the competent regulatory authorities relating to foreign investment controls in Canada (where the required authorisation has been obtained as of the date of this Amendment), the United States (where the relevant approval was obtained on 20 July 2020), and Australia;

(iii) Termination of the shareholders' agreement between Bombardier Inc. and CDPQ with respect to Bombardier Transportation;

(iv) The absence of any material breach of the fundamental warranties made by Bombardier Inc. and CDPQ that has not been cured prior to the end of the Condition Precedent Satisfaction Period (as such term is defined below);

(v) The absence of any breach by Bombardier Transportation of its undertakings with respect to the interim period prior to completion of the Acquisition (as described above) resulting in a material adverse change, or, subject to certain exceptions, in (i) a decrease in the value of Bombardier Transportation's net consolidated assets of at least €500 million; (ii) a decrease in Bombardier Transportation's consolidated results of operations before interest and taxes of at least €275 million in one fiscal year; or (iii) the termination of the financing put in place by Alstom or Alstom Holdings in connection with the Acquisition;

(vi) The absence of any material adverse change, namely, subject to certain exceptions, a change resulting in (i) a decrease in the value of Bombardier Transportation's net consolidated assets of at least €1 billion; (ii) a decrease in Bombardier Transportation's consolidated results of operations before interest and taxes of at least €550 million in one fiscal year; or (iii) the termination of the financing put in place by Alstom in connection with the Acquisition, it being specified that pursuant to the exceptions referred to above, a change (even one satisfying the above criteria) will not

constitute a material adverse change if it results from changes in general manufacturing conditions or from macroeconomic disturbances (including due to the spread of a virus or illness), unless such change affects Bombardier Transportation in a manner that is materially disproportionate as compared with its competitors;

(vii) The adoption by the General Meeting of the resolutions relating to the Transaction, authorising both the Planned Capital Increase and the capital increases reserved for Bombardier UK and CDPQ in respect, respectively, of the Bombardier Reinvestment and the CDPQ Reinvestment (see sub-section 1.2.2 "Reinvestment by Bombardier Inc. and CDPQ," below), it being specified that Alstom has undertaken to call and hold that General Meeting prior to 31 October 2020;

(viii) Signature of the Bombardier Reinvestment Agreement and the CDPQ Reinvestment Agreement (which occurred on 16 September 2020) and satisfaction of the conditions precedent provided for therein (as described in sub-section 1.2.2 "Reinvestment by Bombardier Inc. and CDPQ," below); and

(ix) The absence of any prohibition of or limitation on the Transaction's completion by a competent governmental authority or court.

The Acquisition Agreement provides that all of the Conditions Precedent must be satisfied within 18 months following its signature (the "**Condition Precedent Satisfaction Period**") (which period may be extended by 90 days by agreement of the parties in the event of a breach of certain warranties made by Bombardier Inc. and CDPQ that can be cured). Alstom, Bombardier Inc., and CDPQ may mutually agree to waive one or more of the Conditions Precedent, with the exception of those listed in (iii) through (vi) above, which are for the sole benefit of Alstom.

On 31 July 2020, the European Commission authorised the Acquisition, subject to compliance with the following commitments:

- A transfer of Bombardier Transportation's contribution to its cooperation with Hitachi on the very high-speed train Zefiro V300 as well as of intellectual property licenses to Hitachi, with respect to the train jointly developed by Hitachi and Bombardier Transportation for use in connection with future calls for bids for very high-speed trains in the United Kingdom;

- Divestment of Alstom's Coradia Polyvalent and of the Reichshoffen production site in France;

- Divestment of the Bombardier TALENT 3 and dedicated production facilities located within the Hennigsdorf site in Germany; and

- Providing third parties with access to certain interfaces and products for some of Bombardier Transportation's Signalling On-Board Units and Train Control Management Systems (TCMS).

These commitments are the same as those that Alstom had proposed to the European Commission on 9 July 2020, and completion of the Transaction does not require that they be carried out prior to the Closing Date.

The Acquisition Agreement also provides for termination fees if the Acquisition fails to be completed under the following circumstances:

- Alstom will be required to pay a termination fee of €150 million if (i) the extraordinary general meeting called to approve the capital increases planned in connection with the Transaction is not held or does not approve the corresponding resolutions prior to the end of the Condition

Precedent Satisfaction Period; or (ii) Alstom has not obtained or maintained the necessary financing for completion of the Transaction;

- Alstom will be required to pay a termination fee of €200 million if a competition authority fails to approve the Acquisition, subject to certain limited exceptions; and

- Bombardier Inc. will be required to pay Alstom a termination fee of €150 million in the event of certain prohibitions or injunctions that prevent completion of the Acquisition, if it is shown that the prohibition or injunction was not purged prior to expiration of the Condition Precedent Satisfaction Period.

The Acquisition Agreement provides for payment of the acquisition price (the "**Acquisition Price**") by Alstom Holdings in two stages:

- On the Completion Date of the Acquisition, Alstom will be required to pay the first tranche of the Acquisition Price (the "**First Tranche of the Acquisition Price**"), consisting of the minimum price provided for in the Acquisition Agreement and detailed below (the "**Minimum Price**"), adjusted, if applicable: (i) downward by the amount of Bombardier Transportation's estimated negative cash position as of 31 December 2020, calculated as the difference, on the one hand, between Bombardier Transportation's available cash[1] and, on the other hand, the financial debt, plus amounts relating to overdue supplier payables, reverse factoring, and receivables (AR) factoring in excess of certain thresholds (the "**Liquidity Position Adjustment**"); and (ii) upward in the amount of any recapitalisation of Bombardier Transportation carried out by Bombardier Inc. and CDPQ between the signature of the Memorandum of Understanding and the Completion Date (up to a limit of €750 million). These amounts will be determined for the purposes of the First Tranche of the Acquisition Price on the basis of the preliminary accounts prepared by Bombardier Inc. and reviewed by Alstom (with no requirement for Bombardier Inc. to take Alstom's review or comments into account for the purposes of payment of the First Tranche of the Acquisition Price). The preliminary accounts must be prepared in accordance with the accounting methods agreed to in the Acquisition Agreement, which will also be applied by Alstom in preparing the final accounts for Bombardier Transportation to be used in calculating the amount of the Second Tranche of the Acquisition Price (see below).

  The Minimum Price is equal to €5.5 billion, adjusted, if applicable: (i) downward in the amount of certain amounts from Bombardier Transportation that Bombardier Inc. and CDPQ may have deposited after 1 January 2021 and (ii) upward, if the Completion Date occurs after 1 January 2021, by an amount calculated pro rata on the basis of an increase of €50 million per quarter.

  The reference Acquisition Price for Bombardier Transportation will be determined on the basis of the most recent available financial statements following the Acquisition (the "**Reference Price**") and will be equal to €7.15 billion, adjusted, if applicable: (i) downward in the amount of Bombardier Transportation's net debt (calculated as the difference between Bombardier Transportation's indebtedness and its cash, less certain liabilities relating to Bombardier Transportation's undertakings; (ii) downward in the amount of certain liabilities relating to Bombardier Transportation's pension obligations; and (iii) upward or downward in the amount

[1] It being specified that the recapitalizations of Bombardier Transportation carried out by Bombardier Inc. and CDPQ between the signature of the Memorandum of Understanding and the Completion Date are subtracted from Bombardier Transportation's liquidity position for the purposes of calculating the Liquidity Position Adjustment (up to a limit of €750 million).

of Bombardier Transportation's net working capital as compared with a reference position agreed upon by Alstom, Bombardier Inc., and CDPQ.

The Acquisition Price will be equal to the Reference Price, unless the Reference Price is (i) lower than the Minimum Price (as defined above), in which case the Acquisition Price will be equal to the Minimum Price; or (ii) higher than the Maximum Price (as defined below), in which case the Acquisition Price will be equal to the Maximum Price.

The maximum price under the Acquisition Agreement (the "**Maximum Price**") is €5.9 billion, adjusted, if applicable: (i) downward in the amount of certain amounts from Bombardier Transportation that Bombardier Inc. and CDPQ may have collected after 1 January 2021 and (ii) upward, if the Completion Date occurs after 1 January 2021, by an amount calculated pro rata on the basis of an increase of €100 million per quarter.

The amount of the recapitalisations of Bombardier Transportation carried out by Bombardier Inc. and CDPQ between the signature of the Memorandum of Understanding and the Completion Date (up to a maximum of €750 million), which will be taken into account in the calculation of the First Tranche of the Acquisition Price, could cause the First Tranche of the Acquisition Price to exceed the Maximum Price (in other words, if the amount of these recapitalisations, when added to the Minimum Price, adjusted, if applicable, by the Liquidity Position Adjustment, exceeds the Maximum Price, then the acquisition price paid by Alstom Holdings will exceed the Maximum Price (up to a limit of €750 million)), although the sellers are required to use reasonable efforts to prevent such an excess.

- Following completion of the Acquisition, Alstom will prepare final financial statements for Bombardier Transportation taking the Acquisition into account in order to calculate the amount of the second tranche of the Acquisition Price (the "**Second Tranche of the Acquisition Price**").

The First Tranche of the Acquisition Price will be paid on the Completion Date:

- to CDPQ, (i) in shares of the Company to be paid up by set-off of claims (further to a delegation of payment by Alstom Holdings to Alstom of the amount of the Acquisition Price), for an amount equal to approximately €1.93 billion), and (ii) in cash for an amount equal to the portion of the abovementioned recapitalisations of Bombardier Transportation carried out by CDPQ (subject to the €750 million cap applicable to the Bombardier Inc. and CDPQ recapitalisations) above €100 million, in addition to the return on such recapitalisations;

- to Bombardier Inc. for the remaining portion of the First Tranche of the Acquisition Price, (i) in shares of the Company to be paid up by set-off of claims (further to a delegation of payment from Alstom Holdings to Alstom of the payment of the amount of the Acquisition Price, for a maximum amount equal to approximately €650 million (see sub-section 1.2.2(a), "*Bombardier Reinvestment Agreement*," below, with respect to such reinvestment)) and (ii) in cash for the remaining portion (including, if applicable, the amount of the abovementioned recapitalisations of Bombardier Transportation by Bombardier Inc. (subject to the €750 million cap applicable to the Bombardier Inc. and CDPQ recapitalisations) and any amount above €100 million related to the abovementioned recapitalisations of Bombardier Transportation carried out by CDPQ).

The Second Tranche of the Acquisition Price will be equal to the Acquisition Price, as ultimately determined, adjusted, if applicable: (i) downward in the amount of any Liquidity Position Adjustment, as ultimately determined; (ii) downward in the amount of the First Tranche of the Acquisition Price; and (iii)

upward in the amount of any recapitalisation of Bombardier Transportation carried out by Bombardier Inc. and CDPQ between signature of the Memorandum of Understanding and the Completion Date (up to a €750 million cap applicable to the recapitalisations carried out by Bombardier Inc. and CDPQ), to the extent that such amounts have not been taken into account as part of the first Tranche of the Acquisition Price.

After a maximum period of 10 months following the Completion Date for Alstom to review the final Bombardier Transportation financial statements (subject to any additional period relating to the appointment an independent expert in the event of a disagreement between the parties), Alstom Holdings will pay the amount of the Second Tranche of the Acquisition Price, if it is positive, to CDP Investissements in shares (up to a maximum of €150 million) and to Bombardier UK in cash (in the event of a surplus). Conversely, if the amount of the Second Tranche of the Acquisition Price is negative, Bombardier UK will repay Alstom Holdings that amount in cash within the same period of time.

Any cash payment made by Alstom Holdings to Bombardier Inc. will be in dollars (with the exception of the payment of any amount related to the recapitalizations of Bombardier Transportation by Bombardier Inc. and CDPQ between 17 February 2020 (date of signature of the Memorandum of Understanding) and the Completion Date (up to a maximum of €750 million), which will be made in euros). The payment in dollars will be made on the basis of an exchange rate determined on the signature date of the Acquisition Agreement (of approximately $1.17 per euro) and taking into account hedging and other related costs, which will be borne by Bombardier Inc.

1.2.2 Reinvestment by Bombardier Inc. and CDPQ

(a) Bombardier Reinvestment Agreement

Pursuant to the Bombardier Reinvestment Agreement, Bombardier UK, a wholly owned subsidiary of Bombardier Inc., has undertaken to subscribe directly or indirectly for a capital increase of Alstom in a fixed amount of €500 million. It is specified that the Acquisition Agreement and the Bombardier Reinvestment Agreement provide that if the amounts due by the Bombardier Transportation companies to financial institutions in respect of construction advance agreements and forfaiting agreements exceed €575 million, then an amount equal to the excess beyond that threshold, up to a limit of €150 million, will be paid to Bombardier UK in Alstom shares rather than in cash. In that event, the Alstom capital increase reserved for Bombardier UK could be increased from €500 million to a maximum of €650 million. The subscription price for the Alstom shares issued pursuant to the Bombardier Reinvestment Agreement is equal to €47.50 per Alstom share. The number of shares issued may be adjusted in the event of dilutive transactions in Alstom's capital, such as the Planned Capital Increase, prior to the Completion Date, it being specified that these adjustments will have no impact on the total amount subscribed by Bombardier Inc. For a description of the situations in which adjustments will be made, see Annex 3 to this Amendment.

The Bombardier Reinvestment Agreement provides for a three-month lockup of Bombardier UK's shares of Alstom following the Completion Date, with the exceptions of (i) transfers to Affiliates of Bombardier UK, (ii) transfers following the filing of a tender offer, (iii) transfers authorised by Alstom, and (iv) transfers following the commencement of proceedings governed by Book VI of the French Commercial Code concerning Alstom (it being specified that the lockup commitment does not apply to any preferential subscription rights that may be attached to the Alstom shares).

The Bombardier Reinvestment Agreement provides that this capital increase will be paid for by set-off against its claim for the purchase price in the Acquisition (further to a delegation of payment from Alstom Holdings to Alstom in connection with the payment of the Acquisition Price by Alstom Holdings), simultaneously with completion of the Transaction, subject to satisfaction of the following conditions precedent:

(i) The approval by Alstom's extraordinary general meeting of the capital increase reserved for Bombardier UK and the capital increase reserved for CDP Investissements (with respect to the latter, see Section 1.2.2(b), below);

(ii) The convening of Alstom's extraordinary general meeting called to vote on the Planned Capital Increase;

(iii) Satisfaction of the Conditions Precedent to the Acquisition Agreement;

(iv) The absence of significant breaches of certain fundamental warranties contained in the Bombardier Reinvestment Agreement; and

(v) The absence of any judgment or injunction preventing the Transaction or the Reserved Capital Increase for the benefit of Bombardier UK.

Alstom and Bombardier Inc. may mutually agree to waive one or more of the conditions precedent listed above, with the exception of those listed in (iv) above, which is for the sole benefit of the party that is not responsible for the significant breach or breaches of certain fundamental warranties provided for in the Bombardier Reinvestment Agreement.

(b) CDPQ Reinvestment Agreement

The CDPQ Reinvestment Agreement provides that CDP Investissements will reinvest the proceeds from the purchase price to be paid by Alstom Holdings on the Completion Date (with the exception of the amounts invested by CDPQ in the recapitalisation of Bombardier Transportation and of the return on the recapitalisation), which comes to a total subscribed amount of between €1.93 billion and €2.08 billion (depending on the amount of the Second Tranche of the Acquisition Price (as such term is defined above)) through a reserved capital increase for the benefit of CDP Investissements, subscribed by way of set-off of claims (after a delegation by Alstom Holdings to the Company with respect to the payment of the Acquisition Price to be paid by Alstom Holdings), plus an additional amount of €700 million. If the amount of the Second Tranche of the Acquisition Price is positive and required to be paid to CDPQ by Alstom Holdings, such amount will also be set off against CDP Investissements' subscription of new shares issued by Alstom after a delegation to Alstom with respect to the payment of the Acquisition Price. The reinvestment would be implemented through a reserved capital increase by way of issuance of (i) class B preferred shares mandatorily convertible into new ordinary shares (the "**Preferred Shares**") or, depending on the structure ultimately chosen, (ii) ordinary shares.

These two possible structures are currently being reviewed. It is specified that the two resolutions are alternatives, and that the Board of Directors' choice between the two structures will have no impact on the position of the Company's shareholders. Please refer to the report of the Board of Directors of the Company to the general shareholders' meeting to be held on 29 October 2020, available on the Company's website (https://www.alstom.com/finance/shareholders-meetings), which sets out the terms and conditions of these resolutions.

The CDPQ Reinvestment Agreement provides that the Preferred Shares or the ordinary shares may be transferred to CDPQ following their subscription.

The CDPQ Reinvestment is also subject to the satisfaction of conditions precedent, including with respect to obtaining authorisations from competition and other regulatory authorities.

Issuance of the Preferred Shares

Features of the Preferred Shares

The number of Preferred Shares that may be issued to CDP Investissements on the Completion Date and, if applicable, on the payment date of the Second Tranche of the Acquisition Price, will be calculated based on (i) the amount of the sale price, and, if applicable, of the adjustment to the sale price; and (ii) the issuance price per share of the Preferred Shares, which is €44.45.

As explained above, Alstom Holdings, the acquiring Alstom Group entity in connection with the Acquisition, will delegate to Alstom all or part of the corresponding purchase price debt owed to CDPQ and Bombardier Inc. Thus, the reserved capital increase will be paid (i) by set-off of the amount of that claim; and (ii) for the remainder (in the amount of €700 million), by cash payment on the Completion Date.

The terms and conditions of the Preferred Shares (the "**Terms and Conditions**") are set forth in Annex 4 to this Amendment and are subject to approval by the shareholders at the General Meeting. These terms and conditions are the subject of a report by a special benefits appraiser (*commissaire aux avantages particuliers*), which is attached in Annex 5 to this Amendment.

The Preferred Shares will have a nominal value of seven euros per share. Subject to the specific rights attached to them, the Preferred Shares will have the same rights and obligations as those attached to Alstom's ordinary shares. Specifically, each Preferred Share will give its holder the right to vote at ordinary and extraordinary general shareholders' meetings of the holders of Alstom's ordinary shares, in a ratio of one voting right per Preferred Share.

At any given time, each Preferred Share will give an ownership right to the Company's assets and to the distribution of dividends (excluding distributions of premiums and/or reserves), in an amount equal to the product of (i) the right attached to an ordinary share of the Company in accordance with Articles 21 (*Profits*) and 23 (*Liquidation – Appointment – Powers of the Liquidators*) of the Company's Articles of Association and (ii) the number of ordinary share(s) to be received upon conversion of the Preferred Shares if such conversion were to take place on the date of the decision to distribute the dividend.

The Preferred Shares will not have preferential subscription rights.

Preferred Shares conversion dates

If the Planned Capital Increase is carried out prior to the issuance date of the Preferred Shares (which will take place on the Completion Date and, if applicable, in the event of a Second Tranche of the Acquisition Price, on the payment date of the Second Tranche of the Acquisition Price), the Preferred Shares will be automatically converted into ordinary shares of Alstom on their issuance date (*i.e.*, respectively, on the Completion Date and, if applicable, on the payment date of the Second Tranche of the Acquisition Price).

If the Planned Capital Increase is not carried out prior to their issuance date, the Preferred Shares will be automatically converted into ordinary shares of Alstom, and the ordinary shares resulting from the conversion will bear immediate rights to dividends, on the earlier to occur of the following two dates: (i) the first anniversary of the Completion Date; and (ii) the settlement and delivery date of the Planned Capital Increase.

Adjustments to the number of ordinary shares resulting from the conversion of Preferred Shares

The number of ordinary shares that may result from the conversion of the Preferred Shares will be determined by a conversion ratio of one new ordinary share for one Preferred Share (subject to the adjustments described below), it being specified that the maximum number of ordinary shares issued upon conversion of the Preferred Shares may not exceed 29.90% of the share capital or voting rights of the Company on the conversion date. In all circumstances where the application of this 29.90% threshold has prevented the issuance of ordinary shares that would have been issued but for the application of that threshold, Alstom will pay CDP Investissements, on the Completion Date, an amount in euros equal to the product of (i) the number of ordinary shares not issued as a result of the application of the threshold and (ii) the price of an Alstom ordinary share at the close of the trading day preceding the Completion Date.

The conversion ratio will be subject to adjustments in order to protect the holders of the Preferred Shares in the event of certain transactions in the share capital on or after 17 February 2020, and in particular the dilutive effect of the Planned Capital Increase.

The terms of adjustment of the conversion ratio in connection with the Planned Capital Increase are set forth in section "*Conversion of the Class B Preferred Shares*" of the Terms and Conditions. The other events and terms of adjustment are set forth in Annex B to the Terms and Conditions.

In the event of transactions giving rise to such adjustments prior to the conversion of the Preferred Shares into ordinary shares, and provided that CDPQ and its Affiliates hold at least 50% of the Preferred Shares, any resolution proposed at an extraordinary general meeting of shareholders may be adopted only with the positive vote of the holders of the Preferred Shares.

The new ordinary shares issued in connection with these adjustments would be paid up using the issuance premium portion of the subscription price for the Preferred Shares. That issuance premium will be allocated to a "premium account" (the "**Unavailable Account**"), which will be unavailable prior to conversion of the Preferred Shares into ordinary shares of Alstom. If the implementation of a transaction triggering one or more adjustment(s) would make it impossible to issue all the ordinary shares upon conversion of the Preferred Shares using only the Unavailable Account, then the Company will transfer to another reserve account (the "**Additional Unavailable Account**") the amount of premiums or reserves reasonably necessary to enable the conversion in full of the Preferred Shares into a sufficient number of ordinary shares, and the amount of the premiums or reserves thus transferred will become unavailable.

The Preferred Shares will not be admitted to trading on their issuance date. However, CDP Investissements will be entitled to ask Alstom to apply for listing on Euronext Paris, in all circumstances where CDP Investissements or CDPQ is entitled to and wishes to transfer its Preferred Shares to a third party (other than its Affiliates) during the lock-up period (as described below).

With the exceptions of (i) transfers to CDPQ; (ii) transfers to Affiliates of CDPQ; (iii) transfers following the filing of a tender offer; (iv) transfers authorised by Alstom in response to a request by CDPQ; (v) transfers following the commencement of proceedings governed by Book VI of the French Commercial Code concerning Alstom SA; and (vi) transfers carried out in order to authorise CDPQ and its Affiliates to reduce their equity investment to not less than 19.8% prior to a distribution ("**Authorised Transfers**"), the Preferred Shares will not be transferable.

The ordinary shares resulting from the conversion will be subject to a lockup period of 21 months (except for Authorised Transfers) as from the Completion Date. After the end of the lockup period, the ordinary shares held by CDPQ and its Affiliates would not be transferable off-market to Alstom competitors (as defined in the documentation) without Alstom's prior consent, it being specified that CDPQ and its

Affiliates would remain free, following the expiration of the lockup period, to sell their Alstom shares on the market or through an accelerated book building process (with no restrictions on such process).

In addition, pursuant to the CDPQ Reinvestment Agreement, CDPQ has agreed to a ten-year standstill following the signature date, during which period, unless it obtains Alstom's approval, its equity investment is not to exceed the higher of the two following amounts: (i) 22% of the share capital, and (ii) its equity investment following the Completion Date plus 2%. In the event that it exceeds that threshold, CDPQ must come into compliance within six months.

Issuance of ordinary shares

Alstom may decide to issue ordinary shares to CDP Investissements in lieu of Preferred Shares, in which case CDP Investissements undertakes to subscribe for such issuance of ordinary shares. In that event, the number of ordinary shares to be issued will be equal to the number of Preferred Shares that would have been issued on the Completion Date and, as the case may be, on the payment date of the Second Tranche of the Acquisition Price, subject to any adjustments that may have occurred between 17 February 2020 and the Completion Date, as set forth in Annex 6 to this Amendment.

Please refer to the report of the Board of Directors of the Company to the general shareholders' meeting to be held on 29 October 2020, available on the Company's website (https://www.alstom.com/finance/shareholders-meetings), which sets out the terms and conditions of these issuances.

Governance

Following the Transaction, CDPQ will be Alstom's largest shareholder. CDPQ will have the right to appoint a censor and two directors to Alstom's Board of Directors for so long as its equity investment is equal to or greater than the lower of the following two percentages: (x) the percentage of the share capital that it holds following the Completion Date, and (y) 19.80%. Its representation will be limited to two directors if its equity investment is between 12.50% (inclusive) and the percentage of its equity investment in the share capital following completion of the Transaction (exclusive) and to one director if its equity investment in the share capital is between 7.50% (inclusive) and 12.50% (exclusive).

One of the directors appointed by CDPQ will also be a member of the audit committee for so long as CDPQ holds more than 12.50% of Alstom's share capital (it being specified that the Company will continue to comply with the AFEP-MEDEF Code's recommendations regarding the composition of the audit committee, which might, as necessary, be modified so as to ensure such appointment complies with the AFEP-MEDEF Code.

In addition, an integration committee charged with facilitating and overseeing the process of integrating Bombardier Transportation into the Alstom Group will be formed and remain in existence for two years following the Completion Date. The integration committee will be composed of two independent directors chosen from among the independent directors on Alstom's Board of Directors and one director appointed by CDPQ. This committee will constitute a committee of the Board of Directors within the meaning of Article 5 of the internal rules of Alstom's Board of Directors.

CDPQ's right to information

In the event that Alstom is contemplating a one-off distribution of shares, it has undertaken to inform CDPQ at least 30 days before submitting its proposal, in order to give CDPQ the opportunity to reduce its equity investment in the share capital to below 20%, if it so desires.

This informational right must be exercised in compliance with applicable regulation with regard to market abuse.

Term of the CDPQ Reinvestment Agreement

The CDPQ Reinvestment Agreement has been entered into for a term of twenty years and will be automatically extended for additional five-year terms unless either party terminates by written notice to the other party at least six months prior to the end of the term in progress. Early termination is provided for in the event that the Acquisition Agreement is terminated, that an event occurs that makes it impossible to satisfy the conditions precedent prior to the end of the Condition Precedent Satisfaction Period, or that a tender offer is filed that is recommended by Alstom's Board of Directors prior to the Completion Date. In this last case, the amounts due by Alstom under the Acquisition Agreement would be paid in cash.

(c) Governance of the combined entity

Bouygues is supporting the Transaction and made the following commitments on 17 February 2020:

- To remain a shareholder of Alstom and not to transfer the Alstom shares that Bouygues S.A. holds as of 17 February 2020 without Alstom's approval until the first of the following dates: (i) the date of the General Meeting, and (ii) 31 October 2020;

- To vote for the resolutions proposed to Alstom's shareholders at the General Meeting in order to approve the Transaction;

- Subject to compliance with applicable laws and with the directors' obligations, to ensure that its representatives on Alstom's Board of Directors vote in favour of any decision necessary in order to implement the Transaction.

The resolutions relating to the appointment of directors representing CDPQ will be submitted for a shareholders' vote at the General Meeting, subject to the condition precedent of the completion of the Transaction.

It should be noted that, in accordance with the French law on the recovery of the real economy (the "Florange Law") of 29 March 2014, double voting rights are granted automatically to shares held in registered form for at least two years in any company whose shares are traded on a regulated market, unless the company's articles of association provide otherwise in a provision adopted after passage of the law. Since Alstom's articles of association do not contain such a provision, double voting rights have been automatic since 31 March 2016.

In connection with the Transaction, it is proposed to add a provision to Alstom's articles of association eliminating double voting rights, subject to the condition precedent of completion of the Transaction and effective as of the Completion Date. Resolutions proposing this change will be presented at the special shareholders' meeting of the holders of shares with double voting rights and at the General Meeting.

The articles of association will include all of the changes submitted for the approval of Alstom's shareholders in connection with the General Meeting that would be applicable following completion of the Transaction on the Completion Date (as set forth in Annex 7 to this Amendment).

2. RISK FACTORS

The "Covid-19 (*)" risk factor included in the "Operational and strategic risks" section of Chapter 4 of the Universal Registration Document 2019/20 is amended as follows:

Covid-19 (*)

The Alstom group does business in numerous countries that have been significantly affected by the Covid-19 epidemic and is carefully monitoring the situation while taking the necessary action to protect its employees, suppliers, and subcontractors, as well as to reduce the economic and financial impacts of this unprecedented crisis.

The principal risk factors identified as of the date hereof include, but are not limited to, the following:

- Temporary or long-term production-line disturbances in the various countries affected by the epidemic;
- The impact on rail traffic;
- Impacts on the health and work output of the Group's employees and service providers; and
- The long-term impacts of the reduction in government investment in the context of a foreseeable global economic crisis and a strong increase in government debt, affecting the number and timing of the customers' Group's investment projects.

The expected impacts may be of multiple kinds, ranging from the health of the Group's employees, subcontractors, and suppliers to the partial or total shutdown of production plants, which may result in delays in contract performance and the postponement or even the cancellation of decisions to award contracts following calls for bids.

As of the publication date of this Amendment, the Group notes that:

- Its principal production plants in France, Italy, Spain, South Africa, the Middle East, Central Asia, and India were forced to suspend operations or had their operations severely affected in the spring of 2020. The resumption of operations was planned based on the end dates of the lockdowns ordered by the various countries involved and has been on-going since the end of April 2020;
- The majority of its suppliers were also forced to shut down and began progressively reopening in late April 2020; and
- Alstom's operations had returned to nearly normal levels in September 2020, excluding the structural decrease in the systems activity.

However, the Group cannot rule out the possibility that Alstom's sites or its suppliers' sites may be forced to reduce or cease operations once more in the future, in particular in the event of a "second wave" of Covid infections in the countries where the Group is present.

Since the beginning of the 2020/2021 fiscal year, the Covid-19 crisis has weighed on market dynamics and therefore order prospects, where the Group has seen slippage to the second half of the fiscal year. The extent of the negative impact of the Covid-19 crisis on the financial performance of the 2020/21 fiscal year will depend on the conditions and timing of a return to normal business activity, which the Group cannot predict as of the date of this Amendment. A business upside will depend on the evolution of the Covid-19 crisis, including the length of the lockdown measures, the intensity of the economic recession and the market's

response. Following the current crisis, the Group expects a rebound in the rail market, supported by solid fundamentals and increased demand for sustainable mobility solutions.

See Section 6, "Market Trends," of this Amendment for an assessment of the impacts of Covid-19 on the prospects for market growth, as well as the notes to the financial statements and the management report included in the Universal Registration Document 2019/20 and the results of operations for the first quarter of the 2020/21 fiscal year, described in Section 5 of this Amendment, "Financial information about the Company for the first quarter of the 2020/21 fiscal year published on 16 July 2020," for an assessment of the financial impacts of the crisis on the Group's financial statements.

The section of Chapter 4 of the Universal Registration Document 2019/20 entitled "Risks relating to acquisitions, disposals and other external growth transactions" is hereby amended and supplemented as follows:

Risks relating to the acquisition of Bombardier Transportation (*)

Risks relating to a failure to complete the Acquisition

If the Acquisition is not completed because the Acquisition Agreement is terminated, in particular due to the failure to satisfy any of the conditions precedent (see Section 1, "*Description of the Transaction to Acquire Bombardier Transportation*," of this Amendment), Alstom's day-to-day activities could be adversely affected, and Alstom could face a certain number of risks including the following:

- It could be required, under certain circumstances, to pay a termination fee (or "break fee") to Bombardier Inc. and to CDPQ in an aggregate amount which may be increased to a maximum of €200 million under certain circumstances contemplated under the Acquisition Agreement (see "Description of the Transaction" for an explanation of these termination fees);

- It may have incurred and may continue to incur significant costs in the context of the proposed Acquisition (which will be at a loss if the Acquisition is not completed); the estimated amounts of the costs incurred by Alstom as of the date of this Amendment are set forth in point 5(a) of Section 3, "*Pro Forma Financial Information as of 31 March 2020*," of the Amendment;

- It may experience the effects of a negative reaction in the financial markets, and in particular a negative effect on Alstom's share price, which may have gone up in anticipation of the Transaction's expected benefits;

- It may experience negative reactions from customers, regulatory authorities and employees; and

- Alstom's management and teams may have allocated significant time and resources to issues relating to the Acquisition that could otherwise have been allocated to day-to-day transactions and other opportunities from which Alstom could have benefited.

In addition, Alstom could be subject to litigation resulting from any failure to complete the Acquisition. If the Acquisition does not take place, the occurrence of these risks could have a material adverse effect on Alstom's business, financial position, results, prospects, and share price.

Completion of the Acquisition remains subject to the satisfaction of a number of conditions precedent (or to Alstom's waiver of them); if these conditions are not satisfied or are satisfied late, there could be an adverse effect on Alstom

Completion of the Acquisition is subject to several conditions precedent (see "Description of the Transaction"), some of which are outside the control of Alstom, Bombardier Inc., and CDPQ. No assurances can be given that the conditions precedent to the Acquisition will be satisfied or waived on a timely basis or at all. Any failure to satisfy or delay in satisfying the conditions precedent could prevent or delay completion of the Acquisition, which would reduce the synergies and benefits that Alstom expects to achieve from the Acquisition and from the integration of Bombardier Transportation's business into its own.

In particular, the Acquisition is subject to the approval of competition and regulatory authorities in the European Union, the United States, China, and other jurisdictions. The relevant authorities could impose measures or conditions, such as requiring the disposal of assets or businesses (which could be significant) belonging to Alstom and/or Bombardier Transportation, and no assurance can be given that Alstom, Bombardier Inc., and CDPQ will obtain the necessary authorisations, decisions and approvals from those authorities. Although the European Commission has authorised the Acquisition subject to compliance with the commitments proposed by Alstom, there can be no certainty that the same outcome will be reached with respect to the other competent competition authorities. Therefore, despite the commitments that Alstom has proposed, the relevant authorities could condition their authorisations, decisions, or approvals on significant additional measures that Alstom and/or Bombardier Inc. may not be able to agree to. In any event, any conditions or disposals required by these authorities (as well as any conditions, including financial conditions, to such disposals) could have a material adverse impact on Alstom's business, operating results, financial position, expected synergies from the Acquisition, prospects, and share price.

The Acquisition is also subject to approval by the extraordinary general meeting of Alstom's shareholders of the resolutions relating to the Transaction, and in particular those relating to the capital increases reserved for Bombardier Inc. and CDPQ, as well as the capital increase with preservation of preferential subscription rights.

Risk relating to Bombardier Transportation's performance and unexpected liabilities

Bombardier Transportation faces financial and operational difficulties, resulting in lower margins than Alstom's (including adjusted operating margin rate of 0.8% for the fiscal year ended 31 December 2019 and of 2.4% and (25.9%), respectively, in the first and second quarters of 2020, as compared with Alstom's adjusted operating margin rate of 7.7% for the fiscal year ended 31 March 2020). Its earnings targets were revised downward in connection with the profit warning issued on 16 January 2020, when Bombardier Inc. announced its fourth quarter 2019 results; in particular, available cash flow, on a consolidated basis over Bombardier Inc.'s scope of consolidation, was estimated at approximately $1 billion, or close to $650 million lower than forecast. In its six-month report for the first half of 2020, dated 6 August 2020, Bombardier Inc. indicated that Bombardier Transportation's operating income had decreased by $577 million (not taking into account the negative impact of exchange rates) as compared with the first half of 2019. Revenues for the second quarter of 2020 totalled $1.479 billion, reflecting a decline in production, while operating activities conducted at the main facilities in Europe and in the Americas have been temporarily suspended due to the Covid-19 global pandemic. In addition, Bombardier Transportation's adjusted loss before financing expenses, financing income and income tax (EBIT) of $(383) million for the second quarter of 2020 was significantly greater than expected and reflected an additional $435 million charge during the period, largely related to incremental engineering, certification, and retrofit costs associated with a number of late-stage projects, primarily in Britain and Germany. Following publication of these half-year results, the terms of the Acquisition Agreement were adapted to reflect Bombardier

Transportation's current situation. Bombardier Transportation's performance and operating and financial indicators could continue to deteriorate, in particular in light of the on-going Covid-19 pandemic, and there can be no assurance that the improvement in Bombardier Transportation's performance that was expected as of the date the Acquisition was announced will be realised, which would have a material adverse effect on Alstom's results, cash flows, profitability, and financial condition following completion of the Acquisition.

In addition, Alstom conducted limited due diligence on Bombardier Transportation before entering into the memorandum of understanding on 17 February 2020 and the Acquisition Agreement (including certain due diligence measures conducted prior to executing the Acquisition Agreement). Alstom cannot guarantee that the documents and information provided during the due diligence process were complete, adequate or accurate and, as a result, that the due diligence work identified or assessed all of Bombardier Transportation's potential material issues, risks and liabilities. As a result, following completion of the Acquisition, unanticipated operational difficulties and/or significant unanticipated liabilities of Bombardier Transportation may arise and have a negative effect on Alstom's profitability, operating results, financial position, market capitalisation, and share price, which difficulties and/or liabilities might have been identified by Alstom if more exhaustive diligence had been conducted. Similarly, operating difficulties or other risks identified in due diligence could ultimately prove to be insufficiently provisioned or be more significant than initially anticipated, or Alstom may not be in a position to remedy such difficulties, which could have a material adverse effect on the Group's results, cash flows, profitability, financial position and reputation.

The principal subjects in that regard identified during due diligence include the following:

- Operational problems in certain complex projects (in particular in the United Kingdom and in Germany), which have led to additional costs and delays in development and production, quality problems, and claims and disputes from customers;

- The expiration of material contracts in the short or medium term, including with respect to collaborations and joint ventures (with a risk of non-renewal);

- The identification of certain tax risks and the existence of various types of litigation and other proceedings (see also the risk factor in this section entitled "*Allegations of misconduct by Bombardier Transportation or its third-party business partners could expose Alstom to a risk of loss or reputational damage*");

- Certain initiatives for financing working capital (including the sale of receivables and arrangements with respect to third-party advances) in significant amounts; and

- The level of funding of pension obligations.

Moreover, the provisions on indemnification of Alstom in connection with the Acquisition, including with respect to the specific risks identified during the due diligence conducted prior to signing the Memorandum of Understanding, are subject to quantitative limits under the Acquisition Agreement (Alstom's claims may be indemnified only, *inter alia*, (i) to the extent that they collectively represent claims of at least €25 million, and (ii) up to a €100 million cap, with the exception of claims relating to breaches of fundamental representations and warranties—relating in particular to share ownership, the sellers' capacity, their incorporation, the approval of governmental authorities, and the absence of insolvency proceedings—for which the cap is equal to the Acquisition Price) and/or time limits (the standard prescriptive period for the fundamental representations and warranties, and two years for claims relating to breaches of other warranties or for tax or compliance indemnification), and no assurance can be given that they would

effectively cover all of the liabilities relating to Bombardier Transportation that may appear following the Acquisition, or the liabilities known as of that date but that may subsequently worsen.

Risks relating to the integration of Bombardier Transportation's activities and failure to achieve expected synergies

The expected benefits of the proposed Acquisition will partly depend upon the successful integration of Bombardier Transportation's activities into the Group's. The Acquisition will involve the integration of two complex, significantly sized companies that currently conduct a vast range of activities and function independently, one of which operates within a larger group. The companies could face significant difficulties when an integration plan is implemented, some of which may have been unforeseeable or are outside of Alstom's and Bombardier Transportation's control, notably with respect to differences in standards, controls, procedures and rules, corporate culture, the history of technological investments, organisation of the Group and Bombardier Transportation, and the need to integrate and harmonise the various operating systems and procedures that are specific to each group, such as financial and accounting systems and other IT systems.

In that regard, Alstom could have difficulty retaining some of its key employees or those of Bombardier Transportation. In connection with the integration process, Alstom will have to resolve problems inherent to the management and integration of a larger number of employees with different experience, backgrounds, compensation structures, and cultures, which could impede its ability to manage its business as expected.

In addition, the integration process will be long and complex and will require significant time and resources. This could draw management's attention and resources away from other strategic opportunities and from day-to-day operations during the integration process. Integration efforts may also lead to significant costs, which could have a material adverse effect on Alstom's financial position, operating results, and share price. Any failure in the planned integration could have a negative impact on Alstom's business, financial position, profitability, and prospects. Due to competition law constraints, the integration process did not begin prior to the recent signature of the Acquisition Agreement, which increases the current risk of complications and delays in the process. In addition, significant costs and investments could be necessary to integrate Bombardier Transportation's technology. Furthermore, the integration of Bombardier Transportation's business with Alstom's could result in the cancellation of certain orders in the backlog of both companies, as some customers currently present in the backlogs of both companies may wish to diversify. Moreover, the integration of Bombardier Transportation's business in China, including through a joint venture, will increase Alstom's exposure to foreign exchange risk between the euro and the Chinese yuan (see also the risk factor entitled "Financial Risks" in the Universal Registration Document 2019/20).

Finally, although Alstom expects the Acquisition to create significant value through the synergies realised in the medium and long term and significant cost synergies (see Section 1.1.2, "*Description of the Transaction—Advantages of the Transaction for Alstom and its shareholders*" of this Amendment), there can be no assurance of the existence or achievement of these synergies within the expected time frames, as the realisation and extent of any synergies depend on a number of factors and assumptions, many of which are outside of Alstom's and Bombardier Transportation's control. Any delay in completing the Transaction, as well as the health situation relating to Covid-19, could affect realisation of the expected synergies. In addition, costs incurred in view of obtaining these synergies may be higher than expected or additional unexpected costs that may even exceed the value of the expected synergies could arise, leading to a loss of shareholder value. The failure to achieve expected synergies and/or an increase in the costs incurred in this regard could decrease Alstom's return on its investment and diminish the Acquisition's value creation (including for Alstom's shareholders) and, more generally, have a material adverse impact on Alstom's activities, operating results, financial position, prospects, and share price.

Risk relating to triggering change of control provisions

Bombardier Transportation is a party to multiple agreements with customers, suppliers, joint-venture partners (such as in China) and consortia, as well as to financing agreements, some of which contain change of control provisions. Some of these provisions could be triggered by the Acquisition, since Bombardier Inc. will no longer be Bombardier Transportation's controlling shareholder. Triggering these provisions could result in a loss of contractual rights and benefits, or could lead to the triggering of other provisions, such as call options and/or put options relating to shares held by Bombardier Transportation, or to the termination or renegotiation of agreements. Although Bombardier Inc. has undertaken in the Acquisition Agreement to attempt to obtain the consent of the counterparties to certain particularly important agreements (including certain joint-venture agreements, as well as financing agreements in connection with customer contracts) prior to the completion of the Acquisition, the Acquisition Agreement does not contain a condition precedent relating to contracts with change of control provisions. Following the Acquisition, Bombardier Transportation could therefore lose the benefit of some of these contracts if the counterparties concerned were to terminate them or negotiate more onerous financial terms in order to grant their consent. This could have a material adverse effect on Alstom's financial condition, results of operations, prospects, and share price.

Risks of disputes relating to the Acquisition

In connection with the Acquisition or as a result of it, Alstom could face new claims and disputes, in particular by customers, commercial partners, suppliers, shareholders, or bondholders of the Alstom group or of the Bombardier Inc. group. Such disputes could delay or prevent the completion of the Acquisition (see "Risk relating to a failure to complete the Acquisition") and/or have an adverse effect on Alstom's share price, financial condition, results, or prospects.

Allegations of misconduct by Bombardier Transportation or its third-party business partners could expose Alstom to a risk of loss or reputational damage.

Global enforcement of anti-corruption laws has increased substantially in recent years, with numerous large-scale, extraterritorial investigations and enforcement proceedings by governmental authorities, resulting in assessment of significant fines and penalties against companies and individuals. The nature of the business conducted by Alstom and Bombardier Transportation creates the risk of unlawful payments or offers of payments by their employees, consultants or agents. For example, in 2014, Alstom pleaded guilty to criminal charges brought by the U.S. Department of Justice (the "DOJ") relating to corruption matters involving a since-exited business and paid a fine of approximately $770 million. See Alstom's 2019 Universal Registration Document, Chapter 4, "Legal and Regulatory Risks – Legal and Compliance Risks". Bombardier Transportation is currently the subject of an audit of the World Bank Integrity Vice Presidency ("INT") and participating in several investigations relating to allegations of corruption including by the Swedish Prosecution Authority, the Special Investigating Unit ("SIU") in South Africa and the DOJ .

The principal matter under investigation is in relation to a 2013 contract for the supply of equipment and services to Azerbaijan Railways in the amount of approximately $340 million (principally financed by the World Bank) awarded to a bidding consortium composed of Bombardier Transportation's Swedish subsidiary ("BT Sweden"), a Russian Bombardier Transportation affiliate (with third party shareholders) and a third party (the "ADY Contract"). Ownership of the affiliate was subsequently transferred to an entity well-established in the Russian and CIS market with which BT Sweden had an historical relationship, and an affiliate of which had been added post-bid approval as a project subcontractor. There remains uncertainty as to the services provided by these entities in return for some of the payments they received; Bombardier's internal review regarding the ADY Contract is still on-going.

Swedish authorities commenced an investigation in relation to the ADY Contract in 2016 and in 2017 filed charges against the former Head of Sales, Region North, Rail Control Solutions, BT Sweden (the "former BTS employee") for aggravated bribery and, alternatively, influence trafficking. The authorities alleged that the former BTS employee had contacts and correspondence with a representative of the third party member of the consortium who was also employed by Azerbaijan Railways during the bidding period with a view towards illicitly influencing the outcome of the tender. After a trial the former BTS employee was acquitted on both counts in October 2017; the authorities appealed the decision and as of today only the aggravated bribery charge is pending. Although no charges have been filed against BT Sweden to date, the Swedish authorities were investigating other former BT Sweden employees and made mutual legal assistance treaty requests to authorities in numerous jurisdictions. The Swedish authorities recently concluded the investigations of the other former BT Sweden employees and it is still possible that they may file charges against one of them or make claims.

The World Bank audited the ADY Contract and in November 2018 the INT issued a (strictly confidential) "show cause" letter to Bombardier, which was leaked. The letter outlines the INT's position regarding alleged collusion, corruption, and fraud in the ADY Contract and obstruction of the INT's investigation. The audit could result in some form of debarment of Bombardier Transportation and BT Sweden from bidding on contracts financed by the World Bank (and other development banks that have mutual enforcement arrangements in place with the World Bank) for a number of years.

Finally, and as disclosed by Bombardier in its first half 2020 financial statements, on February 10, 2020, the DOJ notified Bombardier that it had opened an investigation. In response to its requests, since March Bombardier has been voluntarily providing documents and information to the DOJ regarding the ADY Contract and may be doing so in the near-term in relation to other projects in CIS countries. The DOJ has indicated that it may request information regarding other matters and jurisdictions as part of its ongoing investigation.

Bombardier Transportation South Africa's contract to supply locomotives to Transnet Freight Rail is among numerous matters under investigation by the Judicial Commission of Inquiry into Allegations of State Capture (the "Zondo Commission") and by the Special Investigating Unit in South Africa. Bombardier Transportation has been providing information to the SIU and the matter remains pending.

In connection with the Acquisition, Alstom undertook a due diligence review of the pending investigations involving Bombardier Transportation as well as its compliance program and internal controls. Although Alstom has obtained a number of contractual protections in the Acquisition to mitigate perceived risks in this respect they may be insufficient to mitigate the financial consequences or to mitigate reputational, operational (e.g., eligibility to participate in public procurement processes) or other indirect, negative consequences that could be incurred by Alstom (including as a result of potential vicarious or successor liability) following the Acquisition.

Risk relating to the transition period between the announcement of the planned Acquisition and its completion

During the transition period between the announcement of the Acquisition and its completion, the Acquisition will be subject to significant uncertainty that could have a negative effect on relationships with certain customers (and in particular with potential customers in connection with calls for tenders), strategic partners, and employees of both Alstom and Bombardier Transportation. Some strategic partners, suppliers, or customers may decide to delay operational or strategic decisions pending greater certainty as to whether the Transaction will be completed. The Acquisition could convince customers of Alstom and/or of Bombardier Transportation to work with other players in the sector or could have a negative effect on Alstom's and/or Bombardier Transportation's relations with their customers. Such negative effects on the

companies' relationships could have a negative impact on Alstom's revenue, profits, cash flows from operating activities, and share price.

Risk relating to future operating results and financial condition presented in the combined pro forma financial information

The unaudited combined pro forma financial information[2] as of and for the fiscal year ended 31 March 2020 included in this Amendment was prepared to illustrate the impact of the Acquisition and the related financing transactions as if they had taken place on 31 March 2020 (with respect to the balance sheet) or 1 April 2019 (with respect to the income statement). This unaudited combined pro forma financial information is based on preliminary estimates and assumptions that Alstom believes are reasonable and that are provided for illustrative purposes only. The estimates and assumptions used to prepare the unaudited combined pro forma financial information set forth in this document may differ substantially from the Group's current and future results of operations. As a result, the unaudited combined pro forma financial information included in this document is not intended to indicate the results of operations that would actually have been achieved if the transactions had been completed on the assumed date or during the periods presented, or that may be recorded in the future. In addition, the unaudited combined pro forma financial information reflects no events other than those mentioned in such unaudited combined pro forma financial information and the notes thereto.

Moreover, by definition, the unaudited combined pro forma financial information included in this Amendment covers only information of an accounting nature (to the exclusion of non-accounting information, such as backlog). Differences in the ways Bombardier Transportation and Alstom calculate this indicator (including accounting for financing obtained for the relevant project) could lead to downward adjustments in the indicators used by Bombardier Transportation following the Acquisition.

Furthermore, there may be differences between the accounting methods used by Bombardier Transportation and those used by Alstom. Alstom and Bombardier have not been able to share the relevant information necessary to make reliable estimates and are not able to identify, estimate, and record all of the relevant adjustments in the unaudited combined pro forma financial information.

The combined pro forma financial information has not been audited by Alstom's statutory auditors and is based (in addition to Alstom's audited consolidated financial statements as of and for the fiscal year ended 31 March 2020) on information prepared by Bombardier Transportation for the period from 1 April 2019 through 31 March 2020, namely, for the income statement, on its annual financial statements for the 12-month fiscal year ended 31 December 2019, from which items relating to the first quarter of 2019 were removed and to which items relating to the first quarter of 2020 were added.

Finally, Bombardier Inc. and Bombardier Transportation have published more recent financial information, including Bombardier Transportation's half-year financial statements as of 30 June 2020 and an analysis of the results of operations of Bombardier Inc.'s Transportation segment in its half-year financial report published on 6 August 2020, which presents more recent and more detailed information about Bombardier Transportation.

As a result, investors should not place undue reliance on the unaudited combined pro forma financial information set forth in this Amendment, which, beyond its illustrative nature, may not accurately reflect

[2] The pro forma financial information was the subject of ad hoc due diligence procedures and of a report by Alstom's statutory auditors pursuant to Annex 20, section 3, to Commission Delegated Regulation (EU) 2019/980.

the current or future performance of the combined group. See "Unaudited Combined Pro Forma Financial Information as of 31 March 2020."

Risk relating to Alstom's recording of significant goodwill

As a result of the Acquisition, Alstom will record significant goodwill consisting of the excess of the acquisition cost of Bombardier Transportation over the fair value of its net assets on the acquisition date. For the purposes of the unaudited combined pro forma financial information as of 31 March 2020, provisional goodwill of €6,162 million was recorded following completion of the Acquisition. This amount is provisional, and the final amount will be calculated at its fair value on the acquisition date. The final amount of goodwill recorded in Alstom's next consolidated financial statements could be significantly different. See Note 4.2 to the unaudited combined pro forma financial information as of 31 March 2020 (in Annex 10 "*Unaudited pro forma condensed combined financial information as of 31 March 2020*" to this Amendment).

Furthermore, after the final amount of goodwill is recorded, Alstom could subsequently encounter unexpected problems in connection with the acquired activities, or market conditions could deteriorate, which could negatively affect their anticipated productivity or the value of their intangible assets and lead to impairment of the goodwill recorded and the recoverable value of intangible assets for a given activity.

Goodwill is valued annually and whenever a change in circumstances indicates that its book value may not be recoverable, in order to determine whether there has been impairment. Impairment testing consists of comparing the recoverable amount of a fixed asset (or of a cash-generating unit) with its net book value. The recoverable amount is the higher of fair value less cost of sale and value in use. Value in use is used to represent recoverable amount. Value in use is determined by discounting future cash flows to present value, using projected cash flows over the next three years consistent with the Group's internal plan, an extrapolation of the following two years, and the most recent forecasts prepared by the Group. If the recoverable amount of an asset or of a cash-generating unit (CGU) is lower than its book value, impairment is recorded as an operating expense on the income statement. If the management team's projections or assumptions (such as the discount rate after tax, long-term growth rate, and adjusted operating margin for the final year) change, the estimate of the recoverable amount of goodwill or of the asset could decrease significantly and result in impairment. Although impairment does not affect cash flow recorded, a decrease in the estimated recoverable amount and the corresponding expense recorded in the income statement could have a material adverse effect on the Group's results of operations, financial condition, and share price.

Risks relating to the financing of the Acquisition

Alstom has secured financing for the portion of the Acquisition Price payable in cash through a bridge loan in the amount of €2.4 billion, entered into with a syndicate of international banks (see Note 1 to the consolidated financial statements as of and for the financial year ended 31 March 2020 in the Universal Registration Document 2019/20 for a detailed description of the financing). Alstom currently plans to carry out a capital increase with preferential subscription rights in an approximate amount of €2 billion, as well as one or more bond issuances in a total amount of approximately €400 million, prior to completion of the Acquisition, and, therefore, not to draw down funds under the bridge loan. In the event that for reasons beyond its control (such as market conditions, execution windows, etc.), Alstom is unable to proceed with the currently planned financing transactions (*i.e.*, the capital increase and the bond issuance) prior to completion of the Acquisition, it would be forced to draw down funds under the bridge loan in order to make cash payment for Bombardier Transportation's shares. This would significantly increase its financing costs as well as the Group's total indebtedness and leverage ratio.

If the Planned Capital Increase is not completed prior to the Completion Date or is completed but for less than the currently expected gross proceeds of €2 billion, then an existing "bridge" loan will be drawn in an amount corresponding to the shortfall. If the bridge loan is drawn down for the entire €2 billion, the result would be a €6 million decrease in net profit compared to net profit as reported in the Unaudited Pro Forma Condensed Combined Financial Information (corresponding to the additional interest expense over the 12-month period) for the 12-month period ended 31 March 2020, before tax. For example, on this basis, if the Planned Capital Increase were to occur six months after the Completion Date, the cost relating to the drawdown of the loan would be €3 million.

Similarly, if the bond issuance is not completed prior to the Completion Date or is completed but for less than the currently expected gross proceeds of €400 million, then the existing "bridge" loan will be drawn in an amount corresponding to the shortfall. That drawdown would have no impact on financial expense compared to financial expense as reported in the Unaudited Pro Forma Condensed Combined Financial Information (see Section 3 "*Pro Forma Financial Information as of 31 March 2020*" of this Amendment), because the financial interest on the bonds and the bridge loan is similar. The preliminary ratio of net debt to EBITDA calculated on the basis of the Unaudited Pro Forma Condensed Combined Financial Information as of 31 March 2021 in the event of drawdown of the bridge loan would temporarily reach approximately 1.9x, as compared with negative net leverage in the event that the Planned Capital Increase is carried out prior to the Completion Date.

Risks relating to Alstom's post-Transaction shareholder base and to the sale of a significant number of Alstom shares

Bouygues S.A. completed its sale of 13% of Alstom's share capital on 11 September 2019 and announced on 29 September 2020 that it would dispose of around 4.8% of the Company's share capital in a forward sale to be completed on 3 November 2020 (with a lockup for the benefit of BNP Paribas until 29 December 2020). The sale of a significant number of Alstom shares on the market, or the market's perception that such a sale may occur, could decrease Alstom's share price or limit its capacity to grow. Bouygues S.A. has undertaken to retain its voting rights relating to the Alstom shares that it held as of 17 February 2020 until earlier of the following dates: (i) the date of the General Meeting and (ii) 31 October 2020.

In addition, Bombardier Inc. and CDPQ, which will be significant shareholders of Alstom following the Transaction, are required pursuant to the Bombardier Reinvestment Agreement and the CDPQ Investment Agreement to retain their shares for a lockup period of three and 21 months, respectively, following the Completion Date (see Section 1.2.2 of this Amendment). Upon expiration of these lockups, or prior to their expiration in the event that Alstom releases them from their commitments, Bouygues S.A., Bombardier Inc., and CDPQ will be free to sell all or part of their equity investment on the market and to carry out the transactions referred to above, which could have a material adverse effect on Alstom's share price.

Tax risks relating to the Transaction

The completion of the Acquisition and the subsequent reorganisation transactions could lead to adverse tax consequences.

The acquisition of Bombardier Transportation UK2's shares could result in adverse tax consequences for the Alstom group and certain Bombardier Transportation entities (such as (i) the imposition of stamp taxes or transfer taxes; (ii) a loss of or limit on the right to use certain tax assets such as tax losses; and/or (iii) the taxation of certain capital gains).

More generally, the Alstom group's organisation following the business combination and reorganisation transactions that may be carried out in order to rationalise the structure of the combined group and to

facilitate the integration of the businesses of Alstom and Bombardier Transportation could result in tax inefficiencies and/or additional tax costs (such as tax costs relating to the reorganisations conducted to facilitate the integration, an inability or delay in the ability to create local tax consolidation groups between the Alstom and Bombardier Transportation entities in certain countries, transfer pricing policy, etc.).

These considerations could result in an increase in Alstom's tax charges and have a negative effect on its effective tax rate, its results of operations, and/or its financial condition.

3. PRO FORMA FINANCIAL INFORMATION AS OF 31 MARCH 2020

Unaudited pro forma condensed combined financial information as of 31 March 2020 is attached in Annex 10 to this Amendment.

4. DESCRIPTION OF BOMBARDIER TRANSPORTATION

4.1 *Description of Bombardier Transportation's business*

A description of Bombardier Transportation's business, as set forth in Bombardier Inc.'s annual financial report, is attached as Annex 9.A. to this Amendment.

4.2 *Bombardier Transportation financial information*

*The financial information presented in this section includes (i) the financial statements of Bombardier Transportation (Global Holding) UK Limited, a company owned by Bombardier Transportation UK2, for the fiscal years ended 31 December 2018 and 2019, which were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Bombardier Transportation (Global Holding) UK Limited's statutory auditor; (ii) Bombardier Transportation (Global Holding) UK Limited's quarterly report as of 31 March 2020 and interim financial statements for the six months ended 30 June 2020, which were reviewed by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in its capacity as Bombardier Transportation (Global Holding) UK Limited's statutory auditor; and (iii) excerpts from Bombardier Inc.'s management report with respect to the Transportation segment (the "**Transportation Segment Management Report**") as prepared by Bombardier Inc. for the corresponding periods and published pursuant to its disclosure obligations as a company admitted to trading on the Toronto Stock Exchange (TSX) in Canada. The above-mentioned excerpts from the Transportation Segment Management Report include the information related to Bombardier Inc.'s Transportation segment, with the exception of specific information on Bombardier Inc.'s Aviation segment as well as certain forward-looking information, market information and interim information within annual results, and certain non-GAAP financial measures.*

It is specified that, in the context of the Transaction, Alstom Holdings will purchase 100% of Bombardier Transportation's shares, which is Bombardier Transportation (Global Holding) UK Limited's holding company. Therefore, in addition to the assets and liabilities of Bombardier Transportation (Global Holding) UK Limited, the Acquisition will result in the transfer of certain assets and liabilities of Bombardier Transportation UK2 to Alstom Holdings. These assets and liabilities represent €2 million in cash and cash equivalents, 1 million in other current liabilities and nil on net result. No significant off-balance sheet commitments of Bombardier Transportation UK2 will be transferred to Alstom Holdings in connection with the Transaction.

Alstom did not review or conduct any audit of this financial information, which is provided solely for information purposes, and, as such, Alstom may not be held liable for the accuracy and completeness of the financial information.

4.2.1 Bombardier Transportation's annual financial statements for the fiscal years ended 31 December 2018 and 2019

Bombardier Transportation (Global Holding) UK Limited's annual financial statements for the fiscal years ended 31 December 2018 and 2019, as well as the reports of Bombardier Transportation (Global Holding) UK Limited's statutory auditor on those financial statements are set forth, respectively, in Annex 8.A. and in Annex 8.B. to this Amendment.

4.2.2 Analysis of the results of Bombardier Inc.'s Transportation segment for the fiscal years ended 31 December 2018 and 2019

The relevant excerpts of Bombardier Inc.'s Transportation Segment Management Report for the fiscal years ended 31 December 2018 and 2019 are attached in Annex 9.B. to this Amendment.

4.2.3 Bombardier Transportation's quarterly financial statements for the period ended 31 March 2020

Bombardier Transportation (Global Holding) UK Limited's quarterly financial statements as of 31 March 2020, as well as the limited review report of Bombardier Transportation (Global Holding) UK Limited's statutory auditor on those accounts, are set forth in Annex 8.C. to this Amendment.

4.2.4 Analysis of the results of Bombardier Inc.'s Transportation segment for the period ended 31 March 2020

The relevant excerpts of Bombardier Inc.'s Transportation Segment Management Report for the quarter ended 31 March 2020 are attached in Annex 9.C. to this Amendment.

4.2.5 Bombardier Transportation's interim financial statements for the six months ended 30 June 2020

Bombardier Transportation (Global Holding) UK Limited's interim financial statements for the six months ended 30 June 2020, as well as the limited review report of Bombardier Transportation (Global Holding) UK Limited's statutory auditor on those financial statements are set forth in Annex 8.D. to this Amendment.

4.2.6 Analysis of the results of Bombardier Inc.'s Transportation segment for the period ended 30 June 2020

The relevant excerpts of Bombardier Inc.'s Transportation Segment Management Report for the six months and three months ended 30 June 2020 are attached in Annex 9.D. to this Amendment.

4.2.7 Reconciliation between Bombardier Transportation's financial statements and the financial information on Bombardier Inc.'s Transportation segment

The Annexes to the Amendment include (i) Bombardier Transportation (Global Holding) UK Limited's consolidated financial statements for the fiscal years ended 31 December 2019 and 2018, as well as its consolidated financial statements for the quarter ended 31 March 2020 and for the six months ended 30 June 2020 (see points 4.2.1, 4.2.3 and 4.2.5 of this section); and (ii) certain excerpts from the Transportation Segment Management Report prepared by Bombardier Inc. (see points 4.2.2, 4.2.4, and 4.2.6 of this section).

The Transportation Segment Management Report presents and analyses the revenues and EBIT of the Transportation segment based on the information for that segment included in Note 5 to Bombardier Inc.'s consolidated financial statements for the fiscal years ended 31 December 2019 and 2018, and in Note 3 to Bombardier Inc.'s consolidated financial statements for the quarter ended 31 March 2020 and the half-year ended 30 June 2020 (the "**Segment Information for the Transportation Segment**"). The Transportation Segment Management Report does not rely on Bombardier Transportation (Global Holding) UK Limited's separate financial statements attached in the Annexes hereto; therefore, a quantitative reconciliation of the revenues and EBIT presented in the Transportation Segment Management Report and those presented in Bombardier Transportation (Global Holding) UK Limited's consolidated financial statements is provided below.

The consolidated financial statements of Bombardier Transportation and of Bombardier Inc. were prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB). As shown in the tables below, the most significant difference is the currency in which the financial statements were prepared. Bombardier Inc.'s financial statements use the

U.S. dollar, whereas Bombardier Transportation (Global Holding) UK Limited's consolidated financial statements use the euro. Other, less significant, differences relating to EBIT are also presented below.

Reconciliation of revenues

In millions	Fiscal year ended 31 December 2018	2019	Quarter ended 31 March 2020	30 June 2020
Total revenues in the Segment Information for the Transportation Sector (presented in U.S. dollars)[3]	8,915	8,269	2,169	1479
Total revenues in the Segment Information for the Transportation Sector converted into euros[4]	7,541	7,383	1,968	1345
Revenues as presented in Bombardier Transportation (Global Holding) UK Limited's consolidated income statement (in euros)[5]	7,541	7,383	1,968	1345

[3] As presented in Note 5 to Bombardier Inc.'s consolidated financial statements for the fiscal years ended 31 December 2019 and 2018, and in Note 3 to Bombardier Inc.'s consolidated financial statements for the quarters ended 31 March 2020 and 30 June 2020.

[4] On the basis of a EUR/USD exchange rate of:

- 1.18224 for the fiscal year ended 31 December 2018;
- 1.12002 for the fiscal year ended 31 December 2019;
- 1.10241 for the quarter ended 31 March 2020; and
- 1.10130 for the six months ended 30 June 2020.

[5] As presented in Bombardier Transportation (Global Holding) UK Limited's consolidated income statement for the fiscal years ended 31 December 2018 and 2019, the quarter ended 31 March 2020, and the half-year ended 30 June 2020 (see points 4.2.1 through 4.2.3 of this section).

Reconciliation of EBIT

In millions	Fiscal year ended 31 December 2018	2019	Quarter ended 31 March 2020	30 June 2020
EBIT of the Transportation sector in Segment Information for the Transportation Sector (presented in U.S. dollars)[6]	774	22	51	(377)
EBIT of the Transportation sector in Segment Information for the Transportation Sector converted into euros[7]	655	20	46	(342)
Adjustment items				
Amortisation relating to the PCG[8]	*(49)*	*(41)*	*(8)*	*(8)*
Management fees[9]	*(19)*	*(28)*	*(10)*	*(7)*
Other	*1*	*(1)*	-	
EBIT as presented in Bombardier Transportation (Global Holding) UK Limited's consolidated income statement (in euros)[10]	588	(50)	28	(358)

[6] As presented in Note 5 to Bombardier Inc.'s consolidated financial statements for the fiscal years ended 31 December 2019 and 2018, and in Note 3 to Bombardier Inc.'s consolidated financial statements for the quarters ended 31 March 2020 and 30 June 2020.

[7] On the basis of a EUR/USD exchange rate of:

-1.18224 for the fiscal year ended 31 December 2018;
-1.12002 for the fiscal year ended 31 December 2019;
-1.10241 for the quarter ended 31 March 2020; and
- 1.10130 for the semester ended 30 June 2020.

[8] As indicated in Note 33 to Bombardier Transportation (Global Holding) UK Limited's consolidated financial statements for the fiscal years ended 31 December 2018 and 2019, the costs relating to the parent company guarantee ("**PCG costs**"), relating to performance guarantees and other guarantees provided by Bombardier Inc. in the ordinary course of business to third parties in case Bombardier Transportation fails to perform its contractual obligations were billed to the Bombardier Transportation legal entities until 11 February 2016. The PCG costs represent estimates of the cost of providing guarantee services to Bombardier Transportation. On 11 February 2016, Bombardier Inc. assigned and transferred the future, uncollected PCG costs to Bombardier Transportation (Global Holding) UK Limited's in consideration of shares of BT Holdco for a total of €301 million. Bombardier Transportation (Global Holding) UK Limited recorded a prepaid asset for these PCG costs, which is subject to amortisation over an equivalent period to the periods guaranteed in respect of the PCG costs assigned and transferred to Bombardier Transportation (Global Holding) UK Limited. Bombardier Transportation (Global Holding) UK Limited recorded an amortisation expense of €35 million for the parent company guarantee in fiscal year 2019, and an amortisation expense of €43 million in fiscal year 2018. Bombardier Transportation (Global Holding) UK Limited recorded an expense of €6 million in 2018 and €6 million in 2019 for the PCG costs invoiced by Bombardier Inc. The outstanding amount of parent company guarantees issued by Bombardier Inc. and enforceable as of 31 December 2019 totalled €3,291 million (€5,278 million as of 31 December 2018 and €6,331 million as of 1st January 2018).

As indicated in Note 18 to Bombardier Transportation (Global Holding) UK Limited's consolidated financial statements for the quarter ended 31 March 2020, Bombardier Transportation (Global Holding) UK Limited recorded an amortisation expense of €8 million for the PCG for the quarter ended 31 March 2020.

As indicated in Note 19 to Bombardier Transportation (Global Holding) UK Limited's consolidated financial statements for the six months ended 30 June 2020, Bombardier Transportation (Global Holding) UK Limited recorded an amortisation expense of €7 million for the PCG for the quarter ended 30 June 2020.

[9] The management fees paid by Bombardier Transportation (Global Holding) UK Limited will compensate Bombardier Inc. for two types of services: first, the provision of operational services to Bombardier Transportation (management of participations in calls for tenders; legal, financial, and accounting services, and human resources management) and, second, the provision of services relating to Bombardier Inc.'s role as the parent company

5. FINANCIAL INFORMATION ABOUT THE COMPANY FOR THE FIRST QUARTER OF THE 2020/21 FISCAL YEAR PUBLISHED ON 16 JULY 2020

This information is taken from the press release announcing the results of the first quarter of 2020, posted on the Company's website on 16 July 2020, and supplements Chapter 2, "Management Report on Consolidated Financial Statements as of 31 March 2020," of the Universal Registration Document 2019/20.

Alstom Q1 2020/21 Orders and Sales

- Sales at €1.5 billion, impacted by Covid-19 containment measures
- Sustained level of order intake at €1.7 billion, despite crisis
- Industry-leading backlog at €41.2 billion;
- Rail resilience supported by recent announcements in favour of sustainable mobility.

16 July 2020 – Over the first quarter of the 2020/21 fiscal year (from 1 April to 30 June 2020), Alstom booked €1.7 billion of orders, compared to €1.6 billion over the same period last year. The Group's sales decreased to €1.5 billion, down 27% (-25% on an organic basis) compared to €2.1 billion over the first quarter of 2019/20. Book-to-bill ratio stood at 1.1.

At €41.2 billion on 30 June 2020, the current backlog provides a strong indication of future sales.

Key Figures

Actual figures *(in € million)*	**2019/20 Q1**	**2020/21 Q1**	*% change reported*	*% change organic*
Orders received	1,620	1,651	*2%*	*2%*
Sales	2,054	1,507	*(27%)*	*(25%)*

Geographic and product breakdowns of reported orders and sales are provided in Appendix 1. All figures mentioned in this release are unaudited.

"During the first quarter, the Group's level of sales was impacted by the consequences of the Covid-19 containment measures: while we achieved a very good continuity of our engineering activity through remote working, lockdowns impacted our sites and supply chain. Yet, the Group's commercial activity remained stable despite the crisis. Announcements of governments worldwide in support of rail show that the train is more than ever recognised as a way to support the transition towards more sustainable mobility," said Henri Poupart-Lafarge, Alstom's Chairman and Chief Executive Officer.

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(including the preparation of financial statements, long-term strategic planning, and the drafting of accounting processes).

[10] As presented in Bombardier Transportation's consolidated income statement for the fiscal years ended 31 December 2018 and 2019 and the quarters ended 31 March 2020 and 30 June 2020 (see points 4.2.1 through 4.2.4 of this section).

Detailed review

During the first quarter of 2020/21, Alstom recorded €1,651 million of orders which compares to €1,620 million for the first quarter of 2019/20. This sustained order intake, despite the crisis, was mainly fuelled by a large Rolling stock and Services order in AMECA and a metro system order in Taipei, Taiwan. The Group was also awarded various Services contracts for instance in Mexico, China, the United States and Greece. Signalling contracts were also booked in Europe and the United States.

Book-to-bill ratio stood at 1.1.

Sales, at €1,507 million, were down 27% (-25% on an organic basis) in the first quarter of 2020/21, compared to the same period last year. This decrease is mainly caused by the impact of the Covid-19 crisis, in particular on Rolling Stock due to the slowdown of sales recognition during the containment period, to a lesser extent on Services due to train traffic reduction and Signalling due to a slowdown in installation. Additionally, as anticipated for fiscal year 2020/21, Systems sales decreased with contracts nearing completion in Dubaï, Riyadh and a fully traded contract in Panama.

As of July 16, Alstom's operations are close to a normalised level. Supply chain is resuming in line with manufacturing operations.

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Main events

On June 30, Alstom took a new step forward in the implementation of its AiM strategic plan in France with the acquisition of Ibre, a company specialised in the development, manufacture and supply of cast iron or steel brake discs. With this acquisition, Alstom will reinforce its internal capabilities regarding railway braking systems, which are essential to the overall dynamic performance of trains. Ibre employs around 30 people at its Sens site in the region of Bourgogne Franche-Comté and had a turnover of approximately €10 million in 2019.

The German Federal Ministry of Economics has presented Alstom with the "Innovation Prize for Regulatory Sandboxes", related to a planned test project to implement Automatic Train Operation (ATO) in daily passenger operation of regional trains. The project will begin in 2021. For this project, two trains based on Alstom's successful Coradia Continental platform will be equipped with a European Train Control System (ETCS) and additional ATO equipment.

In May 2020, the first of the 12,000-horsepower Prima T8 electric locomotives was put into commercial service by Indian Railways. In line with the Make-in-India mandate, all 800 of the Prima locomotives are being manufactured locally.

Despite Covid-19, the two first Avelia Liberty prototypes started their testing programme at the Transport Technology Center in Pueblo, Colorado and along the North-East Corridor. In a context of travel restrictions and despite being over 8,000 km away, Alstom experts in Le Creusot (France) were able to participate in the tests. Sensors were capturing and transmitting test results to Le Creusot in real-time, allowing the team to analyse the test results.

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This press release contains forward-looking statements which are based on current plans and forecasts of Alstom's management. Such forward-looking statements are relevant to the current scope of activity and are by their nature subject to a number of important risks and uncertainty factors (such as those described in the documents filed by Alstom with the French AMF) that could cause actual results to differ from the plans, objectives and expectations expressed in such forward-looking statements. These such forward-looking statements speak only as of the date on which they are made, and Alstom undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

This press release does not constitute or form part of a prospectus or any offer or invitation for the sale or issue of, or any offer or inducement to purchase or subscribe for, or any solicitation of any offer to purchase or subscribe for any shares or other securities in the Company in France, the United Kingdom, the United States or any other jurisdiction. Any offer of the Company's securities may only be made in France pursuant to a prospectus having received the visa from the AMF or, outside France, pursuant to an offering document prepared for such purpose. The information does not constitute any form of commitment on the part of the Company or any other person. Neither the information nor any other written or oral information made available to any recipient or its advisers will form the basis of any contract or commitment whatsoever. In particular, in furnishing the information, the Company, the Banks, their affiliates, shareholders, and their respective directors, officers, advisers, employees or representatives undertake no obligation to provide the recipient with access to any additional information.

APPENDIX 1A – GEOGRAPHIC BREAKDOWN OF ORDERS AND SALES

Actual figures *(in € million)*	**2019/20 Q1**	*% Contrib.*	**2020/21 Q1**	*% Contrib.*
Europe	1,331	83%	239	14%
Americas	100	6%	165	10%
Asia / Pacific	165	10%	345	21%
Africa / Middle East / Central Asia	24	1%	902	55%
Orders by destination	**1,620**	100%	**1,651**	100%

Actual figures *(in € million)*	**2019/20 Q1**	*% Contrib.*	**2020/21 Q1**	*% Contrib.*
Europe	1,154	55%	844	56%
Americas	298	15%	262	17%
Asia / Pacific	238	12%	202	14%
Africa / Middle East / Central Asia	364	18%	199	13%
Sales by destination	**2,054**	100%	**1,507**	100%

APPENDIX 1B – PRODUCT BREAKDOWN OF ORDERS AND SALES

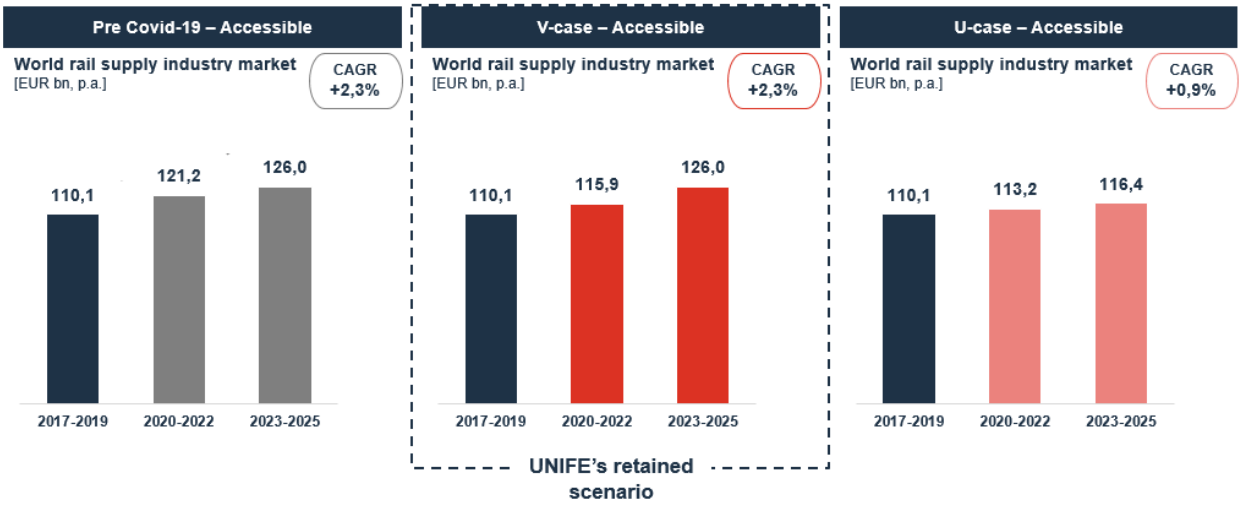
Actual figures *(in € million)*	**2019/20 Q1**	*% Contrib.*	**2020/21 Q1**	*% Contrib.*
Rolling stock	984	61%	553	34%
Services	324	20%	668	40%
Systems	33	2%	265	16%
Signalling	279	17%	165	10%
Orders by destination	**1,620**	100%	**1,651**	100%

Actual figures *(in € million)*	**2019/20 Q1**	*% Contrib.*	**2020/21 Q1**	*% Contrib.*
Rolling stock	967	47%	718	48%
Services	358	18%	283	19%
Systems	375	18%	182	12%
Signalling	354	17%	324	21%
Sales by destination	**2,054**	100%	**1,507**	100%

6. MARKET PERSPECTIVE

The section entitled "Industry Characteristics – Market Perspective" of the Universal Registration Document 2019/2020 is supplemented and amended as follows:

According to the most recent UNIFE market study, published on 1 October 2020, despite the effects of the lockdown on the trajectory of growth in 2020, the annual worldwide accessible market for the 2020-2022 period is estimated at €116 billion. Under the "V" scenario, it would grow to an average annual amount of €126 billion over the 2023-2025 period, for an average annual growth rate of 2.3% as compared with the 2017-2019 period (source: UNIFE World Rail Market Study, 1 October 2020). This annual growth forecast from the 2017-2019 period to the 2023-2025 period is identical, on average, to the growth rate forecast in a scenario that excludes the health crisis. The size of the average market in 2023-2025 is also identical. However, the study forecasts an annual contraction in the annual worldwide accessible railway market in 2020, followed by a rebound in 2021. This trajectory is in contrast to the more even growth forecast prior to the pandemic.



** CAGR = compound annual growth rate*

The study concluded that the V scenario is the most likely one. It includes the known effects of Covid-19, such as decreased volumes in the services market due to the decline in passenger traffic and freight kilometres. It also includes volume adjustments resulting from the postponement of projects. However, the rapid recovery of the rail market in the V scenario depends significantly on the implementation of governmental support and recovery programs for the rail industry. Alternatively, in the U scenario, which includes the negative economic effects of a second wave on economic growth, the railway market's average annual growth rate would be limited to 0.9% from the 2017-2019 period to the 2023-2025 period.

Since the start of the pandemic, there have been successive plans to support rail operators. In addition, to date, the recovery plans have been characterized by the attention paid to the environment, and specifically to sustainable mobility and the rail sector. For example:

- The European Union unveiled its support plan with a Recovery & Resilience Facility, which will cover the period 2021 to 2024, with a planned €672 billion in investment and financing that must comply with the objective of achieving climate neutrality by 2050.
- In Germany, the recovery plan provides €2.5 billion for local public transportation and €5.5 billion in subsidies to Deutsche Bahn. Finally, an ambitious hydrogen plan includes €9 billion in funding.
- In France, the recovery plan unveiled on 3 September 2020 includes €4.7 billion for investment in rail as well as €1.2 billion for daily mobility. It also provides €2 billion for the development of green hydrogen. These amounts are expected to be invested by 2022.
- In the United States, the US Invest Act would provide $60 billion for Amtrak, daily rail transport, and high-speed passenger rail. The bill will be introduced in Congress next year.

In India, the government's commitment to the rail sector has continued, with a specific objective to electrify the entire network by 2030, including 7,000 kilometres by 2020/21.

7. COMPENSATION POLICY APPLICABLE TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The subsection entitled, "*Compensation of corporate officers – Compensation policy applicable to the Chairman and Chief Executive Officer*" in Chapter 5, "*Corporate Governance – Report of the Board of Directors on Corporate Governance*" of the Universal Registration Document 2019/20 is amended as follows:

In order to fully align the compensation of the Group's executive officers with the success of the long-term integration of the new entity, as well as to reflect the transformational nature of this transaction, the Group's compensation policy (subject to approval by the General Meeting) will provide for exceptional compensation for the Chairman and CEO (as well as other officers and key contributors to the Group), which will be awarded after and subject to completion of the Acquisition.

This exceptional compensation will consist exclusively of performance shares with a four-year vesting period, and vesting will be fully subject to performance conditions (internal and external), all assessed at the end of the acquisition period.

These conditions will be determined by the Board of Directors on the recommendation of the Nominations and Remuneration Committee on the basis of criteria that take into account the scope of consolidation of the new group, reflecting the long-term success of the integration of Bombardier Transportation (such as the operational and financial turnaround of the principal Bombardier Transportation projects already identified by Alstom as presenting challenges with respect to performance or delivery to customers, the achievement of synergies, total shareholder return or earnings per share accretion) and for which the triggering thresholds will be set at the level of the objectives announced by Alstom in its press releases of 17 February 2020 and 16 September 2020. These conditions will also be defined in such a way as to avoid duplication with the objectives targeted by the other variable compensation mechanisms.

As a result, the vesting of these shares, which is potential and not guaranteed, is fully based on performance conditions measuring the success of the integration of the new entity, assessed over several years.

Furthermore, due to its exceptional nature, this grant will not count against the limits currently applicable to the long-term variable compensation of the Chairman and CEO as defined by the 2020/21 compensation policy or by the 2021/22 compensation policy. The IFRS value (which is used in preparing the Group's consolidated statements) of this exceptional grant may not exceed 100% of the fixed short-term annual compensation of the Chairman and CEO (€850,000).

The shares granted and vested under this exceptional plan are subject to the same retention requirement and prohibition on hedging instruments as provided for the long-term variable compensation and defined in the 2020/21 compensation policy. In the event of departure of the CEO, the continuation of the benefit of these shares will be subject to the same conditions and limits as those described in the compensation policy for the 2020/21 fiscal year.

This compensation, which is strictly related to the Acquisition, is not recurring and is not intended to be replicated in the compensation policy for future fiscal years.

In order to incentivise employees with respect to the planned transaction, this exceptional compensation may be supplemented by a free share grant plan applicable to all employees (excluding the beneficiaries discussed above), within the framework approved by the General Meeting held on 10 July 2019.

8. SHAREHOLDERS AND GOVERNANCE

8.1 *Shareholders*

The section "*Information on share capital – Ownership of Alstom Shares*" in Chapter 7, "*Additional Information*" of the Universal Registration Document 2019/20 is amended and supplemented as follows:

Shareholding of the Company as of 30 September 2020

Shareholder	Number of ordinary shares	% of the share capital	Number of voting rights	% of voting rights
Public	189,883,071	83.70 %	190,478,342	72.78 %
Bouygues S.A.[(1)]	32,936,226	14.52 %	65,872,452	25.17 %
Employees[(2)]	4,050,465	1.79 %	5,371,144	2.05 %
TOTAL	**226,869,762**	**100 %**	**261,721,938**	**100 %**

(1) *Without taking into account the forward sale announced by Bouygues S.A. on 29 September 2020 of 11 million shares of the Company (representing approximately 4.8% of the Company's share capital), the settlement of which will take place on 3 November 2020.*

(2) Shares held by employees and former employees of the Group.

8.2 *Governance*

Alstom's General Meeting was held on 8 July 2020 behind closed doors and was broadcast online. The General Meeting approved all of the proposed resolutions.

Shareholders approved the non-distribution of dividends this year in the context of the current crisis.

The General Meeting also approved the renewal of the mandate of Mr Yann Delabrière and the nomination of Mr Frank Mastiaux as Directors. Mr Frank Mastiaux, who is German, has an international profile. His professional career was spent in Great Britain, the United States and Germany. He has held various positions in the energy sector and is currently CEO of the energy provider EnbW. Furthermore, the expiry of the mandate of Mr Gérard Hauser was acknowledged.

As of the date of this Amendment, the composition of the Company's Board of Directors is as follows:

- Henri Poupart-Lafarge, Chairman of the Board of Directors and Chief Executive Officer;
- Yann Delabrière, Lead Independent Director, Chairman of the Nominations and Remuneration Committee;
- Olivier Bouygues;
- Bi Yong Chungunco, Independent Director, Member of the Ethics and Compliance Committee;
- Clotilde Delbos, Independent Director, Member of the Audit Committee;
- Pascal Grangé, Permanent Representative of Bouygues S.A., Member of the Audit Committee

- Sylvie Kandé de Beaupuy, Independent Director, Chairwoman of the Ethics and Compliance Committee;
- Frank Mastiaux, Independent Director, Member of the Nominations and Remuneration Committee;
- Baudouin Prot, Independent Director, Member of the Nominations and Remuneration Committee and member of the Ethics and Compliance Committee; and
- Sylvie Rucar, Independent Director, Chairwoman of the Audit Committee, Member of the Nominations and Remuneration Committee.

There are four women (40% of the directors) on the Board of Directors, and the proportion of independent Directors is 70%.

Section 5, "*Corporate Governance*", in the Universal Registration Document 2019/20 includes up-to-date information with respect to the Board of Directors in its current composition.

In addition, in connection with the Acquisition, CDPQ will have the right, subject to completion of the Acquisition and effective as of the Completion Date, to appoint two directors and one censor to the Company's Board of Directors (see also Section 1.2.2(b) of this Amendment, "*CDPQ Reinvestment Agreement – Governance*").

CDPQ would be represented by Ms Kim Thomassin and Mr Serge Godin, whose appointments as directors are subject to the vote of the General Meeting. At the meeting of the Board of Directors held on 22 September 2020, the Board decided, on the recommendation of the Nominations and Remuneration Committee, to characterize CDPQ, represented by Ms Thomassin, as a non-independent director, and to characterize Mr Godin as an independent director.

In reaching this conclusion, the Board of Directors, at its meeting of 22 September 2020, found that Mr Godin had no interest in CDPQ, despite the fact that CDPQ holds a minority stake in CGI Inc. There is no shareholders' agreement or other agreement of that nature. The Board of Directors also took note that Mr Godin does not receive instructions from CDPQ with respect to the decisions to be made by Alstom's Board of Directors.

Furthermore, in its analysis of Mr Godin's independence, the Board of Directors took into account the existence of a framework agreement entered into between Alstom and CGI France in 2015, with respect to which the amounts invoiced annually for on-going services have not been significant for either party since entry into the agreement. This analysis took into account the conditions under which the agreement was entered into, in compliance with strict internal procedures, and the fact that neither party is dependent on the amounts in question, in light of the CGI Group's revenues, among other considerations (these amounts have varied between 0.05% to 0.20% of CGI France's revenues since the agreement was signed).

On the basis of this information, Alstom's Board of Directors concluded that Mr Godin's freedom of judgment as to Board decisions was not likely to be compromised, as none of the information was of such a nature as to indicate a lack of independence.

9. UPDATED INFORMATION CONCERNING THE ISSUER

9.1 *Dividend distribution policy*

The section entitled "*Information on the share capital – Dividends paid in the three previous fiscal years*" in Chapter 7, "*Additional Information*" of the Universal Registration Document 2019/20 is amended and supplemented as follows:

The Company paid dividends in the amount of €77,773,664.85 (or €0.35 per share) in respect of the fiscal year ended 31 March 2018, and in the amount of €1,233,674,123.00 (or €5.50 per share) for the fiscal year ended 31 March 2019. The Company did not pay a dividend in respect of the year ended 31 March 2020. Indeed, in the context of the Covid-19 health crisis, the Board of Directors decided at its meeting of 11 May 2020 not to propose a dividend to the annual shareholders' meeting in 2020.

The strategic plan "Alstom in Motion" (or "AiM"), setting financial objectives through 2022/23, introduced a Group dividend policy with a distribution rate of between 25% and 35%, which will be revisited in the context of the Transaction.

Once the closing of the Transaction has taken place and the trajectory of the new group has been defined, a new dividend policy will be assessed by the Company based on the performance of the combined entity with the objectives of a fair remuneration of shareholders, an appropriate allocation of capital, and the maintenance of a solid "investment grade" credit rating.

9.2 *Strategy*

The section entitled "*Strategy*," in Chapter 1, "*Description of Group Activities*" in the Universal Registration Document 2019/20 is amended and supplemented as follows:

The objectives in the Alstom in Motion (AiM) plan were announced on the basis of the Group's scope of consolidation prior to the Acquisition.

These objectives will be revised over the course of the 2021/22 fiscal year to take into account the integration of Bombardier Transportation, and will be disclosed to the market.

10. FINANCIAL AUTHORISATIONS

The table included in Chapter 7, "Additional Information—Information on the share capital—Financial authorisations" in the Universal Registration Document 2019/20, summarising the financial authorisations in effect as of 11 May 2020 and their use during the fiscal year, is hereby completed as follows as of the date of this Amendment, following Alstom's general meeting held on 8 July 2020:

Nature of the authorisation	**Maximum nominal amount authorised**	**Nominal amount used during the period**	**Available amount**	**Expiration of the authorisation/ Term**
ISSUES OF EQUITY SECURITIES				
Delegation of competence to issue shares and securities granting access to the share capital (with preferential subscription rights maintained) and/or by capitalisation of reserves (only available for use outside public offering periods) (AGM of 8 July 2020, **resolution No. 13**)	Capital: €510 million, *i.e.*, approximately 32% of the share capital (1) (5) Debt securities: €1.5 billion (2)	None	Maximum authorised amount	8 September 2022 (term: 26 months)
Delegation of competence to issue shares and securities granting access to the share capital (without preferential subscription rights) by means of an offer to the public (excluding offers referred to in Article L. 411-2 1° of the French Monetary and Financial Code) and the ability to grant a priority subscription period (only available for use outside public offer periods) (AGM of 8 July 2020, **resolution No. 14**)	Capital: €155 million, *i.e.*, approximately 10% of the share capital (5), less any capital increase without preferential subscription rights pursuant to resolutions Nos. 15 to 20 (1) (3) Debt securities: €750 million (2)	None	Maximum authorised amount	8 September 2022 (term: 26 months)
Delegation of competence to issue shares and securities granting access to the share capital (without preferential subscription rights) by means of an offer referred to in Article L. 411-2 1° of the French Monetary and Financial	Capital: €155 million, *i.e.*, approximately 10% of the share capital (5), less any capital increase without preferential subscription rights pursuant to resolutions Nos. 14 and 16 to 20 (1) (3)	None	Maximum authorised amount	8 September 2022 (term: 26 months)

Code (only available for use outside public offer periods) (AGM of 8 July 2020, **resolution No. 15**)	Debt securities: €750 million [(2)] Maximum discount: 5% of the weighted average stock price over the last three trading sessions prior to the beginning of the offer to the public.			
Ability to issue shares and/or transferable securities giving immediate or future access to the share capital in consideration of contributions in kind in the form of shares or securities giving access to the Company's share capital (only available for use outside public offer periods) (AGM of 8 July 2020, **resolution No. 16**)	Capital: €155 million, *i.e.*, approximately 10% of the share capital [(5)], less any capital increase without preferential subscription rights pursuant to resolutions Nos. 14, 15 and 17 to 20 [(1) (3)] Maximum discount: 5% of the weighted average stock price over the last three trading sessions prior to the beginning of the offer to the public.	None	Maximum authorised amount	8 September 2022 (term: 26 months)
Delegation of competence to increase the amount of the initial issuance up to a limit of 15% of the initial issuance in the event of a capital increase with or without preferential subscription rights (only usable outside public offer periods) (AGM of 8 July 2020, **resolution No. 17**)	Not to exceed 15% of the initial issuance and will count against the maximum amounts authorised by the delegations under which the initial issuance is carried out (resolutions Nos. 13 to 15 and 18 to 20) [(1) (3)] Debt securities: €750 million [(2)]	None	Maximum authorised amount	8 September 2022 (term: 26 months)
Delegation of competence to set the issuance price without preferential subscription rights by offer to the public (including the offers referred to in Article L. 411-2 1° of the French Monetary and Financial Code (only available for use outside public offer periods)	Issue price: the Board may choose one of the two following options: (i) an issue price corresponding to the average trading price recorded over a period of up to six months before the offer to the public, or (ii) an issue price corresponding to the volume weighted average share price on the day before the issue (1-day VWAP),	None	Maximum authorised amount	8 September 2022 (term: 26 months)

(AGM of 8 July 2020, **resolution No. 18**)	with a maximum discount of 5%. Not to exceed 10% of the of the share capital over a period of 12 months and will count against the maximum amounts authorised by the delegations under which the initial issuance is carried out (resolutions Nos. 14 and 15) (1) (3) Debt securities: €750 million (2)			
Delegation of competence to issue (with preferential subscription rights cancelled) Company shares and securities granting access to the Company's capital in the event of a public exchange offer initiated by the Company (only available for use outside public offering periods) (AGM of 8 July 2020, **resolution No. 19**)	Capital: €155 million, *i.e.*, approximately 10% of the share capital (5), less any capital increase without preferential subscription rights pursuant to resolutions Nos. 14 to 18 and 20 (1) (2) (3)	None	Maximum authorised amount	8 September 2022 (term: 26 months)
Delegation of competence to issue Company shares (with preferential subscription rights cancelled) as a result of the issuance by subsidiaries of the Company of securities giving access to the Company's capital (only available for use outside public offering periods) (AGM of 8 July 2020, **resolution No. 20**)	Capital: €155 million, *i.e.*, approximately 10% of the share capital (5), less any capital increase without preferential subscription rights pursuant to resolutions Nos. 14 to 19 (1) (3)	None	Maximum authorised amount	8 September 2022 (term: 26 months)
OFFERINGS TO EMPLOYEES AND EXECUTIVES				
Delegation of competence to decide to increase the Company's share capital through the issuance of shares or other securities reserved for participants in a Company or Group	2% of the share capital at the date of the Shareholders' Meeting, less any amount issued pursuant to resolution No. 23 (4)	None	Maximum authorised amount	8 September 2022 (term: 26 months)

savings plan, preferential subscription rights cancelled (AGM of 8 July 2020, **resolution No. 22**)				
Delegation of competence to decide to increase the Company's share capital, reserved for a class of beneficiaries [(6)] with cancellation of the shareholders' preferential subscription right. (AGM of 8 July 2020, **resolution No. 23**)	0.5% of the share capital at the date of the Shareholders' Meeting, less any amount issued pursuant to resolution No. 22 [(4)]	None	Maximum authorised amount	8 January 2022 (term: 18 months)
Authorisation to carry out free grants of existing or future shares of the Company with preferential subscription rights cancelled (AGM of 10 July 2019, **resolution No. 14**)	5 million shares, *i.e.*, approximately 2.2% of the capital [(1)(5)], including up to 200,000 shares for corporate officers and up to 2 million shares for profit-sharing arrangements (without performance conditions).	€8,019,375	€26,980,625 (corresponding to 3,854,375 shares)	10 July 2021 (term: 24 months)
SHARE BUYBACKS AND CAPITAL REDUCTIONS				
Authorisation to trade in the Company's shares (usable only outside public offering periods) (AGM of 8 July 2020, **resolution No. 12**)	10% of share capital Maximum price: €60 Maximum total programme amount: €1.35 billion	None	Maximum authorised amount	8 January 2022 (term: 18 months)
Authorisation to reduce the capital by cancelling shares (AGM of 8 July 2020, **resolution No. 21**)	10% of the shares that make up the Company's share capital on each cancellation date	None	Maximum authorised amount	8 September 2022 (term: 26 months)

1. Overall cap on capital increases that may result from these authorisations: €510 million, or approximately 32% of the capital at 31 March 2020 (before any adjustments).
2. Overall cap on issuances of debt securities under these authorisations: €1.5 billion
3. Overall cap on capital increases that may result from these authorisations without preferential subscription rights (resolution No. 14 to 20): €155 million, *i.e.*, approximately 10% of the capital at 31 March 2020 (before any adjustments).
4. Overall cap on capital increases in relation to employee savings schemes: 2% of the capital at the date of the 2020 Annual Shareholders' Meeting (before any adjustments).

5. On the basis of the share capital at 31 March 2020, which amounted to €1,581,816,474, divided into 225,973,782 shares with a nominal value of €7 per share. 6. Cancellation of the preferential subscription right for the benefit of beneficiaries meeting the following criteria: (i) any company held by a financial institution or any financial institution retained by the Company to put in place a structured offering for officers and employees of companies related to the Company, as provided for under Articles L. 225-180 and L. 233-16 of the French Commercial Code and having their registered office outside of France; and/or (ii) officers and employees of companies related to the Company as provided for under Articles L. 225-180 and L. 233-16 of the French Commercial Code and having their registered office outside of France; and/or (iii) UCITS or other entities of employee shareholders invested in shares of the Company, whether or not they are legal entities, the shareholders of which shall be constituted of the persons mentioned in (ii) above.

In connection with the Acquisition, the following will be proposed at the General Meeting: (i) a new delegation to the Board of Directors to decide to carry out capital increases with maintenance of preferential subscription rights in order to enable the Planned Capital Increase, with an increase in the maximum nominal amount of capital increases with maintenance of preferential subscription rights to a nominal amount of €790 million, *i.e.*, an amount corresponding to 50% of the share capital (with an overall cap increased up to 1,480 million euros); (ii) two resolutions (corresponding to two alternative structures) on a capital increase reserved for CDP Investissements (one through the issuance of Preferred Shares and the other through the issuance of ordinary shares); (iii) a resolution on the capital increase reserved for Bombardier UK Holding Limited; and (iv) two resolutions delegating competence to the Board of Directors to decide to carry out capital increases relating to employee shareholding transactions.

The table below includes the financial delegations and authorisations the renewal or approval of which is proposed to you in connection with the Acquisition:

Nature of the authorisation	**Maximum nominal amount authorised**	**Expiration of the authorisation/ Term**
ISSUES OF EQUITY SECURITIES		
Delegation of competence to issue shares and securities granting access to the share capital with preferential subscription rights maintained and/or by capitalisation of reserves (only available for use outside public offering periods) (AGM of 29 October 2020, **resolution No. 4**)	Capital: €790 million, *i.e.*, approximately 50% of the share capital (1) (5) Debt securities: €1.5 billion (2)	29 December 2022 (term: 26 months)
Delegation of powers in the framework of a capital increase (without preferential subscription rights) reserved for CDP Investissements, by issuance of Preferred Shares	Capital: €570 million (1) (5), Subscription price per unit: €44.45	Use of the delegation of powers, as the case may be, at Completion Date and at the date of payment of the Second Tranche of the Acquisition Price (8)

(AGM of 29 October 2020, **resolution No. 6**)		
Delegation of competence to increase the Company's share capital (without preferential subscription rights) reserved for CDP Investissements by issuance or ordinary shares. (AGM of 29 October 2020, **resolution No. 7**)	Capital: €570 million [(1) (5)], Subscription price per unit: €44.45 [(7)]	29 April 2022 (term: 18 months) [(8)]
Delegation of competence to increase the Company's share capital (without preferential subscription rights) reserved for Bombardier UK Holding Limited by issuance or ordinary shares. (AGM of 29 October 2020, **resolution No. 8**)	Capital : €120 million[(1) (5)] Subscription price per unit: €47.50 [(7)]	29 April 2022 (term: 18 months)
Delegation of competence to issue shares and securities granting access to the share capital 'without preferential subscription rights) by means of an offer to the public (excluding offers referred to in Article L. 411-2 1° of the French Monetary and Financial Code) and the ability to grant a priority subscription period (only available for use outside public offer periods) (AGM of 8 July 2020, **resolution No. 14**)	Capital: €155 million, *i.e.*, approximately 10% of the share capital [(5)], less any capital increase without preferential subscription rights pursuant to resolutions Nos. 15 to 20 [(1) (3)] Debt securities: €750 million [(2)]	8 September 2022 (term: 26 months)
Delegation of competence to issue shares and securities granting access to the share capital (without preferential subscription rights) by means of an offer referred to in Article L. 411-2 1° of the French Monetary and Financial Code (only available for use outside public offer periods)	Capital: €155 million, *i.e.*, approximately 10% of the share capital [(5)], less any capital increase without preferential subscription rights pursuant to resolutions Nos. 14 and 16 to 20 [(1) (3)] Debt securities: €750 million [(2)] Maximum discount: 5% of the weighted average stock price over the last three trading	8 September 2022 (term: 26 months)

(AGM of 8 July 2020, **resolution No. 15**)	sessions prior to the beginning of the offer to the public.	
Ability to issue shares and/or transferable securities giving immediate or future access to the share capital in consideration of contributions in kind in the form of shares or securities giving access to the Company's share capital (only available for use outside public offer periods) (AGM of 8 July 2020, **resolution No. 16**)	Capital: €155 million, *i.e.*, approximately 10% of the share capital [(5)], less any capital increase without preferential subscription rights pursuant to resolutions Nos. 14, 15 and 17 to 20 [(1) (3)] Maximum discount: 5% of the weighted average stock price over the last three trading sessions prior to the beginning of the offer to the public.	8 September 2022 (term: 26 months)
Delegation of competence to increase the amount of the initial issuance up to a limit of 15% of the initial issuance in the event of a capital increase with or without preferential subscription rights (only usable outside public offer periods) (AGM of 8 July 2020, **resolution No. 17**)	Not to exceed 15% of the initial issuance and will count against the maximum amounts authorised by the delegations under which the initial issuance is carried out (resolutions Nos. 13 to 15 and 18 to 20) [(1) (3)] Debt securities: €750 million [(2)]	8 September 2022 (term: 26 months)
Delegation of competence to set the issuance price without preferential subscription rights by offer to the public (including the offers referred to in Article L. 411-2 1° of the French Monetary and Financial Code (only available for use outside public offer periods) (AGM of 8 July 2020, **resolution No. 18**)	Issue price: the Board may choose one of the two following options: (i) an issue price corresponding to the average trading price recorded over a period of up to six months before the offer to the public, or (ii) an issue price corresponding to the volume weighted average share price on the day before the issue (1-day VWAP), with a maximum discount of 5%. Not to exceed 10% of the share capital over a period of 12 months and will count against the maximum amounts authorised by the delegations under which the initial issuance is carried out (resolutions Nos. 14 and 15) [(1) (3)] Debt securities: €750 million [(2)]	8 September 2022 (term: 26 months)
Delegation of competence to issue (with preferential subscription rights cancelled) Company shares and securities granting access to the Company's capital in the event of a public exchange offer initiated by the Company	Capital: €155 million, *i.e.*, approximately 10% of the share capital [(5)], less any capital increase without preferential subscription rights pursuant to resolutions Nos. 14 to 18 and 20 [(1) (2) (3)]	8 September 2022 (term: 26 months)

(only available for use outside public offering periods) (AGM of 8 July 2020, **resolution No. 19**)		
Delegation of competence to issue Company shares (with preferential subscription rights cancelled) as a result of the issuance by subsidiaries of the Company of securities giving access to the Company's capital (only available for use outside public offering periods) (AGM of 8 July 2020, **resolution No. 20**)	Capital: €155 million, *i.e.*, approximately 10% of the share capital [(5)], less any capital increase without preferential subscription rights pursuant to resolutions Nos. 14 to 19 [(1) (3)]	8 September 2022 (term: 26 months)
OFFERINGS TO EMPLOYEES AND EXECUTIVES		
Delegation of competence to decide to increase the Company's share capital through the issuance of shares or other securities reserved for participants in a Company or Group savings plan, preferential subscription rights cancelled (AGM of 29 October 2020, **resolution No. 9**)	2% of the share capital at the date of the Shareholders' Meeting of 29 October 2020, less any amount issued pursuant to resolution No. 10 of the Shareholders' Meeting of 29 October 2020 [(4)]	29 December 2022 (term: 26 months)
Delegation of competence to decide to increase the Company's share capital, reserved for a class of beneficiaries [(6)] with cancellation of the shareholders' preferential subscription right. (AGM of 29 October 2020, **resolution No. 10**)	0.5% of the share capital at the date of the Shareholders' Meeting of 29 October 2020, less any amount issued pursuant to resolution No. 9 of the Shareholders' Meeting of 29 October 2020 [(4)]	29 April 2022 (term: 18 months)
Authorisation to carry out free grants of existing or future shares of the Company with preferential subscription rights cancelled (AGM of 10 July 2019, **resolution No. 14**)	5 million shares, *i.e.*, approximately 2.2% of the capital [(1)(5)], including up to 200,000 shares for corporate officers and up to 2 million shares for profit-sharing arrangements (without performance conditions).	10 July 2021 (term: 24 months)
SHARE BUYBACKS AND CAPITAL REDUCTIONS		

Authorisation to trade in the Company's shares (usable only outside public offering periods) (AGM of 8 July 2020, **resolution No. 12**)	10% of share capital Maximum price: €60 Maximum total programme amount: €1.35 billion	8 January 2022 (term: 18 months)
Authorisation to reduce the capital by cancelling shares (AGM of 8 July 2020, **resolution No. 21**)	10% of the shares that make up the Company's share capital on each cancellation date	8 September 2022 (term: 26 months)

1. Overall cap on capital increases that may result from these authorisations set by the general meeting of 29 October 2020 at €1,480 million.
2. Overall cap on issuances of debt securities under these authorisations: €1.5 billion.
3. Overall cap on capital increases that may result from these authorisations without preferential subscription rights (resolution Nos. 14 to 20): €155 million, *i.e.*, approximately 10% of the capital as of 31 March 2020 (before any adjustments).
4. Overall cap on capital increases relating to employee savings schemes: 2% of the capital at the date of the 2020 Annual Shareholders' Meeting (before any adjustments).
5. On the basis of the share capital at 31 August 2020, which was €1,587,852,560, divided into 226,836,080 shares with a nominal value of €7 per share.
6. Cancellation of the preferential subscription right for the benefit of beneficiaries meeting the following criteria: (i) any company held by a financial institution or any financial institution retained by the Company to put in place a structured offering for officers and employees of companies related to the Company, as provided for under Articles L. 225-180 and L. 233-16 of the French Commercial Code, and having their registered office outside of France; and/or (ii) officers and employees of companies related to the Company, as provided for under Articles L. 225-180 and L. 233-16 of the French Commercial Code, and having their registered office outside of France; and/or (iii) UCITS or other entities of employee shareholders invested in shares of the Company, whether or not they are legal entities, the shareholders of which consist of the persons mentioned in (ii) above.
7. Subject to adjustments inversely proportional to the adjustments in the number of ordinary shares to be issued, which are described in Annex 6 to the Amendment for the ordinary shares to be issued pursuant to resolution No. 7 of the AGM of 29 October 2020, and in Annex 3 to the Amendment for the ordinary shares to be issued pursuant to resolution No. 8 of the AGM of 29 October 2020.
8. If, in accordance with the rules in force and the sixth resolution of the AGM of 29 October 2020, Preferred Shares have been issued and are outstanding, the Board of Directors may not use the delegation granted to it under the seventh resolution of the AGM of 29 October 2020.

11. SIGNIFICANT EVENTS OF THE BEGINNING OF THE 2020/21 FISCAL YEAR

This information below is taken from the press releases issued after publication of the Universal Registration Document 2019/20 and supplements Chapter 1, "Management Report on Consolidated Financial Statements as of 31 March 2020," of the Universal Registration Document 2019/20.

On 18 June 2020, Alstom announced that it had signed a strategic alliance with RATP Dev and ComfortDelGro Transit in order to form a joint venture to submit a tender for the Grand Paris Express, one of the largest transportation projects in Europe.

***

On 25 June 2020, Alstom announced that it had obtained certification of the most recent European interoperability standard for rail, the ETCS (European Train Control System) Baseline 3 Version 2. This certification enables Alstom to deploy its innovative data fusion algorithm system to measure the location and speed of trains.

***

On 30 June 2020, Alstom announced that it was using its AI mobility management solution, Mastria, to ensure physical distancing and safety in Panama's trains and train stations.

***

On 1 July 2020, Alstom announced the acquisition of Ibre, a company specialised in the development, manufacture and supply of cast iron or steel brake discs for high-speed, intercity, regional and suburban trains, trams and metros. Ibre has international operations and employs approximately 30 people at its Sens site in Burgundy Franche Comté. It had sales of approximately €10 million in 2019. This acquisition enables Alstom to expand its expertise in braking systems.

***

On 10 July 2020, Alstom announced the inauguration by the Dubai Routes and Transportation Authority (RTA) of the Dubai Route 2020 metro, built by the Expolink consortium of which Alstom was the head, responsible *inter alia* for the integration of the entire metro system (including 50 Metropolis trainsets), power supply, communication, signalling, automatic ticket control, track works, platform screen doors and a three-year warranty on the whole system.

The Dubai Route 2020 metro consists of a 15 kilometre long line, of which 11.8 km is above ground and 3.2 km underground, as well as an interchange, for a total cost of €2.6 billion.

***

On 10 July 2020, Alstom announced that the Alstom-led consortium with the Taiwanese engineering services company had signed a contract for the Phase Two extension of Taipei Metro Line 7. The contract is valued at close to €424 million, of which Alstom's share represents approximately €248 million.

***

On 15 July 2020, Alstom announced that it would test automatic shunting locomotives in the Netherlands. The tests, which are intended to demonstrate how the use of fully automated trains can optimise rail operation to ensure cost-effective and sustainable mobility in the face of growing demand in

shunting operations, will be carried out at the highest level of automation (GoA4). Ordinary tasks, such as starting and stopping, pushing wagons, controlling traction and brakes and the handling of emergencies, will be fully automated, with train staff remaining aboard to ensure safety protocol during the tests.

***

On 20 July 2020, Alstom announced that its consortium with Indra and Constructora San Jose had signed a €53 million contract with the Spanish railway infrastructure authority to supply and install the safety and security systems for twelve tunnels in the Pajares Bypass high speed connection.

***

On 22 July 2020, Alstom and Eversholt Rail announced an additional investment of more than €1 million in British hydrogen trains, creating an entirely new class of train, the first-ever 600 series, in response to the British government's project to decarbonise the rail industry.

***

On 24 July 2020, Alstom announced that it would support the "Cuisine Mode d'Emploi(s)" training school in the form of a €24,000 donation, as part of its Corporate Social Responsibility (CSR) commitment.

***

On 28 July 2020, Alstom announced that it had begun construction in Germany on the first hydrogen charging station for passenger trains in the world. This project is in alignment with Alstom's innovations in the area of hydrogen trains.

***

On 6 August 2020, Alstom started validation tests on Prima T8 freight locomotives "AZ8A" in Azerbaijan, on the main freight transport line recently converted from 3 kV DC to 25 kV AC.

***

On 17 August 2020, Alstom successfully supplied, tested and commissioned part of Line 3 of the Cairo Metro, Phase 4, with a total of 10 stations from Heliopolis to Adly Mansour.

***

On 27 August 2020, Alstom was chosen by SNCB (Belgian Railways) to design, manufacture and commission national and European ETCS level 1 & 2 signalling equipment on 23 HLD77 locomotives belonging to Infrabel. The base contract comes with an option to equip 5 additional locomotives of the same type.

***

On 2 September 2020, the Senior Vice President of Alstom Digital Mobility discussed Alstom's progress towards becoming a major player in intelligent mobility, taking into account the emergence of autonomous driving.

***

On 8 September 2020, Alstom announced the delivery of the first two Citadis X05 tramways (of a total of 25) ordered by the Athens Urban Transport Authority in July 2018. They will be subjected to dynamic tests at the end of September and put into commercial service in February 2021.

***

On 11 September 2020, Alstom announced that the Steering Committee of the Euronext Indices had decided the day before to include Alstom in the list of the 40 stocks making up the CAC40 index in Paris. This inclusion will be effective from Monday 21 September 2020.

***

On 11 September 2020, Alstom announced that the Coradia iLint hydrogen train developed by Alstom, was to provide regular passenger service for the very first time for ÖBB, the Austrian Federal Railways. This three-month service follows successful trials conducted by the Coradia iLint in Northern Germany between 2018 and 2020. The Coradia iLint is equipped with fuel that enables it to transform hydrogen and oxygen into electricity; thus the train is emission-free while it is in operation.

***

On 14 September 2020, Alstom announced that it had officially delivered Line 3 of the urban transportation network in Guadalajara, Jalisco State, Mexico. This new line of about 21km is expected to carry about 230,000 passengers a day. The contract signed in 2014 included the supply of 18 Metropolis trains, communication systems, high-voltage and traction substations as well as rail control systems based on Urbalis 400, Alstom's CBTC system. The trains are equipped with air conditioning, video surveillance and passenger information systems.

***

On 18 September 2020, Alstom presented the first RER NG train at Alstom’s railway testing centre in Valenciennes. This New Generation RER will be delivered in late 2021, and will equip Line D and Line E of the RER.

***

On 21 September 2020, Alstom announced that Alstom and SNCF, in connection with their innovation collaboration entered into in 2016, had launched an internal contest for their employees to design the two test trains for the future TGV M, the next-generation TGV that will be more efficient, more eco-friendly, and 100% French.

***

On 23 September 2020, Alstom announced that the Asocierea RailWorks consortium of which it is a part had signed an agreement to provide digital train control, traffic management, and electrification infrastructure for the Rhine-Danube rail corridor. Alstom’s share of the contract is approximately €70 million.

***

On 30 September 2020, Alstom announced that the Coradia iLint hydrogen train developed by Alstom had successfully completed tests in the Netherlands intended to determine whether a hydrogen train could be a fully viable alternative to the diesel trains currently in circulation. The report by the Province of Groningen indicates that the Coradia iLint easily satisfied the four objectives that had been set: authorisation

to circulate on the Dutch rail network issued by the Dutch safety evaluation body, zero emissions and full compatibility with the current commercial service, rapid and easy refuelling, and familiarisation of the public with hydrogen mobility.

***

On 2 October 2020, together with Île-de-France Mobilités and Société du Grand Paris, Alstom unveiled the design for Île-de-France's future metro lines 15, 16, and 17.

12. LITIGATION, LEGAL PROCEEDINGS AND ARBITRATION

Note 33, "*Litigation*", to the consolidated financial statements as of 31 March 2020 included in Chapter 3, "*Financial Information*", of the Universal Registration Document 2019/20 is supplemented and amended as follows:

Italy

On June 23, 2020, a series of searches and arrests were carried out by the Milan police under instructions of the Milan Prosecution Office as part of an investigation into alleged bribes and bid-rigging in connection with public tenders for Azienda Transporte Milanesi ("ATM"), the municipal public transport company and operator of the Milan subway. The investigation concerns at least seven companies and 28 individuals, including three current employees and one former employee of Alstom Ferroviaria S.p.A. (the "Alstom Italy employees").

The Prosecution Office alleges that the Alstom Italy employees engaged in bid-rigging under Article 353 of the Italian Criminal Code, including colluding with an employee of ATM to obtain confidential technical information in order to secure an undue advantage in the tender process for a 2019 contract for the Milan subway. Alstom did not ultimately submit a bid in respect of this contract.

The Prosecution Office also alleges that two of the Alstom Italy employees (one current and one former employee) engaged in corruption under Articles 319 *et seq*. of the Italian Criminal Code by allegedly promising a reward to the ATM manager in consideration of information provided on the same tender process. In the pre-trial detention order dated June 13, 2020, the preliminary investigations judge noted that the information available to date was insufficient to demonstrate that the offense of corruption had been committed under Articles 319 et seq. of the Italian Criminal Code, and hence ordered the arrest of two of the Alstom Italy employees only in respect of the bid-rigging allegation under Article 353 of the Italian Criminal Code.

Alstom Ferroviaria S.p.A. is also subject to investigation regarding alleged violation of Legislative Decree No. 231/2001 ("Decree 231/2001") for not having implemented (or not having effectively applied) a system of control capable to prevent the acts of corruption by its employees. Indeed, under Decree 231/2001, a company can be held liable for having benefitted from certain criminal offenses committed by its employees, which can result in fines, disgorgement and other disqualifying measures, such as suspension of licences or disqualification from participating in certain activities (including tenders launched by Italian public entities) or receiving certain sources of funding. Such liability under Decree 231/2001 does not extend to bid-rigging. Alstom may also be subject to claims for damages under the Italian Civil Code.

A company may only be held liable under Decree 231/2001 if the criminal misconduct of its employees is established. In such a case, a company may seek to defend itself from corporate liability under Decree 231/2001 by showing that it had adopted and effectively implemented an organizational model (known as a "*Modello*") to prevent misconduct and established an independent supervisory body (known as an "*organismo di vigilanza*") to oversee compliance with the *Modello*. Alstom Ferroviaria S.p.A. has adopted a *Modello* and has established an *organismo di vigilanza*.

Alstom is conducting an internal investigation into the allegations discussed above in coordination with external counsel and has taken certain interim measures in response to the allegations of the Prosecution Office, including suspending one of the current Alstom Italy employees.

Witness interviews commenced in September 2020. The preliminary investigation by the Prosecution Office continues in parallel. Following its investigation, the Prosecution Office will decide whether to request a dismissal or to request an indictment.

In addition, the subsection of Chapter 7 entitled "*Additional Information—Information on the Group and the Parent Company—Legal Proceedings and Arbitration*" in the Universal Registration Document 2019/20 is hereby amended as follows:

The reader is asked to refer to Note 33 to the consolidated financial statements as of 31 March 2020 included in the Universal Registration Document 2019/20 for a description of the Group's principal legal proceedings. With the exception of the proceedings and disputes described in the Universal Registration Document and this Amendment, the Group is not aware of any governmental, legal or arbitration proceedings (including any threatened or suspended proceedings) that could have or have had in the past 12 months a material effect on the Group's financial condition or profitability.

13. DECLARATIONS BY THE PERSONS RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT 2012/20

"I hereby declare that, after having taken all reasonable care for such purpose, the information contained in this Amendment to the Universal Registration Document 2019/20 is, to my knowledge, true and accurate and contains no omission that could make it misleading."

Saint-Ouen-sur-Seine, 7 October 2020

Henri Poupart-Lafarge
Chairman and Chief Executive Officer

For Bombardier Transportation:

"I hereby declare that, after having taken all reasonable care for such purpose, the information contained in Section 4 "*Description of Bombardier Transportation*" of this Amendment to the Universal Registration Document 2019/20, including the annexes referred to in such Section 4, is, to my knowledge, true and accurate and contains no omission that could make it misleading."

Avon, Connecticut, 7 October 2020

Mr. Danny Di Perna
President

Montréal, Québec, 7 October 2020

Mr. Richard Coulombe
Vice-President, Chief Financial Officer

14. RECONCILIATION TABLE

The reconciliation table below reproduces the headings required by Annex 1 to Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 and provides the page numbers of the Universal Registration Document 2019/20 and of this Amendment on which the information required under each such heading may be found.

			Universal Registration Document 2019/2020	Amendment
Annexes 1 and 2 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019			**Page**	**Section**
1.	**Persons responsible, third party information, experts' reports, and competent authority approval**			
	1.1	Identification of persons responsible	301	13
	1.2	Declaration of persons responsible	301	13
	1.3	Expert declarations or reports	N/A	N/A
	1.4	Confirmation regarding information from third parties	N/A	N/A
	1.5	Declaration without prior approval from the competent authority	1	p.1
2.	**Statutory auditors**			
	2.1	Name and address of the statutory auditors	206	N/A
	2.2	Resignation, removal, and non renewal of statutory auditors	N/A	N/A
3.	**Risk factors**		134-153	2
4.	**Information about the issuer**			
	4.1	Legal and commercial name	1 and 280	p.1
	4.2 ("LEI")	Place of registration, registration number, and legal entity identifier	280	N/A
	4.3	Date of incorporation and term	280	N/A
	4.4	Domicile and legal form of the issuer; legislation; country of incorporation; address, telephone number of the registered office, and website	280 and 296	N/A
5.	**Business overview**			
	5.1	Principal activities	13-19	N/A
	5.2	Principal markets	4-7	N/A
	5.3	Important events in the development of the issuer's business	280	1 and 11
	5.4	Strategy and objectives	10	6 and 9
	5.5	Dependence on patents; licenses; industrial, commercial, or financial contracts; or new manufacturing processes	19-21 and 282	N/A
	5.6	Basis for any statements made by the issuer regarding its competitive position	7	N/A
	5.7	Investments		
	5.7.1	Material investments completed	10 and 24-32	1 and 11

			Universal Registration Document 2019/2020	Amendment
Annexes 1 and 2 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019			**Page**	**Section**
	5.7.2	Investments in progress or for which firm commitments have already been made	10 and 24-32	1 and 11
	5.7.3	Joint ventures and undertakings in which the issuer holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position, or profits and losses	101-106, 298-299, and 284	N/A
	5.7.4	Environmental issues that may affect the user's utilisation of the tangible fixed assets	218-220	N/A
6.	**Organisational Structure**			
	6.1	Brief description of the Group	280-284 and 298-299	Annex 2.
	6.2	Significant subsidiaries	101-106 and 298-299	Annex 2.
7.	**Operating and financial**			
	7.1	Financial condition		
	7.1.1	Development and performance of the issuer's business and of its position for each year and interim period for which historical financial information is required	25-35 and 274-277	3 and 5
	7.1.2	Issuer's likely future development and activities in the field of research and development	N/A	N/A
	7.2	Operating results		
	7.2.1	Significant factors, unusual or infrequent events, or new developments materially affecting operating income	23-35	3 and 5
	7.2.2	Reasons for material changes in net sales or revenues	22-35	3 and 5
8.	**Capital resources**			N/A
	8.1	Information about capital resources	32, 34-35, 43, 73, and 117-118	N/A
	8.2	Sources and amounts of and a narrative description of the issuer's cash flows	25, 31-32, 34, and 41-42	5
	8.3	Borrowing requirements and funding structure	74-75 and 119-120	1 and 5
	8.4	Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	80-84 and 143	N/A
	8.5	Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.7.2.	45-46, 74-75, and 81-84	N/A
9.	**Regulatory environment**			
	9.1	Description of the regulatory environment that the issuer operates in and that may materially affect its business, together with information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	140-141	N/A
10.	**Trend information**			

			Universal Registration Document 2019/2020	Amendment
Annexes 1 and 2 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019			**Page**	**Section**
	10.1	Principal trends in production, sales, and inventory, and costs and selling prices since the end of the last financial year to the date of the registration document	4-7	2, 5 and 11
	10.2	Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year	4-7	2, 5 and 6
11.	**Profit forecasts or estimates**			
	11.1	Published profit forecasts or estimates	N/A	N/A
	11.2	Principal assumptions on which the issuer based its forecasts or estimates	N/A	N/A
	11.3	Declaration of comparability with historical financial information and consistency with the issuer's accounting policies	N/A	N/A
12.	**Administrative, management, and supervisory bodies and senior management**			
	12.1	Information about the members of the administrative, management, and supervisory bodies	156-170 and 196-197	7 and 8
	12.2	Conflicts of interest of administrative, management, and supervisory bodies	168-169	N/A
13.	**Remuneration and benefits**			
	13.1	Amount of remuneration paid and benefits in kind granted by the issuer and its subsidiaries	85-95, 100, 179-194, and 197	7
	13.2	Total amounts set aside or accrued by the issuer or its subsidiaries to provide for pension, retirement, or similar benefits	85-89	7
14.	**Practices of the administrative and supervisory bodies**			
	14.1	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office	157	8
	14.2	Information about members of the administrative, management, or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate statement to the effect that no such benefits exist	168-169	N/A
	14.3	Information about the issuer's audit committee and remuneration committee	173-178	8
	14.4	Statement of compliance with the applicable corporate governance region	195	1
	14.5	Potential material impacts on corporate governance	N/A	1
15.	**Employees**			
	15.1	Either the number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the registration document by breakdown of employees by main category of activity and geographic location	8, 94-95, 232, and 268	N/A
	15.2	Shareholdings and stock options	90-94, 121-124, and 198-204	10
	15.3	Arrangements for involving the employees in the issuer's share capital	203-204	N/A

			Universal Registration Document 2019/2020	Amendment
Annexes 1 and 2 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019			**Page**	**Section**
16.	**Principal shareholders**			
	16.1	Name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest, or appropriate statement to that that effect that no such person exists	290-291	8
	16.2	Existence of different voting rights	281 and 290-291	1
	16.3	Direct or indirect ownership or control of the issuer	N/A	N/A
	16.4	Any arrangements known to the issuer the operation of which may at a subsequent date result in a change in control	N/A	N/A
17.	**Related party transactions**			
	17.1	Details of related party transactions	99	N/A
18.	**Financial information concerning the issuer's assets and liabilities, financial position, and profits and losses**			
	18.1	Historical financial information		
	18.1.1	Audited historical financial information covering the last three financial years and audit report in respect of each year	38-106, 107-110, 111-125, 126-129, and 301	N/A
	18.1.2	Change of accounting reference date	N/A	N/A
	18.1.3	Accounting standards	47-52	1
	18.1.4	Change of accounting framework	47-48	N/A
	18.1.5	Audited financial information prepared according to national accounting standards	111-125	N/A
	18.1.6	Consolidated financial statements	40-106	N/A
	18.1.7	Age of financial information	31 March 2020	N/A
	18.2	Interim and other financial information		5
	18.2.1	Half-yearly or quarterly financial information	N/A	5
	18.3	Auditing of historical annual financial information		N/A
	18.3.1	Independent audit of historical annual financial information	38-106, 111-125, and 301	N/A
	18.3.2	Other information audited by the auditors	107-110, 126-129, and 259-260	4
	18.3.3	Financial information not extracted from the issuer's audited financial statements	33-35	N/A
	18.4	Pro forma financial information	N/A	3, Annex 10

			Universal Registration Document 2019/2020	Amendment
Annexes 1 and 2 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019			**Page**	**Section**
	18.4.1	Significant change in gross amounts	N/A	N/A
	18.5	Dividend policy		
	18.5.1	Description of the issuer's policy on dividend distributions and any restrictions thereon	295	9
	18.5.2	Amount of the dividend per share	295	9
	18.6	Legal and arbitration proceedings		
	18.6.1	Significant proceedings	284	12
	18.7	Significant change in the issuer's financial position		
	18.7.1	Description	284	N/A
19.	**Additional information**			
	19.1	Share capital		
	19.1.1	Amount of issued and authorised capital, number of shares issued and fully paid and issued but not fully paid, par value per share, reconciliation of the number of shares outstanding at the beginning and end of the year	285 and 290-291	N/A
	19.1.2	Information on shares not representing capital	295	N/A
	19.1.3	Number, book value, and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer	293-294	N/A
	19.1.4	Information on convertible securities, exchangeable securities, or securities with warrants	199-204 and 293	1
	19.1.5	Information about and terms of any acquisition rights and/or obligations over authorised but unissued capital or an undertaking to increase the capital	N/A	1 and 10; annexes 3 to 7
	19.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	N/A	N/A
	19.1.7	History of the share capital	287-289	N/A
	19.2	Memorandum and Articles of Association		
	19.2.1	Register and issuer's objects and purposes	280-281	N/A
	19.2.2	Rights, privileges, and restrictions on each class of shares	285	1, 10
	19.2.3	Description of the issuer's articles of association, statutes, charter, or bylaws that would have an effect of delaying, deferring, or preventing a change in control of the issuer	N/A	1, Annex 7
20.	**Material contracts**			

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ANNEXES

This Amendment includes the following Annexes:

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Annex 2:	Organisation chart of the Alstom Group following the transaction
Annex 3:	Situations in which the number of shares issued in connection with the capital increase reserved for Bombardier will be adjusted
Annex 4:	Terms and conditions of the Preferred Shares
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ANNEX 1

FAIRNESS OPINION BY THE INDEPENDENT EXPERT

FINEXSI
EXPERT & CONSEIL FINANCIER

For the attention of the members of
the Board of Directors
ALSTOM
48 Albert Dhalenne Street
93400 Saint Ouen
France

Paris, the 27 September 2020

Free translation based on French version dated 27 September 2020

Context of our engagement and limitations

In connection with the proposed acquisition by ALSTOM HOLDINGS, A wholly-owned subsidiary of ALSTOM SA, of all the shares making up the share capital of BOMBARDIER TRANSPORTATION (INVESTMENT) UK LIMITED (hereinafter BOMBARDIER TRANSPORTATION) and the reinvestment by the sellers[1],in the form of reserved capital increases, of a part of the proceeds from the sale within ALSTOM SA (hereafter the "Transaction"), we have been asked, as independent expert appointed by the Board of Directors of ALSTOM, to assess the financial terms and conditions of the Transaction and its fairness to the shareholders of ALSTOM SA.

We conduct our engagement as an independent expert voluntarily appointed by the Board of Directors of ALSTOM SA. This fairness opinion is therefore drawn up for the benefit of persons governed by French law and meets the requirements thereof. We therefore assume no liability with respect to persons governed by other legal systems or under another authority, even if regulations thereunder are enclosed with the documentation made available to shareholders. In addition, our fairness opinion does not exempt from reading all the public documentation already available or that will be made available in connection with this Transaction.

To carry out our engagement, we used public documents and information provided to us by ALSTOM and BOMBARDIER TRANSPORTATION. These documents were considered accurate and complete and were not subject to any particular review. It was not our intent to validate the historical and forecast data used, which we only verified for reasonableness and consistency. This engagement did not include an audit of the financial statements, contracts, litigation and any other documents sent to us.

Our liability may not be engaged with regards to the accuracy or completeness of the information collected as part of our engagement.

[1] BOMBARDIER INC. and the CAISSE DE DEPOT ET PLACEMENT DU QUEBEC (CDPQ)

Furthermore, this fairness opinion is not in any case an opinion or recommendation on whether it is advisable to carry out any deal and/or transaction, or any other business, all of which falls exclusively under the liability of ALSTOM. In particular, we have not advised nor assisted ALSTOM in any manner whatsoever in connection with its negotiations with the sellers on the acquisition of the shares of BOMBARDIER TRANSPORTATION.

Lastly, we have received a management representative letter from ALSTOM attesting to the fact that the information transmitted on the occasion of this Transaction is complete, and that not significant event has occurred as of the date of our fairness opinion that could call into question our assessment of the financial conditions of the Transaction. We did not, however, receive any such letter from BOMBARDIER.

Background of the Transaction

This Transaction is a major industrial merger in the rail sector that aims to create the world's No. 2 rail operator, with a new, stronger long-term shareholder base.

It takes the form of an acquisition by ALSTOM HOLDINGS of 100% of the shares of BOMBARDIER TRANSPORTATION from CDPQ and BOMBARDIER INC., based on a price revised on 16 September 2020 between €5.5 billion and €5.9 billion, before implementation of the downward adjustment relating to BOMBARDIER TRANSPORTATION's liquidity position, which will be determined on 31 December 2020.

With this acquisition, ALSTOM will become the world’s second-largest company in the sector, with an order backlog of nearly €75 billion and turnover of over €15 billion on a proforma basis at 31 March 2020.

The two groups have complementary products and geographical areas and their combination should generate significant synergies estimated at around €400 million per year between the 4th and 5th year following the completion of the acquisition.

The terms and conditions of the Transaction provide for a total reinvestment of the proceeds received by CDPQ, i.e. approximately €2 billion, in ALSTOM's capital, plus an additional cash contribution of €700 million, making CDPQ the "new long-term shareholder" of ALSTOM. Concerning BOMBARDIER INC., the sale will mainly be carried out in cash, the amount of the reinvestment being limited to approximately €500 million. These reinvestment transactions will give rise to two reserved capital increases, at unit subscription prices of €44.45 and €47.5 respectively for CDPQ and BOMBARDIER INC. A capital increase open to all ALSTOM shareholders of approximately €2 billion is also planned to refinance the acquisition debt.

Work performed

Given the nature of the Transaction, involving the acquisition of BOMBARDIER TRANSPORTATION shares by ALSTOM HOLDINGS and the reinvestment by the sellers of part of the proceeds in ALSTOM SA through two reserved capital increases, our work involved an overall assessment of the Transaction and an evaluation of both ALSTOM SA and BOMBARDIER TRANSPORTATION.

Our work consisted mainly in :

- Reviewing the legal documentation relating to the Transaction (in particular the memorandum of understanding signed on 17 February 2020, the Acquisition Agreement and its appendices, as well as the two investment agreements signed on 16 September 2020), within the strict limits and for the sole purpose of collecting the information useful to our engagement;
- Meeting, on various occasions, with the management of the companies both to understand the context of the Transaction and to understand the business prospects and financial forecasts resulting from it;
- Implementing a consistent multi-criteria assessment approach for ALSTOM and BOMBARDIER TRANSPORTATION,
- Reading the terms and conditions for determining the subscription price of ALSTOM shares;
- Preparing a fairness opinion to the Board of Directors of ALSTOM setting out the valuation of the BOMBARDIER TRANSPORTATION and ALSTOM shares and our opinion as to the fairness of the financial terms and conditions of the Transaction.

Our procedures correspond to the implementation of the procedures described above. They are not similar to an audit or *Independent Business Review of the* forecasts established by BOMBARDIER TRANSPORTATION and ALSTOM.

Opinion on the acquisition Price of BOMBARDIER TRANSPORTATION

We implemented a multi-criteria valuation approach for BOMBARDIER TRANSPORTATION to assess the purchase price between €5.5 billion and €5.9 billion before cash adjustments.

To conduct our work, we reviewed notes by analysts who monitor BOMBARDIER INC. and have published a valuation of BOMBARDIER TRANSPORT, BOMBARDIER TRANSPORTATION's business plan drawn-up in the 4th quarter 2019 and ALSTOM'S revisions to this plan to incorporate the events that have occurred since that date. It should be noted that this revised plan reflects a level of project risk coverage deemed to be adequate for the risks estimated for the projects, per the exchanges between ALSTOM and BOMBARDIER as well as ALSTOM's assessments.

Based on our work, we concluded that the price of €5.5 billion (the low end of the above-mentioned acquisition price range before cash adjustment) for 100% of BOMBARDIER TRANSPORTATION's shares resulted in a significant control premium which is justified by the existence of significant synergies expected from the Transaction for a total discounted amount estimated at €3.3 billion, including their implementation cost, and by the strategic nature of the Transaction for ALSTOM.

If we assume that all of the synergies expected from the Transaction will be materialized, the Transaction would create value for ALSTOM's shareholder, which would then translate into an increase in earnings per share in the medium term.

On these bases, we consider that the acquisition price for 100% of BOMBARDIER TRANSPORTATION's shares is fair from a financial point of view, especially since the combined group will be made stronger over the long term by a critical mass that will diversify its risk in a highly competitive global environment.

Opinion on the conditions for reinvestment by the sellers in ALSTOM

It should be noted that subscriptions of the capital increases reserved for CDPQ and BOMBARDIER INC. will reach an amount of approximately €3.1 billion, enabling the financing of a very substantial part of the acquisition of BOMBARDIER TRANSPORTATION.

The subscription prices of these reserved capital increases were determined on the basis of average share prices in February 2020, the date at which the share price level could be considered high. The evolution of ALSTOM's share price since that date does not call into question this observation.

The subscription at a slightly lower price for CDPQ compared to BOMBARDIER INC. does not call for any remark since CDPQ reinvests 100% of the price and an additional amount of €700 million, which will put it in a position as the main shareholder of ALSTOM for the long term.

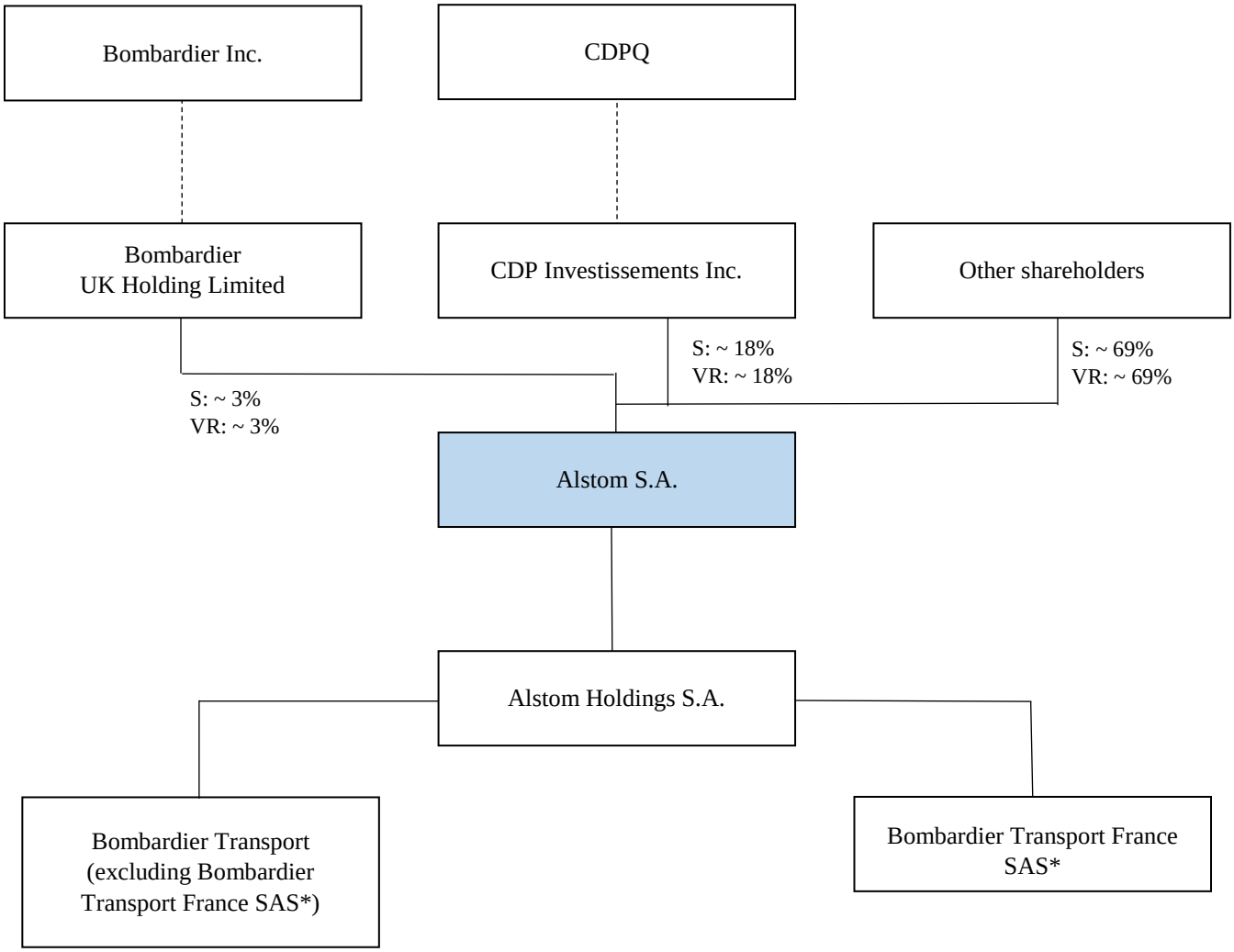
Finally, the anti-dilutive mechanism from which the two investors benefit, aims to allow them to benefit from economic rights equivalent to those of ALSTOM's shareholders, in particular if the open capital increase took place prior to the capital increases reserved for them.

On these bases, we consider that the subscription prices of the capital increases reserved for CDPQ and BOMBARDIER INC. are fair from a financial point of view, and that the anti-dilution mechanisms retained by the parties do not call for any further comments on our part.

ANNEX 2

ORGANISATION CHART OF THE ALSTOM GROUP FOLLOWING THE TRANSACTION

ORGANISATION CHART OF THE ALSTOM GROUP FOLLOWING THE TRANSACTION



Legend

S: percentage of ownership of Alstom SA's share capital

VR: percentage of ownership of Alstom SA's voting rights

*: The acquisition of Bombardier Transport SAS by Alstom Holding S.A. would occur immediately after the acquisition of Bombardier Transport by Alstom Holdings S.A.

ANNEX 3

SITUATIONS IN WHICH THE NUMBER OF SHARES ISSUED IN CONNECTION WITH THE CAPITAL INCREASE RESERVED FOR BOMBARDIER WILL BE ADJUSTED

SITUATIONS IN WHICH THE NUMBER OF SHARES ISSUED IN CONNECTION WITH THE CAPITAL INCREASE RESERVED FOR BOMBARDIER WILL BE ADJUSTED

The content of Annex 3 (*Conditions of adjustment of the number of ordinary shares to be issued pursuant to the eighth resolution*) to the draft resolutions submitted to the general meeting of 29 October 2020, which sets forth the situations of adjustment of the number of securities issued as part of the capital increase reserved for Bombardier UK Holding Limited (hereinafter, the "**Bombardier Beneficiary**") is reproduced below.

Subsequent to any of the following transactions:

1. financial transactions conferring listed preferential subscription rights;
2. the free distribution of listed warrants;
3. the free distribution of shares to shareholders, share split or reverse share split;
4. the capitalization of reserves, profits or premiums through an increase in the nominal value of shares;
5. the distribution of reserves and/or premiums, in cash or in kind;
6. the free distribution to the Company's shareholders of any financial instrument other than shares;
7. the buy-back by the Company of its own shares at a price higher than the market price;
8. the redemption of share capital; and
9. a change in the statutory rules relating to allocation of the profits and/or issuance of preferred shares;

which the Company may carry out as from 17 February 2020, the number of ordinary shares to be issued to the benefit of the Bombardier Beneficiary pursuant to the eighth resolution of this general meeting (the "**Bombardier Relevant Number**") will be adjusted without any further subscription payment from the holders of Class B Preferred Shares (the Bombardier Relevant Number, as adjusted, being the "**Adjusted Bombardier Relevant Number**") as set forth below.

1. In the event of a financial transaction conferring listed preferential subscription rights, the Adjusted Bombardier Relevant Number will be determined by multiplying the Bombardier Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the shares after detachment of the subscription right} + \text{value of the subscription right}}{\text{Value of the shares after detachment of the subscription right}}$$

For the purpose of the calculation of this ratio, the value of the share after detachment of the subscription right will be equal to its VWAP on Euronext Paris for each day included in the subscription period (with volume weighting, in such a way to result in a VWAP over the entire period and not an average of daily VWAPs, it being specified as may be necessary that whenever it is referred in this Annex to a VWAP for each trading day included in a given period, such calculation method shall be used over the relevant period)

and the value of the subscription right will be equal to its VWAP on Euronext Paris for each trading day included in the listing period.

2. In the event of a financial transaction involving the free distribution of listed warrants to shareholders with the corresponding ability to place on the market the securities resulting from the exercise of warrants that were unexercised by their holders at the end of the subscription period that applies to them, the Adjusted Bombardier Relevant Number will be determined by multiplying the Bombardier Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the shares after distribution of the warrant} + \text{value of the warrant}}{\text{value of the shares after distribution of the warrant}}$$

For the purpose of the calculation of this ratio,

(i) the value of the share after distribution of the warrant will be equal to the volume-weighted average of (x) the price of the shares listed on Euronext Paris on each trading day of the subscription period, and (y) (a) the transfer price of the securities sold within the framework of the placement, if such securities are shares fungible with the existing shares, applying the volume of shares sold within the framework of the placement to the transfer price or (b) the price of the shares listed on Euronext Paris on the determination date of the sale price of the securities sold within the framework of the placement if such securities are not shares fungible with the existing shares.

(ii) the value of the warrant will be equal to the volume-weighted average of (i) the prices of the warrants on Euronext on each trading day of the subscription period, and, (ii) the implicit value (*valeur implicite*) of the warrants resulting from the sale price of the securities sold within the framework of the placement – which corresponds to the difference (if it is positive), adjusted by the warrants' exchange ratio, between the sale price of the securities sold within the framework of the placement and the subscription price of the securities through exercise of the warrants – by applying the volume of exercised warrants to the price so determined in order to allocate the securities sold within the framework of the placement.

3. In the event of the free distribution of shares to shareholders, share split or reverse share split, the Adjusted Bombardier Relevant Number will be determined by multiplying the Bombardier Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Number of shares comprising the share capital after the transaction}}{\text{Number of shares comprising the share capital before the transaction}}$$

4. In the event of a share capital increase by capitalization of reserves, profits or premiums carried out by increase in the nominal value of the shares, the nominal value of the ordinary shares to be allocated to the Bombardier Beneficiary will be increased accordingly.

5. In the event of distribution by the Company of any reserve or premium, in cash or in kind, the Adjusted Bombardier Relevant Number will be determined by multiplying the Bombardier Relevant Number in effect prior to the distribution by the following ratio

$$\frac{\text{Value of the shares before distribution}}{\text{value of the shares before distribution - value of the distribution}}$$

6. In the event of a free distribution to the Company's shareholders of financial instruments or securities other than the shares, the Adjusted Bombardier Relevant Number will be determined as follows:

(a) if the right to the free allocation of financial instruments or securities was admitted to trading on Euronext Paris, by multiplying the Bombardier Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the share ex-right to free allocation + value of the free allocation right}}{\text{Value of the share ex-right to free allocation}}$$

For the purpose of the calculation of this ratio:

(A) the value of the share ex-right to free allocation will be equal to the volume-weighted average share price on Euronext Paris of the share ex-right to free allocation during the first three trading days on which the shares are listed ex-right to free allocation;

(B) the value of the free allocation right will be determined as indicated in the paragraph above. If the free allocation right is not listed during each of the three trading days above mentioned, then its value will be determined by an Independent Expert.

(b) if the right to free allocation of financial instruments or securities was not admitted to trading on Euronext Paris, by multiplying the Bombardier Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the share ex-right to free allocation + value of the security or financial instrument allocated per share}}{\text{Value of the share ex-right to free allocation}}$$

For the purpose of the calculation of this ratio:

(A) the value of the share ex-right to free allocation will be determined as indicated in paragraph 6(a) above;

(B) if the financial instruments or securities allocated are listed or may become listed on Euronext Paris, within ten trading days beginning on the date on which the shares are listed ex-distribution, then the value of the financial instruments allocated per share will be equal to the volume-weighted average of the price of such financial instruments recorded on such market during the first three trading days of this period during which such securities are listed. If the financial instruments allocated are not listed during at least three trading days within such period, then the value of the financial instruments allocated per share will be determined by an Independent Expert.

7. In the event of a buy-back by the Company of its own shares at a price higher than the market price, the Adjusted Bombardier Relevant Number will be determined by multiplying the Bombardier Relevant Number in effect prior to the commencement of the repurchase by the following ratio:

$$\frac{\text{Share value x (1 – Pc\%)}}{\text{Share value – (Pc\% x Repurchase price)}}$$

For the purpose of the calculation of this ratio:

(i) Share value means the VWAP of the share on Euronext Paris during the ten trading days immediately preceding such repurchase (or the option to repurchase);

(ii) Pc% means the percentage of repurchased capital; and

(iii) Repurchase price means the actual price at which shares are repurchased.

8. In the event of a redemption of share capital, the Adjusted Bombardier Relevant Number will be determined by multiplying the Bombardier Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the share before redemption}}{\text{Value of the share before redemption – Amount of redemption per share}}$$

For the purpose of the calculation of this ratio, the value of the share before redemption will be equal to the VWAP of the Company's share on Euronext Paris during the ten trading days immediately preceding the trading day on which the shares are listed ex-redemption.

9. In the event of the modification by the Company of its statutory rules relating to profits allocation and/or the issuance of preferred shares resulting in such a change, the Adjusted Bombardier Relevant Number will be determined by multiplying the Bombardier Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the share before the change}}{\text{Value of the share before the change} - \text{reduction per share of the right to profits}}$$

For the purpose of the calculation of this ratio:

(A) the value of the share before the change will be determined on the basis of the VWAP of the share on Euronext Paris during the three trading days immediately preceding the day of such change;

(B) the reduction per share of the rights to profits will be determined by an Independent Expert.

Notwithstanding the above, if such preferred shares are issued with shareholders' preferential subscription rights or by the free distribution to shareholders of warrants exercisable for such preferred shares, the new Subscription Price will be adjusted in accordance with paragraphs 1 or 6 above.

In the event of the creation of preferred shares that do not lead to a modification of the distribution of profits, the Adjusted Bombardier Relevant Number will be determined by an Independent Expert.

In any case, a single transaction cannot lead to the application of several adjustments provided for in paragraphs 1 to 9 above. In case the Company completes a transaction for which several adjustments would be applicable, priority will be given to legal adjustments.

ANNEX 4

TERMS AND CONDITIONS OF THE PREFERRED SHARES

TERMS AND CONDITIONS OF THE PREFERRED SHARES

Capitalized terms used in these Terms and Conditions shall have the meaning ascribed to them in Annex A (Definitions) hereto.

Issuer	Alstom S.A. ("**Alstom**" or the "**Company**").
Securities	Mandatorily convertible preferred shares of the Company (the "**Class B Preferred Shares**").
Legal Issue basis:	Class B Preferred Shares issued pursuant to the sixth resolution of Alstom's shareholders meeting convened for 29 October 2020.
Subscriber:	CDP Investissements Inc. ("**CDPI**").
Nominal Value:	EUR 7 per Class B Preferred Share.
Issue Dates	On the Completion Date, simultaneously to Completion (the "**First Issue Date**", the Class B Preferred Shares issued on the First Issue Date being referred to as the "**Completion Class B Preferred Shares**"); and on the date of payment of the Post-Completion Price Adjustment, if any (the "**Second Issue Date**", the Class B Preferred Shares issued on the Second Issue Date being referred to as the "**Post-Completion Class B Preferred Shares**").
Subscription Price:	EUR 44.45 including an issue premium of EUR 37.45 per Class B Preferred Share.
Means of Payment of the Subscription Price:	For the Completion Class B Preferred Shares, by set-off up to the Completion Payment payable by Alstom Holdings to CDPI on the Completion Date (after delegation of such payment obligation by Alstom Holdings to the Issuer) and seven hundred million euros, in cash payable on the First Issue Date; and for the Post-Completion Class B Preferred Shares, by set-off up to the Post-Completion Price Adjustment amount payable by Alstom Holdings to CDPI on the relevant date (after delegation of such payment obligation by Alstom Holdings to the Issuer).
Number of Class B Preferred Shares Issued	The Completion Class B Preferred Shares shall be issued, at the Subscription Price, in a number equal to the quotient (rounded down to the nearest integer) having for numerator the sum of the Completion Payment and seven hundred million euros, and for denominator the Subscription Price. The Post-Completion Class B Preferred Shares shall be issued, at the Subscription Price, in a number equal to the quotient (rounded down to the nearest integer) having for numerator the Post-Completion Price Adjustment amount and for denominator the Subscription Price.

Unavailable Accounts:

The issue premium resulting from the Subscription Price shall be allocated to an "issue premium" account for the purpose of paying up the CDPQ Ordinary Shares, and such account (the "**Unavailable Account**") shall be unavailable for any other purpose without the consent of the holder(s) of the majority of the Class B Preferred Shares until the conversion of all Class B Preferred Shares into ordinary shares. Where the completion of a transaction triggering the Rights Issue Adjustment or the Other Adjustments is likely to result in an the impossibility to issue all CDPQ Ordinary Shares using the Unavailable Account only, Alstom shall transfer to a reserve account (the "**Additional Unavailable Account**") no later than the effective date of any such transaction, such amount of premium or reserve reasonably necessary to allow the conversion in full of the Class B Preferred Shares into the CDPQ Ordinary Shares, the amount of reserve or premium so transferred becoming unavailable for any other purpose than this one.

Form:

Class B Preferred Shares shall be in registered or bearer form.

Rights and obligations attached to the Class B Preferred Shares:

Subject to the specific provisions provided for in these Terms and Conditions, each Class B Preferred Share shall benefit from the same rights attached to a Company's ordinary share and shall be subject to the same obligations attached to such ordinary share. In particular:

- each Class B Preferred Share shall carry one voting right at any Alstom's shareholders meeting,

- at any given time, each Class B Preferred Share shall give right in the Company's assets and the distribution of dividends (excluding reserves and/or premiums) to the product of (i) the right attached to an ordinary share of the Company pursuant to the terms set out in Article 21 and 23 of Alstom's articles of association by (ii) the number of CDPQ Ordinary Share(s) to which the said Class B Preferred Share would give right upon conversion if the conversion of the said Class B Preferred Share occurred on the date of the distribution decision;

The Class B Preferred Shares shall not carry any preferential subscription rights (*droit préférentiel de souscription*).

As long as CDPI, Caisse de Dépôt et Placement du Québec and its Affiliates hold 50% of the Class B Preferred Shares, and in case of completion of one of the cases of adjustment of the CDPQ Ordinary Shares Number or the Adjusted CDPQ Ordinary Shares Number set forth in the section "Other Adjustments" of these Terms and Conditions, no resolution may be passed at an extraordinary shareholders meeting of the Company held before the Conversion Date of the Class B Preferred Shares into

CDPQ Ordinary Shares without Caisse de dépôt et placement du Québec's prior approval having been obtained.

The Class B Preferred Shares shall also be entitled to specific conversion rights as set out below.

Conversion Date of the Class B Preferred Shares:

The Class B Preferred Shares shall be automatically and mandatorily converted into Alstom's ordinary shares (the "**CDPQ Ordinary Shares**"):

(i) in the event the Rights Issue is completed before the relevant Issue Date, on the relevant Issue Date (immediately following the issuance of the Class B Preferred Shares); or

(ii) in the event the Rights Issue is not completed before the relevant Issue Date, on the earlier of:

a) the settlement and delivery's date of the Rights Issue; and

b) the first anniversary of the Completion Date,

(each a "**Relevant Date**").

Conversion of the Class B Preferred Shares:

On any applicable Relevant Date, the outstanding Class B Preferred Shares shall be automatically and mandatorily converted into the same number of ordinary shares of the Company (the "**CDPQ Ordinary Shares Number**"), subject to the Rights Issue Adjustment, the Other Adjustments and the Caps described below, without any cash payment required from the holders of the Class B Preferred Shares, the nominal value of the ordinary shares to be issued being subscribed using the Unavailable Account and/or the Additional Unavailable Account.

The CDPQ Ordinary Shares shall rank *pari passu* with the other Company's ordinary shares. The CDPQ Ordinary Shares shall be issued at the same nominal value of the Company's ordinary shares.

Rights Issue Adjustment:

If the Rights Issue is completed before the relevant Issue Date or after the relevant Issue Date but before the first anniversary of the Completion Date, the CDPQ Ordinary Shares Number shall be adjusted as follows (the "**Adjusted CDPQ Ordinary Shares Number**"):

Adjusted CDPQ Ordinary Shares Number = CDPQ Ordinary Shares Number x (VALEX+ VALDPS) / VALEX

where:

– VALEX is equal to the VWAP of Alstom's ordinary share for each trading day included in the subscription period of the Rights Issue (with volume weighting, in such a way to result in a VWAP over the entire period and not an average of daily VWAPs, it being

specified as may be necessary that whenever it is referred in these Terms and Conditions (including, as may be applicable, in Annex B to these Terms and Conditions) to a VWAP for each trading day included in a given period, such calculation method shall be used over the relevant period),

- VALDPS is equal to the VWAP of Alstom's preferential subscription rights traded for each trading day included in the listing period, and

- VWAP is equal to the volume-weighted average price of the Company's ordinary share or of the preferential subscription right.

In the event that the total Adjusted CDPQ Ordinary Shares Number obtained by application of the formula above is not an integer, the Adjusted CDPQ Ordinary Shares Number shall be rounded downwards to the nearest integer.

Other Adjustments: The CDPQ Ordinary Shares Number or the Adjusted CDPQ Ordinary Shares Number (as the case may be) shall be adjusted (the relevant number, as adjusted, being the "**Further Adjusted CDPQ Ordinary Shares Number**") as the case may be, as set out in Annex B in the event the following transactions are completed as from 17 February 2020, insofar as the holders of Class B Preferred Shares did not fully benefit therefrom in another manner:

- financial transactions conferring listed preferential subscription rights;
- free distribution of listed warrants;
- free distribution of shares to shareholders, share split or reverse share split;
- capitalization of reserves, profits or premiums through an increase in the nominal value of shares;
- distribution of reserves and/or premiums, in cash or in kind;
- free distribution to the Company's shareholders of any financial instrument other than shares;
- buy-back by the Company of its own shares at a price higher than the market price;
- redemption of share capital; and
- a change in the statutory rules relating to allocation of the profits and/or issuance of preferred shares.

In the event that the Further Adjusted CDPQ Ordinary Shares Number obtained by application of the relevant formula set out in Annex B is not an integer, the Further Adjusted CDPQ Ordinary Shares Number shall be rounded downwards to the nearest integer.

Notwithstanding the above, the CDPQ Ordinary Shares Number, the Adjusted CDPQ Ordinary Shares Number or the Further Adjusted CDPQ

Ordinary Shares Number, as the case may be, shall not exceed a number such that any of the following numbers would be negative (the "**Caps**"):

a) the number (NC) (rounded downwards to the nearest integer) equal to the following formula:

$$NC = NS \times 29.9\% - CS$$

where:

NS = the latest total number of Alstom's shares published on the Company's website at the Relevant Date;

CS = the total number of securities held or deemed held by Caisse de dépôt et placement du Québec and its Affiliates at the Relevant Date, determined in accordance with Articles L. 233-7 and L. 233-9 of the French Commercial Code;

b) the number (NR) (rounded downwards to the nearest integer) equal to the following formula:

$$NR = NV \times 29.9\% - CV$$

where:

NV = the latest total number of Alstom's voting rights published on the Company's website at the Relevant Date;

CV = the total number of voting rights pertaining to Alstom' shares held or deemed held by Caisse de dépôt et placement du Québec and its Affiliates at the Relevant Date, determined in accordance with Articles L. 233-7 and L. 233-9 of the French Commercial Code.

It is specified that in all circumstances where the Caps have resulted in the non-issuance of CDPQ Ordinary Shares that would have been issued on the Conversion Date but for the Caps (such non-issued shares, the "**Non-Issued Shares**"), then the Company shall pay to the holders of the Class B Preferred Shares on the applicable Conversion Date an amount in euros and in immediately available funds equal to the product of (i) the Non-Issued Shares by (ii) the price of one ordinary share of Alstom at the closing of the trading day preceding the conversion.

Procedure: Based on the delegation granted by the Company's shareholders general meeting, Alstom's Board of Directors shall have all the power to determine the number of the CDPQ Ordinary Shares to be issued, acknowledge the

conversion of the Class B Preferred Shares and subsequently amend the Company's articles of association.

Merger/Demerger: In accordance with Article L. 228-17 paragraph 2 of the French Commercial Code the merger or demerger of the Issuer shall be submitted to the approval of the special assembly of the holders of the Class B Preferred Shares.

Special Assembly: The holders of the Class B Preferred Shares shall be constituted in a special meeting subject to the quorum and majority rules provided for in Article L. 225-99 of the French Commercial Code.

Transfer: Subject to (i) transfer to Caisse de dépôt et placement du Québec, (ii) transfer made to CDPI's Affiliates, (iii) transfer made following the filing of a tender offer, (iv) transfer approved by the Issuer, (v) transfer effected following the opening of a procedure set forth in *Livre Sixième* of the French Commercial Code in relation to the Issuer, and (vi) transfer made to allow Caisse de Dépôt et Placement du Québec and its Affiliates to fall at a level not below 19.8 percent prior to a distribution, the Class B Preferred Shares may not be transferred, directly or indirectly, in any manner whatsoever (the "**Lock-Up Period**").

Listing: The Class B Preferred Shares shall not be listed or admitted to trading on any stock exchange; but Caisse de dépôt et placement du Québec shall be entitled to request Alstom to apply for such listing on Euronext Paris and the Company shall be required to perform such listing as soon as possible following Caisse de dépôt et placement du Québec's request, in all circumstances where Caisse de dépôt et placement du Québec or CDPI is entitled to, and wish to transfer its Class B Preferred Shares to a third party (other than an Affiliate) during the Lock-Up Period (pursuant to the provisions of the Section "Transfer" of these Terms and Conditions). Applications will also be made for the admission to trading on Euronext Paris of the new ordinary shares issued upon conversion of the Class B Preferred Shares.

Governing Law and Jurisdiction: The Class B Preferred Shares shall be governed by, and shall be construed in accordance with, the laws of France and any dispute arising therefrom or in connection therewith shall be submitted to the exclusive jurisdiction of the appropriate courts in the jurisdiction of the Court of Appeal of Paris, France.

Annex A to the Terms and Conditions of the Class B Preferred Shares

Definitions

"**Additional Unavailable Account**"	shall have the meaning set forth in the section "Unavailable Accounts" of these Terms and Conditions;
"**Adjusted CDPQ Ordinary Shares Number**"	shall have the meaning set forth in the section "Rights Issue Adjustment" of these Terms and Conditions;
"**Affiliate**"	means in relation to any undertaking, any subsidiary or holding company of that undertaking, and any subsidiary of any such holding company, and any other undertaking directly or indirectly Controlling, Controlled by, or under direct or indirect common Control with such undertaking, in each case from time to time, it being specified that portfolio companies of Caisse de dépôt et placement du Québec and its Affiliates shall not be Affiliates;
"**Alstom**"	shall have the meaning set forth in the section "Issuer" of these Terms and Conditions;
"**Alstom Holdings**"	means Alstom Holdings, a French limited liability company (*société anonyme*) registered with the Trade and Companies Register of Bobigny under number 347 951 238, having its registered office at 48, rue Albert Dhalenne, 93400 Saint-Ouen-sur-Seine, France;
"**Bombardier**"	means Bombardier Inc., a corporation existing under the laws of Canada, having its registered office at 800, Boulevard René Lévesque West, 29th Floor, Montréal registered under number 1143920115;
"**Caps**"	shall have the meaning set forth in the section "Other Adjustments" of these Terms and Conditions;
"**CDPI**"	shall have the meaning set forth in the section "Subscriber" of these Terms and Conditions;

"**CDPQ Ordinary Shares**"	shall have the meaning set forth in the section "Conversion Date of the Class B Preferred Shares" of these Terms and Conditions;
"**CDPQ Ordinary Shares Number**"	shall have the meaning set forth in the section "Conversion of the Class B Preferred Shares" of these Terms and Conditions;
"**Class B Preferred Shares**"	shall have the meaning set forth in the section "Securities" of these Terms and Conditions;
"**Company**"	shall have the meaning set forth in the section "Issuer" of these Terms and Conditions;
"**Completion**"	means the completion of the Transaction in accordance with the SPA;
"**Completion Class B Preferred Shares**"	shall have the meaning set forth in the section "Issue Dates" of these Terms and Conditions;
"**Completion Date**"	means the date of the Completion;
"**Completion Payment**"	means the portion of the consideration payable by the Company to CDPI, BT Rail I L.P. and BT Rail II L.P. on Completion pursuant to the SPA;
"**Control**"	means, in relation to any undertaking (being the Controlled Person), being entitled to: (a) exercise, or control the exercise of, (directly or indirectly) more than fifty per cent (50%) of the voting power at any general meeting of the shareholders, members or partners or other equity holders (and including, in the case of a limited partnership, of the limited partners) in respect of all or substantially all matters falling to be decided by resolution or meeting of such Controlled Person; or (b) appoint or remove or control the appointment or removal of: (i) directors on the Controlled Person's board of directors, supervisory board or any other similar governing body (or, in the case of a limited partnership, of the board or similar governing body of its general partner) who are able (in the

aggregate) to exercise more than fifty per cent (50%) of the voting power at meetings of that board, supervisory board or similar governing body in respect of all or substantially all matters;

(ii) any managing member of such Controlled Person; or

(iii) in the case of a limited partnership, its general partner; or

(c) exercise a dominant influence over the Controlled Person (otherwise than solely as a fiduciary) by virtue of the provisions contained in its constitutional documents or, in the case of a trust, trust deed or pursuant to an agreement with other shareholders, partners or members of the Controlled Person.

"**First Issue Date**"	shall have the meaning set forth in the section "Issue Dates" of these Terms and Conditions;
"**Further Adjusted CDPQ Ordinary Shares Number**"	Shall have the meaning set forth in the section "Other Adjustments" of these Terms and Conditions;
"**Issue Date**"	means the First Issue Date or the Second Issue Date, as applicable;
"**Issuer**"	shall have the meaning set forth in the section "Issuer" of these Terms and Conditions;
"**Lock-Up Period**"	shall have the meaning set forth in the section "Transfer" of these Terms and Conditions;
"**Non-Issued Shares**"	shall have the meaning set forth in the section "Other Adjustments" of these Terms and Conditions;
"**Post-Completion Price Adjustment**"	means the final and aggregated result of the adjustments to be made (if any), up to a maximum amount of one hundred and fifty million euros, to the consideration payable by the Company to CDPI or its Affiliates on the Completion Date, as such consideration and adjustments are determined in accordance with the SPA;
"**Post-Completion Class B Preferred Shares**"	shall have the meaning set forth in the section "Issue Dates" of these Terms and Conditions;

"**Relevant Date**"	shall have the meaning set forth in the section "Conversion Date of the Class B Preferred Shares" of these Terms and Conditions;
"**Rights Issue**"	means the right issue (*augmentation de capital avec droit préférentiel de souscription*) of Alstom of an amount (premium included) of c. EUR 2,000,000,000 (two billion) with a subscription period ending before or after the Completion ;
"**Second Issue Date**"	shall have the meaning set forth in the section "Issue Dates" of these Terms and Conditions;
"**SPA**"	means the agreement entered into between, *inter alia*, the Company, CDPI and Bombardier for the sale and purchase of the global rail solutions division of Bombardier;
"**Subscription Price**"	shall have the meaning set forth in the section "Subscription Price" of these Terms and Conditions;
"**Terms and Conditions**"	means these terms and conditions of the Class B Preferred Shares, including any section, annex and/or schedule hereof or hereto;
"**Transaction**"	means the acquisition by the Company, directly or indirectly, through any of its subsidiaries, of the sole control, directly or indirectly, over the entities forming part of the global rail solutions division of Bombardier;
"**Unavailable Account**"	shall have the meaning set forth in the section "Unavailable Accounts" of these Terms and Conditions.

Annex B to the Terms and Conditions of the Class B Preferred Shares

Other Adjustments

Subsequent to any of the following transactions:

1. financial transactions conferring listed preferential subscription rights;
2. the free distribution of listed warrants;
3. the free distribution of shares to shareholders, share split or reverse share split;
4. the capitalization of reserves, profits or premiums through an increase in the nominal value of shares;
5. the distribution of reserves and/or premiums, in cash or in kind;
6. the free distribution to the Company's shareholders of any financial instrument other than shares;
7. the buy-back by the Company of its own shares at a price higher than the market price;
8. the redemption of share capital; and
9. a change in the statutory rules relating to allocation of the profits and/or issuance of preferred shares;

which the Company may carry out as from 17 February 2020, the CDPQ Ordinary Shares Number or the Adjusted CDPQ Ordinary Shares Number (as applicable, the "**CDPQ Relevant Number**") will be adjusted without any further subscription payment from the holders of Class B Preferred Shares (the CDPQ Relevant Number, as adjusted, being the Further Adjusted CDPQ Ordinary Shares Number) as set forth below.

1. In the event of a financial transaction conferring listed preferential subscription rights (except for the Rights Issue), the Further Adjusted CDPQ Ordinary Shares Number will be determined by multiplying the CDPQ Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the shares after detachment of the subscription right} + \text{value of the subscription right}}{\text{Value of the shares after detachment of the subscription right}}$$

For the purpose of the calculation of this ratio, the value of the share after detachment of the subscription right will be equal to its VWAP on Euronext Paris for each day included in the subscription period and the value of the subscription right will be equal to its VWAP on Euronext Paris for each trading day included in the listing period.

2. In the event of a financial transaction involving the free distribution of listed warrants to shareholders with the corresponding ability to place on the market the securities resulting from the exercise of warrants that were unexercised by their holders at the end of the subscription period that applies to them, the Further Adjusted CDPQ Ordinary Shares Number will be determined by multiplying the CDPQ Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the shares after distribution of the warrant} + \text{value of the warrant}}{\text{value of the shares after distribution of the warrant}}$$

For the purpose of the calculation of this ratio,

(i) the value of the share after distribution of the warrant will be equal to the volume-weighted average of (x) the price of the shares listed on Euronext Paris on each trading day of the subscription period, and (y) (a) the transfer price of the securities sold within the framework of the placement, if such securities are shares fungible with the existing shares, applying the volume of shares sold within the framework of the placement to the transfer price or (b) the price of the shares listed on Euronext Paris on the determination date of the sale price of the securities sold within the framework of the placement if such securities are not shares fungible with the existing shares.

(ii) the value of the warrant will be equal to the volume-weighted average of (i) the prices of the warrants on Euronext on each trading day of the subscription period, and, (ii) the implicit value (*valeur implicite*) of the warrants resulting from the sale price of the securities sold within the framework of the placement – which corresponds to the difference (if it is positive), adjusted by the warrants' exchange ratio, between the sale price of the securities sold within the framework of the placement and the subscription price of the securities through exercise of the warrants – by applying the volume of exercised warrants to the price so determined in order to allocate the securities sold within the framework of the placement.

3. In the event of the free distribution of shares to shareholders, share split or reverse share split, the Further Adjusted CDPQ Ordinary Shares Number will be determined by multiplying the CDPQ Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Number of shares comprising the share capital after the transaction}}{\text{Number of shares comprising the share capital before the transaction}}$$

4. In the event of a share capital increase by capitalization of reserves, profits or premiums carried out by increase in the nominal value of the shares, the nominal value of the CDPQ Ordinary Shares to be allocated to CDPI will be increased accordingly.

5. In the event of distribution by the Company of any reserve or premium, in cash or in kind, the Further Adjusted CDPQ Ordinary Shares Number will be determined by multiplying the CDPQ Relevant Number in effect prior to the distribution by the following ratio

$$\frac{\text{Value of the shares before distribution}}{\text{value of the shares before distribution - value of the distribution}}$$

6. In the event of a free distribution to the Company's shareholders of financial instruments or securities other than the shares, the Further Adjusted CDPQ Ordinary Shares Number will be determined as follows:

(a) if the right to the free allocation of financial instruments or securities was admitted to trading on Euronext Paris, by multiplying the CDPQ Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the share ex-right to free allocation + value of the free allocation right}}{\text{Value of the share ex-right to free allocation}}$$

For the purpose of the calculation of this ratio:

(A) the value of the share ex-right to free allocation will be equal to the volume-weighted average share price on Euronext Paris of the share ex-right to free allocation during the first three trading days on which the shares are listed ex-right to free allocation;

(B) the value of the free allocation right will be determined as indicated in the paragraph above. If the free allocation right is not listed during each of the three trading days above mentioned, then its value will be determined by an Independent Expert.

(b) if the right to free allocation of financial instruments or securities was not admitted to trading on Euronext Paris, by multiplying the CDPQ Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the share ex-right to free allocation + value of the security or financial instrument allocated per share}}{\text{Value of the share ex-right to free allocation}}$$

For the purpose of the calculation of this ratio:

(A) the value of the share ex-right to free allocation will be determined as indicated in paragraph 6(a) above;

(B) if the financial instruments or securities allocated are listed or may become listed on Euronext Paris, within ten trading days beginning on the date on which the shares are listed ex-distribution, then the value of the financial instruments allocated per share will be equal to the volume-weighted average of the price of such financial instruments recorded on such market during the first three trading days of this period during which such securities are listed. If the financial instruments allocated are not listed during at least three trading days within such period, then the value of the financial instruments allocated per share will be determined by an Independent Expert.

7. In the event of a buy-back by the Company of its own shares at a price higher than the market price, the Further Adjusted CDPQ Ordinary Shares Number will be determined by multiplying the CDPQ Relevant Number in effect prior to the commencement of the repurchase by the following ratio:

$$\frac{\text{Share value x (1 – Pc\%)}}{\text{Share value – (Pc\% x Repurchase price)}}$$

For the purpose of the calculation of this ratio:

(i) Share value means the VWAP of the share on Euronext Paris during the ten trading days immediately preceding such repurchase (or the option to repurchase);

(ii) Pc% means the percentage of repurchased capital; and

(iii) Repurchase price means the actual price at which shares are repurchased.

8. In the event of a redemption of share capital, the Further Adjusted CDPQ Ordinary Shares Number will be determined by multiplying the CDPQ Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the share before redemption}}{\text{Value of the share before redemption – Amount of redemption per share}}$$

For the purpose of the calculation of this ratio, the value of the share before redemption will be equal to the VWAP of the share on Euronext Paris during the ten trading days immediately preceding the trading day on which the shares are listed ex-redemption.

9. In the event of the modification by the Company of its statutory rules relating to profits allocation and/or the issuance of preferred shares resulting in such a change, the Further Adjusted CDPQ Ordinary Shares Number will be determined by multiplying the CDPQ Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the share before the change}}{\text{Value of the share before the change} - \text{reduction per share of the right to profits}}$$

For the purpose of the calculation of this ratio:

(A) the value of the share before the change will be determined on the basis of the VWAP of the share on Euronext Paris during the three trading days immediately preceding the day of such change;

(B) the reduction per share of the rights to profits will be determined by an Independent Expert.

Notwithstanding the above, if such preferred shares are issued with shareholders' preferential subscription rights or by the free distribution to shareholders of warrants exercisable for such preferred shares, the new Subscription Price will be adjusted in accordance with paragraphs 1 or 6 above.

In the event of the creation of preferred shares that do not lead to a modification of the distribution of profits, the Further Adjusted CDPQ Ordinary Shares Number will be determined by an Independent Expert.

In any case, a single transaction cannot lead to the application of several adjustments provided for in paragraphs 1 to 9 above. In case the Company completes a transaction for which several adjustments would be applicable, priority will be given to legal adjustments.

ANNEX 5

REPORT OF THE SPECIAL BENEFITS APPRAISER ON THE PREFERRED SHARES

Eric LE FICHOUX
Expert-comptable
Commissaire aux comptes
Expert près la Cour d'appel de Paris
et les Cours administratives d'appel
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Report of the Special Benefits Auditor
Charged with describing and assessing the special benefits relating to the Class B preferred shares
Pursuant to Article L. 228-15 of the French Commercial Code

ALSTOM
Société anonyme with share capital of €1,588,088,334
48, rue Albert Dhalenne
93400 Saint-Ouen-sur-Seine
389 058 447 RCS BOBIGNY

Order of the Presiding Judge
of the Bobigny Commercial Court
Dated 3 August 2020

To the shareholders:

Pursuant to my mission as the special benefits auditor charged with describing and assessing the special benefits relating to the planned creation and issuance of Class B preferred shares, which was entrusted to me by order of the Presiding Judge of the Bobigny Commercial Court dated 3 August 2020, I have prepared this report in accordance with Article L. 228-15 of the French Commercial Code.

The features of the Class B preferred shares that your company may create and issue are described in the draft resolutions, which include the planned changes to the Articles of Association, finalized by your Board of Directors on 22 September 2020 and published in the *Bulletin des Annonces Légales Obligatoires* on 23 September 2020.

My role is to describe and assess the special benefits attached to the Class B preferred shares. To that end, I conducted diligence in accordance with the professional standards of the French Compagnie Nationale des Commissaires aux Comptes (National Association of Statutory Auditors) with respect to this mission.

My report is organized as follows:

1. Background to the creation and issuance of the Class B preferred shares

2. Diligence performed, description and assessment of the special rights or benefits

3. Summary and key points

4. Conclusion

1. Background to the creation and issuance of the Class B preferred shares

1.1. ALSTOM

ALSTOM is a limited company (*société anonyme*) with share capital of €1,588,088,334, divided into 226,869,762 shares (as of 30 September 2020) with nominal value of €7 per share, fully paid up, and all of the same class.

Its registered office is located at 48, rue Albert Dhalenne, in Saint-Ouen-sur-Seine (93400). It is registered with the Trade and Companies Register under number 389 058 447 RCS Bobigny.

Its shares are listed on Euronext Paris under ISN Code FR0010220475- "ALO." On 21 September of this year, ALSTOM's shares were added to the list of 40 stocks making up the CAC 40 index.

ALSTOM's corporate purpose is, directly or indirectly:

- the conduct of all industrial, commercial, shipping, financial, real property and asset transactions in France and abroad, notably in the following fields:
  - ✓ energy;
  - ✓ transmission and distribution of energy;
  - ✓ transport;
  - ✓ industrial equipment;
  - ✓ naval construction and repair work;
  - ✓ engineering and consultancy, design and/or production studies and general contracting associated with public or private works and construction; and
  - ✓ more generally activities related or incidental to the above;

- participation, by every means, directly or indirectly, in any operations which may be associated with its objects, by the creation of new companies, capital contributions, subscription or purchase of stocks or rights, merger with such companies or otherwise; the creation, acquisition, lease or takeover of business goodwill or businesses; the adoption, acquisition, operation or sale of any processes and patents concerning such activities; and

- generally undertaking all industrial, commercial, financial and civil operations and real property and asset transactions that may be directly or indirectly associated with the Company's objects or with any similar or related object.

Furthermore, ALSTOM can take an interest, of whatever form, in any French or foreign business or organisation.

ALSTOM, which refocused on mobility in 2016, is today one of the leading players in rail transportation. The group offers a full range of solutions, from high-speed trains, metros, tramways, and e-buses to integrated systems, personalised services, and infrastructure, digital mobility, and signalling solutions.

During its most recent fiscal year ended 31 March 2020, the group recorded €9.9 billion in orders, bringing its backlog to €40.9 billion. It had revenue of €8.2 billion. Its adjusted operating income was €630 million, and its net profit from continuing activities, group share, was €446 million.

As of 31 March 2020, ALSTOM had shareholders' equity of €3,328 million and net cash of €1,178 million.

1.2. Summary description of the background to the planned transaction

ALSTOM announced on 17 February 2020 that it had signed a Memorandum of Understanding with BOMBARDIER Inc. and Caisse de dépôt et placement du Québec ("**CDPQ**") in view of the acquisition of BOMBARDIER TRANSPORTATION.[1]

As stated in the press release of 17 February 2020, the acquisition of BOMBARDIER TRANSPORTATION (the 4th largest player in the industry) "*is a one-time opportunity coming at the right moment for Alstom, having significantly strengthened its operational and financial profile over the past 4 years to accelerate its strategic roadmap, and adding to Alstom complementary commercial and industrial platforms.*"

On 31 July 2020, the European Commission authorized ALSTOM's planned acquisition of BOMBARDIER TRANSPORTATION, subject to certain conditions (disposal commitments proposed by ALSTOM on 11 July).

On 16 September 2020, ALSTOM, ALSTOM HOLDINGS (a wholly owned subsidiary of ALSTOM), BOMBARDIER Inc., BOMBARDIER UK HOLDING LIMITED (a wholly owned subsidiary of BOMBARDIER Inc.), CDPQ, CDP INVESTISSEMENTS Inc., BT Rail I L.P., and BT Rail II L.P. (wholly owned subsidiaries of CDPQ) entered into a share purchase agreement relating to the acquisition.

The agreement provides for a purchase price in a range between €5.5 billion and €5.9 billion, subject to certain adjustments. The preliminary contractual purchase price was estimated by ALSTOM at €5.3 billion, after taking into account the estimated potential post-completion adjustments and obligations under the net cash position protection mechanism.[2] The final amount will be determined based on BOMBARDIER TRANSPORTATION's financial statements as of the completion date and the terms agreed to in the acquisition agreement.

The acquisition is expected to be financed in part through a bank financing put in place in April 2020, consisting of a €2.4 billion syndicated bridge loan to be refinanced through a capital increase with maintenance of the preferential subscription right that ALSTOM plans to carry out for an amount of approximately €2 billion (hereinafter, the "**Capital Increase**"), a bond issuance of up to approximately €400 million, and the reinvestment by BOMBARDIER UK HOLDING LIMITED and CDP INVESTISSEMENTS Inc. of a portion of the proceeds from the sale into ALSTOM's capital, through capital increases of ALSTOM reserved for them, on the terms agreed upon in two reinvestment agreements dated 16 September 2020.[3]

Thus, it is planned that CDP INVESTISSEMENTS Inc. will reinvest a total amount of approximately €2,631 million through a capital increase of ALSTOM reserved for it, including the proceeds from the sale price due by ALSTOM HOLDINGS on the completion date,[4] namely, an amount of approximately €1,931 million, by set-off of claims,[5] plus an additional amount of €700 million in cash.

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[1] All of the entities making up the Transportation division of BOMBARDIER Inc.

[2] BOMBARDIER TRANSPORTATION's net cash position on the transaction's completion date will reduce the purchase price on a euro-for-euro basis if BOMBARDIER TRANSPORTATION has a negative net cash position as of 31 December 2020.

[3] One between ALSTOM and BOMBARDIER UK HOLDING Limited, and the other among Alstom, CDPQ, CDP INVESTISSEMENTS Inc., BT Rail I L.P., and BT Rail II L.P.

[4] With the exception of the amounts invested by CDPQ in respect of the recapitalisation of BOMBARDIER TRANSPORTATION and the return on such recapitalisations.

[5] After a delegation by ALSTOM HOLDINGS to ALSTOM in respect of the payment of the sale price due by ALSTOM HOLDINGS.

In addition, if the amount of the second tranche of the acquisition price is positive and must be paid by ALSTOM HOLDINGS to CDPQ, the claim for that amount will also be set off against CDP INVESTISSEMENTS Inc.'s subscription for new shares issued by ALSTOM.[6]

The reinvestment by CDPQ would be carried out through reserved capital increases by issuance of (i) preferred shares, or, depending on the structure ultimately chosen, (ii) ordinary shares.

Following these transactions, CDPQ would be ALSTOM's largest shareholder, holding approximately 18% of its share capital, depending on the financing and closing terms of the transaction. CDPQ has undertaken, subject to certain exceptions, to retain its investment for at least 21 months following completion of the transaction. In addition, CDPQ has agreed to a ten-year standstill following the signature date of the reinvestment agreement entered into between ALSTOM and CDPQ and its affiliates, during which period, unless it obtains ALSTOM's approval, its equity investment is not to exceed the higher of the two following amounts: (i) 22% of the share capital, and (ii) its equity investment following the completion date of the acquisition plus 2%. In the event that it exceeds that threshold, CDPQ must come into compliance within six months.

It is in that context that ALSTOM plans to create and issue a class of preferred shares, the Class B preferred shares, reserved for CDPQ.

Therefore, you will be asked at the combined general shareholders' meeting called for 29 October 2020 to vote, *inter alia*, on the following:

- a delegation of your competence to the Board of Directors to decide to issue, in one or more issuances, with preservation of the shareholders' preferential subscription right, ordinary shares as well as any other securities giving immediate and/or future access to ordinary shares of ALSTOM or of a company of which ALSTOM directly or indirectly holds more than one-half of the share capital, up to an overall maximum nominal amount of capital increase of €790 million, representing approximately 50% of ALSTOM's share capital as of 31 August 2020, and in a nominal amount of debt securities of €1.5 billion or its equivalent in any other currency or monetary unit (**4th resolution**);

- subject to the condition precedent of the approval by your general shareholders' meeting of the 4th, 6th, 7th, 8th, and 11th resolutions, the creation of a new class of preferred shares, the Class B preferred shares, convertible into ordinary shares (**5th resolution**);

- subject to the conditions precedent of the approval by your general shareholders' meeting of the 4th, 5th, 7th, 8th, and 11th resolutions and the definitive completion of the acquisition of BOMBARDIER TRANSPORTATION, and effective on the date on which the latter condition precedent is satisfied, a capital increase by issuance of Class B Preferred Shares reserved for CDP INVESTISSEMENTS Inc., with elimination of the shareholders' preferential subscription right, pursuant to the following terms:

  - ✓ a subscription price per share of €44.45, including issuance premium of €37.45;

  - ✓ on the final completion date of the acquisition of BOMBARDIER TRANSPORTATION, a number of Class B preferred shares equal to the purchase price due by ALSTOM to CDP INVESTISSEMENTS Inc., BT RAIL I L.P., and BT RAIL II L.P. on such date, plus an amount of €700 million, divided by the unit subscription price referred to above;

[6] after a delegation by ALSTOM HOLDINGS to ALSTOM in respect of the payment of that claim.

- ✓ in the event of a post-completion price adjustment, on the payment date of the amount of such adjustment due by ALSTOM to CDP INVESTISSEMENTS Inc., BT RAIL I L.P., and BT RAIL II L.P., a number equal to the amount of the adjustment, divided by the unit subscription price referred to above.

- ✓ a delegation of powers granted to the Board of Directors to implement this decision of capital increase, in particular to formally acknowledge the full payment of the Class B preferred shares issued pursuant to this resolution and the completion of the resulting capital increases, to determine the number of ordinary shares to be issued upon conversion of the Class B preferred shares, and to formally acknowledge the number of ordinary shares issued upon conversion of the Class B preferred shares and the completion of the resulting capital increases;

The capital increases carried out in accordance with this decision and this delegation of powers (including, if applicable, upon the conversion of the Class B preferred shares into ordinary shares) may not exceed a nominal amount of €570 million (**6th resolution**).

- a delegation of your competence to the Board of Directors to decide, subject to the conditions precedent of the approval by your general shareholders' meeting of the 4th, 5th, 6th, 8th, and 11th resolutions and the final completion of the acquisition of BOMBARDIER TRANSPORTATION, and effective as of the date on which the latter condition precedent is satisfied, a capital increase by issuance of ordinary shares reserved for CDP INVESTISSEMENTS Inc., with elimination of the shareholders' preferential subscription right, pursuant to the following terms:

  - ✓ a price per share of €44.45, including issuance premium of €37.45;

  - ✓ a number of ordinary shares equal (subject to the adjustments referred to in Annex 2 to the draft resolutions):

    - o to the purchase price due by ALSTOM to CDP INVESTISSEMENTS Inc., BT RAIL I L.P., and BT RAIL II L.P. on the completion date of the acquisition of BOMBARDIER TRANSPORTATION, plus an amount of €700 million, divided by the unit subscription price referred to above, namely €44.45; and

    - o in the event of a post-completion price adjustment, to the amount of the adjustment due by ALSTOM to CDP INVESTISSEMENTS Inc., BT RAIL I L.P., and BT RAIL II L.P., divided by the unit subscription price referred to above, namely €44.45;

  - ✓ in the event that the number of ordinary shares to be issued is subject to an adjustment described in Annex 2 to the draft resolutions, the unit issuance price would be adjusted in an amount inversely proportional to the number of ordinary shares to be issued, such that the aggregate issuance price for the ordinary shares to be issued would not be affected by such adjustments;

  - ✓ on the dates to be determined by the Board of Directors.

  The capital increases carried out in accordance with this delegation may not exceed a nominal amount of €570 million (**7th resolution**).

  A disclosed in the report of the Board of Directors, if, in accordance with applicable laws and pursuant to the 6th resolution, class B preferred shares have been issued and are outstanding, the Board of Directors will not be entitled to make use of the delegation of competence granted to it in the 7th resolution.

- a delegation of competence to the Board of Directors to decide, subject to the conditions precedent of the approval by your general shareholders' meeting of the 4th, 5th, 6th, 7th, and 11th resolutions and the definitive completion of the acquisition of BOMBARDIER TRANSPORTATION, and effective as of the date on which the latter condition precedent is satisfied, a capital increase by issuance of ordinary shares reserved for BOMBARDIER UK HOLDING Limited, with cancellation of the shareholders' preferential subscription right, pursuant to the following terms and subject to the adjustments referred to in Annex 3 to the draft resolutions:

  - ✓ a price per share of €47.50, including issuance premium of €40.50;
  - ✓ on the dates and in a number to be determined by the Board of Directors;
  - ✓ in the event that the number of ordinary shares to be issued is subject to an adjustment described in Annex 3 to the draft resolutions, the unit issuance price would be adjusted in the same manner as that described in the previous resolution (**8th resolution**).

In the discussion below, the Class B preferred shares are referred to as the "**Preferred Shares**."

2. Diligence performed, description and assessment of the special rights or benefits

2.1. Diligence performed

I conducted the diligence that I deemed necessary in accordance with the professional standards of the French Compagnie Nationale des Commissaires aux Comptes (National Association of Statutory Auditors) with respect to this mission, in order to assess the special benefits attached to the Preferred Shares that may be created and issued.

To that effect, I conducted the following diligence:

- I interviewed ALSTOM's representatives and advisers, as well as CDPQ's adviser, and reviewed the available documentation in order to understand the context of the transaction and to analyse the planned terms;
- I obtained a copy of the share purchase agreement (the "**SPA**") and of the two investment agreements among ALSTOM and, respectively, CDPQ and its affiliates, and BOMBARDIER Inc. and its affiliates;
- I examined the information relating to the Preferred Shares and to the special rights that they will confer as presented in the report of the Board of Directors, the draft resolutions for the general shareholders' meeting, and the terms and conditions of such shares, which must be attached to the draft amended articles of association;
- I carried out the verifications that I deemed necessary to assess the content of the special rights granted and their impact on the position of the shareholders, carrying out various simulations of the allocation of shares following the transactions;
- I interviewed representatives of FINEXSI, the independent expert retained by ALSTOM to prepare a fairness opinion on the terms of the transaction, and I familiarized myself with FINEXSI's conclusions;
- I obtained an attestation from ALSTOM repeating the various statements that were made to me.

2.2. Description of the special rights or benefits

The specific benefits or rights attached to the Preferred Shares that may be created and issued are presented in the report of the Board of Directors and in the draft 5th resolution, relating to the creation of the Preferred Shares and the planned related modifications to the articles of association, which refers to the terms and conditions of the Preferred Shares.

The simplified description below is not intended to substitute for the terms and conditions of the Preferred Shares, as annexed to the draft amended articles of association.

I note as a preliminary matter that the Preferred Shares will not be admitted to trading on a trading platform. However, CDP INVESTISSEMENTS Inc. will have the right to ask ALSTOM to apply for listing in any situation in which it has the right to transfer[7] (pursuant to the terms and conditions of the Preferred Shares) and wishes to transfer its Preferred Shares to a third party during the 21-month lockup period.

In addition, ALSTOM plans to apply for the admission of the new ordinary shares to be issued upon conversion of the Preferred Shares to trading on Euronext Paris.

Subject to the specific provisions noted below, each Preferred Share will benefit from the same rights and be subject to the same obligations as ALSTOM's ordinary shares.

2.2.1. Political rights

With respect to political rights, one voting right will be attached to each Preferred Share at any general meeting of ALSTOM's shareholders.

In addition, for so long as CDPQ and its affiliates hold 50% of the Preferred Shares, and in the event of the occurrence of one of the adjustment cases referred to below, no resolution may be submitted to any extraordinary meeting of ALSTOM's shareholders held prior to the conversion of the Preferred Shares into ordinary shares without the prior consent of CDPQ.

2.2.2. Financial rights

The special pecuniary rights attached to the Preferred Shares may be summarized as follows:

2.2.2.1 Rights to distributions of profits and of net liquidation assets

Each Preferred Share would give its holder a right to the product of:

- ✓ the right attached to each ordinary share of ALSTOM in respect of the distribution of dividends[8] (excluding distributions of premiums and reserves) and in respect of the balance of the available net assets in the event of a liquidation;[9] and
- ✓ the number of ordinary share(s) to which such Preferred Share would give the right upon conversion, if the conversion took place on the date of the distribution decision (see, with respect to the conversion ratio, paragraph 2.2.2.3 below).

[7] (i) transfers made following the filing of a tender offer, (ii) transfers approved by ALSTOM, (iii) transfers effected following the opening of a procedure set forth in *Livre Sixième* of the French Commercial Code in relation to ALSTOM, and (iv) transfers made to allow CDPQ and its affiliates to fall at a level not below 19.8% prior to a distribution.

[8] Pursuant to Article 21 of ALSTOM's articles of association

2.2.2.2 Preferential subscription right

The Preferred Shares do not carry a preferential subscription right.

2.2.2.3. Conversion of the Preferred Shares into ordinary shares

The Preferred Shares will also carry specific rights of conversion into ordinary shares as described below.

ALSTOM's Board of Directors will have competence to determine the number of ordinary shares to be issued to CDPQ, to take note of the conversion of the Preferred Shares, and to amend the company's articles of association accordingly.

Automatic conversion of the Preferred Shares into ordinary shares

The Preferred Shares will be automatically converted into ordinary shares of ALSTOM on the following dates:

- If the Capital Increase is carried out prior to the issuance date[10] of the Preferred Shares, then the issued Preferred Shares will be converted into ordinary shares on their issuance date (immediately after their issuance);

- Otherwise, the issued Preferred Shares will be converted into ordinary shares:
  - ✓ on the settlement and delivery date of the Capital Increase, if it occurs prior to the first anniversary of the acquisition's completion; or
  - ✓ at the latest, on the first anniversary of the acquisition's completion.

Ratio for the conversion of the Preferred Shares into ordinary shares

The outstanding Preferred Shares will be mandatorily and automatically converted into an identical number of ordinary shares of ALSTOM (the "**Number of CDPQ Ordinary Shares**"), subject to any adjustment relating to the Capital Increase, other adjustments, and caps.

The ordinary shares issued upon the conversion will be identical to ALSTOM's other ordinary shares and will have the same nominal value.

Adjustment of the conversion ratio in connection with the Capital Increase

If the Capital Increase is carried out before the issuance date of the Preferred Shares or after the issuance date but before the first anniversary of the acquisition's completion date, the Number of CDPQ Ordinary Shares will be adjusted as follows (the "**Adjusted Number of CDPQ Ordinary Shares**"):

$$\text{Adjusted Number of CDPQ Ordinary Shares} = \text{Number of CDPQ Ordinary Shares} \times \frac{(VALEX+VALDPS)}{VALEX}$$

[9] Pursuant to Article 23 of ALSTOM's articles of association

[10] Namely, the completion date of the acquisition of BOMBARDIER's Transportation Division and the payment date of post-completion acquisition price adjustment, if any.

Where:

- ✓ **VALEX** is the volume weighted average price ("**VWAP**") of ALSTOM's ordinary shares for each trading day during the Capital Increase's subscription period (with volumes weighted such that the VWAP is over the entire period and not an average of daily VWAPs),

- ✓ **VALDPS** is the volume weighted average price of the preferential subscription rights (*droits préférentiels de souscription*, or "**DPS**") traded for each trading day during the listing period (with volumes weighted such that the VWAP is over the entire period and not an average of daily VWAPs).

If the total Adjusted Number of CDPQ Ordinary Shares calculated in accordance with the formula above is not a whole number, it will be rounded to the next lower whole number.

As an illustration, based on the scenario of a Capital Increase before the completion date of the acquisition, I have presented a simulation below using various theoretical assumptions regarding the price of ALSTOM's shares and DPSs, which will be a function, in particular, of market conditions and the final terms of the Capital Increase:

Number of Preferred Shares (in thousands)	as a % of the number of ALSTOM shares as of the date hereof	Reference share price	VWAP of ALSTOM's shares	VWAP of the DPSs	Theoretical Adjusted Number of CDPQ Ordinary Shares (in thousands)	as a % of the theoretical number of ALSTOM shares post-transactions
(1)	(2)	(3)	(4)	(5)	(1)x((4)+(5))/(4)	(6)
59,182	26.09%	41.4	40.69	0.71	60,222	17.12%
59,182	26.09%	41.4	39.84	1.56	61,493	17.12%
59,182	26.09%	41.4	38.84	2.56	63,082	17.12%
59,182	26.09%	41.4	37.62	3.78	65,126	17.12%
59,182	26.09%	43.7	42.99	0.71	60,167	17.25%
59,182	26.09%	43.7	42.14	1.56	61,367	17.25%
59,182	26.09%	43.7	41.14	2.56	62,864	17.25%
59,182	26.09%	43.7	39.92	3.78	64,783	17.25%
59,182	26,09%	46.0	45.29	0.71	60,117	17.37%
59,182	26.09%	46.0	44.44	1.56	61,254	17.37%
59,182	26.09%	46.0	43.44	2.56	62,669	17.37%
59,182	26.09%	46.0	42.22	3.78	64,478	17.37%
59,182	26.09%	48.3	47.59	0.71	60,071	17.47%
59,182	26,09%	48.3	46.74	1.56	61,152	17.47%
59,182	26.09%	48.3	45.74	2.56	62,494	17.47%
59,182	26.09%	48.3	44.52	3.78	64,205	17.47%
59,182	26.09%	50.6	49.89	0.71	60,030	17.57%
59,182	26,09%	50.6	49.04	1.56	61,060	17.57%
59,182	26.09%	50.6	48.04	2.56	62,335	17.57%
59,182	26.09%	50.6	46.82	3.78	63,958	17.57%

(1) Number of Preferred Shares that may be issued on the basis of an investment by CDPQ of €2,631 million (in thousands).

(2) On the basis of the number of ALSTOM shares as of 30 September 2020, namely 226,869,762.

(3) Theoretical ALSTOM share price before detachment of the DPS (in €).

(4) Average volume weighted theoretical price of ALSTOM's shares over the subscription period (VALEX) (in €).

(5) Average volume weighted theoretical price of the DPS's over the listing period (VALDPS) (in €).

(6) As a % of the theoretical number of ALSTOM shares post-Capital Increase of approximately €2,000 million and BOMBARDIER's estimated reinvestment of €534 million (taking into account the adjustments in connection to this reinvestment, following the 8th resolution)

Other adjustments to the conversion ratio

In addition, the Number of CDPQ Ordinary Shares or the Adjusted Number of CDPQ Shares (as the case may be) will be subject to an additional adjustment (the "**Readjusted Number of CDPQ Ordinary Shares**"), if applicable, in the event that one or more of the following transactions occurs after 17 February 2020, the date on which the acquisition was announced, to the extent that the holders of Preferred Shares did not fully benefit therefrom in another manner:

- financial transactions conferring listed preferential subscription rights (except for the Capital Increase);
- a free distribution of listed warrants;
- a free distribution of shares to shareholders, a share split or a reverse share split;
- a capitalisation of reserves, profits, or premiums through an increase in the nominal value of the shares;
- a distribution of reserves and/or premiums, in cash or in kind;
- a free distribution to the Company's shareholders of any financial instruments other than shares;
- a buy-back by the Company of its own shares at a price higher than the market price;
- a redemption of share capital;
- a change in the statutory rules relating to allocation of the profits and/or an issuance of preferred shares.

The formulas for calculating any adjustments that may be made based on the type of transaction and that consist of compensating the holders of Preferred Shares for the dilutive effect that may result from such financial transactions are described in Annex B to the terms and conditions of the Preferred Shares.

If the Readjusted Number of CDPQ Ordinary Shares calculated in accordance with these formulas is not a whole number, it will be rounded to the next lower whole number.

I note that, as indicated in Annex B to the terms and conditions of the Preferred Shares, the capitalisation of reserves, profits, or premiums by means of an increase in the nominal value of the shares as mentioned above will not result in an adjustment of the number of ordinary shares issued upon conversion of the Preferred Shares.

In this case, it is specified that the nominal value of the ordinary shares to be issued upon conversion of the Preferred Shares would be increased accordingly.

Cap on the conversion of the Preferred Shares into ordinary shares

The Number of CDPQ Ordinary Shares, the Adjusted Number of CDPQ Ordinary Shares, or the Readjusted Number of CDPQ Ordinary Shares, as the case may be, may not exceed a number resulting in any of the numbers "**NC**" or "**NR**" described below being negative (the "**Caps**"):

- **NC** will be calculated in accordance with the following formula (rounded to the next lower whole number):

$$\mathbf{NC = NS \times 29.9\% - CS}$$

Where:

- ✓ **NS** is the total number of shares making up ALSTOM's share capital as most recently published on its website as of the conversion date;[11]

- ✓ **CS** is the total number of securities held or deemed to be held by CDPQ and its affiliates on the conversion date, determined in accordance with Articles L. 233-7 and L. 233-9 of the French Commercial Code;

- **NR** will be calculated in accordance with the following formula (rounded to the next lower whole number):

NR= NV x 29.9% – CV

Where:

- ✓ **NV** is the total number of voting rights attached to the shares making up ALSTOM's share capital as most recently published on its website as of the Conversion date;

- ✓ **CV** is the total number of voting rights attached to the shares making up ALSTOM's share capital held or deemed to be held by CDPQ and its affiliates on the conversion date, determined in accordance with Articles L. 233-7 and L. 233-9 of the French Commercial Code;

In sum, a number of ordinary shares resulting from the conversion of the Preferred Shares may not be issued to CDPQ that would result in CDPQ holding more than 29.9% of ALSTOM's shares or voting rights.

In the event that these Caps are reached, ALSTOM will be required on the conversion date to pay the holders of the Preferred Shares an amount of euros in immediately available funds equal to the product of (i) the number of shares not issued as a result of the Caps; and (ii) the price of an ordinary share of ALSTOM at the close of the trading day prior to the conversion.

[11] The reinvestment agreement entered into between ALSTOM and CDPQ and its affiliates specifies that this number must include the newly issued shares.

2.3. Assessment of the special rights

In accordance with the professional standards applicable to this mission, it is not my role to opine on the advisability of granting special rights or benefits.

My role consists of describing and assessing the special benefits or rights attached to the Preferred Shares that may be issued.

I note as a preliminary matter that the subscription price for these Preferred Shares, of €44.45, and the special rights attached thereto, result from the negotiations between the representatives of ALSTOM and CDPQ in February 2020, memorialised in a reinvestment agreement dated 16 September 2020, in connection with the planned acquisition of BOMBARDIER TRANSPORTATION and the financing terms of that acquisition, to which CDPQ is contributing by reinvesting its share of the sale price, plus €700 million.

The €2.6 billion reinvestment by CDPQ (or its affiliates) constitutes a significant portion of the €5.3 billion estimated purchase price for BOMBARDIER TRANSPORTATION, subject to adjustment as provided for in the acquisition agreement, and in particular based on BOMBARDIER TRANSPORTATION's net cash position as of 31 December 2020.

This reinvestment is part of the balance of the various means of financing this acquisition, limiting by the same amount the use of debt and consequences of that use for ALSTOM and/or the amount to be raised on the market.

I also note that these Preferred Shares would be issued on the completion date of the acquisition (and, if applicable, on the payment date of the second tranche of the purchase price) and automatically converted into ordinary shares no later than 12 months after the acquisition date.

2.3.1. Political rights

With respect to the political rights attached to the Preferred Shares, I remind you that one voting right will be attached to each Preferred Share.

Article 15 of ALSTOM's articles of association provides that "*each member of the meeting is entitled to as many votes as the number of shares which he holds or represents*."

Pursuant to Article 225-13 of the French Commercial Code, double voting rights are also granted to all fully paid up shares that have been held in registered form for at least two years in the name of the same shareholder, or to all free registered shares granted to a shareholder in respect of existing shares with such rights.

If the 11th resolution, approving the elimination of these double voting rights, is adopted, all of the shares issued by the company will grant their holder one voting right.

I have no other observations with respect to the voting right attached to each Preferred Share.

With respect to the veto right described above, which would be granted to CDPQ (as long as CDPQ and its affiliates hold 50% of the Preferred Shares) in the event that ALSTOM carries out financial transactions that could have a dilutive effect, such as a distribution of premiums or reserves, has the nature of a special benefit granted to CDPQ. It is justified by the impossibility of putting in place multiple voting rights for the Preferred Shares.

The granting of double voting rights is prohibited by Article L. 225-122 of the French Commercial Code, applicable to the preferred shares issued by companies whose shares are admitted to trading on a regulated market.

This special advantage granted to CDPQ would therefore be intended to enable CDPQ to benefit from political rights equivalent to the ones it would have had in the event of the conversion of the Preferred Shares into ordinary shares after completion of any financial transactions that may have a significant dilutive effect.

I note that this veto right may be exercised by CDPQ only after the date of the effective completion of the acquisition and the reinvestment, and until the date of conversion of the Preferred Shares into ordinary shares, namely, no later than 12 months following the acquisition. Thus, it is strictly limited in time.

It may be exercised only with respect to decisions of an extraordinary nature and, in particular, those liable to result in an undesired dilution of its equity investment.

2.3.2. Financial rights

The special financial rights attached to the Preferred Shares consist primarily of the adjustment of the ratio applicable to their conversion into ordinary shares.

As mentioned in the report of your Board of Directors, the rights attached to the Preferred Shares are intended to protect CDP INVESTISSEMENTS Inc. from the dilutive effect of the Capital Increase (and, if applicable, the other financial transactions that occur between 17 February 2020 and their conversion date) and to neutralise that effect by an adjustment to the initial conversion ratio[12] of one ordinary share for one Preferred Share.

The granting of an additional number of ordinary shares is intended to compensate for the loss in value of the ordinary shares that may be caused by the Capital Increase (or the other financial transactions that may be carried out).

This loss in value, in the case of the Capital Increase, corresponds to the value of the preferential subscription right attached to each existing ordinary share.

The value of this right, as determined by reference to the volume weighted average share price over the subscription period for the Capital Increase, will depend in particular on prevailing market conditions during that period and on the discount from ALSTOM's share price used in determining the subscription price for the new shares in order to ensure the transaction's success.

This right, therefore, consists of placing CDP INVESTISSEMENTS Inc. in the same financial position as a shareholder of ALSTOM on 17 February 2020, the date on which the terms of its reinvestment were "crystallized."

[12] one ordinary share for one Preferred Share

I note that the number of ordinary shares that would be directly subscribed for by CDP INVESTISSEMENTS Inc. (7th resolution) if applicable or the number of ordinary shares that would be subscribed for by BOMBARDIER UK HOLDING Limited (8th resolution) would be adjusted, as described in Annexes 2 and 3 to the draft resolutions, in a manner similar to the adjustment mechanisms of the Preferred Shares (for instance, in the event that the Capital Increase would have been completed on the acquisition date).

The adjustment of the right that the Preferred Shares may have to a distribution of dividends or, if applicable, of net liquidation assets, would place their holders in the position in which they would have found themselves if an immediate conversion of their Preferred Shares were carried out.

In addition, in the event that the Capital Increase occurs after completion of the acquisition and, therefore, after the issuance of the Preferred Shares, the holders of these shares would not be able to exercise preferential subscription rights in the Capital Increase, nor would they be able to sell them on the market and receive an equivalent value in return in the form of an additional number of ordinary shares.

As noted by your Board of Directors in its report, the sale of such preferential subscription rights on the market, if they had been attached to the Preferred Shares, was liable to result in significant adverse effects on their price, given the size of the Capital Increase (and the size of the share block held by CDP INVESTISSEMENTS Inc.).

This replacement of the preferential subscription right with a number of ordinary shares in an equivalent amount is therefore potentially favourable to CDP INVESTISSEMENTS Inc., which will not have to act on the market in connection with the Capital Increase, but also to all of ALSTOM's shareholders, who will have the ability to sell their rights on the market in connection with the Capital Increase, without the unfavourable effects referred to above.

The value of the financial rights attached to the Preferred Shares will depend on financial transactions of which neither the likelihood nor the terms have been determined to date, including with respect to the Capital Increase.

As mentioned in the report of your Board of Directors, these rights were not the subject of a valuation, but their value may nevertheless be considered economically equivalent to the value of the rights of the holders of ordinary shares[13] in connection with such financial transactions.

The value that may be assigned to these rights seems to me to match the explanation provided by your Board of Directors.

[13] Shareholders of ALSTOM as of 17 February 2020 and who remain shareholders through the conversion date of the Preferred Shares.

3. Summary and key points

In connection with the planned acquisition of BOMBARDIER TRANSPORTATION by ALSTOM announced on 17 February 2020, which is the subject, *inter alia*, of a share purchase agreement and two reinvestment agreements dated 16 September 2020, CDP INVESTISSEMENTS Inc. (a wholly owned subsidiary of CDPQ) must reinvest an amount of approximately €2.6 billion (plus the amount of the second tranche of the acquisition price if positive) through one or more capital increase(s) of ALSTOM reserved for it, in the form of one or more issuance(s) of Preferred Shares or one or more issuance(s) of ordinary shares, at a fixed subscription price of €44.45 (subject, for the issuances of ordinary shares, to certain adjustments).

This reinvestment constitutes a significant portion of the financing of the acquisition price for BOMBARDIER TRANSPORTATION, of €5.3 billion[14]. Following these transactions, CDPQ would be ALSTOM's largest shareholder, holding approximately 18% of its share capital, depending on the financing and closing terms of the transaction. CDPQ has undertaken, subject to certain exceptions, to retain its investment for at least 21 months following completion of the transaction. In addition, CDPQ has agreed to a ten-year standstill following the signature date of the reinvestment agreement entered into between ALSTOM and CDPQ and its affiliates, during which period, unless it obtains ALSTOM's approval, its equity investment is not to exceed the higher of the two following amounts: (i) 22% of the share capital, and (ii) its equity investment following the completion date of the acquisition plus 2%.

The Preferred Shares will not have subscription rights and will be automatically converted into ordinary shares no later than 12 months following the date of completion of the acquisition.

The rights attached to the Preferred Shares are intended to protect CDPQ from the dilutive effect of the Capital Increase with preservation of the shareholders' preferential subscription right expected to be carried out for an amount of approximately €2 billion in connection with the refinancing of the transaction (and, if applicable, the other financial transactions that occur between 17 February 2020 and their conversion date) and to neutralise that effect by an adjustment to the initial conversion ratio of one ordinary share for one Preferred Share.

They consist, therefore, of placing CDP INVESTISSEMENTS Inc. in the same financial position as a shareholder of ALSTOM on 17 February 2020, the date on which the terms of its reinvestment were "crystallized."

In the event that the Capital Increase occurs after the date of completion of the acquisition and, therefore, after the issuance date of the Preferred Shares, replacing the preferential subscription right with a number of ordinary shares of an equivalent value will make it possible to avoid the adverse effects on the price of the DPSs that could be caused by the sale of the said DPSs on the market, if they had been attached to the Preferred Shares, taking into account the size of the Capital Increase and the size of the share block held by CDP INVESTISSEMENTS Inc.

This replacement of the preferential subscription right with a number of ordinary shares in an equivalent amount is therefore potentially favourable to CDP INVESTISSEMENTS Inc., which will not have to act on the market in connection with the Capital Increase, but also to all of ALSTOM's shareholders, who will have the ability to sell their rights on the market in connection with the Capital Increase, without the unfavourable effects referred to above.

[14] As announced by ALSTOM in a press release dated 16 September 2020.

These financial rights were not the subject of a valuation, but their value may nevertheless be considered economically equivalent to the value of the rights of a holder of ordinary shares (an ALSTOM shareholder as of 17 February 2020 and who remains a shareholder through the conversion date of the Preferred Shares).

A veto right would also be granted to CDPQ as long as CDPQ and its affiliates hold 50% of the Preferred Shares, in the event of completion of certain financial transactions referred to in Annex B to the terms and conditions of the Preferred Shares, with respect to resolutions submitted to ALSTOM's extraordinary shareholders' meetings, consisting of a special benefit to enable CDPQ to benefit from voting rights equivalent to the voting rights it would have had in the event of the conversion of the Preferred Shares into ordinary shares immediately after the completion of any financial transactions that may have a significant dilutive effect.

4. Conclusion

In conclusion and further to the description above, I have no particular observations to make with respect to the special rights attached to the Class B preferred shares that may be created and issued, as described above and defined in the terms and conditions of such shares as annexed to the draft amended articles of association.

Paris, 6 October 2020,

The special benefits auditor appointed pursuant to
Article L. 228-15 of the French Commercial Code

Eric LE FICHOUX

ANNEX 6

SITUATIONS IN WHICH THE NUMBER OF ORDINARY SHARES ISSUED AS PART OF THE CAPITAL INCREASE RESERVED FOR CDP INVESTISSEMENTS WILL BE ADJUSTED

SITUATIONS IN WHICH THE NUMBER OF ORDINARY SHARES ISSUED AS PART OF THE CAPITAL INCREASE RESERVED FOR CDP INVESTISSEMENTS WILL BE ADJUSTED

The content of Annex 2 (*Conditions of adjustment of the number of ordinary shares to be issued pursuant to the seventh resolution*) to the draft resolutions submitted to the general meeting of 29 October 2020, which sets forth the situations of adjustment of the number of securities issued as part of the capital increase reserved for CDP Investissements Inc. (hereinafter, the "**CDPQ Beneficiary**") is reproduced below.

Subsequent to any of the following transactions:

1. financial transactions conferring listed preferential subscription rights;
2. the free distribution of listed warrants;
3. the free distribution of shares to shareholders, share split or reverse share split;
4. the capitalization of reserves, profits or premiums through an increase in the nominal value of shares;
5. the distribution of reserves and/or premiums, in cash or in kind;
6. the free distribution to the Company's shareholders of any financial instrument other than shares;
7. the buy-back by the Company of its own shares at a price higher than the market price;
8. the redemption of share capital; and
9. a change in the statutory rules relating to allocation of the profits and/or issuance of preferred shares;

which the Company may carry out as from 17 February 2020, the number of ordinary shares to be issued to the benefit of the CDPQ Beneficiary pursuant to the seventh resolution of this general meeting (the "**CDPQ Relevant Number**") will be adjusted without any further subscription payment from the holders of Class B Preferred Shares (the CDPQ Relevant Number, as adjusted, being the "**Adjusted CDPQ Relevant Number**") as set forth below.

1. In the event of a financial transaction conferring listed preferential subscription rights, the Adjusted CDPQ Relevant Number will be determined by multiplying the CDPQ Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the shares after detachment of the subscription right} + \text{value of the subscription right}}{\text{Value of the shares after detachment of the subscription right}}$$

For the purpose of the calculation of this ratio, the value of the share after detachment of the subscription right will be equal to its VWAP on Euronext Paris for each day included in the subscription period (with volume weighting, in such a way to result in a VWAP over the entire period and not an average of daily VWAPs, it being specified as may be necessary that whenever it is referred in this Annex to a VWAP for each trading day included in a given period, such calculation method shall be used over the relevant period) and the value of the subscription right will be equal to its VWAP on Euronext Paris for

each trading day included in the listing period.

1. In the event of a financial transaction involving the free distribution of listed warrants to shareholders with the corresponding ability to place on the market the securities resulting from the exercise of warrants that were unexercised by their holders at the end of the subscription period that applies to them, the Adjusted CDPQ Relevant Number will be determined by multiplying the CDPQ Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the shares after distribution of the warrant} + \text{value of the warrant}}{\text{value of the shares after distribution of the warrant}}$$

For the purpose of the calculation of this ratio,

(i) the value of the share after distribution of the warrant will be equal to the volume-weighted average of (x) the price of the shares listed on Euronext Paris on each trading day of the subscription period, and (y) (a) the transfer price of the securities sold within the framework of the placement, if such securities are shares fungible with the existing shares, applying the volume of shares sold within the framework of the placement to the transfer price or (b) the price of the shares listed on Euronext Paris on the determination date of the sale price of the securities sold within the framework of the placement if such securities are not shares fungible with the existing shares.

(ii) the value of the warrant will be equal to the volume-weighted average of (i) the prices of the warrants on Euronext on each trading day of the subscription period, and, (ii) the implicit value (*valeur implicite*) of the warrants resulting from the sale price of the securities sold within the framework of the placement – which corresponds to the difference (if it is positive), adjusted by the warrants' exchange ratio, between the sale price of the securities sold within the framework of the placement and the subscription price of the securities through exercise of the warrants – by applying the volume of exercised warrants to the price so determined in order to allocate the securities sold within the framework of the placement.

2. In the event of the free distribution of shares to shareholders, share split or reverse share split, the Adjusted CDPQ Relevant Number will be determined by multiplying the CDPQ Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Number of shares comprising the share capital after the transaction}}{\text{Number of shares comprising the share capital before the transaction}}$$

3. In the event of a share capital increase by capitalization of reserves, profits or premiums carried out by increase in the nominal value of the shares, the nominal value of the ordinary shares to be allocated to the CDPQ Beneficiary will be increased accordingly.

4. In the event of distribution by the Company of any reserve or premium, in cash or in kind, the Adjusted CDPQ Relevant Number will be determined by multiplying the CDPQ Relevant Number in effect prior to the distribution by the following ratio

$$\frac{\text{Value of the shares before distribution}}{\text{value of the shares before distribution - value of the distribution}}$$

5. In the event of a free distribution to the Company's shareholders of financial instruments or securities other than the shares, the Adjusted CDPQ Relevant Number will be determined as follows:

(a) if the right to the free allocation of financial instruments or securities was admitted to trading on Euronext Paris, by multiplying the CDPQ Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the share ex-right to free allocation + value of the free allocation right}}{\text{Value of the share ex-right to free allocation}}$$

For the purpose of the calculation of this ratio:

(A) the value of the share ex-right to free allocation will be equal to the volume-weighted average share price on Euronext Paris of the share ex-right to free allocation during the first three trading days on which the shares are listed ex-right to free allocation;

(B) the value of the free allocation right will be determined as indicated in the paragraph above. If the free allocation right is not listed during each of the three trading days above mentioned, then its value will be determined by an Independent Expert.

(b) if the right to free allocation of financial instruments or securities was not admitted to trading on Euronext Paris, by multiplying the CDPQ Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the share ex-right to free allocation + value of the security or financial instrument allocated per share}}{\text{Value of the share ex-right to free allocation}}$$

For the purpose of the calculation of this ratio:

(A) the value of the share ex-right to free allocation will be determined as indicated in paragraph 6(a) above;

(B) if the financial instruments or securities allocated are listed or may become listed on Euronext Paris, within ten trading days beginning on the date on which the shares are listed ex-distribution, then the value of the financial instruments allocated per share will be equal to the volume-weighted average of the price of such financial instruments recorded on such market during the first three trading days of this period during which such securities are listed. If the financial instruments allocated are not listed during at least three trading days within such period, then the value of the financial instruments allocated per share will be determined by an Independent Expert.

6. In the event of a buy-back by the Company of its own shares at a price higher than the market price, the Adjusted CDPQ Relevant Number will be determined by multiplying the CDPQ Relevant Number in effect prior to the commencement of the repurchase by the following ratio:

$$\frac{\text{Share value x (1 – Pc\%)}}{\text{Share value – (Pc\% x Repurchase price)}}$$

For the purpose of the calculation of this ratio:

(i) Share value means the VWAP of the share on Euronext Paris during the ten trading days immediately preceding such repurchase (or the option to repurchase);

(ii) Pc% means the percentage of repurchased capital; and

(iii) Repurchase price means the actual price at which shares are repurchased.

7. In the event of a redemption of share capital, the Adjusted CDPQ Relevant Number will be determined by multiplying the CDPQ Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the share before redemption}}{\text{Value of the share before redemption – Amount of redemption per share}}$$

For the purpose of the calculation of this ratio, the value of the share before redemption will be equal to the VWAP of the share on Euronext Paris during the ten trading days immediately preceding the trading day on which the shares are listed ex-redemption.

8. In the event of the modification by the Company of its statutory rules relating to profits allocation and/or the issuance of preferred shares resulting in such a change, the Adjusted CDPQ Relevant Number will be determined by multiplying the CDPQ Relevant Number in effect prior to the commencement of the relevant transaction by the following ratio:

$$\frac{\text{Value of the share before the change}}{\text{Value of the share before the change} - \text{reduction per share of the right to profits}}$$

For the purpose of the calculation of this ratio:

(A) the value of the share before the change will be determined on the basis of the VWAP of the share on Euronext Paris during the three trading days immediately preceding the day of such change;

(B) the reduction per share of the rights to profits will be determined by an Independent Expert.

Notwithstanding the above, if such preferred shares are issued with shareholders' preferential subscription rights or by the free distribution to shareholders of warrants exercisable for such preferred shares, the new Subscription Price will be adjusted in accordance with paragraphs 1 or 6 above.

In the event of the creation of preferred shares that do not lead to a modification of the distribution of profits, the Adjusted CDPQ Relevant Number will be determined by an Independent Expert.

In any case, a single transaction cannot lead to the application of several adjustments provided for in paragraphs 1 to 9 above. In case the Company completes a transaction for which several adjustments would be applicable, priority will be given to legal adjustments.

ANNEX 7

AMENDMENTS TO THE ARTICLES OF ASSOCIATION SUBMITTED FOR SHAREHOLDER APPROVAL

AMENDMENTS TO THE ARTICLES OF ASSOCIATION SUBMITTED FOR SHAREHOLDER APPROVAL

The Articles of Association of the Company, as they would be drafted subject to all amendments thereto submitted to the shareholders' approval as part of the general meeting of 29 October 2020 being adopted, are reproduced below.

SECTION 1

Form of the Company

Object - Name - Registered Office -Duration

Article 1 - Form

A *société anonyme*, regulated by the provisions of the *Code de Commerce* and any other legal or regulatory provisions in force (the "Law") as well as by the Articles of Association, is formed between holders of shares hereinafter created and shares that will be created in the future.

Article 2 - Name

The name of the Company is ALSTOM.

Article 3 - Object

The objects of the Company are, directly or indirectly:

- the conduct of all industrial, commercial, shipping, financial, real property and asset transactions in France and abroad, notably in the following fields:
    - energy;
    - transmission and distribution of energy;
    - transport;
    - industrial equipment;
    - naval construction and repair work;
    - engineering and consultancy, design and/or production studies and general contracting associated with public or private works and construction; and
    - more generally activities related or incidental to the above:
- participation, by every means, directly or indirectly, in any operations which may be associated with its objects, by the creation of new companies, capital contributions, subscription or purchase of stocks or rights, merger with such companies or otherwise; the creation, acquisition, lease or takeover of business goodwill or businesses; the adoption, acquisition, operation or sale of any processes and patents concerning such activities; and
- generally undertaking all industrial, commercial, financial and civil operations and real property and asset transactions that may be directly or indirectly associated with the Company's objects or with any similar or related object.

Furthermore, the Company can take an interest, of whatever form, in any French or foreign business or organisation.

Article 4 – Registered Office

The registered office is located at: 48, rue Albert Dhalenne, 93400 Saint-Ouen-sur-Seine.

Article 5 – Duration of the Company

The Company is established for a period of 99 years from the date of its registration in the Trade and Companies Register, unless it is wound up prematurely or its life is extended.

SECTION 2

Share Capital - Shares - Payments

Article 6 – Share Capital

The share capital is set at [●] euros (€[●]).

It is divided into [●] ([●]) ordinary shares, each with a nominal value of 7 euros, of the same class, entirely paid up (the "**Ordinary Shares**").

It may also include class B preferred shares (the "**Class B Preferred Shares**" and, together with the Ordinary Shares, the "**Shares**"), each with a nominal value of 7 euros, of the same class, the terms and conditions of which are set forth in Annex 1.

The share capital may be increased in accordance with the Law from time to time.

Article 7 - Nature and Form of Shares - Obligation to Give Notification of Shareholding Exceeding Certain Levels Set forth in the Articles of Association

Nature and Form of the Shares

The fully-paid up Ordinary Shares and Class B Preferred Shares are registered shares or bearer shares, as the shareholder chooses.

In addition to the legal obligation to notify the Company of certain shareholding levels or voting rights, any individual or legal entity who holds directly or indirectly, alone or in concert pursuant to Articles L.233-10 et seq. of the Code de commerce a number of shares in the Company giving a shareholding equal to or in excess of 0.5% of the total number of Shares or voting rights issued must notify the Company by recorded letter with proof of receipt within five trading days of this threshold being exceeded. Notification is to be repeated under the same conditions whenever a new threshold of a multiple of 0.5% of the total number of Shares or voting rights is exceeded, up to and including the threshold of 50%.

To determine these thresholds, shares assimilated to the Shares owned as defined by the legislative and regulatory provisions of Article L.233-7 et seq. of the Code de commerce, will be taken into account.

In each of the above-mentioned notifications, the declaring person must certify that the notification includes all stock held or owned in the sense of the preceding paragraph. Such notification must also state: the declarer's identity as well as that of individuals or legal entities acting in concert with him, the total number of shares or voting rights that he holds directly or indirectly, alone or in concert, the date and the source of exceeding the threshold, as well as if needs be the information mentioned in the third paragraph of I of Article L.233-7 of the Code de commerce.

Any shareholder whose participation in the shareholding or in voting rights falls below one of the above-mentioned thresholds is also required to notify the company within the same length of time of five trading days and by the same means.

In the event of non-observance of the above provisions and in accordance with the conditions and levels established at Law, a shareholder shall lose the voting rights relating to the Shares in excess of the thresholds which should have been notified, if one or more shareholders holding at least 3% of the share capital or voting rights so requires.

Shares are registered in the name of their owner either in the books of the Company or with an officially authorised intermediary.

The Company may, under the conditions laid down by the Law from time to time, request any officially authorised organization or intermediary to pass on all information concerning its shareholders or holders of its stock conferring an immediate or subsequent right to vote, their identity and the number of shares that they hold.

Article 8 - Shareholders' Rights and Obligations

Each Share confers the right to participate in the capital of the Company and the distribution of profits, subject to Articles 21 and 23 of these Articles of Association, save that the rights assigned to the holders of Class B Preferred Shares, as well as the rights assigned to shares of different classes that may be created in the future, will be peculiar to such shares alone.

No distinction will be made between Shares with regard to taxation charges, so that each Share of the same class entitles its holder to payment of the same net amount when any distributions or repayments are made during the life of the Company or on its liquidation.

The liability of shareholders is limited to the amount unpaid on each Share.

Dividends and income on Shares issued by the Company will be paid in accordance with the Law and in accordance with the methods determined by General Meeting, or, failing that, by the board of directors.

Each Share is indivisible as far as the Company is concerned: joint owners must arrange to be represented by one and the same person in all dealings with the Company. If Shares are subject to usufruct, this should be indicated when they are entered in the register of shareholders.

The rights and obligations associated with the Shares are transferred to any subsequent owner of the shares.

Ownership of a Share automatically involves acceptance of the present Articles of Association and the decisions of the General Meeting.

Whenever it is necessary to own more than one Share in order to exercise any right whatsoever (including for the purpose of the adjustment events for the Class B Preferred Shares) or in the event of an exchange or allocation of securities giving right to a new security in exchange for the delivery of multiple Shares, the single security or securities in a number inferior to that required will not give their holders any right against the Company, the shareholders being personally responsible for the grouping and, as the case may be, purchase or sale of the relevant number of securities.

SECTION 3

Management of the Company

and General Management

Article 9 - Board of Directors

Subject to derogations provided for by Law, the Company shall be managed by a board of directors comprising a minimum of four (4) and a maximum of eighteen (18) members.

Directors are appointed and may be removed by the General Meeting.

Directors are appointed for a mandate of four years. However, when a director is appointed to replace another director during his mandate, he only carries out his duties for the remaining period of his predecessor's mandate. The mandate of a director finishes at the conclusion of the General Meeting called to consider the Company accounts for the preceding fiscal year and held during the year in which his term expires. The age limit for directors is that provided for by the Law. Directors are eligible for re-election.

If vacancies arise through the death or resignation of one or more of its members, the board may make provisional appointments between General Meetings, as legally provided for.

Each director must hold at least twenty-five (25) Shares in the Company.

The board of directors may appoint one or two censors on the suggestion of the president. The censors are called to attend board meetings, where they participate in a consultative capacity. They are appointed for a maximum term of four years, which may be renewed and which may also be terminated at any moment. They may be chosen either from among the shareholders or from outside them and can receive a remuneration determined annually by the board.

Article 9-A – Directors representing the Employees

Pursuant to Article L. 225-27-1 of the French Commercial Code, the Board of Directors also includes two Directors who represent the Group's employees. If the number of Directors appointed by the General Meeting (other than those who represent employee shareholders appointed pursuant to Article L. 225-23 of the French Commercial Code) becomes equal to or less than the number legally required for the appointment of at least two Directors representing the employees appointed pursuant to Article L. 225-27-1, the number of Directors representing the employees so appointed may be decreased to one upon the expiration of the current term of office of the Directors representing the employees.

The Directors representing the employees are appointed as follows:

one of them is appointed by the French Group Committee;

the other Director, by the European Works Council, which, within the Alstom group, is named the "European Works Forum".

The term of office of Directors representing employees is four years.

In the event of a vacancy in the seat of a Director representing employees for any reason whatsoever, the vacant seat is filled in accordance with Article L. 225-34 of the French Commercial Code.

As an exception to the rule provided for in Article 9 "Board of Directors" of these Articles of Association in respect of the Directors appointed by the General Meeting, the Board members representing the employees are not required to own a minimum number of Shares.

The Board members representing the employees must satisfy the appointment conditions contained in applicable legal and regulatory provisions.

If, at the end of a fiscal year of the Company, the conditions on application of the legal provisions are no longer met or if the Company can avail itself of an exemption provided for by law, the appointment of the Director(s) representing the employees shall continue until its ordinary expiration date.

Article 10 - Organisation of the Board of Directors

The board will appoint from among its members a president, together with one or more vice-presidents if it so desires, who may be re-elected. The length of their appointment is determined by the board within the limits of their term of office as members of the board. The age limit provided for in Law for the position of president applies.

If the president or vice-president(s) is/are unable to attend, the former, or, failing this the board, will appoint one of its members to chair each meeting.

The board also appoints the person who is to act as secretary; it may arrange for the latter to be assisted by a deputy secretary chosen under the same conditions.

The board will meet as often as the interests of the Company require, at the registered office or at any other place determined by the president.

The board is convened by the president or by the secretary of the board by any means, even verbally depending on the urgency. A meeting can be convened at the request of the directors or the chief executive officer under the conditions determined by Law.

Notice of meetings will mention the date, time, place and agenda of each meeting.

Resolutions are made according to the quorum and majority conditions provided by Law.

However, if a transaction involving a contribution in kind or a merger (or an acquisition where all or part of the consideration is paid in shares of the Company), with a person holding directly or indirectly 10% or more of the equity capital of the Company (or with a Company directly or indirectly controlled by such person) whether such contribution, merger or acquisition takes place with the Company or a company directly or indirectly controlled by the Company, is submitted to the board for approval pursuant to paragraph 4 of article 12 of the Articles of Association, then the directors who have been appointed on the proposal of the said person, shall not be entitled to vote.

Except in the cases excluded by Law, the Board's internal rules and regulations can provide that Directors taking part in the board meeting by any means of videoconferencing or telecommunication under the conditions laid down by applicable regulations, are deemed to be present for the calculation of the quorum and the majority.

In the event that votes are equally shared, the Chairman or the director's acting chairman will cast the deciding vote. However, the Chairman's or the director's acting chairman vote will not be the deciding vote for decisions of authorisations of agreements described in art. L. 225-38 et seq. of the *Code de Commerce*.

If the chief executive officer is not a director, he will take part in the board meetings on a consultative basis.

Copies or summaries of the minutes of meetings are duly certified correct by the president of the board, a chief executive officer, the board member temporarily appointed to act as president or an authorised representative.

A record of attendance is kept and is signed by all members taking part in the meeting.

Mention of the names of the members present or represented and the names of absent members in the minutes of each meeting and in the summaries of them that are distributed shall be sufficient proof to third parties of the number of board members in office and of their appointment.

Written consultation of the Directors is authorised in the cases contemplated by law.

Article 11 - Powers of the Board - Responsibilities

The board of directors determines the direction of Company business and ensures that this is implemented in accordance with the Company's corporate interest, taking into account the social and environmental implications of its business. Subject to the powers expressly attributed to the Shareholders' meetings and within the Company objects, it shall take up any issue related to the successful running of the Company and shall resolve by deliberation matters which concern it.

With respect to third parties, the Company is bound even by decisions of the board of directors that do not relate to the Company objects, unless it can prove that the third party either knew that the act exceeded the objects or could not have been unaware under the circumstances that the act exceeded the objects, the publication of the Articles of Association alone being insufficient to constitute this proof.

The board of directors performs the checks and controls that it deems appropriate. The President or the Chief Executive Officer is required to provide each director with all the documents and information required for the performance of his duties.

The board of directors decides whether general management responsibility for the Company shall be assumed by the president of the board of directors, or by another individual appointed by the board of directors having the title of chief executive officer. At least two thirds of the board members must be present or represented for such a decision to be valid. The decisions of the board of directors on the terms and conditions of exercise of the general management of the company are taken in conformity with the Articles of Association. The shareholders and third parties are informed under the conditions defined by Law.

The terms and conditions of exercise of the general management shall be decided for the first time during the first meeting of the board of directors after the adoption of the amended Articles of Association.

Members of the board are not personally or jointly liable for the commitments of the Company by virtue of their position, except as provided for by Law, notably by the provisions concerning the president of the board. Their sole responsibility, within the limits laid down by Law, is the execution of the mandate they have been given.

Article 12 - President - Chief Executive Officer - Delegated Executive Officer(s)

The functions of president, chief executive officer and delegated executive officer are exercised under the conditions provided for by Law.

1. President

The president of the board of directors organises and directs its work and is accountable for it to the shareholders' meeting. He ensures the proper functioning of the Company's management organs, and in particular, ensures that the directors are fit to perform their duties.

In the event of the president's temporary incapacity or death, the board of directors can delegate the president's duties to a director. In the event of temporary incapacity, this delegation is made for a limited period which may be renewed. In the event of death, this delegation of position remains valid until the election of a new president.

The board of directors determines the remuneration of the president of the board of directors.

When general management responsibility for the Company is assumed by the president of the board of directors, the provisions of the Articles of Association concerning the chief executive officer shall also apply to him.

2. Chief executive officer

The chief executive officer is invested with the most extensive powers to act on behalf of the Company in all circumstances. He exercises these powers within the limits of the Company objects and subject to those that the Law and regulations expressly confer on shareholders' meetings and on the board of directors.

A chief executive officer's term of office, set by the board of directors, cannot exceed, if relevant, that of his mandate as board member, nor the age limit applicable to the chief executive officer's term set down by Law.

He represents the Company with respect to third parties. The Company is bound even by acts of the chief executive officer that do not relate to the Company objects, unless it is provided that the third party either knew that the act exceeded these objects or could not have been unaware under the circumstances that the act exceeded the objects, the publication of the Articles of Association alone being insufficient to constitute proof of this.

The board of directors determines the remuneration of the chief executive officer.

3. Delegated executive officer(s)

On the proposal of the chief executive officer, the board of directors can further appoint one or more individuals having the responsibility of assisting the chief executive officer with the title of delegated executive officer. There can be no more than five delegated executive officers. The board determines the remuneration of the delegated executive officer(s) on the proposal of the chief executive officer.

With the agreement of the chief executive officer, the board of directors determines the extent and duration of the powers of the delegated executive officer(s). With respect to third parties they have the same powers as the chief executive officer.

The term of office of a delegated chief executive officer cannot exceed, if relevant, that of his mandate as director, nor exceed the age limit applicable to the delegated chief executive officer's term set down by Law.

In case of the chief executive officer's death, resignation or removal, the delegated executive officer(s) will retain, unless otherwise decided by the board of directors, their powers and functions until a new chief executive officer is appointed.

4. Particular conditions

No transaction involving a contribution in kind or a merger (or an acquisition or any similar transactions where all or part of the consideration is paid in shares of the Company), shall be entered into by the chief executive officer or the delegated executive officer(s) with a person holding directly or indirectly 10% or more of the share capital of the Company (or with a company directly or indirectly controlled by such person), whether such contribution, merger or acquisition involves the Company or a company directly or indirectly controlled by the Company, unless it has received prior approval from the board under the conditions provided by article 10.

The board of directors at the suggestion of the chief executive officer or the chief executive officer himself, may, within the limits laid down by the legislation in force from time to time, delegate whatever powers they consider useful, either for management purposes or the assumption of responsibility within the Company, or for one or more specified purposes. The persons to whom such powers may be delegated need not necessarily be members of the board or even part of the Company. Such powers may be delegated on an individual basis or to committee. Such powers may be permanent or temporary, and may or may not include the possibility of subdelegation.

Such persons, or certain of them, may also be given authority to certify copies or summaries of documents of which the method of certification is not fixed by Law, notably all powers, company financial statements or Articles of Association, and to issue attestations in connection therewith.

Any delegation of powers by the board or the chief executive officer pursuant to the present Articles of Association will remain in full effect despite the expiry of the term of office of the president or of the directors in office at the time such powers were granted.

Article 13 - Remuneration of Directors

The General Meeting may allocate an amount by way of remuneration to directors. The amount determined by the General Meeting will continue to apply until a new decision is taken.

The board will distribute this remuneration between its members as it thinks fit and in accordance with the Law.

Board members may not receive any remuneration from the Company, whether permanent or not, other than as provided for, or at least not proscribed, by Law.

Board members may be reimbursed for any expenses incurred in the exercise of their office, provided that they provide satisfactory proof of such expenses.

SECTION 4

Auditors

Article 14 - Auditors

The auditors are appointed and are eligible for reappointment under the conditions provided for by law.

The auditors are called to attend all the board meetings which examine and finalise the annual or intermediary accounts, and all shareholders' meetings.

SECTION 5

General Meetings

Article 15 - Conduct of General Meetings

1. Convening and proceedings - Agenda

Ordinary and extraordinary General Meetings, satisfying the legal conditions for quorum and majority voting, exercise the powers respectively attributed to them by the Law.

They are convened in accordance with the rules and the terms laid down by Law.

Meetings are held at the registered office of the Company or at any other place determined by the board, either within the "*département*" in which the registered office is located or in any other French territory. The agenda of the meeting is drawn up by the board of directors if the board has called the meeting and, if not, by the person calling the meeting.

However, one or more shareholders satisfying the conditions laid down by Law may request the inclusion of matters or draft resolutions on the agenda.

Questions not appearing on the agenda may not be considered.

2. Admission and representation

Ordinary and extraordinary General Meetings are made up of all shareholders without distinction between the class of shares which they hold.

In all Shareholders' Meetings, Shareholders are only entitled to exercise their right to vote if their Shares have been subject to a book entry in the name of the shareholder or the intermediary registered for its account within the time periods provided for by applicable legal and regulatory provisions, either in the accounts of registered securities held by the Company for registered Shares, or in the accounts of bearer securities held by an intermediary authorised for bearer Shares.

This book entry is officially acknowledged in accordance with the terms laid down by Law.

Shareholders may vote by proxy or by correspondence at General Meetings under the conditions laid down by Law.

In order to be taken into account, the voting forms and proxies must be received by the Company at least three days prior to the Meeting, unless a shorter term is decided by the board of directors or is stipulated by Law.

Pursuant to the Board of Directors' decision, communicated by way of the notice of meeting and/or the convocation to the meeting, any shareholder may vote at a shareholders' meeting by proxy or by correspondence via any electronic means of telecommunication in accordance with the conditions set by Law. In these cases, forms for voting at a distance or by proxy, as well as participation certificates, can be completed by way of a duly signed electronic medium under the conditions set forth by the applicable legal and regulatory provisions.

To this end, completing and electronically signing the form can be done directly on the Internet site created by the centralizing agent of the Shareholders' Meeting. The electronic signature of the form can be carried out (i) by entering an identification code and password, under the conditions contemplated by regulation, or (ii) by any other process satisfying the conditions defined by regulation. The power to vote by proxy or the vote expressed as such before the shareholders' meeting by way of this electronic method as well as, if applicable, the proof of receipt delivered after the power to vote by proxy or the vote is expressed, will be considered as a written proof that is irrevocable and binding to all, excluding cases of transfers of securities that are subject to a notification under the conditions contemplated by applicable regulations.

A shareholder may be represented by another shareholder or by his or her spouse, or by any natural or legal person of his/her/its choosing.

In compliance with the 7th paragraph of Article L. 228-1 of the French Commercial Code, the owners of the securities may be represented by a registered intermediary, in the conditions set down by Law.

Any shareholder having voted at a distance, or sent a proxy or requested his or her admission card or an attendance certificate, may at any time sell all or some of his or her shares pursuant to which he or she transmitted his or her vote or proxy or requested one of these documents. In the event of a transfer of ownership occurring prior to the time period provided for the book entry referred to above, the Company shall, as applicable, invalidate or modify accordingly the vote made at a distance, proxy, admission card or attendance certificate.

The board of directors shall have the powers to organise, within the limits of the Law, the attendance and voting of the shareholders at General Meetings by videoconferencing or by any telecommunications means enabling the identification of such shareholders. If applicable, this decision of the board of directors shall be communicated in the notice of the meeting and/or the invitation to attend. Those shareholders attending Shareholder's Meetings by videoconference or by these other means are deemed to be present for the purposes of calculating the quorum and the majority.

3. Voting Rights

One voting right is attached to each Share, subject to the veto right granted to Caisse de dépôt et placement du Québec and its Affiliates (as such terms are defined in the terms and conditions of the Class B Preferred Shares), the terms of which are specified in Annex 1 to these Articles of Association.

By exception to the provisions of the last paragraph of Article L. 225-123 of the French Commercial Code, no Share shall bear any double voting right.

At all Ordinary, Extraordinary or Special General Meetings, the voting right on shares shall, in cases where such shares are subject to usufruct, be exercisable by the usufructuary.

4. Minutes of General Meetings

The proceedings of General Meetings are recorded in minutes written and preserved in accordance with the provisions of the Law.

Copies or summaries of the minutes are duly certified correct by the president of the board, the secretary of the Meeting or the board member appointed to chair the Meeting.

Article 16 – Ordinary General Meetings

Ordinary General Meetings are General Meetings called to make decisions that do not alter the Articles of Association.

They are held at least once a year, within the legal and regulatory time limits in force, to consider the accounts for the preceding financial year.

The proceedings of an ordinary General Meeting are only valid the first time it is called if the shareholders present, represented or voting by correspondence, own at least the minimum percentage of the shares with voting rights as required by Law.

No quorum is required if the meeting has to be called a second time.

Decisions are taken by a majority of the votes expressed by the shareholders present or represented, including those exercising a vote by correspondence or a distance voting.

Article 16-A – Special Meetings

The holders of Class B Preferred Shares are consulted under the conditions provided for by Law as to questions that are specifically within their authority. The holders of Class B Preferred Shares meet at a special meeting to vote on any modification of their rights.

The special meeting of the holders of Class B Preferred Shares may validly deliberate only if the shareholders present or represented hold at least one-third, on a first notice of meeting, or one-fifth, on a second notice of meeting, of the Class B Preferred Shares. Otherwise, the second meeting may be adjourned to a date that is no more than two months from that on which it had been called.

Article 17 – Extraordinary General Meetings

Only extraordinary General Meetings have authority to alter the Articles of Association. They may not, however, increase the shareholders' liability, except for operations resulting from a properly decided and conducted exchange or consolidation of shares.

Extraordinary General Meetings can only transact business if the shareholders present, represented or voting by correspondence own at least, on first or on second call, the minimum percentage of the shares with voting rights as required by Law depending on the nature of the decision submitted for approval to the extraordinary General Meeting.

Decisions require a two-thirds majority of the votes expressed by the shareholders present or represented, including those exercising a vote by correspondence or a distance voting.

Article 18 – General Bondholders' Meeting

The Board of Directors may organize, under the conditions provided for by law, the participation and voting of bondholders at General Meetings by videoconference or any other means of telecommunication allowing their identification. Where applicable, the decision of the Board shall be communicated in the convening notice and/or notice of meeting. Bondholders participating in meetings by videoconference or by any other such means shall be deemed present for the calculation of the quorum and the majority.

SECTION 6

Financial year - Accounting Records - Profits

Article 19 – Financial Year

The financial year starts on April 1 and ends on March 31.

Article 20 - Accounting Records

At the close of each financial year, the board of directors establishes the Company financial statements and draws up the annual management report. It examines the consolidated accounts and the annual management report for the group, all in accordance with the Law.

These reports are sent to shareholders in the forms and within the time limits legally required. They are presented to the annual General Meeting.

Article 21 - Profits

The profits for the financial year consist of the revenues relating to the preceding financial year, less overheads and other company expenditure including provisions and depreciation allowances.

At least 5% is set aside from the profits less any previous losses if appropriate to form the legal reserve fund. This provision ceases to be mandatory once the value of the fund reaches one-tenth of the share capital.

The remainder (less the above deductions) of the retained earnings and withdrawals from the reserves which the general meeting has at its disposal shall, if the general meeting so desires, be distributed among the Shares, once the sums carried forward by the said meeting or transferred by it to one or more reserve funds have been deducted.

After the accounts have been approved by the General Meeting, any losses are carried forward, to be charged against the profits of subsequent financial years until they are cancelled out.

Each shareholder may be granted at the General Meeting, for all or part of the dividend or interim dividend distributed, an option to be paid the dividend or interim dividends in cash or in shares of the company, under the current legal and regulatory conditions.

SECTION 7

Dissolution, Liquidation

Article 22 – Early Dissolution

- The General Meeting, convened under the conditions laid down by Law, may at any time and for whatever reason decide on the early dissolution of the Company.
- If the losses shown in the accounting records indicate that the Company's net asset value has fallen below half the value of the issued share capital, the board must call an extraordinary General Meeting within four months of the approval of the accounts showing such losses, in order to decide whether the Company should be dissolved.
- If dissolution is not decided on, the Company must, by the end of the second financial year following the financial year during the course of which the losses were recorded, reduce its share capital by an amount equal to the losses which it has been impossible to charge against the reserves, if the net asset value of the Company has not returned over this period to a value at least equal to half the issued share capital.

In either case, publication of the decision adopted by the General Meeting shall be given in accordance with legal provisions.

Article 23 – Liquidation - Appointment - Powers of Liquidators

When the period fixed for the duration of the Company expires or in case of early dissolution, the General Meeting shall determine the form of liquidation, appoint one or more liquidators and determine their remuneration.

In the event of the death, resignation or inability to act of the liquidators, an ordinary general meeting convened under the conditions laid down by law shall provide for their replacement.

During liquidation, the powers of the General Meeting remain the same as while the Company was in normal business.

A meeting of shareholders shall be called at the end of the liquidation process to consider the liquidator's accounts, to approve his release and to note the closure of the liquidation procedure.

Once the liabilities have been paid off, the balance of assets will first be used to pay shareholders a sum equal to the paid-up and non-amortised capital.

Any remaining surplus will constitute profit and will be distributed between all the shares in proportion to their nominal value, taking the provisions of Article 8 above into account.

SECTION 8

Disputes

Article 24 – Competent Courts

Any disputes that may arise during the term of the Company or at the time of liquidation, whether between the shareholders and the Company, or among the shareholders themselves regarding corporate affairs, shall be submitted exclusively to the jurisdiction of the courts of the registered office.

* * * * * * * * *

Annex 1

Terms and Conditions of the Class B Preferred Shares

Please refer to Annex 4 (Terms and conditions of the Preferred Shares) of this Amendment.

ANNEX 8

FINANCIAL INFORMATION ABOUT BOMBARDIER TRANSPORTATION

This Annex 8 includes the following:

Annex 8.A. :	Bombardier Transportation (Global Holding) UK Limited's annual financial statements for the fiscal year ended 31 December 2018, with the report of Bombardier Transportation (Global Holding) UK Limited's statutory auditor on those financial statements
Annex 8.B. :	Bombardier Transportation (Global Holding) UK Limited's annual financial statements for the fiscal year ended 31 December 2019, with the reports of Bombardier Transportation (Global Holding) UK Limited's statutory auditor on those financial statements
Annex 8.C. :	Bombardier Transportation (Global Holding) UK Limited's quarterly financial statements as of 31 March 2020, with the limited review report of Bombardier Transportation (Global Holding) UK Limited's statutory auditor on those accounts
Annex 8.D. :	Bombardier Transportation (Global Holding) UK Limited's interim financial statements for the six months ended 30 June 2020, with the limited review report of Bombardier Transportation (Global Holding) UK Limited's statutory auditor on those financial statements

Annex 8.A. :

Bombardier Transportation (Global Holding) UK Limited's annual financial statements
for the fiscal years ended 31 December 2018 and 2019,
with the reports of Bombardier Transportation (Global Holding) UK Limited's statutory auditor
on those financial statements

Bombardier Transportation (Global Holding) UK Limited
London

Audit Opinion
Consolidated Financial Statements
for the year ended
31 December 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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Engagement Terms, Liability and Conditions of Use

General Engagement Terms

We issue the audit opinion presented below in compliance with legal and professional requirements subject to the conditions described in the enclosed "Engagement Terms, Liability and Conditions of Use".

INDEPENDENT AUDITOR'S REPORT

To Bombardier Transportation (Global Holding) UK Limited

Opinion

We have audited the consolidated financial statements of Bombardier Transportation (Global Holding) UK Limited and its subsidiaries (the group), which comprise the consolidated statements of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the german ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Berlin, Germany, March 12, 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Canzler	Hofmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Bombardier Transportation (Global Holding) UK Limited

Consolidated Financial Statements for the fiscal years ended December 31, 2018 and 2017

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GLOSSARY

The following table shows the abbreviations used in this report.

Term	Description	Term	Description
AFS	Available for sale	HFT	Held for trading
AOCI	Accumulated other comprehensive income	IAS	International Accounting Standard(s)
BST	Bombardier Sifang (Qingdao) Transportation Ltd.	IASB	International Accounting Standards Board
CCTD	Cumulative currency translation difference	IFRIC	International Financial Reporting Interpretation Committee
CDPQ	Caisse de dépôt et placement du Québec	IFRS	International Financial Reporting Standard(s)
CGU	Cash generating unit	NCI	Non-controlling interests
DDHR	Derivative designated in a hedge relationship	OCI	Other comprehensive income (loss)
DSU	Deferred share unit	PCG	Parent company guarantees
EBIT	Earnings (loss) before financing expense, financing income and income taxes	PP&E	Property, plant and equipment
		PSG	Performance security guarantee
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	PSU	Performance share unit
		R&D	Research and development
		RSU	Restricted share unit
EBT	Earnings (loss) before income taxes	SG&A	Selling, general and administrative
FVOCI	Fair value through other comprehensive income (loss)	U.K.	United Kingdom
		U.S.	United States of America
FVTP&L	Fair value through profit and loss		

Bombardier Transportation is used as abbreviation for Bombardier Transportation (Global Holding) UK Limited.

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF INCOME
For the fiscal years ended December 31
(in millions of euro)

	Notes		**2018**		2017 *restated* [1]
Revenues	14				
Rolling Stock		**€**	**4,943**	€	5,141
Services			**1,773**		1,669
System and signalling			**825**		770
			7,541		7,580
Cost of sales			**6,472**		6,516
Gross margin			**1,069**		1,064
SG&A			**490**		561
R&D			**103**		107
Share of income of joint ventures and associates	34		**(94)**		(156)
Other expense (income)	6		**3**		(7)
Special items	7		**(21)**		310
EBIT			**588**		249
Financing expense	8		**86**		101
Financing income	8		**(21)**		(10)
EBT			**523**		158
Income taxes	10		**228**		88
Net income		**€**	**295**	€	70
Attributable to					
Equity holders of Bombardier Transportation		**€**	**290**	€	72
NCI			**5**		(2)
		€	**295**	€	70

[1] Restated, refer to Note 3 for the impact of changes in accounting policies.

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the fiscal years ended December 31
(in millions of euro)

	Notes		**2018**		2017 *restated* [1]
Net income		**€**	**295**	€	70
OCI					
Items that may be reclassified to net income					
Net change in cash flow hedges					
Foreign exchange re-evaluation			**—**		(3)
Net gain on derivative financial instruments			**12**		34
Reclassification to income or to the related non-financial asset[2]			**5**		(10)
Income taxes	10		**(8)**		26
			9		47
CCTD					
Net investments in foreign operations			**(3)**		(111)
Items that are never reclassified to net income					
Retirement benefits					
Remeasurement of defined benefit plans			**46**		262
Income taxes	10		**10**		(38)
			56		224
Total OCI			**62**		160
Total comprehensive income		**€**	**357**	€	230
Attributable to					
Equity holders of Bombardier Transportation		**€**	**353**	€	233
NCI			**4**		(3)
		€	**357**	€	230

[1] Restated, refer to Note 3 for the impact of changes in accounting policies.
[2] €1 million of net deferred loss is expected to be reclassified from OCI to the carrying amount of the related non-financial asset or to income during fiscal year 2019.

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at
(in millions of euro)

	Notes		**December 31 2018**		December 31 2017 *restated* [1]		January 1 2017 *restated* [1]
Assets							
Cash and cash equivalents	12	**€**	**662**	€	993	€	732
Trade and other receivables	13		**921**		726		859
Contract assets	14		**2,240**		2,003		1,468
Inventories	15		**119**		172		194
Other financial assets	17		**132**		166		179
Other assets	18		**229**		269		255
Current assets			**4,303**		4,329		3,687
PP&E	19		**677**		674		732
Goodwill	20		**1,701**		1,702		1,760
Deferred income taxes	10		**182**		287		353
Investments in joint ventures and associates	34		**431**		405		311
Other financial assets	17		**81**		214		246
Other assets	18		**348**		330		227
Non-current assets			**3,420**		3,612		3,629
		€	**7,723**	€	7,941	€	7,316
Liabilities							
Trade and other payables	22	**€**	**2,208**	€	1,940	€	1,377
Provisions	23		**843**		1,071		1,164
Contract liabilities	14		**2,289**		2,231		2,007
Other financial liabilities	24		**124**		197		234
Other liabilities	25		**865**		1,056		1,035
Current liabilities			**6,329**		6,495		5,817
Provisions	23		**56**		140		13
Long-term debt	26		**20**		24		29
Retirement benefits	21		**854**		868		1,025
Other financial liabilities	24		**1**		1		12
Other liabilities	25		**60**		94		127
Non-current liabilities			**991**		1,127		1,206
			7,320		7,622		7,023
Equity							
Attributable to equity holders of Bombardier Transportation			**394**		311		277
Attributable to NCI			**9**		8		16
			403		319		293
		€	**7,723**	€	7,941	€	7,316
Commitments and contingencies	36						

[1] Restated, refer to Note 3 for the impact of changes in accounting policies.

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the fiscal years ended
(in millions of euro)

	Attributable to equity holders of Bombardier Transportation								
	Share Capital and Premium	Retained earnings			Accumulated OCI				
	Common Shares	Other retained earnings	Group Reorgani-zation	Remea-surement losses	Cash flow hedges	CCTD	Total	NCI	Total Equity
As at January 1, 2017[1]	€ 4,876	€ —	€ (3,921)	€ (703)	€ 3	€ 22	€ 277	€ 16	€ 293
Total comprehensive income									
Net income (loss)	—	72	—	—	—	—	72	(2)	70
OCI	—	—	—	224	47	(110)	161	(1)	160
	—	72	—	224	47	(110)	233	(3)	230
Conversion of share premium[2]	(850)	850	—	—	—	—	—	—	—
Capital return to shareholders	—	(251)	—	—	—	—	(251)	—	(251)
Contribution from Bombardier Inc.[3]	52	—	—	—	—	—	52	—	52
Capital distribution	—	—	—	—	—	—	—	(5)	(5)
As at December 31, 2017[1]	**€ 4,078**	**€ 671**	**€ (3,921)**	**€ (479)**	**€ 50**	**€ (88)**	**€ 311**	**€ 8**	**€ 319**
Total comprehensive income									
Net income	**—**	**290**	**—**	**—**	**—**	**—**	**290**	**5**	**295**
OCI	**—**	**—**	**—**	**56**	**9**	**(2)**	**63**	**(1)**	**62**
	—	**290**	**—**	**56**	**9**	**(2)**	**353**	**4**	**357**
Capital return to shareholders	**—**	**(270)**	**—**	**—**	**—**	**—**	**(270)**	**—**	**(270)**
Capital distribution	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(3)**	**(3)**
As at December 31, 2018	**€ 4,078**	**€ 691**	**€ (3,921)**	**€ (423)**	**€ 59**	**€ (90)**	**€ 394**	**€ 9**	**€ 403**

[1] Restated, refer to Note 3 for the impact of changes in accounting policies.
[2] On March 3rd, 2017, Bombardier Transportation converted €850 million of Share Premium into retained earnings.
[3] For more details, see Note 7 - Special items.

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the fiscal years ended December 31
(in millions of euro)

	Notes		**2018**		2017 *restated* [1]
Operating activities					
Net income		**€**	**295**	€	70
Non-cash items					
Amortization	19, 20		**85**		87
Impairment charge on PP&E	7, 19		**7**		33
Deferred income taxes	10		**116**		38
Gains on disposals of PP&E and intangible assets	6, 7		**(54)**		(8)
Gain on disposal of business	6		**—**		(2)
Share of income of joint ventures and associates	34		**(94)**		(156)
Share-based expense	28		**22**		17
Loss on sale of long-term contract receivables	7		**26**		—
Dividends received from joint ventures and associates			**61**		49
Net change in non-cash balances	29		**(469)**		632
Cash flows from operating activities			**(5)**		760
Investing activities					
Additions to PP&E and intangible assets			**(164)**		(120)
Proceeds from disposals of PP&E and intangible assets			**73**		12
Net proceeds from disposal of a business			**1**		2
Capital injection in joint ventures and associates			**—**		(12)
Cash flows from investing activities			**(90)**		(118)
Financing activities					
Net proceeds from issuance of long-term debt			**2**		2
Repayments of long-term debt			**(7)**		(6)
Capital return to shareholders[2]			**(270)**		(251)
Capital return to NCI			**(3)**		(5)
Cash flows from financing activities			**(278)**		(260)
Effect of exchange rates on cash and cash equivalents			**42**		(121)
Net increase in cash and cash equivalents			**(331)**		261
Cash and cash equivalents at beginning of year			**993**		732
Cash and cash equivalents at end of year	12	**€**	**662**	€	993
Supplemental information[3][4]					
Cash paid for					
Interest		**€**	**18**	€	17
Income taxes		**€**	**123**	€	95
Cash received for					
Interest		**€**	**3**	€	4
Income taxes		**€**	**21**	€	31

[1] Restated, refer to Note 3 for the impact of changes in accounting policies.
[2] For more details, see Note 35 - Transactions with related parties.
[3] Amounts paid or received for interest and income taxes are reflected as cash flows from operating activities.
[4] Interest paid comprises interest on long-term debt 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended December 31, 2018 and 2017

(Tabular figures are in millions of euro, unless otherwise indicated)

1. BASIS OF PRESENTATION

BT Holdco is incorporated under the laws of the UK and is the parent of Bombardier Transportation (Global Holding) UK Limited ("Bombardier Transportation"). Bombardier Transportation is a wholly owned subsidiary of BT Holdco. Bombardier Transportation is incorporated under the laws of the UK. Bombardier Transportation's headquarters is located in Berlin, Germany. Bombardier Transportation provides rail transportation equipment, systems and related services. Bombardier Transportation is a global leader in the rail equipment manufacturing and servicing industry and is managed as a separate operating segment of Bombardier Inc.

Basis of presentation

Bombardier Transportation's Consolidated Financial Statements are expressed in Euro and have been prepared in accordance with IFRS, as issued by the IASB.

Bombardier Transportation's Consolidated Financial Statements for fiscal year 2018 were authorized for issuance by the Board of Directors on March 12, 2019.

Nature of operations

The table below presents the main market segments as well as an overview of the main products and services.

ROLLING STOCK AND SYSTEMS		SERVICES	SIGNALLING	
• Very high-speed trains • High-speed trains • Intercity trains • Regional trains • Commuter trains • Metros • Light rail vehicles • Automated people mover (APM) • Light rail systems • Automated monorail • Turnkey systems	• Electric & Diesel Locomotives • Traction and auxiliary converters • Traction motors • Train control and management systems • Bogies product portfolio to match the entire range of rail vehicles	• Fleet management • Material and logistics management • Vehicle renovation and overhaul • Component re-engineering and overhaul • Technical support • Operations and maintenance	• Integrated control systems • Computer and relay based interlocking systems • Transit security • Radio based rail control and signalling systems • Wayside equipment	• Automatic train protection and train operation systems

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated.

Basis of consolidation

The Consolidated Financial Statements include all legal entities of Bombardier Transportation, most of which are directly or indirectly wholly owned.

The principal legal entities, whose revenues represent more than 10% of total revenues of Bombardier Transportation, or more than 10% of its total assets, are as follows:

Subsidiary	Location
Bombardier Transportation GmbH	Germany
Bombardier Transportation (Holdings) UK Ltd.	U.K.
Bombardier Transportation Canada Inc.	Canada

Revenues of these legal entities totalled 50% of consolidated revenues or 48% of consolidated assets for fiscal year 2018 (46% and 45% for fiscal year 2017).

Subsidiaries – Subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date control over the subsidiaries ceases.

Bombardier Transportation consolidates investees, including structured entities when, based on the evaluation of the substance of the relationship with Bombardier Transportation, it concludes that it controls the investees. Bombardier Transportation controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Joint ventures – Joint ventures are those entities over which Bombardier Transportation exercises joint control, requiring unanimous consent of the parties sharing control of relevant activities such as, strategic financial and operating decision making and where the parties have rights to the net assets of the arrangement. Bombardier Transportation recognizes its interest in joint ventures using the equity method of accounting, and are recorded in EBIT.

Associates – Associates are entities in which Bombardier Transportation has the ability to exercise significant influence over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting, and are recorded in EBIT.

All significant intercompany balances and transactions between Bombardier Transportation entities have been eliminated. Transactions with Bombardier Inc. or affiliated entities that do not belong to the scope of consolidated entities are disclosed as related party transactions. Refer to Note 35 - Transactions with related parties.

Foreign currency translation

The consolidated financial statements are expressed in Euro, the presentation currency of Bombardier Transportation. The presentation currency is the currency in which the financial statements are presented. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of most foreign subsidiaries is their local currency, the Euro, Pound sterling, Swedish Krona, various other European currencies and the U.S. dollar.

Foreign currency transactions – Transactions denominated in foreign currencies are initially recorded in the functional currency of the related entity using the exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. Any resulting exchange difference is recognized in income except for exchange differences related to retirement benefits asset and liability which are recognized in OCI. Non-monetary assets and liabilities denominated in foreign currencies and measured at historical cost are translated using historical exchange rates, and those

measured at fair value are translated using the exchange rate in effect at the date the fair value is determined. Revenues and expenses are translated using the average exchange rates for the period or the exchange rate at the date of the transaction for significant items.

Foreign operations – Assets and liabilities of foreign operations whose functional currency is other than the Euro are translated into Euro using closing exchange rates. Revenues and expenses, as well as cash flows, are translated using the average exchange rates for the period. Translation gains or losses are recognized in OCI and are reclassified in income on disposal or partial disposal of the investment in the related foreign operation.

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

			Exchange rates as at	**Average exchange rates for fiscal years**	
	December 31 2018	December 31 2017	January 1 2017	**2018**	2017
Pound Sterling	**1,11791**	1.12710	1.16798	**1,13048**	1.14214
Swedish Krona	**0,09752**	0.10159	0.10468	**0,09757**	0.10384
US dollar	**0,87336**	0.83382	0.94868	**0,84661**	0.88821

Revenue recognition

Long-term contracts – Revenues from long-term contracts related to designing, engineering or manufacturing specifically designed products (including rail vehicles, vehicles overhaul and signalling contracts) and service contracts are generally recognized over time. The measure of progress toward complete satisfaction of the performance obligation 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. The contract transaction price is adjusted for change orders, claims, performance incentives and other contract terms that provide for the adjustment of prices to the extent they represent enforceable rights for Bombardier Transportation. Variable consideration such as assumptions for price escalation clauses and performance incentives is only included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Customer options are only included in the transaction price of the contract when they become legally enforceable as a result of the customer exercising its right to purchase the additional goods or services. If a contract review indicates the expected costs to fulfill the contract exceed the expected economic benefits expected to be received under it, the entire expected loss on the contract is recognized as an onerous contract provision with the corresponding expense recorded in cost of sales. The expected benefits to be received are generally limited to the revenues from the associated contract.

Options for additional assets are treated as contract modifications when exercised. Modifications of Bombardier Transportation's long term contracts are generally accounted as part of the existing contract to the extent the remaining goods and services are considered to form part of a single performance obligation that is partially satisfied at the date of contract modification. The effect that the contract modification has on the transaction price and the existing progress toward satisfaction of the single performance obligation is recognized as an adjustment to revenue at the date of the contract modification on a cumulative catch-up basis.

Other – Revenues from the sale of spare parts are recognized at the point in time when the customer has obtained control of the promised asset and Bombardier Transportation has satisfied the performance obligation.

Contract balances

Contract related balances comprise of contract assets and contract liabilities presented separately in the consolidated statements of financial position.

Contract assets - Are recognized when goods or services are transferred to customers before consideration is received or before Bombardier Transportation has an unconditional right to payment for performance completed to date. Contract assets are subsequently transferred to receivables when the right of payment becomes unconditional. Contract assets comprise cost incurred and recorded margins in excess of advances and progress billings on long-term production and service contracts.

Contract liabilities – Are recognized when amounts are received from customers in advance of transfer of goods or services. Contract liabilities are subsequently recognized in revenue as or when Bombardier Transportation performs under contracts. Contract liabilities comprise advances and progress billings in excess of long-term contract cost incurred and recorded margin, and other deferred revenues related to operation and maintenance of systems.

A net position of contract asset or contract liability is determined for each contract. The cash flows in respect of advances and progress billings, including amounts received from third party advance providers, are classified as cash flows from operating activities.

Government assistance

Government assistance, including investment tax credits, is recognized when there is a reasonable assurance that the assistance will be received and that Bombardier Transportation will comply with all relevant conditions. Government assistance related to the acquisition of inventories, PP&E and intangible assets is recorded as a reduction of the cost of the related asset. Government assistance related to current expenses is recorded as a reduction of the related expenses.

Special items

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

Income taxes

Bombardier Transportation applies the liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized for the future income tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective tax bases, and for tax losses carried forward. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect for the year in which the differences are expected to reverse.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized.

Deferred income tax assets and liabilities are recognized directly in income, OCI or equity based on the classification of the item to which they relate.

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 Bombardier Transportation include cash and cash equivalents, trade and other receivables, long-term contract receivables, investments in securities, deposits, loans, restricted cash and derivative financial instruments with a positive fair value. Financial liabilities of Bombardier Transportation include trade and other payables, long-term debt and derivative financial instruments with a negative fair value.

Financial instruments are recognized in the consolidated statement of financial position when Bombardier Transportation becomes a party to the contractual obligations of the instrument. On initial recognition, financial instruments are recognized at their fair value plus, in the case of financial instruments not at FVTP&L, transaction costs that are directly attributable to the acquisition or issue of financial instruments. Subsequent to initial recognition, financial instruments are measured according to the category to which they are classified, which are: a) financial instruments classified as FVTP&L, b) financial instruments designated as FVTP&L, c) FVOCI financial assets, or d) amortised cost. Financial instruments are subsequently measured at amortized cost, unless they are classified as FVOCI or FVTP&L or designated as FVTP&L, in which case they are subsequently measured at fair value. Bombardier Transportation does not designate any financial instruments at FVTP&L.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or Bombardier Transportation has transferred its rights to receive cash flows from the asset and either (a)

Bombardier Transportation has transferred substantially all the risks and rewards of the asset, or (b) Bombardier Transportation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

For transactions where it is not obvious whether Bombardier Transportation has transferred or retained substantially all the risks and rewards of ownership, Bombardier Transportation performs a quantitative analysis to compare its exposure to the variability in asset cash flows before and after the transfer. Judgment is applied in determining a number of reasonably possible scenarios that reflect the expected variability in the amount and timing of net cash flows, and then in assigning each scenario a probability with greater weighting being given to those outcomes which are considered more likely to occur.

When the transfer of a customer receivable results in the derecognition of the asset, the corresponding cash proceeds are classified as cash flows from operating activities.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing liability is replaced by another from the same creditor on substantially different terms, or the terms of the liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

a) Financial instruments classified at amortized cost

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.

Other Financial instruments - Trade and other receivables, restricted cash and other financial assets are all financial assets measured at amortized cost using the effective interest rate method less any impairment losses. Trade and other payables, short-term borrowings, long-term debt and certain other financial liabilities are measured at amortized cost using the effective interest rate method.

Trade receivables as well as other financial assets are subject to impairment review. Trade receivables and contract assets are reviewed for impairment based on the simplified approach which measures the loss allowance at an amount equal to the lifetime expected credit losses. Other financial assets for which the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. For other financial assets for which the credit risk has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses.

b) Financial instruments classified as FVTP&L

Long-term contract receivables are required to be classified as FVTP&L. Subsequent changes in fair value of such financial instruments are recorded in other expense (income), except for the fair value changes arising from a change in interest rates or when the instrument is held for investing purposes which are recorded in financing expense or financing income.

Derivative financial instruments – Derivative financial instruments are mainly used to manage Bombardier Transportation's exposure to foreign exchange market risks, generally through forward foreign exchange contracts. Derivative financial instruments include 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 FVTP&L, 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 cost of sales or financing expense or financing income, based on the nature of the exposure.

Embedded derivatives of Bombardier Transportation include foreign exchange instruments included in sale or purchase agreements. Upon initial recognition, the fair value of the foreign exchange instruments not designated in a hedge relationship is recognized in cost of sales. Subsequent changes in fair value of embedded derivatives are recorded in cost of sales or financing expense or financing income, based on the nature of exposure.

c) FVOCI financial assets

Investments in securities are classified as FVOCI. Investments in securities, excluding equity instruments, are accounted for at fair value with unrealized gains and losses included in OCI, except for impairment gains or losses and foreign exchange gains and losses on monetary investments, such as fixed income investments, which are recognized in income. Equity instruments, included in investments in securities, were designated, on initial recognition, at FVOCI, where the subsequent changes in the fair value are recognized in OCI with no recycling to net income. Dividend income is recognized in financing income.

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 and non-derivative hedging financial instruments are expected to substantially offset the changes in the fair value of the hedged item attributable to the underlying risk exposure.

Bombardier Transportation 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 cash flows or to a specific asset or liability. Bombardier Transportation also formally documents and assesses, both at the hedge's inception and on an ongoing basis, whether the hedging instruments are effective in offsetting the changes in the fair value or cash flows of the hedged items. The permitted hedging strategy used by Bombardier Transportation is as follows:

Cash flow hedges – Bombardier Transportation generally applies cash flow hedge accounting to forward foreign exchange contracts entered into to hedge foreign exchange risks on forecasted transactions and recognized assets and liabilities. 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 as a reclassification adjustment 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.

For Bombardier Transportation, foreign currency exposure, arising from its long-term contracts, spreads over many years. Such exposures are generally entirely hedged at the time of order intake, contract-by-contract, for a period that is often shorter than the maturity of the cash flow exposure. Upon maturity of the hedges, Bombardier Transportation enters into new hedges in a rollover strategy for periods up to the maturity of the cash flow exposure. There is an economic relationship between the hedged items and the hedging instruments as the critical terms, under a spot designation, are closely aligned. The critical terms are the nominal amount and the currency.

To test the hedge effectiveness, Bombardier Transportation uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in the fair value of the hedged items attributable to the hedged risks. The hedge ineffectiveness can arise due to the time value of money, under a spot designation, as the expected timing between the forecasted transaction and the forward contract are not aligned, due to different indexes, and changes to the forecasted amount of cash flow of hedged items and hedging instruments. Bombardier Transporation has established a hedge ratio of 1:1.

The portion of gains or losses on the hedging instrument 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 cost of sales or financing expense or financing income 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.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the arrangement conveys a right to use the asset. When substantially all risks and rewards of ownership are transferred from the lessor to the lessee, lease transactions are accounted for as finance leases. All other leases are accounted for as operating leases.

Bombardier Transportation enters into sale and leaseback transactions, typically for properties, whereby Bombardier Transportation sells an asset to a lessor and immediately leases it back. These leases are generally accounted for as operating leases based on the above accounting policy for lease classification. In the case of properties, the sale is treated as a disposal of PP&E with recognition of a corresponding gain or loss on sale, and the cash proceeds are classified as as disposals of PP&E within cash flows from investing activities.

When Bombardier Transportation is the lessee – Leases of assets classified as finance leases are presented in the consolidated statements of financial position according to their nature. The interest element of the lease payment is recognized over the term of the lease based on the effective interest rate method and is included in financing expense. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease.

Inventory valuation

Raw materials – Raw materials inventories are valued at the lower of cost or net realizable value. Cost is generally determined using the moving average method.

Impairment of inventories – Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused inventories to be written down 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.

Retirement and other long-term employee benefits

Retirement benefit plans are classified as either defined benefit plans or defined contribution plans.

Defined benefit plans

Retirement benefit liability or asset recognised on the consolidated statement of financial position is measured at the difference between the present value of the defined benefit obligation and the fair value of plan asset at the reporting date. When Bombardier Transportation has a surplus in a defined benefit plan, the value of any plan asset recognized is restricted to the asset ceiling - i.e. the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan (“asset ceiling test”). A minimum liability is recorded when legal minimum funding requirements for past services exceed economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. A constructive obligation is recorded as a defined benefit obligation when there is no realistic alternative but to pay employee benefits. Retirement benefit liability or asset includes the effect of any asset ceiling, minimum liability and constructive obligation.

The cost of pension and other benefits earned by employees is actuarially determined for each plan using the projected unit credit method, and management’s best estimate of salary escalation, retirement ages, life expectancy, inflation, discount rates and health care costs. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. These assets are measured at fair value at the end of the reporting period, which is based on published market mid-price information in the case of quoted securities. The discount rates are determined at each reporting date by reference to market yields at the end of the reporting period on high quality corporate fixed-income investments consistent with the currency and the estimated terms of the related retirement benefit liability. Past service costs are recognized in income at the earlier of i) the date of the plan amendment or curtailment or ii) the date that the Corporation recognized the restructuring costs.

The remeasurement gains and losses (including the foreign exchange impact) arising on the plan assets and defined benefit obligation and the effect of any asset ceiling and minimum liability are recognized directly in OCI in the period in which they occur and are never reclassified to net income. Past service costs (credits) are recognized directly in income in the period in which they occur.

The accretion on net retirement benefit obligations is included in financing income or financing expense. The remaining components of the benefit cost are either capitalized as part of labour costs and included in inventories and in certain PP&E and intangible assets during their construction, or are recognized directly in income. The benefit cost recorded in net income is allocated to labour costs based on the function of the employee accruing the benefits.

Defined contribution plans
Contributions to defined contribution plans are recognized in net income as incurred or are either capitalized as part of labour costs and included in inventories. The benefit cost recorded in net income is allocated to labour costs based on the function of the employee accruing the benefits.

Other long-term employee benefits – The accounting method is similar to the method used for defined benefit plans, except that all actuarial gains and losses are recognized immediately in income. Other long-term employee benefits are included in other liabilities.

Property, plant and equipment

PP&E are carried at cost less accumulated amortization and impairment losses. The cost of an item of PP&E includes its purchase price or manufacturing cost as well as other costs incurred in bringing the asset to its present location and condition. If the cost of certain components of an item of PP&E is significant in relation to the total cost of the item, the total cost is allocated between the various components, which are then separately depreciated over the estimated useful lives of each respective component. The amortization of PP&E is computed on a straight-line basis over the following useful lives:

Buildings	5 to 75 years
Equipment	2 to 15 years
Other	3 to 10 years

The amortization method and useful lives are reviewed on a regular basis, at least annually, and changes are accounted for prospectively. The amortization expense and impairments are recorded in cost of sales, SG&A or R&D expenses based on the function of the underlying asset or in special items. Amortization of assets under construction begins when the asset is ready for its intended use.

When a significant part is replaced or a major inspection or overhaul is performed, its cost is recognized in the carrying amount of the PP&E if the recognition criteria are satisfied, and the carrying amount of the replaced part or previous inspection or overhaul is derecognized. All other repair and maintenance costs are charged to income when incurred.

Intangible assets

Internally generated intangible assets include development costs and internally developed or modified application software. These costs are capitalized when certain criteria for deferral such as proven technical feasibility are met. The costs of internally generated intangible assets include the cost of materials, direct labour, manufacturing overheads and borrowing costs and exclude costs which were not necessary to create the asset, such as identified inefficiencies.

Acquired intangible assets include the cost of development activities carried out by vendors for which Bombardier Transportation controls the underlying output from the usage of the technology, as well as the cost related to externally acquired licences, patents and trademarks.

Intangible assets are recorded at cost less accumulated amortization and impairment losses and include goodwill, as well as other intangible assets such as licenses, patents and trademarks. Other intangible assets are included in other assets.

	Method	Estimated useful life
Platform development	Straight-line	5 to 8 years
Licenses, patents and trademarks	Straight-line	3 to 20 years
Application software and other	Straight-line	3 to 5 years

The amortization methods and estimated useful lives are reviewed on a regular basis, at least annually, and changes are accounted for prospectively. The amortization expense for the platform development costs is recorded in R&D expense and for other intangible assets is recorded in cost of sales, SG&A or R&D expense based on their function of the underlying asset.

Bombardier Transportation does not have indefinite-life intangible assets, other than goodwill. Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment of PP&E and intangible assets

Bombardier Transportation assesses at each reporting date whether there is an indication that an item of PP&E or intangible asset may be impaired. If any indication exists, Bombardier Transportation estimates the recoverable amount of the individual asset, when possible.

When the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, the asset is tested at the CGU level. Most of Bombardier Transportation's non-financial assets are tested for impairment at the CGU level. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

- The fair value less costs to sell reflects the amount Bombardier Transportation could obtain from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. If there is no binding sales agreement or active market for the asset, the fair value is assessed by using appropriate valuation models dependent on the nature of the asset or CGU, such as discounted cash flow models.
- The value in use is calculated using estimated net cash flows, with detailed projections generally over a five-year period and subsequent years being extrapolated using a growth assumption. The estimated net cash flows are discounted to their present value using a discount rate before income taxes that reflects current market assessments of the time value of money and the risk specific to the asset or CGU.

When the recoverable amount is less than the carrying value of the related asset or CGU, the related assets are written down to their recoverable amount and an impairment loss is recognized in net income.

For PP&E and intangible assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, Bombardier Transportation estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. A reversal of an impairment loss reflects an increase in the estimated service potential of an asset. The reversal of impairment losses is limited to the amount that would bring the carrying value of the asset or CGU to the amount that would have been recorded, net of amortization, had no impairment loss been recognized for the asset or CGU in prior years. Such reversal is recognized to income in the same line item where the original impairment was recognized.

Intangible assets not yet available for use and goodwill are reviewed for impairment at least annually or more frequently if circumstances such as significant declines in expected sales, earnings or cash flows indicate that it is more likely than not that the asset or CGU might be impaired. Impairment losses relating to goodwill are not reversed in future periods.

Impairment of investments in joint ventures and associates

Bombardier Transportation's investments in its joint ventures and associates are accounted for using the equity method subsequent to initial recognition. The carrying amount of the investment is adjusted to recognize changes in Bombardier Transportation's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

Bombardier Transportation's share of net income of joint ventures and associates is included in the consolidated statement of income.

After application of the equity method, Bombardier Transportation determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, Bombardier Transportation determines whether there is objective evidence that the investment in joint venture or associate is impaired. If there is such evidence, Bombardier Transportation calculates the amount of impairment as the difference between the recoverable amount of the joint venture or associate and its carrying value, and then recognizes the loss in income.

Provisions

Provisions are recognised when Bombardier Transportation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated. These liabilities are presented as provisions when they are of uncertain timing or amount. Provisions are measured at their present value.

Product warranties – A provision for assurance type warranties 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 Bombardier Transportation's suppliers. Claims for reimbursement from third parties are recorded if their realization is virtually certain. Product warranties typically range from one to five years, except for bogie warranties that extend up to 20 years.

Restructuring provisions – Restructuring provisions are recognised only when Bombardier Transportation has an actual or a constructive obligation. Bombardier Transportation has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline. Furthermore, the affected employees or worker councils must have been notified of the plan's main features.

Onerous contracts – If it is more likely than not that the unavoidable costs of meeting the obligations under a firm contract exceed the economic benefits expected to be received under it, a provision for onerous contracts is recorded in cost of sales, except for the interest component, which is recorded in financing expense. Unavoidable costs include the costs that relate directly to the contract such as anticipated cost overruns, expected costs associated with late delivery penalties and technological problems, as well as allocations of costs that relate directly to the contract. Provisions for onerous contracts are measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract.

Termination benefits – Termination benefits are usually paid when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. Bombardier Transportation recognizes termination benefits when it is demonstrably committed, through a detailed formal plan without possibility of withdrawal, to terminate the employment of current employees.

Environmental costs – A provision for environmental costs is recorded when environmental claims or remedial efforts are probable and the costs can be reasonably estimated. Legal asset retirement obligations and environmental costs of a capital nature that extend the life, increase the capacity or improve the safety of an asset or that mitigate, or prevent environmental contamination that has yet to occur, are included in PP&E and are generally amortized over the remaining useful life of the underlying asset. Costs that relate to an existing condition caused by past operations and that do not contribute to future revenue generation are expensed and included in cost of sales.

Credit guarantees - 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.

Litigation – A provision for litigation is recorded in case of legal actions, governmental investigations or proceedings when it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated.

Share-based payments

Equity-settled share-based payment plans – Equity-settled share-based payments are measured at fair value at the grant date. For the PSUs, DSUs and RSUs, the value of the compensation is measured based on the closing price of a Class B Share (subordinate voting) of Bombardier Inc. on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the shares were granted, if any, and is based on the PSUs, DSUs and RSUs that are expected to vest. For share option plans, the value of the compensation is measured using a Black-Scholes option pricing model. The effect of any change in the number of options, PSUs, DSUs and RSUs that are expected to vest is accounted for in the period in which the estimate is revised. Compensation expense is recognized on a straight-line basis over the vesting period, with a corresponding increase in equity as a participation in Bombardier Inc.'s share-based plans. Bombardier Transportation is reimbursing Bombardier Inc. for the equivalent of the compensation expense. Any consideration paid by plan participants on the exercise of stock options is credited to the equity of Bombardier Inc.

Cash-settled share-based payments – Cash-settled share-based payments are measured at fair value at the grant date with a corresponding liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in income. Limited PSUs, DSUs and RSUs are cash-settled share-based payments, for which the value of the compensation is measured based on the closing price of a Class B Share (subordinate voting) of Bombardier Inc. on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the shares were granted, if any, and is based on the PSUs, DSUs and RSUs that are expected to vest.

Employee share purchase plan – Bombardier Inc.'s contributions to the employee share purchase plan are measured at cost and accounted for in the same manner as the related employee payroll costs. Compensation expense is recorded at the time of the employee contribution.

3. 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 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 designated at FVTP&L, is presented in OCI rather than in the statement of income, unless the effect of the changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

IFRS 9 also introduced a new expected credit loss impairment model that requires 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 enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 was adopted effective January 1, 2018 and resulted in no adjustments.

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.

The majority of long-term manufacturing and service contracts at Bombardier Transportation previously accounted for under the percentage-of-completion method meet the requirements for revenue recognition over time and therefore will continue to apply the percentage-of-completion method. The principal differences identified in respect of Bombardier Transportation's accounting for long-term contracts relate to the treatment of customer options for additional trains and the recognition of variable consideration such as price escalation clauses.

Under IAS 11, estimated revenues at completion included anticipated customer options for additional trains if it was probable that the customer will exercise the options and the amount can be measured reliably. Under IFRS 15, customer options are only included in the transaction price of the contract when they become legally enforceable as a result of the customer exercising its right to purchase the additional trains. This change results in the deferral of revenue and margin until the customer exercises their option.

Under IAS 11, variable considerations such as price escalation clauses were included in estimated revenues at completion when the amount is considered probable and can be reliably measured. IFRS 15 introduces the concept of a constraint on the recognition of variable consideration whereby amounts can only be included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The introduction of this constraint results in the transaction price recognizing the effect of price escalation for certain indices at a later point in time.

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. On adoption of IFRS 15, all loss provisions for contracts with customers follow the same policy for the definition of unavoidable costs of fulfilling the contract. In line with one of the two approaches identified as reasonable by the IFRS Interpretations Committee in its June 13, 2017 tentative agenda decision, Bombardier Transportation defines unavoidable costs as the costs that Bombardier Transportation 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 was used for long-term contracts within Bombardier Transportation and results in no change.

While these changes impact the timing of revenue and margin recognition, and result in a reduction of equity at transition, there is no change to cash flows. Furthermore, there is no change in profitability over the life of the contracts.

IFRS 15 was adopted effective January 1, 2018 and the changes have been accounted for retroactively in accordance with the transition rules of IFRS 15.

Impact of adopting IFRS 15 changes in accounting policies
The following tables summarize Bombardier Transportation's retroactive restatements to its consolidated financial statements resulting from the adoption of IFRS 15, *Revenue from contracts with customers*, including the impact of reclassification.

The impacts on the consolidated statements of comprehensive income and on the consolidated equity position, net of income taxes, are as follows:

	As at January 1, 2017
Equity as presented	€ 971
Change related to Revenue Recognition:	
Customer options	(602)
Variable consideration	(81)
Taxes and other	5
Equity as restated	€ 293

	Fiscal year ended December 31, 2017
Comprehensive income as presented	€ 208
Net income	
Customer options	(2)
Variable consideration	25
Taxes	(1)
Net increase to comprehensive income	22
Comprehensive income as restated	€ 230

	As at December 31, 2017
Equity as presented	€ 975
Change related to Revenue Recognition:	
Customer options	(604)
Variable consideration	(56)
Taxes and other	4
Equity as restated	€ 319

The impacts on the consolidated statements of income are as follows, for:

	Fiscal year ended December 31, 2017		
	As previously reported	Adjustments	As restated
Revenues	€ 7,557	€ 23	€ 7,580
Cost of sales	6,516	—	6,516
Gross margin	1,041	23	1,064
SG&A	561	—	561
R&D	107	—	107
Share of income of joint ventures and associates	(156)	—	(156)
Other income	(7)	—	(7)
Special items	310	—	310
EBIT	€ 226	€ 23	€ 249
Financing expense	101	—	101
Financing income	(10)	—	(10)
EBT	135	23	158
Income taxes	87	1	88
Net income	€ 48	€ 22	€ 70
Attributable to			
Equity holders of Bombardier Transportation	50	22	72
NCI	(2)	—	(2)
	€ 48	€ 22	€ 70

In addition to changes impacting net income (loss), contract penalties were reclassified from cost of sales to revenues.

The impacts on the consolidated statements of financial position are as follows, as at:

						December 31, 2017
		As previously reported		Adjustments		As restated
Assets						
Trade and other receivables	€	774	€	(48)	€	726
Contract assets		—		2,003		2,003
Inventories		2,176		(2,004)		172
Deferred income taxes		286		1		287
Other current assets		1,428		—		1,428
Other non-current assets		3,325		—		3,325
	€	7,989	€	(48)	€	7,941
Liabilities						
Trade and other payables	€	2,088	€	(148)	€	1,940
Provisions		640		571		1,211
Contract liabilities		—		2,231		2,231
Advances and progress billings in excess of long-term contract inventories		1,656		(1,656)		—
Other liabilities		1,540		(390)		1,150
Other current liabilities		197		—		197
Other non-current liabilities		893		—		893
	€	7,014	€	608	€	7,622
Equity						
Attributable to equity holders of Bombardier Transportation		967		(656)		311
Attributable to NCI		8		—		8
		975		(656)		319
	€	7,989	€	(48)	€	7,941

						January 1, 2017
		As previously reported		Adjustments		As restated
Assets						
Trade and other receivables	€	925	€	(66)	€	859
Contract assets		—		1,468		1,468
Inventories		1,593		(1,399)		194
Deferred income taxes		352		1		353
Other current assets		1,166		—		1,166
Other non-current assets		3,276		—		3,276
	€	7,312	€	4	€	7,316
Liabilities						
Trade and other payables	€	1,514	€	(137)	€	1,377
Provisions		530		647		1,177
Contract liabilities		—		2,007		2,007
Advances and progress billings in excess of long-term contract inventories		1,452		(1,452)		—
Other liabilities		1,545		(383)		1,162
Other current liabilities		234		—		234
Other non-current liabilities		1,066		—		1,066
	€	6,341	€	682	€	7,023
Equity						
Attributable to equity holders of Bombardier Transportation		955		(678)		277
Attributable to NCI		16		—		16
		971		(678)		293
	€	7,312	€	4	€	7,316

In addition to changes impacting equity, there were certain reclassifications made. Contract related balances were reclassified from inventories, advances and progress billings in excess of long-term contract inventories and other liabilities to contract assets and contract liabilities. Refer to Note 14 - Contract balances for more details.

Furthermore, since IFRS 15 indicates IAS 37, *Provisions, Contingent liabilities and Contingent Assets* should be applied to onerous contracts, the onerous contract provisions related to long-term contracts are no longer netted against contract related balances and instead were reclassified from inventories to provisions. These reclassifications between contract related balances and provisions in the statement of financial position had no impact on results of operations, equity or cash flows. Refer to Note 14 - Contract balances and Note 23 - Provisions for more details.

There was no impact on cash flows from operating activities, investing activities and financing activities as a result of adopting IFRS 15.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

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 Bombardier Transportation's fiscal year beginning on January 1, 2019, and Bombardier Transportation elected to use the modified retrospective approach. Bombardier Transportation will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. Bombardier Transportation will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. In addition, Bombardier Transportation will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Bombardier Transportation evaluated the impact the adoption of this standard will have on its consolidated financial statements. Where Bombardier Transportation is a lessee, 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. This change in policy is expected to result in the recognition of right-of-use assets and lease liabilities amounting to €199 million. In addition, Bombardier Transportation has existing capital leases amounting to €24 million that are recorded in long-term debt and that will be reclassified to lease liability on January 1, 2019. Bombardier Transportation continues to assess the impact of adopting IFRS 16 on deferred tax balances.

Income taxes
In June 2017, the IASB released IFRIC 23, *Uncertainty over income tax treatm*ents. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

IFRIC 23 will be effective for Bombardier Transportation's fiscal year beginning on January 1, 2019, with earlier application permitted. Bombardier Transportation's analysis has not identified significant differences resulting from the adoption of IFRIC 23.

Retirement and other long-term employee benefits
In February 2018, the IASB released an amendment to IAS 19, *Employee Benefits*, effective on January 1, 2019. The amendment relates to accounting for plan amendments, curtailments and settlements on defined benefit plans. The amendment requires the use of updated actuarial assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. Bombardier Transportation will apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

5. USE OF ESTIMATES AND JUDGMENT

The application of Bombardier Transportation's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Estimates and judgments are significant when:

- the outcome is highly uncertain at the time the estimates and judgments are made; and
- if different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

Management's best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results will differ from the estimates used, and such differences could be material.

Management's budget and strategic plan cover a five-year period and are fundamental information used as a basis for many estimates necessary to prepare financial information. Management prepares a budget and a strategic plan covering a five-year period, on an annual basis, using a process whereby a detailed one-year budget and four-year strategic plan are prepared. Cash flows and profitability included in the budget and strategic plan are based on existing and future contracts and orders, general market conditions, current cost structures, anticipated cost variations and in-force collective agreements. The budget and strategic plan are subject to approval at various levels, including senior management, Bombardier Inc.'s Board of Directors and Bombardier Transportation's Board of Directors. Management uses the budget and strategic plan, as well as additional projections or assumptions, to derive the expected results for periods thereafter. Management then tracks performance as compared to the budget and strategic plan at various levels within Bombardier Transportation. Significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following areas require management's most critical estimates and judgments. The sensitivity analyses below should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

Long-term contracts – Bombardier Transportation conducts most of its business under long-term manufacturing and service contracts. Revenues and margins from long-term contracts relating to the designing, engineering or manufacturing of specially designed products (including rail vehicles, vehicle overhaul and signalling contracts) and service contracts are recognized over time. The long-term nature of these contracts requires estimates of total contract costs and the transaction price. The measure of progress toward complete satisfaction of the performance obligation 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.

The contract transaction price includes adjustments for change orders, claims, performance incentives, price escalation clauses and other contract terms that provide for the adjustment of prices to the extent they represent enforceable rights for Bombardier Transportation.Variable consideration such as assumptions for price escalation clauses and performance incentives is only included in the transaction price to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Contract costs include material, direct labour, manufacturing overhead and other costs, such as warranty and freight. Estimated contract costs at completion incorporate forecasts for material usage and costs, including escalation clauses, labour hours and costs, foreign exchange rates (including the effect of hedges) and labour productivity. These costs are influenced by the nature and complexity of the work to be performed, as well as the impact of change orders and potential delays in delivery. Cost estimates are based mainly on historical performance trends, economic trends, collective agreements and contracts signed with suppliers. Management applies judgment to determine the probability that Bombardier Transportation will incur additional costs from delays or other penalties, and such costs, if probable, are included in estimated costs at completion, unless there is an adjustment to the transaction price in which case it is recorded as a reduction of estimated revenues at completion.

Recognized revenues and margins are subject to revisions as contracts progress towards completion. Management conducts quarterly reviews of estimated costs and revenues to completion on a contract-by-contract basis, including a review of escalation assumptions. In addition, a detailed annual review is performed on a contract-by-contract basis as part of the budget and strategic plan process. The effect of any revision may be significant and is recorded by way of a cumulative catch-up adjustment in the period in which the estimates are revised.

Sensitivity analysis
A 1% increase in the estimated future costs to complete all ongoing long-term contracts would have decreased Bombardier Transportation's gross margin for fiscal year 2018 by approximately €77 million.

Goodwill – The recoverable amount of Bombardier Transportation, the group of CGUs at which level goodwill is monitored by management, is based on fair value less costs of disposal using a discounted cash flow model. During the fourth quarter of 2018, Bombardier Transportation completed its annual goodwill impairment test and did not identify any impairment**.** The fair value measurement is categorized within Level 3 of the fair value hierarchy.

Estimated future cash flows were based on the budget and strategic plan for the first 5 years and a growth rate of 1% was applied to derive a terminal value beyond the initial 5-year period. The post-tax discount rate is also a key estimate in the discounted cash flow model and was based on a representative weighted average cost of capital. The post-tax discount rate used to calculate the recoverable amount in fiscal year 2018 was 8.5%. A 100-basis point change in the post-tax discount rate would not have resulted in an impairment charge in 2018.

Valuation of deferred income tax assets – To determine the extent to which deferred income tax assets can be recognized, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made as part of the budget and strategic plan by tax jurisdiction on an undiscounted basis and are reviewed on a quarterly basis. Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period, the history of taxable profits and availability of prudent tax planning strategies. See Note 10 - Income taxes for more details.

Tax contingencies – Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense or recovery already recorded. Bombardier Transportation establishes tax provisions for possible consequences of audits by the tax authorities of each country in which it operates. The amount of such provisions is based on various factors, such as experience from previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the domicile of each legal entity.

Retirement and other long-term employee benefits – The actuarial valuation process used to measure pension and other post-employment benefit costs, assets and obligations is dependent on assumptions regarding discount rates, compensation and pre-retirement benefit increases, inflation rates, health-care cost trends, as well as

demographic factors such as employee turnover, retirement and mortality rates. The impacts from changes in discount rates and, when significant, from key events and other circumstances, are recorded quarterly.

Discount rates are used to determine the present value of the expected future benefit payments and represent the market rates for high-quality corporate fixed-income investments consistent with the currency and the estimated term of the retirement benefit liabilities. As the U.K. high-quality corporate bond market, as defined under IFRS, includes relatively few long-term maturity bonds, the discount rate for Bombardier Transportation's U.K. pension and other post-employment plans is established by constructing a hypothetical yield curve. The hypothetical yield curve is developed from Sterling corporate bond yield information for corporate bonds rated AA or equivalent quality. Target yields are developed from bonds across a range of maturity points, and a curve is fitted to those targets. Spot rates (zero coupon bond yields) are developed from the yield curve and used to discount benefit payment amounts associated with each future year. Since corporate bonds are generally not available for very long maturities, an assumption is made that spot rates remain level beyond the term of the longest data target point. The term of the longest data target point as at December 31, 2018 was 24 years.

Expected rates of compensation increases are determined considering the current salary structure, as well as historical and anticipated wage increases, in the context of current economic conditions.

See Note 21 – Retirement benefits for further details regarding assumptions used and sensitivity analysis to changes in critical actuarial assumptions.

Onerous contract provision – An onerous contract provision is recorded if it is more likely than not that the unavoidable costs of meeting the obligations under a firm contract exceed the economic benefits expected to be received under it. In most cases the economic benefit expected to be received under the contract consist of contract revenue. The calculation of the unavoidable costs require estimates of expected future costs, including anticipated future cost reductions related to performance improvements and transformation initiatives, anticipated cost overruns, expected costs associated with late delivery penalties and technological problems, as well as allocations of costs that relate directly to the contract. The measurement of the provision is impacted by anticipated delivery schedules since for new aircraft programs early production units require higher cost than units produced later in the progress, and for long term train manufacturing contracts delays result in penalties.

Sensitivity analysis
A 1% increase in the expected costs would have decreased EBIT for fiscal year 2018 by approximately €19 million.

Consolidation – From time to time, Bombardier Transportation participates in structured entities where voting rights are not the dominant factor in determining control. In these situations, management may use a variety of complex estimation processes involving both qualitative and quantitative factors to determine whether Bombardier Transportation is exposed to, or has rights to, significant variable returns. The quantitative analyses involve estimating the future cash flows and performance of the investee and analyzing the variability in those cash flows. The qualitative analyses involve consideration of factors such as the purpose and design of the investee and whether Bombardier Transportation is acting as an agent or principal. There is a significant amount of judgment exercised in evaluating the results of these analyses as well as in determining if Bombardier Transportation has power to affect the investee's returns, including an assessment of the impact of potential voting rights, contractual agreements and de facto control.

6. OTHER EXPENSE (INCOME)

Other expense (income) was as follows, for fiscal years:

		2018		2017
Severance and other involuntary termination costs (including changes in estimates)[1]	**€**	**2**	€	3
(Gains) losses on disposals of PP&E and intangible assets[1]		**1**		(8)
Gain on disposal of business		**—**		(2)
	€	**3**	€	(7)

[1] Excludes those presented in special items.

7. SPECIAL ITEMS

Special items were as follows, for fiscal years:

		2018		2017
Gains on disposal of PP&E under sale and leaseback transactions[1]	**€**	**(55)**	€	—
Loss on sale of long-term contract receivables[2]		**26**		—
Impairment of non-core operations[3]		**14**		39
Purchase of pension annuities[4]		**10**		—
Restructuring charges[5]		**8**		223
Pension equalization[6]		**2**		—
PCG agreement[7]		**—**		55
Transaction costs[8]		**—**		(7)
Tax impact of special items		**(2)**		(21)
	€	**3**	€	289
Of which is presented in				
Special items in EBIT	**€**	**(21)**	€	310
Financing expense - loss on sale of long-term contract receivables[2]		**26**		—
Income taxes - effect of special items		**(2)**		(21)
	€	**3**	€	289

[1] Bombardier Transportation sold and leased back two facilities in line with our transformation plan.

[2] For fiscal year 2018, Bombardier Transportation sold long-term receivables, which resulted in a loss of €26 million recorded in financing expense.

[3] An impairment charge related to non-core operations of €14 million recorded in fiscal year 2018 with respect to the expected sale of legal entities, as part of the transformation plan (€39 million for fiscal year 2017).

[4] Represents the loss (mainly non-cash) on settlement of defined benefit pension plans in Ontario (Canada) and the U.K. resulting from the purchase of annuities from insurance companies. As part of its ongoing de-risking strategies, Bombardier Transportation has an initiative for the buy-out of annuities payable to pensioners or deferred pensioners for certain plans to the extent they are fully funded on a buy-out basis, subject to compliance with certain conditions including applicable pension legislations. In fiscal year 2018, on a consolidated basis, Bombardier Transportation bought-out annuities for more than 500 retirees of defined benefit pension plans, for which the premiums paid to insurers were €58 million (paid from plans assets) and the respective defined benefit obligations were €48 million.

[5] For fiscal year 2018, represents severance charges of €4 million, partially offset by curtailment gains of €3 million, and impairment charges of PP&E of €7 million, all related to previously-announced restructuring actions. For fiscal year 2017, represents restructuring charges of €192 million, partially offset by curtailment gains of €2 millions and impairment charges of PP&E of €33 million, all related to previously-announced restructuring actions.

[6] On October 26, 2018, the High Court in the United Kingdom ruled that pension schemes must equalize for the effect of unequal Guaranteed Minimum Pensions between male and female for benefits earned during specified periods ("GMP equalization"). Bombardier Transportation estimated the impact of the ruling on its pension plans and recognized an additional obligation of €2 million as at December 31, 2018. The one-time P&L impact was recognized in fiscal year 2018 as a past service cost under IAS 19 - Employee Benefits.

[7] Following an agreement with tax authorities related to PCG fees of previous years, Bombardier Inc. has invoiced Bombardier Transportation for PCG fees in accordance with the agreement, and the resulting note receivable was then contributed by Bombardier Inc. into the equity of Bombardier Transportation.

[8] Represents the reversal of transaction costs following a change in estimates related to the reorganization of Bombardier Transportation, in January 2016, under one holding entity necessary to facilitate the placement of a minority stake in BT Holdco.

8. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows, for fiscal years:

		2018		2017
Financing expense				
Accretion on net retirement benefit obligations	**€**	**15**	€	20
Amortization of letter of credit facility costs		**10**		10
Net loss on certain financial instruments[1]		**—**		7
Loss on sale of long-term contract receivables[2]		**26**		—
Other		**34**		63
		85		100
Interest on long-term debt		**1**		1
	€	**86** [3]	€	101 [3]
Financing income				
Net gain on certain financial instruments[1]	**€**	**(5)**	€	—
Interest on cash and cash equivalents		**(2)**		(2)
Other		**(14)**		(8)
	€	**(21)** [4]	€	(10) [4]

[1] Net losses (gains) on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.
[2] Represents the loss related to the sale of long-term contract receivables. See Note 7 – Special items for more details.
[3] Of which €7 million representing the interest expense calculated using the effective interest rate method for financial liabilities classified as amortized cost, respectively for fiscal year 2018 (€25 million for fiscal year 2017).
[4] Of which €9 million representing the interest income calculated using the effective interest rate method for financial assets classified as amortized cost and FVOCI, respectively for fiscal year 2018 (nil for fiscal year 2017).

9. EMPLOYEE BENEFIT COSTS

Employee benefit costs[1] were as follows, for fiscal years:

	Notes		**2018**		2017
Wages, salaries and other employee benefits		**€**	**2,407**	€	2,325
Retirement benefits[2]	21		**142**		138
Restructuring, severance and other involuntary termination costs	6, 7		**6**		195
Share-based expense	28		**22**		17
		€	**2,577**	€	2,675

[1] Employee benefit costs include costs capitalized as part of the cost of inventories.
[2] Includes defined benefit and defined contribution plans.

10. INCOME TAXES

Analysis of income tax expense

Details of income tax expense were as follows, for fiscal years:

		2018		2017 [1]
Current income taxes	**€**	**112**	€	50
Deferred income taxes		**116**		38
	€	**228**	€	88

[1] Restated, refer to Note 3 for the impact of changes in accounting policies.

The reconciliation of income taxes, computed at the Canadian statutory rates, to income tax expense was as follows, for fiscal years:

		2018		2017 [1]
EBT	**€**	**523**	€	158
Canadian statutory tax rate		**26.7%**		26.7%
Income tax expense at statutory rate		**140**		42
Increase (decrease) resulting from:				
Non-recognition of tax benefits related to tax losses and temporary differences		**42**		191
Write-down of deferred income tax assets		**104**		4
Income tax rates differential of foreign subsidiaries and other investees		**4**		8
Recognition of previously unrecognized tax losses or temporary differences		**(22)**		(122)
Permanent differences		**(24)**		(48)
Effect of substantively enacted income tax rate changes		**—**		35 [2]
Other		**(16)**		(22)
Income tax expense	**€**	**228**	€	88
Effective tax rate		**43.6%**		55.7%

[1] Restated, refer to Note 3 for the impact of changes in accounting policies.
[2] Relates mainly to the U.S. tax reform.

Bombardier Transportation's applicable Canadian statutory tax rate is the Federal and Provincial combined tax rate applicable in the jurisdiction in which Bombardier Transportation operates.

Details of deferred income tax expense were as follows, for fiscal years:

		2018		2017 [1]
Non-recognition of tax benefits related to tax losses and temporary differences	**€**	**42**	€	191
Origination and reversal of temporary differences		**(8)**		(70)
Write-down of deferred income tax assets		**104**		4
Recognition of previously unrecognized tax losses or temporary differences		**(22)**		(122)
Effect of substantively enacted income tax rate changes		**—**		35
	€	**116**	€	38

[1] Restated, refer to Note 3 for the impact of changes in accounting policies.

Deferred income taxes

The significant components of the Bombardier Transportation's deferred income tax asset and liability were as follows, as at:

	December 31, 2018		December 31, 2017 [1]		January 1, 2017 [1]	
	Asset	**Liability**	Asset	Liability	Asset	Liability
Operating tax losses carried forward	**€ 977**	**€ —**	€ 854	€ —	€ 1,005	€ —
Retirement benefits	**120**	**—**	124	—	190	—
Contract liabilities	**16**	**—**	—	—	—	—
Inventories	**—**	**—**	—	—	—	—
Provisions	**359**	**—**	516	—	250	—
Other financial assets and other assets	**123**	**—**	66	—	76	—
PP&E	**20**	**—**	4	—	3	—
Other financial liabilities and other liabilities	**(80)**	**—**	2	—	(13)	—
Contract assets	**74**		38		1	
Intangible assets	**13**	**—**	(125)	—	59	—
Other	**(57)**	**—**	25	—	28	—
	1,565	**—**	1,504	—	1,599	—
Unrecognized deferred tax assets	**(1,383)**	**—**	(1,217)	—	(1,246)	—
	€ 182	**€ —**	€ 287	€ —	€ 353	€ —

[1] Restated, refer to Note 3 for the impact of changes in accounting policies.

The changes in the net deferred income tax asset were as follows for the fiscal years:

	2018	2017 [1]
Balance at beginning of year, net	**€ 287**	€ 353
In net income	**(116)**	(38)
In OCI		
Retirement benefits	**10**	(38)
Cash flow hedges	**(8)**	26
Other[2]	**9**	(16)
Balance at end of year, net	**€ 182**	€ 287

[1] Restated, refer to Note 3 for the impact of changes in accounting policies.
[2] Mainly comprises foreign exchange rate effects.

The net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to €4,885 million as at December 31, 2018, of which €153 million relates to retirement benefits that will reverse through OCI (€4,431 million as at December 31, 2017 of which €193 million relates to retirement benefits that will reverse through OCI and €4,528 million as at January 1, 2017 of which €278 million relates to retirement benefits that will reverse through OCI). Of these amounts, approximately €4,244 million as at December 31, 2018 has no expiration date (€3,881 million as at December 31, 2017 and €3,502 million as at January 1, 2017) and approximately €2,516 million relates to the Bombardier Transportation's operations in Germany where a minimum income tax is payable on 40% of taxable income (€2,357 million as at December 31, 2017 and €2,024 million as at January 1, 2017) and €381 million relate to the Bombardier Transportation's operations in France where a minimum income tax is payable on 50% of taxable income (€437 million as at December 31, 2017 and €460 million as at January 1, 2017).

In addition, Bombardier Transportation has €143 million of unused investment tax credits, most of which can be carried forward for 20 years and €36 million of net capital losses carried forward for which deferred tax assets have not been recognized (€70 million and €41 million as at December 31, 2017 and €71 million and €43 million as at January 1, 2017). Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains.

Net deferred tax assets of €39 million were recognized as at December 31, 2018 (€101 million as at December 31, 2017 and €231 million as at January 1, 2017) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical taxable income, projections for future taxable income and prudent tax planning strategies, management believes it is probable Bombardier Transportation will realize the benefits of these deductible differences and operating tax losses carried forward. See Note 5 – Use of estimates and judgment for more information on how Bombardier Transportation determines the extent to which deferred income tax assets are recognized.

No deferred tax liabilities have been recognized on undistributed earnings of Bombardier Transportation's foreign subsidiaries, joint ventures and associates when they are considered to be indefinitely reinvested, as Bombardier Transportation has control or joint control over the dividend policy, unless it is probable that these temporary differences will reverse. Upon distribution of these earnings in the form of dividends or otherwise, Bombardier Transportation may be subject to corporation and/or withholding taxes. Taxable temporary differences for which a deferred tax liability was not recognized amount to approximately €508 million as at December 31, 2018 (€417 million as at December 31, 2017 and €294 million as at January 1, 2017).

11. FINANCIAL INSTRUMENTS

Net gains (losses) on financial instruments recognized in income were as follows, for fiscal years:

		2018		2017
Financial instruments measured at amortized cost				
Financial assets - expected credit loss allowance (impairment charges)	**€**	**(19)**	€	(30)
Interest on cash and cash equivalents	**€**	**2**	€	—
Financial instruments measured at fair value				
Required to be classified as FVTP&L[(1)(2)(3)]	**€**	**(36)**	€	22

(1) See Note 7 – Special items for more details.
(2) Excluding the interest income portion related to cash and cash equivalents of €2 million for fiscal year 2017.
(3) Includes loss on sale of long-term contract receivable, see Note 7 – Special items for more details.

Carrying amounts of financial instruments

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

	FVTP&L	FVOCI	Amortized cost	DDHR	Total carrying value	Fair value
December 31, 2018						
Financial assets						
Cash and cash equivalents	**€ —**	**€ —**	**€ 662**	**€ —**	**€ 662**	**€ 662**
Trade and other receivables	**—**	**—**	**921**	**—**	**921**	**921**
Other financial assets	**84**	**5**	**13**	**111**	**213**	**211**
	€ 84	**€ 5**	**€ 1,596**	**€ 111**	**€ 1,796**	**€ 1,794**
Financial liabilities						
Trade and other payables	**€ —**	**n/a**	**€ 2,208**	**€ —**	**€ 2,208**	**€ 2,208**
Long-term debt[1]	**—**	**n/a**	**24**	**—**	**24**	**24**
Other financial liabilities	**31**	**n/a**	**4**	**86**	**121**	**121**
	€ 31		**€ 2,236**	**€ 86**	**€ 2,353**	**€ 2,353**

	HFT	AFS	Amortized cost	DDHR	Total carrying value	Fair value
December 31, 2017						
Financial assets						
Cash and cash equivalents	€ 993	€ —	€ —	€ —	€ 993	€ 993
Trade and other receivables	—	—	726	—	726	726
Other financial assets	30	4	229	117	380	408
	€ 1,023	€ 4	€ 955	€ 117	€ 2,099	€ 2,127
Financial liabilities						
Trade and other payables	€ —	n/a	€ 1,940	€ —	€ 1,940	€ 1,940
Long-term debt[1]	—	n/a	28	—	28	28
Other financial liabilities	33	n/a	11	150	194	194
	€ 33		€ 1,979	€ 150	€ 2,162	€ 2,162
January 1, 2017						
Financial assets						
Cash and cash equivalents	€ 732	€ —	€ —	€ —	€ 732	€ 732
Trade and other receivables	—	—	859	—	859	859
Other financial assets	51	12	237	125	425	437
	€ 783	€ 12	€ 1,096	€ 125	€ 2,016	€ 2,028
Financial liabilities						
Trade and other payables	€ —	n/a	€ 1,377	€ —	€ 1,377	€ 1,377
Long-term debt[1]	—	n/a	33	—	33	33
Other financial liabilities	55	n/a	4	183	242	242
	€ 55		€ 1,414	€ 183	€ 1,652	€ 1,652

[1] Includes the current portion of long-term debt.

n/a: Not applicable

Offsetting financial assets and financial liabilities

Bombardier Transportation is subject to enforceable master netting agreements related mainly to its derivative financial instruments and cash and cash equivalents which contain a right of set-off in case of default, insolvency or bankruptcy. The amounts that are subject to the enforceable master netting agreements, but which do not meet some or all of the offsetting criteria, are as follows as at:

Description of recognized financial assets and liabilities	Amount recognized in the financial statements	Amounts subject to master netting agreements	Net amount not subject to master netting agreements
December 31, 2018			
Derivative financial instruments - assets	**€ 130**	**€ (90)**	**€ 40**
Derivative financial instruments - liabilities	**€ (117)**	**€ 97**	**€ (20)**
Cash and cash equivalents	**€ 662**	**€ (7)**	**€ 655**
December 31, 2017			
Derivative financial instruments - assets	€ 147	€ (109)	€ 38
Derivative financial instruments - liabilities	€ (183)	€ 143	€ (40)
Cash and cash equivalents	€ 993	€ (34)	€ 959
January 1, 2017			
Derivative financial instruments - assets	€ 176	€ (112)	€ 64
Derivative financial instruments - liabilities	€ (238)	€ 166	€ (72)
Cash and cash equivalents	€ 732	€ (54)	€ 678

Derivatives and hedging activities

The carrying amounts of all derivative and non-derivative financial instruments in a hedge relationship were as follows, as at:

	December 31, 2018		December 31, 2017		January 1, 2017	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments designated as cash flow hedges[1]						
Forward foreign exchange contracts	**€ 111**	**€ 86**	€ 117	€ 150	€ 125	€ 183
Derivative financial instruments classified as HFT[2]						
Forward foreign exchange contracts	**17**	**31**	29	33	49	53
Embedded derivative financial instruments						
Other	**2**	**—**	1	—	2	2
	19	**31**	30	33	51	55
Total derivative financial instruments	**€ 130**	**€ 117**	€ 147	€ 183	€ 176	€ 238

(1) The maximum length of time of derivative financial instruments hedging Bombardier Transportation's exposure to the variability in future cash flows for anticipated transactions is 18 months as at December 31, 2018.

(2) Held as economic hedges, except for embedded derivative financial instruments.

The ineffectiveness recognized in net income that relates to cash flow hedge, amounted to net gains of €5 million for fiscal year 2018.

The methods and assumptions used to measure the fair value of financial instruments are described in Note 33 – Fair value of financial instruments.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were as follows, as at:

	December 31, 2018	December 31, 2017	January 1, 2017
Cash	**€ 533**	€ 709	€ 649
Cash equivalents			
Term deposits	**129**	284	83
Cash and cash equivalents	**€ 662**	€ 993	€ 732

See Note 30 – Credit facilities for details on covenants related to cash and cash equivalents.

13. TRADE AND OTHER RECEIVABLES

Trade and other receivables were as follows, as at:

			Past due but not impaired [3]		
	Total	Not past due	less than 90 days	more than 90 days	Impaired [4]
December 31, 2018[1][2]					
Trade receivables, gross	**€ 880**	**€ 450**	**€ 205**	**€ 200**	**€ 25**
Allowance for doubtful accounts	**(24)**	**—**	**—**	**—**	**(24)**
	856	**€ 450**	**€ 205**	**€ 200**	**€ 1**
Other	**65**				
Total	**€ 921**				
December 31, 2017[1][2][5]					
Trade receivables, gross	€ 686	€ 449	€ 68	€ 120	€ 49
Allowance for doubtful accounts	(47)	—	—	—	(47)
	639	€ 449	€ 68	€ 120	€ 2
Other	87				
Total	€ 726				
January 1, 2017[1][2][5]					
Trade receivables, gross	€ 751	€ 557	€ 59	€ 115	€ 20
Allowance for doubtful accounts	(20)	—	—	—	(20)
	731	€ 557	€ 59	€ 115	€ —
Other	128				
Total	€ 859				

(1) Of which €72 million and €477 million are denominated in USD and other foreign currencies, respectively, as at December 31, 2018 (€122 million and €354 million, respectively, as at December 31, 2017 and €93 million and €398 million, respectively, as at January 1, 2017).

(2) Of which €349 million represents customer retentions relating to long-term contracts as at December 31, 2018 based on normal terms and conditions (€239 million as at December 31, 2017 and €246 million as at January 1, 2017).

(3) Of which €405 million of trade receivables relates to long-term contracts as at December 31, 2018, of which €200 million were more than 90 days past due (€188 million as at December 31, 2017, of which €120 million were more than 90 days past due and €174 million as at January 1, 2017, of which €115 million were more than 90 days past due). Bombardier Transportation assesses whether these receivables are collectible as part of its risk management practices applicable to long-term contracts as a whole.

(4) Of which a gross amount of €25 million of trade receivables are individually impaired as at December 31, 2018 (€49 million as at December 31, 2017 and €20 million as at January 1, 2017).

(5) Restated, refer to Note 3 for the impact of changes in accounting policies.

The factors that Bombardier Transportation considers to classify trade receivables as impaired are as follows: the customer is in bankruptcy or under administration, payments are in dispute, or payments are in arrears. Further information on financial risk is provided in Note 32 – Financial risk management.

Allowance for doubtful accounts – Changes in the allowance for doubtful accounts were as follows, for fiscal years:

		2018		2017
Balance at beginning of year	**€**	**(47)**	€	(20)
Provision for doubtful accounts		**(19)**		(30)
Amounts written-off		**43**		2
Recoveries		**—**		1
Effect of foreign currency exchange rate changes		**(1)**		—
Balance at end of year	**€**	**(24)**	€	(47)

Off-balance sheet factoring facilities

In the normal course of its business, Bombardier Transportation has facilities, to which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €799 million were outstanding under such facilities as at December 31, 2018 (€907 million as at December 31, 2017 and €820 million as at January 1, 2017). Trade receivables of €1,590 million were sold to these facilities during fiscal year 2018 (€1,349 million during fiscal year 2017).

In addition, in fiscal year 2018, Bombardier Transportation sold a long-term contract receivable, previously recorded in other financial assets, for proceeds of €113 million, refer to Note 7 - Special items and Note 17 - Other financial assets for more details.

14. CONTRACT BALANCES

Contract assets were as follows, as at:

		December 31, 2018		December 31, 2017 [1]		January 1, 2017 [1]
Long-term contracts						
Production contracts						
Cost incurred and recorded margins	**€**	**7,740**	€	6,920	€	6,403
Less: advances and progress billings		**(5,857)**		(5,155)		(5,087)
		1,883		1,765		1,316
Service contracts						
Cost incurred and recorded margins		**413**		273		221
Less: advances and progress billings		**(56)**		(35)		(69)
		357		238		152
	€	**2,240**	€	2,003	€	1,468

Contract liabilities were as follows, as at:

		December 31, 2018		December 31, 2017 [1]		January 1, 2017 [1]
Advances and progress billings in excess of long-term contract cost incurred and recorded margin	**€**	**1,817**	€	1,648	€	1,413
Other deferred revenues		**472**		583		594
	€	**2,289**	€	2,231	€	2,007
Of which current	**€**	**2,289**	€	2,231	€	2,007

[1] Restated, refer to Note 3 - Changes in accounting policies for more details.

Under certain contracts, title to contract balances 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, Bombardier Transportation provides performance bonds, bank guarantees and other forms of guarantees to customers as security for advances received from customers pending performance under certain contracts. In accordance with industry practice, Bombardier Transportation 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.

Advances and progress billings received on long-term contracts in progress were €7,730 million as at December 31, 2018 (€6,838 million as at December 31, 2017 and €6,569 million as at January 1, 2017). Revenues include revenues from long-term contracts, which amounted to €6,249 million for fiscal year 2018 (€6,111 million for fiscal year 2017).

In connection with certain long-term contracts, Bombardier 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 Bombardier 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) in contract assets and amounted to €624 million as at December 31, 2018 (€434 million as at December 31, 2017 and €471 million as at January 1, 2017). The third-party advance providers could request repayment of these amounts if Bombardier Transportation fails to perform its contractual obligations under the related long-term contract such as delivery delays beyond a specific date.

Revenues recognized were as follows for fiscal years:

		2018		2017
Revenue recognized from:				
Contract liability balance at the beginning of the period				
Long term production contracts and service contracts	**€**	**1,520**	€	1,482
Performance obligations satisfied (partially satisfied) in previous periods[1]				
Long term production contracts		**147**		152
Long term service contracts		**(19)**		3
	€	**1,648**	€	1,637

[1] Includes changes in transaction price such as penalties and escalation.

Impairment losses recognized were as follows for fiscal year:

		2018		2017
Impairment losses recognized on:				
Receivables arising from:				
Production contracts	**€**	**(18)**	€	(25)
Service contracts		**(1)**		(1)
	€	**(19)**	€	(26)

15. INVENTORIES

Inventories were as follows, as at:

		December 31, 2018		December 31, 2017[1]		January 1, 2017 [1]
Raw material	**€**	**119**	€	172	€	194
	€	**119**	€	172	€	194

[1] Restated, refer to Note 3 - Changes in accounting policies for more details.

16. BACKLOG

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at December 31, 2018 as we perform under contracts at delivery or recognized over time. The amounts disclosed below represent the value of firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include constrained variable consideration, unexercised options or letters of intent.

Revenues expected to be recognized in:

(In billions of €)		**December 31, 2018**
Less than 24 months	**€**	**14.7**
Thereafter		**15.4**
Total	**€**	**30.1**

17. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

		December 31, 2018		December 31, 2017		January 1, 2017
Derivative financial instruments[1]	**€**	**130**	€	147	€	176
Long-term contract receivables[2][3]		**65**		211		219
Restricted cash		**6**		10		10
Investments in securities		**5**		4		12
Deposits		**4**		4		4
Loans		**—**		1		1
Other		**3**		3		3
	€	**213**	€	380	€	425
Of which current	**€**	**132**	€	166	€	179
Of which non-current		**81**		214		246
	€	**213**	€	380	€	425

(1) See Note 11 – Financial instruments.
(2) See Note 32 – Financial risk management.
(3) See Note 7 - Special items for more details on the sale of long-term contract receivables.

18. OTHER ASSETS

Other assets were as follows, as at:

	December 31, 2018	December 31, 2017	January 1, 2017
Prepaid expenses[1]	**€ 195**	€ 241	€ 320
Retirement benefits[2]	**114**	123	13
Intangible assets other than goodwill[3]	**106**	53	22
Sales tax and other taxes	**89**	113	62
Income taxes receivable	**42**	39	37
Deferred financing charges	**24**	23	23
Other	**7**	7	5
	€ 577	€ 599	€ 482
Of which current	**€ 229**	€ 269	€ 255
Of which non-current	**348**	330	227
	€ 577	€ 599	€ 482

(1) Includes the prepaid asset related to PCG, see Note 35 - Transactions with Related Parties for more details.
(2) See Note 21 – Retirement benefits.
(3) See Note 20 – Intangible assets.

19. PROPERTY, PLANT AND EQUIPMENT

PP&E were as follows, as at:

	Land	Buildings	Equipment	Construction in progress	Other	Total
Cost						
Balance as at December 31, 2017	**€ 54**	**€ 950**	**€ 383**	**€ 67**	**€ 43**	**€ 1,497**
Additions	**—**	**10**	**36**	**52**	**4**	**102**
Disposals	**—**	**(32)**	**(33)**	**—**	**(4)**	**(69)**
Transfers	**—**	**19**	**18**	**(38)**	**1**	**—**
Effect of foreign currency exchange rate changes	**—**	**5**	**2**	**—**	**1**	**8**
Balance as at December 31, 2018	**€ 54**	**€ 952**	**€ 406**	**€ 81**	**€ 45**	**€ 1,538**
Accumulated amortization and impairment						
Balance as at December 31, 2017	**€ (14)**	**€ (630)**	**€ (167)**	**€ —**	**€ (12)**	**€ (823)**
Amortization	**—**	**(25)**	**(46)**	**—**	**(6)**	**(77)**
Impairment	**(1)**	**(1)**	**(5)**	**—**	**—**	**(7)**
Disposals	**—**	**18**	**29**	**—**	**3**	**50**
Effect of foreign currency exchange rate changes	**—**	**(3)**	**(1)**	**—**	**—**	**(4)**
Balance as at December 31, 2018	**€ (15)**	**€ (641)**	**€ (190)**	**€ —**	**€ (15)**	**€ (861)**
Net carrying value	**€ 39**	**€ 311**	**€ 216**	**€ 81**	**€ 30**	**€ 677**

	Land	Buildings	Equipment	Construction in progress	Other	Total
Cost						
Balance as at January 1, 2017	€ 56	€ 943	€ 402	€ 138	€ 46	€ 1,585
Additions	—	22	45	6	5	78
Disposals	—	(15)	(48)	(38)	(4)	(105)
Transfers	—	22	13	(36)	1	—
Effect of foreign currency exchange rate changes	(2)	(22)	(29)	(3)	(5)	(61)
Balance as at December 31, 2017	€ 54	€ 950	€ 383	€ 67	€ 43	€ 1,497
Accumulated amortization and impairment						
Balance as at January 1, 2017	€ (1)	€ (638)	€ (202)	€ —	€ (12)	€ (853)
Amortization	—	(25)	(46)	—	(6)	(77)
Impairment	(13)	(18)	(2)	—	—	(33)
Disposals	—	36	62	—	3	101
Effect of foreign currency exchange rate changes	—	15	21	—	3	39
Balance as at December 31, 2017	€ (14)	€ (630)	€ (167)	€ —	€ (12)	€ (823)
Net carrying value	€ 40	€ 320	€ 216	€ 67	€ 31	€ 674

Included in the above table are assets under finance lease where Bombardier Transportation is the lessee, with cost and accumulated amortization amounting to €38 million and €27 million, respectively, as at December 31, 2018 (€38 million and €26 million, respectively, as at December 31, 2017 and €40 million and €25 million, respectively, as at January 1, 2017).

20. INTANGIBLE ASSETS

Intangible assets were as follows, as at:

	Goodwill	Platform development [1][3]	Licenses, patents, trademarks [1][2]	Software, Other [1][3]	Total
Cost					
Balance as at December 31, 2017	**€ 1,702**	**€ 36**	**€ 181**	**€ 177**	**€ 2,096**
Additions	**—**	**60**	**—**	**2**	**62**
Disposals	**—**	**—**	**(4)**	**(2)**	**(6)**
Effect of foreign currency exchange rate changes	**(1)**	**—**	**—**	**2**	**1**
Balance as at December 31, 2018	**€ 1,701**	**€ 96**	**€ 177**	**€ 179**	**€ 2,153**
Accumulated amortization and impairment					
Balance as at December 31, 2017	**€ —**	**€ —**	**€ (181)**	**€ (160)**	**€ (341)**
Amortization	**—**	**—**	**—**	**(8)**	**(8)**
Disposals	**—**	**—**	**4**	**2**	**6**
Effect of foreign currency exchange rate changes	**—**	**—**	**—**	**(3)**	**(3)**
Balance as at December 31, 2018	**€ —**	**€ —**	**€ (177)**	**€ (169)**	**€ (346)**
Net carrying value	**€ 1,701**	**€ 96**	**€ —**	**€ 10**	**€ 1,807**

	Goodwill	Platform development [1][3]	Licenses, patents, trademarks [1][2]	Software, Other [1][3]	Total
Cost					
Balance as at January 1, 2017	€ 1,760	€ —	€ 183	€ 135	€ 2,078
Additions	—	36	—	6	42
Disposals	—	—	(2)	—	(2)
Effect of foreign currency exchange rate changes	(58)	—	—	36	(22)
Balance as at December 31, 2017	€ 1,702	€ 36	€ 181	€ 177	€ 2,096
Accumulated amortization and impairment					
Balance as at January 1, 2017	€ —	€ —	€ (183)	€ (113)	€ (296)
Amortization	—	—	—	(10)	(10)
Disposals	—	—	2	—	2
Effect of foreign currency exchange rate changes	—	—	—	(37)	(37)
Balance as at December 31, 2017	€ —	€ —	€ (181)	€ (160)	€ (341)
Net carrying value	€ 1,702	€ 36	€ —	€ 17	€ 1,755

[1] Presented in Note 18 – Other assets.

[2] Includes no internally generated intangible assets, respectively, as at December 31, 2018, 2017 and as at January 1, 2017.

[3] Includes internally generated intangible assets with a cost and accumulated amortization of €222 million and €112 million as at December 31, 2018 (€160 million and €105 million as at December 31, 2017 and €119 million and €97 million as at January 1, 2017).

Goodwill

Goodwill is related primarly to the DaimlerChrysler Rail Systems GmbH (Adtranz) acquisition in May 2001. Goodwill is monitored by management at Bombardier Transportation level. During the fourth quarter of fiscal year 2018, Bombardier Transportation completed an impairment test. Bombardier Transportation did not identify any impairment. See Note 5 – Use of estimates and judgment for more details.

21. RETIREMENT BENEFITS

Bombardier Transportation sponsors several funded and unfunded defined benefit pension plans as well as defined contribution pension plans in Canada and abroad, covering a majority of its employees. Bombardier Transportation also provides other unfunded defined benefit plans, covering certain groups of employees mainly in Germany, Canada and the U.S.

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

Funded plans are plans for which segregated plan assets are invested in trust. 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.

FUNDED DB PLANS

Bombardier Transportation's major DB plans reside in the U.K., Canada and the U.S., therefore very significant portions of the DB pension plan assets and benefit obligation are located in those countries. The following text focuses mainly on plans registered in these three countries.

Governance

Under applicable pension legislations, the administrator of each plan is either Bombardier Inc. or Bombardier Transportation, in the case of U.S. plans and Canadian plans registered outside of Québec, or a pension committee, board of trustees or corporate trustee in the case of plans registered in Québec and the U.K.

Plan administrators are responsible for the management of plan assets and the establishment of investment policies, which define, for each plan, investment objectives, target asset allocation, risk mitigation strategies, and other elements required by pension legislation.

Plan assets are pooled in three common investment funds (CIFs) for Canadian, U.K. and U.S. plans, respectively, in order to achieve economies of scale and greater efficiency, diversification and liquidity. The CIFs are broken down by sub-funds or asset classes in order to allow each plan to have its own asset allocation given its associated pension obligation liability profile.

The management of the CIFs has been delegated to three (Canadian, U.K. and U.S.) investment committees (ICs). The ICs are responsible for allocating assets among various sub-funds and asset classes in accordance with each plan's investment policy. They are also responsible for hiring, monitoring and terminating investment managers and have established a multi-manager structure for each sub-fund and asset class. They are supported by Bombardier Inc.'s Pension Asset Management Services, who oversee the management of the plans' assets and of the CIFs on a daily basis. Daily administration of the plans is delegated to either Bombardier Inc. or to external pension administration service providers. The administrators, the ICs and Bombardier Inc. also rely on the expertise of external legal advisors, actuaries, auditors and investment consultants.

Benefit Policy

DB plan benefits are usually based on salary and years of service. In Canada and the U.S., since September 1, 2013, all new non-unionized employees join DC plans (i.e. they no longer have the option of joining DB or hybrid plans). Employees who are members of a DB or hybrid plan closed to new members continue to accrue service in their original plan.

In the U.K., all DB plans are closed to new members. New employees join DC plans. Pension entitlements are indexed to inflation according to pension legislation and plan rules.

Funding requirements

Actuarial valuations are conducted by independent firms hired by Bombardier Transportation or the administrators, as required by pension legislation. The purpose of the valuations is to determine the plans' financial position and the annual contributions to be made by Bombardier Transportation to fund both benefits accruing in the year (normal cost) and deficits accumulated over prior years. Minimum funding requirements are set out by applicable pension legislations.

Pension plans in Canada are notably governed under the Supplemental Pension Plans Act in Québec, the Pension Benefits Act in Ontario and the Income Tax Act. Actuarial valuations are required at least every three years. Depending on the jurisdiction and the funded status of the plan, actuarial valuations may be required annually. Contributions are determined by the appointed actuary and cover future service costs and deficits, as prescribed by laws and actuarial practices.

For Quebec pension plans, minimum contributions are required to amortize the going-concern deficits (established under the assumption that the plan will continue to be in force) over a period up to fifteen years (which is gradually decreasing to 10 years as of December 31, 2020). Funding is based on an "enhanced" going-concern valuation, including a stabilization provision. This provision is funded by special amortization and current service contributions, and by actuarial gains.

For Ontario pension plans, new legislation was released in 2018, and applies to any actuarial valuation report with a date on and after December 31, 2017, filed after April 30, 2018. Under this new legislation, minimum contributions are required to amortize the going-concern deficits (established under the assumption that the plan will continue to be in force) over a period up to ten years. Solvency deficiencies up to 85% of solvency liabilities are required to be funded over a period of 5 years. An explicit margin called a provision for adverse deviations (PFAD) is introduced and is added to both the going concern liabilities and future service cost when determining minimum contributions.

Pension plans in the U.S. are mainly governed under the Employee Retirement Income Security Act, the Internal Revenue Code and the Pension Protection Act of 2006. Actuarial valuations are required annually. Contributions are determined by appointed actuaries and cover future service costs and deficits, as prescribed by law. Funding deficits are generally amortized over a period of seven years.

Pension plans in the U.K. are notably governed under the Pensions Act of 2004. Actuarial valuations are required at least every three years. The funding deficit amortization period is determined jointly by the administrators and Bombardier Transportation.

Investment Policy

The investment policies are established to achieve a long-term investment return so that, in conjunction with contributions, the plans have sufficient assets to pay for the promised benefits while maintaining a level of risk that is acceptable given the tolerance of plan stakeholders. See below for more information about risk management initiatives.

The target asset allocation is determined based on expected economic and market conditions, the maturity profile of the plans' liabilities, the funded status of the respective plans and the plan stakeholders' tolerance to risk.

The plans' investment strategy is to invest broadly in fixed income and equity securities and to have a smaller portion of the funds' assets invested in real return asset securities (global infrastructure and real estate listed securities).

As at December 31, 2018, the average target asset allocation was as follows:

- 48%, 61% and 50% in fixed income securities, for Canadian, U.K. and U.S. plans, respectively;
- 43%, 29% and 50% in equity securities, for Canadian, U.K. and U.S. plans, respectively; and
- 9% and 10% in real return asset securities, for Canadian and U.K. plans, respectively.

In addition, to mitigate interest rate risk, interest rate hedging overlay portfolios (comprised of long-term interest rate swaps and long-term bond forwards) will be implemented for the pension plans when the market will be favorable and the plans' triggers will be reached.

The plan administrators have also established dynamic risk management strategies. As a result, asset allocation will likely become more conservative in the future and interest rate hedging overlay portfolios are likely to be established as plan funding status and market conditions continue to improve and the plans become more mature. Under certain pension legislations, and subject to compliance with certain conditions, the buy-out of annuities with insurance companies would discharge Bombardier Transportation and administrators of their respective obligations. Accordingly, in 2018, annuities were purchased for pensioners of seven pension plans registered in Ontario, the UK and the USA. The buy-out of annuities payable to pensioners of other pension plans will be contemplated in the coming years when these plans become fully funded on a buy-out basis.

Bombardier Inc.'s Pension Asset Management Services monitors the de-risking triggers on a daily basis to ensure timely and efficient implementation of these strategies. Bombardier Transportation and administrators periodically undertake asset and liability studies to determine the appropriateness of the investment policies and de-risking strategies.

Risk management initiatives

Bombardier Transportation's pension plans are exposed to various risks, including equity, interest rate, inflation, foreign exchange, liquidity and longevity risks. Several risk management strategies and policies have been put in place to mitigate the impact these risks could have on the funded status of DB plans and on the future level of contributions by Bombardier Transportation. The following is a description of key risks together with the mitigation measures in place to address them.

Equity risk
Equity risk results from fluctuations in equity prices. This risk is managed by maintaining diversification of portfolios across geographies, industry sectors and investment strategies.

Interest rate risk
Interest rate risk results from fluctuations in the fair value of plan assets and liabilities due to movements in interest rates. This risk is managed by reducing the mismatch between the duration of plan assets and the duration of pension obligation. This is accomplished by having a portion of the portfolio invested in long-term fixed income securities and interest rate hedging overlay portfolios.

Inflation risk
Inflation risk is the risk that benefits indexed to inflation increase significantly as a result of changes in inflation rates. To manage this risk, the benefit indexation has been capped in certain plans and a portion of plan assets has been invested in real return fixed income securities and real return asset securities.

Foreign exchange risk
Currency risk exposure arises from fluctuations in the fair value of plan assets denominated in a currency other than the currency of the plan liabilities. Currency risk is managed with foreign currency hedging strategies as per plan investment policies.

Liquidity risk
Liquidity risk stems from holding assets which cannot be readily converted to cash when needed for the payment of benefits or to rebalance the portfolios. Liquidity risk is managed through investments in treasury bills, government bonds and equity futures and by having no investments in private placements or hedge funds.

Longevity risk
Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments. This risk is mitigated by using the most recent mortality and mortality improvement tables to set the level of contributions. The buy-out of annuities with insurance companies transfers all of the risks listed above to insurers for the annuities purchased.

UNFUNDED DB PLANS

Unfunded plans are located in countries where the establishment of funds for segregated plan assets is generally not permitted or not in line with local practice. Bombardier Transportation's main unfunded DB plans are located in Germany. Nearly two thirds of the German unfunded DB plan liability relate to former plan members who no longer accrue future service benefits. Bombardier Transportation contributes annually to the Pensions-Sicherungs-Verein, Germany's pension protection association, which provides protection for pension benefits up to certain limits in the event that plan sponsors become insolvent.

DC PLANS

A growing proportion of employees are participating in DC plans and, as a result, contributions to DC plans have increased over the past several years. The largest DC plans are located in Canada and in the U.S. The plan administrators and ICs oversee the management of DC plan assets.

OTHER PLANS

Bombardier Transportation also provides other unfunded defined benefit plans, consisting essentially of post-retirement healthcare coverage, life insurance benefits and retirement allowances. Bombardier Transportation provides post-retirement life insurance and post-retirement health care, with provisions that vary between groups of employees in Canada, U.S. and U.K. New non-unionized hires are generally no longer offered post-retirement health care.

RETIREMENT BENEFITS PLANS

The following table provides the components of the retirement benefit cost, for fiscal years:

	2018			2017		
	Pension benefits	**Other benefits**	**Total**	Pension benefits	Other benefits	Total
Current service cost	**€ 72**	**€ 1**	**€ 73**	€ 77	€ 1	€ 78
Accretion expense	**14**	**1**	**15**	19	1	20
Past service cost[1]	**2**	**—**	**2**	—	—	—
Curtailment	**(3)**	**—**	**(3)**	(2)	—	(2)
Settlement[2]	**10**	**—**	**10**	(1)	—	(1)
DB plans	**95**	**2**	**97**	93	2	95
DC plans	**45**	**—**	**45**	43	—	43
Total retirement benefit cost	**€ 140**	**€ 2**	**€ 142**	€ 136	€ 2	€ 138
Related to						
Funded DB plans	**€ 68**	**n/a**	**€ 68**	€ 64	n/a	€ 64
Unfunded DB plans	**€ 27**	**€ 2**	**€ 29**	€ 29	€ 2	€ 31
DC plans	**€ 45**	**n/a**	**€ 45**	€ 43	n/a	€ 43
Recorded as follows						
EBIT expense or capitalized cost	**€ 126**	**€ 1**	**€ 127**	€ 117	€ 1	€ 118
Financing expense	**€ 14**	**€ 1**	**€ 15**	€ 19	€ 1	€ 20

[1] Represents the loss related to the pension equalization. See Note 7 – Special items for more details.

[2] Represents the loss related to the purchase of pension annuities. See Note 7 – Special items for more details.

n/a: Not applicable

Changes in the cumulative amount of remeasurements gains (losses) of defined benefit plans recognized in OCI, and presented as a separate component of deficit, were as follows, for fiscal years:

Gains (losses)		
Balance as at January 1, 2017	€	(703)
Impact of asset ceiling and minimum liability		(4)
Actuarial gains, net		271
Effect of exchange rate changes		(5)
Income taxes		(38)
Balance as at December 31, 2017		(479)
Impact of asset ceiling and minimum liability		8
Actuarial gains, net		32
Effect of exchange rate changes		6
Income taxes		10
Balance as at December 31, 2018	**€**	**(423)**

The following tables present the changes in the defined benefit obligation and fair value of pension plan assets, for fiscal years:

			2018			2017
	Pension benefits	**Other benefits**	**Total**	Pension benefits	Other benefits	Total
Change in benefit obligation						
Obligation at beginning of year	**€ 3,304**	**€ 38**	**€ 3,342**	€ 3,522	€ 39	€ 3,561
Accretion	**82**	**1**	**83**	83	1	84
Current service cost	**72**	**1**	**73**	77	1	78
Plan participants' contributions	**4**	**—**	**4**	5	—	5
Past service cost[1]	**2**	**—**	**2**	—	—	—
Actuarial losses (gains) - changes in financial assumptions	**(155)**	**(2)**	**(157)**	(11)	2	(9)
Actuarial (gains) losses - changes in experience adjustments	**(2)**	**1**	**(1)**	(66)	(1)	(67)
Actuarial (gains) losses - changes in demographic assumptions	**(16)**	**—**	**(16)**	(27)	—	(27)
Benefits paid	**(114)**	**(1)**	**(115)**	(116)	(2)	(118)
Curtailment	**(3)**	**—**	**(3)**	(2)	—	(2)
Settlement	**(48)**	**—**	**(48)**	(15)	—	(15)
Effect of exchange rate changes	**(12)**	**(1)**	**(13)**	(146)	(2)	(148)
Obligation at end of year	**€ 3,114**	**€ 37**	**€ 3,151**	€ 3,304	€ 38	€ 3,342
Obligation is attributable to						
Active members	**€ 1,240**	**€ 15**	**€ 1,255**	€ 1,304	€ 16	€ 1,320
Deferred members	**672**	**—**	**672**	710	—	710
Retirees	**1,202**	**22**	**1,224**	1,290	22	1,312
	€ 3,114	**€ 37**	**€ 3,151**	€ 3,304	€ 38	€ 3,342
Change in plan assets						
Fair value at beginning of year	**€ 2,604**	**€ —**	**€ 2,604**	€ 2,552	€ —	€ 2,552
Employer contributions	**66**	**1**	**67**	69	2	71
Plan participants' contributions	**4**	**—**	**4**	5	—	5
Interest income on plan assets	**68**	**—**	**68**	64	—	64
Actuarial gains (losses)	**(142)**	**—**	**(142)**	168	—	168
Benefits paid	**(114)**	**(1)**	**(115)**	(116)	(2)	(118)
Settlement	**(58)**	**—**	**(58)**	(14)	—	(14)
Administration costs	**(3)**	**—**	**(3)**	(2)	—	(2)
Effect of exchange rate changes	**(14)**	**—**	**(14)**	(122)	—	(122)
Fair value at end of year	**€ 2,411**	**€ —**	**€ 2,411**	€ 2,604	€ —	€ 2,604

[1] Represents pension equalization. See Note 7 – Special items for more details.

The following table presents the reconciliation of plan assets and obligations to the amount recognized in the consolidated statements of financial position, as at:

	December 31, 2018		December 31, 2017		January 1, 2017	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits	Pension benefits	Other benefits
Present value of defined benefit obligation	**€ 3,114**	**€ 37**	€ 3,304	€ 38	€ 3,522	€ 39
Fair value of plan assets	**(2,411)**	**—**	(2,604)	—	(2,552)	—
	703	**37**	700	38	970	39
Impact of asset ceiling test and minimum liability[1]	**—**	**—**	7	—	3	—
Net amount recognised	**€ 703**	**€ 37**	€ 707	€ 38	€ 973	€ 39
Amounts included in:						
Retirement benefit						
Liability	**€ 817**	**€ 37**	€ 830	€ 38	€ 986	€ 39
Asset[2]	**(114)**	**—**	(123)	—	(13)	—
Net liability	**€ 703**	**€ 37**	€ 707	€ 38	€ 973	€ 39

[1] Comprises the effect of exchange rate changes.
[2] Presented in Note 18 – Other assets.

The following table presents the allocation of the net retirement benefit liability by major countries, as at:

	December 31, 2018		December 31, 2017		January 1, 2017	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits	Pension benefits	Other benefits
Funded pension plans						
Canada	**€ 65**	**€ —**	€ 42	€ —	€ 42	€ —
U.K.	**(73)**	**—**	(75)	—	147	—
U.S.	**74**	**—**	75	—	77	—
Other	**66**	**—**	68	—	94	—
	132	**—**	110	—	360	—
Unfunded pension plans						
Germany	**450**	**—**	470	—	486	—
Canada	**—**	**22**	—	21	—	21
U.S.	**6**	**7**	6	8	7	9
Other	**115**	**8**	121	9	120	9
	571	**37**	597	38	613	39
Net liability	**€ 703**	**€ 37**	€ 707	€ 38	€ 973	€ 39

The following table presents the allocation of benefit obligation and plan assets by major countries, as at:

	December 31, 2018		December 31, 2017		January 1, 2017	
	Benefit obligation	**Plan assets**	Benefit obligation	Plan assets	Benefit obligation	Plan assets
Funded pension plans						
Canada	**€ 404**	**€ 339**	€ 463	€ 428	€ 460	€ 421
U.K.	**1,620**	**1,693**	1,723	1,798	1,884	1,737
U.S.	**181**	**107**	187	112	195	118
Other	**338**	**272**	334	266	370	276
	2,543	**2,411**	2,707	2,604	2,909	2,552
Unfunded pension plans	**608**	**—**	635	—	652	—
	€ 3,151	**€ 2,411**	€ 3,342	€ 2,604	€ 3,561	€ 2,552

The fair value of plan assets by level of hierarchy, was as follows, as at:

								December 31, 2018
		Total		**Level 1**		**Level 2**		**Level 3**
Cash and cash equivalents	**€**	**182**	**€**	**127**	**€**	**55**	**€**	**—**
Equity securities								
U.S.		**234**		**229**		**—**		**5**
U.K.		**83**		**76**		**7**		**—**
Switzerland		**14**		**14**		**—**		**—**
Canada		**35**		**35**		**—**		**—**
Other		**319**		**317**		**—**		**2**
		685		**671**		**7**		**7**
Fixed-income securities								
Corporate		**327**		**—**		**327**		**—**
Government		**934**		**—**		**934**		**—**
Other		**4**		**—**		**4**		**—**
		1,265		**—**		**1,265**		**—**
Real return asset securities		**250**		**202**		**—**		**48**
Other		**29**		**—**		**29**		**—**
	€	**2,411**	**€**	**1,000**	**€**	**1,356**	**€**	**55**

								December 31, 2017
		Total		Level 1		Level 2		Level 3
Cash and cash equivalents	€	155	€	117	€	38	€	—
Equity securities								
U.S.		271		266		—		5
U.K.		99		92		7		—
Switzerland		20		20		—		—
Canada		50		50		—		—
Other		345		343		—		2
		785		771		7		7
Fixed-income securities								
Corporate		332		—		332		—
Government		990		—		990		—
Other		6		—		6		—
		1,328		—		1,328		—
Real return asset securities		261		211		—		50
Other		75		—		75		—
	€	2,604	€	1,099	€	1,448	€	57

								January 1, 2017
		Total		Level 1		Level 2		Level 3
Cash and cash equivalents	€	191	€	148	€	43	€	—
Equity securities								
U.S.		283		277		—		6
U.K.		137		126		11		—
Switzerland		18		18		—		—
Canada		43		43		—		—
Other		352		350		—		2
		833		814		11		8
Fixed-income securities								
Corporate		337		—		337		—
Government		828		—		828		—
Other		5		—		5		—
		1,170		—		1,170		—
Real return asset securities		311		260		—		51
Other		47		—		47		—
	€	2,552	€	1,222	€	1,271	€	59

Plan assets did not include any of Bombardier Inc.'s shares, nor any property occupied by Bombardier Transportation or other assets used by Bombardier Transportation as at December 31, 2018, 2017 and January 1, 2017.

The following table presents the contributions made for fiscal year 2018 and 2017 as well as the estimated contributions for fiscal year 2019:

	2019	**2018**	2017
	Estimated		
Contribution to			
Funded pension plans	€ 61	**€ 45**	€ 49
Unfunded pension plans	23	**21**	20
Other benefits	2	**1**	2
Total defined benefits plans	86	**67**	71
DC pension plans	49	**45**	43
Total contributions	€ 135	**€ 112**	€ 114

The following table presents information about the maturity profile of the defined benefit obligation expected to be paid, as at:

	December 31, 2018
Benefits expected to be paid	
Within 1 year	**€ 100**
Between 1 and 5 years	**459**
Between 5 and 10 years	**713**
Between 10 and 15 years	**836**
Between 15 and 20 years	**860**
	€ 2,968

The following table provides the weighted average duration of the defined benefit obligations related to pension plans, as at:

Duration in years as at	**December 31, 2018**
Funded pension plans	
Canada	**15.5**
U.S.	**16.5**
U.K.	**19.1**
Other	**17.0**
Unfunded pension plans	
Germany	**14.9**
U.S.	**12.3**
Other	**14.8**

The following table provides the expected payments to be made under the unfunded plans, as at December 31, 2018:

	Germany	**Other**	**Total**
Benefits expected to be paid			
Within 1 year	**€ 19**	**€ 5**	**€ 24**
Between 1 and 5 years	**81**	**28**	**109**
Between 5 and 10 years	**117**	**43**	**160**
Between 10 and 15 years	**129**	**48**	**177**
Between 15 and 20 years	**109**	**48**	**157**
	€ 455	**€ 172**	**€ 627**

The significant actuarial assumptions reflect the economic situation of each country. The weighted-average assumptions used to determine the benefit cost and obligation were as follows, as at:

	December 31, 2018		December 31, 2017		January 1, 2017	
(in percentage)	**Pension benefits**	**Other benefits**	Pension benefits	Other benefits	Pension benefits	Other benefits
Benefit cost						
Discount rate	**2.50%**	**3.37%**	2.49%	3.65%	3.24%	4.09%
Rate of compensation increase	**2.87%**	**3.00%**	2.87%	3.00%	2.95%	3.00%
Inflation rate	**2.05%**	**2.20%**	2.08%	2.25%	1.97%	2.05%
Ultimate health care cost trend rate	**n/a**	**5.20%**	n/a	5.17%	n/a	5.20%
Benefit obligation						
Discount rate	**2.69%**	**3.69%**	2.50%	3.37%	2.49%	3.65%
Rate of compensation increase	**2.86%**	**3.00%**	2.87%	3.00%	2.87%	3.00%
Inflation rate	**2.03%**	**2.20%**	2.05%	2.20%	2.08%	2.25%
Initial health care cost trend rate	**n/a**	**5.79%**	n/a	5.89%	n/a	5.79%
Ultimate health care cost trend rate	**n/a**	**5.21%**	n/a	5.20%	n/a	5.17%

n/a: Not applicable

The mortality tables and the average life expectancy in years of a member at age 45 or 65 is as follows, as at December 31:

(in years)		**Life expectancy over 65 for a male member currently**			
		Aged 65 on December		**Aged 45 on December**	
Country	Mortality tables	**2018**	2017	**2018**	2017
Canada	2014 Private Sector Mortality Table (“CPM2014Priv”)projected generationally using the CMP Improvement Scale B (“CPM-B”)	**21.7**	21.7	**22.8**	22.7
U.K.	SNA07M_CMI 2013 and S2P(M/F)A CMI 2016[1]	**22.6**	22.6	**24.8**	24.8
U.S.	RP-2014 mortality table projected generationally using the MP-2018 improvement scale[2]	**20.7**	20.7	**22.3**	22.3
Germany	Dr. K Heubeck 2018[3]	**19.9**	19.1	**22.7**	21.8

		Life expectancy over 65 for a female member currently			
		Aged 65 on December		**Aged 45 on December**	
Country	Mortality tables	**2018**	2017	**2018**	2017
Canada	2014 Private Sector Mortality Table (“CPM2014Priv”)projected generationally using the CMP Improvement Scale B (“CPM-B”)	**24.2**	24.1	**25.1**	25.0
U.K.	SNA07M_CMI 2013 and S2P(M/F)A CMI 2016[1]	**24.7**	24.7	**26.9**	26.9
U.S.	RP-2014 mortality table projected generationally using the MP-2018 improvement scale[2]	**22.7**	22.7	**24.3**	24.3
Germany	Dr. K Heubeck 2018[3]	**23.5**	23.2	**25.7**	25.7

[1] SNA07M_CMI 2013 and S1P(M/F)A CMI 2012 as at December 31, 2017.
[2] RP-2014 mortality table projected generationally using the MP-2017 improvement scale as at December 31, 2017.
[3] Dr. K Heubeck 2005 as at December 31, 2017.

A 0.25 percentage point increase in one of the following actuarial assumptions would have the following effects, all other actuarial assumptions remaining unchanged:

Assumption		Retirement benefit cost for fiscal year 2018		Net retirement benefit liability as at December 31, 2018
Discount rate	€	(7)	€	(137)
Rate of compensation increase	€	2	€	18
Inflation rate	€	2	€	65

A one year additional life expectancy as at December 31, 2018 for all DB plans would increase the net retirement benefit liability by €91 million and the retirement benefit cost for fiscal year 2018 by €4 million, all other actuarial assumptions remaining unchanged.

As at December 31, 2018, the health care cost trend rate for retirement 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 5.79% and to decrease progressively to 5.21% by calendar year 2027 and then remain at that level for all participants. A one percentage point change in assumed health care cost trend rates would have the following effects, as at December 31, 2018 and for fiscal year 2018:

		One percentage point increase		One percentage point decrease
Effect on the net retirement benefit liability	€	1	€	(1)

22. TRADE AND OTHER PAYABLES

Trade and other payables were as follows, as at:

		December 31, 2018		December 31, 2017[1]		January 1, 2017 [1]
Trade payables	**€**	**1,535**	€	1,252	€	791
Accrued liabilities		**554**		601		502
Other		**119**		87		84
	€	**2,208**	€	1,940	€	1,377

[1] Restated, refer to Note 3 - Changes in accounting policies for more details.

Bombardier Transportation negotiated extended payment terms of 240 to 310 days after delivery with certain of its suppliers. Trade payables with these extended terms totaled €474 million and bore interest at a weighted average rate of 2.41% as at December 31, 2018 (€479 million and 1.96%, respectively, as at December 31, 2017 and €272 million and 1.75% as at January 1, 2017). Suppliers generally have the right to return to original payment terms for future payables upon providing a minimum notice period.

23. PROVISIONS

Changes in provisions were as follows, for fiscal years 2018 and 2017:

	Product warranties	Restructuring, severance and other termination benefits	Onerous contracts	Other [1]	Total
Balance as at December 31, 2017[2]	€ 393	€ 200	€ 571	€ 47	€ 1,211
Additions	93	19 [3]	90	21	223
Utilization	(131)	(45)	(249)	(16)	(441)
Reversals	(68)	(15) [3]	(18)	(5)	(106)
Effect of foreign currency exchange rate changes	(2)	—	13	1	12
Balance as at December 31, 2018	**€ 285**	**€ 159**	**€ 407**	**€ 48**	**€ 899**
Of which current	€ 285	€ 117	€ 407	€ 34	€ 843
Of which non-current	—	42	—	14	56
	€ 285	€ 159	€ 407	€ 48	€ 899

	Product warranties	Restructuring, severance and other termination benefits	Onerous contracts	Other [1]	Total
Balance as at January 1, 2017[2]	€ 403	€ 77	€ 647	€ 50	€ 1,177
Additions	116	196 [3]	149	27	488
Utilization	(77)	(68)	(144)	(22)	(311)
Reversals	(43)	(4)	(42)	(7)	(96)
Effect of foreign currency exchange rate changes	(6)	(1)	(39)	(1)	(47)
Balance as at December 31, 2017[2]	€ 393	€ 200	€ 571	€ 47	€ 1,211
Of which current	€ 393	€ 74	€ 571	€ 33	€ 1,071
Of which non-current	—	126	—	14	140
	€ 393	€ 200	€ 571	€ 47	€ 1,211

[1] Includes litigations and claims, as well as environmental liabilities.
[2] Restated, refer to Note 3 - Changes in accounting policies for more details.
[3] See Note 7 – Special items for more details on the additions and reversals related to restructuring charges.

24. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	December 31, 2018		December 31, 2017		January 1, 2017
Derivative financial instruments[1]	**€**	**117**	€	183	€ 238
Current portion of long-term debt[2]		**4**		4	4
Other		**4**		11	4
	€	**125**	€	198	€ 246
Of which current	**€**	**124**	€	197	€ 234
Of which non-current		**1**		1	12
	€	**125**	€	198	€ 246

(1) See Note 11 – Financial instruments.
(2) See Note 26 – Long-term debt.

25. OTHER LIABILITIES

Other liabilities were as follows, as at:

	December 31, 2018		December 31, 2017[1]		January 1, 2017 [1]
Accruals for long-term contract costs	**€**	**387**	€	534	€ 549
Employee benefits[2]		**249**		292	288
Other taxes payable		**156**		194	153
Income taxes payable		**133**		130	169
Other		**—**		—	3
	€	**925**	€	1,150	€ 1,162
Of which current	**€**	**865**	€	1,056	€ 1,035
Of which non-current		**60**		94	127
	€	**925**	€	1,150	€ 1,162

(1) Restated, refer to Note 3 - Changes in accounting policies for more details.
(2) Comprises all employee benefits excluding those related to retirement benefits, which are reported in the line items Retirement benefits and in Other assets (see Note 21 – Retirement benefits).

26. LONG-TERM DEBT

All long-term debt items rank pari-passu and are unsecured.

	December 31, 2018		December 31, 2017		January 1, 2017
Of which current[1]	**€**	**4**	€	4	€ 4
Of which non-current		**20**		24	29
	€	**24**	€	28	€ 33

(1) See Note 24 – Other financial liabilities.

Long-term debt includes €24 million relating to obligations under finance leases as at December 31, 2018 (€28 million as at December 31, 2017 and €33 million as at January 1, 2017) and bears interest at a weighted average rate of 6.70% (6.70% as at December 31, 2017 and 6.72% as at January 1, 2017).

Long-term debt repayment requirement during the next five years and thereafter are as follows:

		Finance leases
Within 1 year	€	4
Between 1 and 5 years		20
	€	**24**

27. SHARE CAPITAL

Ordinary shares

All ordinary shares have a nominal value of €1.

Ordinary shares	
Voting rights:	One vote each.
Dividend:	Payable only if declared.

The number of ordinary shares issued and fully paid was as follows as at:

	December 31, 2018	December 31, 2017
Issued and fully paid		
Balance at beginning of year	**210**	208
Issuance of shares	**—**	2
Balance at end of year	**210**	210

Dividends

Dividends declared were as follows:

	Dividend declared for fiscal year				**Dividend declared after**	
	December 31, 2018		December 31, 2017		**December 31, 2018**	
		Total		Total		**Total**
	Per share (in millions of Euro)	**(in millions of Euro)**	Per share (in millions of Euro)	(in millions of Euro)	**Per share (in millions of Euro)**	**(in millions of Euro)**
Ordinary shares	**€ 1.29**	**€ 270**	€ 1.20	€ 251	**€ 0.00**	**€ —**

28. SHARE-BASED PLANS

PSU, DSU and RSU plans

The Board of Directors of Bombardier Inc. approved a PSU and a RSU plan under which PSUs and RSUs may be granted to executives and other designated employees. The PSUs and the RSUs give recipients the right, upon vesting, to receive a certain number of Bombardier Inc.'s Class B Shares (subordinate voting). The RSUs also give certain recipients the right to receive a cash payment equal to the value of the RSUs. The Board of Directors of Bombardier Inc. has also approved a DSU plan under which DSUs may be granted to senior officers. The DSU plan is similar to the PSU plan, except that their exercise can only occur upon retirement or termination of employment.

During fiscal year 2018, a combined value of €42 million of PSUs were authorized for issuance (€41 million during fiscal year 2017) by Bombardier Inc., of which €19 million and €15 million relates to Bombardier Transportation for fiscal year 2018 and 2017, respectively.

The number of PSUs, DSUs and RSUs has varied as follows, for fiscal years:

			2018			2017
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of year	**29,798,232**	**52,532**	**10,750,542**	19,482,494	624,939	11,550,748
Granted	**11,341,720**	**—**	**—**	16,629,019	—	—
Transfer[1]	**(78,714)**	**—**	**(1,312)**	63,701	—	43,122
Exercised	**—**	**(52,531)**	**(10,520,243)**	(54,760)	—	—
Forfeited	**(2,499,445)**	**(1)**	**(228,987)**	(6,322,222)	(572,407)	(843,328)
Balance at end of year	**38,561,793**	**—**	**—**	29,798,232	52,532	10,750,542

[1] Represents PSU, DSU or RSU of employees transfered from Bombardier Inc. or the Aerospace segments to Bombardier Transportation, and vice-versa.

PSUs and DSUs granted will vest if a financial performance threshold is met. The conversion ratio for vested PSUs and DSUs ranges from 50% to 150%. PSUs and DSUs generally vest three years following the grant date if the financial performance thresholds are met. For grants issued between January 1, 2016 and December 31, 2018, the vesting dates range from August 2019 to May 2021.

The weighted-average grant date fair value of PSUs granted during fiscal year 2018 was €2.63 (€1.81 during fiscal year 2017). The fair value of each PSUs granted was measured based on the closing price of a Class B Share (subordinate voting) of Bombardier Inc. on the Toronto Stock Exchange.

A compensation expense of €18 million was recorded during fiscal year 2018 with respect to the PSU, DSU and RSU plans (a compensation expense of €14 million during fiscal year 2017).

Share option plans

Under share option plans, options are granted to key employees to purchase Class B Shares (subordinate voting). Of the 224,641,195 Class B Shares (subordinate voting) reserved for issuance at Bombardier Inc., 49,819,432 were available for issuance under these share option plans, as at December 31, 2018.

Current share option plan - Effective June 1, 2009, Bombardier Inc. amended the share option plan for key employees for options granted after this date. The most 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; and
- the options terminate no later than seven years after the grant date.

The summarized information on the current share option plan is as follows as at December 31, 2018:

		Issued and outstanding			**Exercisable**
Exercise price range (Cdn$)	**Number of options**	**Weighted-average remaining life (years)**	**Weighted-average exercise price (Cdn$)**	**Number of options**	**Weighted-average exercise price (Cdn$)**
1 to 2	12,024,026	4.16	1.78	4,772,560	1.62
2 to 4	8,545,604	4.55	2.90	2,818,923	3.71
4 to 6	4,144,752	5.47	4.27	772,450	4.88
6 to 8	—	—	—	—	—
	24,714,382			8,363,933	

The number of options issued and outstanding under the current share option plan has varied as follows, for fiscal years:

	2018		2017	
	Number of options	**Weighted-average exercise price (Cdn$)**	Number of options	Weighted-average exercise price (Cdn$)
Balance at beginning of year	**25,231,622**	**2.60**	23,824,820	2.75
Granted	**4,048,398**	**3.78**	5,205,381	2.56
Exercised	**(3,418,085)**	**3.33**	—	—
Forfeited	**(308,428)**	**2.26**	(3,127,579)	3.20
Expired	**(839,125)**	**5.99**	(671,000)	4.75
Balance at end of year	**24,714,382**	**2.58**	25,231,622	2.60
Options exercisable at end of year	**8,363,933**	**2.63**	6,564,560	4.33

Share-based compensation expense for options

The weighted-average grant date fair value of stock options granted during fiscal year 2018 was €1.18 per option (€0.80 per option for fiscal year 2017). The fair value of each option granted was determined using a Black-Scholes option pricing model, which incorporates the share price at the grant date, and the following weighted-average assumptions, for fiscal years:

	2018	2017
Risk-free interest rate	**2.21%**	1.48%
Expected life	**5 years**	5 years
Expected volatility in market price of shares	**51.99%**	50.38%
Expected dividend yield	**0%**	0%

A compensation expense of €4 million was recorded during fiscal year 2018 with respect to share option plans (€3 million during fiscal year 2017).

29. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows, for fiscal years:

	2018	2017 [1]
Trade and other receivables	**€ (217)**	€ 94
Inventories	**44**	22
Contract assets	**(244)**	(614)
Contract liabilities	**64**	323
Other financial assets and liabilities, net	**76**	53
Other assets	**43**	(33)
Trade and other payables	**279**	659
Provisions	**(311)**	(3)
Retirement benefits liability	**34**	99
Other liabilities	**(237)**	32
	€ (469)	€ 632

[1] Restated, refer to Note 3 - Changes in accounting policies for more details.

The following table presents the reconciliation of movements of liabilities to cash flows arising from financing activities:

		Long-term debt
Balance as at January 1, 2017	€	33
Changes from financing cash flows		
Proceeds from long-term debt		2
Repayment of long-term debt		(6)
Total changes from financing cash flows		29
The effect of changes in foreign exchange rates		(1)
Balance as at December 31, 2017	€	28
Changes from financing cash flows		
Proceeds from long-term debt		2
Repayment of long-term debt		(7)
Total changes from financing cash flows		23
The effect of changes in foreign exchange rates		1
Balance as at December 31, 2018	**€**	**24**

30. 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
December 31, 2018				
BT facility	**€ 3,940**	**€ 3,515**	**€ 425**	**2022** [1]
December 31, 2017				
BT facility	€ 3,560	€ 3,346	€ 214	2021
January 1, 2017				
BT facility	€ 3,310	€ 3,141	€ 169	2020

[1] The facility has an initial three year availability period, when new letters of credit can be issued up to the maximum commitment amount of the facility, plus a one year amortization period during which new letters of credit cannot be issued. The final maturity date of the facility is 2022.

In addition to the outstanding letters of credit shown in the above table, letters of credit of €3,047 million were outstanding under various bilateral agreements and letters of credit of €316 million under the PSG facility as at December 31, 2018 (€2,514 million and €314 million, respectively, as at December 31, 2017 and €1,754 million and €196 million, respectively, as at January 1, 2017).

Bombardier Transportation also uses numerous bilateral bonding facilities with insurance companies to support its operations. An amount of €3.2 billion was outstanding under such facilities as at December 31, 2018 (€2.8 billion as at December 31, 2017 and €2.8 billion as at January 1, 2017).

In January 2019, the committed amount under Bombardier Transportation's letter of credit facility was increased to €3,957 million.

Revolving credit facilities
Bombardier Transportation has an unsecured revolving credit facility amounting to €689 million, available for cash drawings.The facility matures in May 2021 and bears interest at Euribor plus a margin. The facility was unused as of December 31, 2018.

Financial covenants
Bombardier Transportation is subject to various financial covenants under the Bombardier Transportation letter of credit facilities and the unsecured revolving credit facility, which must be met on a quarterly basis. The Bombardier Transportation letter of credit facility and revolving credit facility include financial covenants requiring minimum equity as well as a maximum debt to EBITDA ratio, all calculated based on Bombardier Transportation consolidated financial statements. These terms and ratios are defined in the respective agreements and do not correspond to Bombardier Transportation's global metrics as described in Note 31 – Capital management. In addition, Bombardier Transportation must maintain a minimum liquidity of €750 million at the end of each quarter. Minimum liquidity required is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position. These conditions were all met on a quarterly basis and as at December 31, 2018 and 2017 and January 1, 2017.

Bombardier Transportation regularly monitors these ratios to ensure it meets all financial covenants, and has controls in place to ensure that contractual covenants are met.

31. CAPITAL MANAGEMENT

Bombardier Transportation'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. Bombardier Transportation analyzes its capital structure using global metrics, which are based on a broad economic view of Bombardier Transportation.

In order to adjust its capital structure, Bombardier Transportation may repurchase or issue capital or vary the amount of dividends paid to shareholders.

Bombardier Transportation pro-actively manages such capital based on the key metrics being EBITDA, EBIT and Free Cash Flow (cash flows from operating activities less net additions to PP&E and intangible assets).

See Note 30 – Credit facilities for a description of bank covenants.

32. FINANCIAL RISK MANAGEMENT

Bombardier Transportation 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. Bombardier Transportation is primarily exposed to foreign exchange risk and interest rate risk.

Credit risk
Bombardier Transportation is exposed to credit risk through its normal treasury activities on its derivative financial instruments and other investing activities. Bombardier Transportation is also exposed to credit risk through its trade receivables arising from its normal commercial activities.

The effective monitoring and controlling of credit risks is a key component of Bombardier Transportation's risk management activities. Credit risks arising from the treasury activities are managed by a central treasury function in accordance with Bombardier Inc.'s Foreign Exchange Risk Management Policy and Investment Policy (the "Policy"). The objective of the policy is to minimize Bombardier Transportation's exposure to credit risk from its treasury activities by ensuring that Bombardier Transportation transacts strictly with investment-grade financial institutions based on pre-established counterparty risk limits per financial institution.

Credit risks arising from Bombardier Transportation's normal commercial activities arise 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 Bombardier Transportation's 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.

These 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 Bombardier Transportation'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 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 11 – Financial instruments, except for investment in securities and embedded derivatives, for which their maximum exposure to credit risk is nil.

Credit quality – The credit quality, using external and internal credit rating systems, of financial assets that are neither past due nor impaired is usually investment grade.

Liquidity risk

Bombardier Transportation manages liquidity risk by maintaining detailed cash forecasts, as well as long-term operating and strategic plans. The management of Bombardier Transportation' liquidity requires a constant monitoring of expected cash inflows and outflows, which is achieved through a detailed forecast of Bombardier Transportation's liquidity position, as well as long-term operating and strategic plans, to ensure adequacy and efficient use of cash resources. Bombardier Transportation uses scenario analyses to stress-test cash flow projections. Liquidity adequacy is continually monitored, taking into consideration historical volatility and seasonal needs, stress-test results, the maturity profile of indebtedness, access to capital markets, the level of customer advances, working capital requirements, the funding of product development and other financial commitments. Bombardier Transportation also monitors any financing opportunities to optimize its capital structure and maintain appropriate financial flexibility.

In addition, Bombardier Transportation engages in certain working capital financing initiatives such as the sale of receivables (see note 13 - Trade and other receivables), arrangements for advances from third parties (refer to note 14 - Contract balances), the negotiation of extended payment terms with certain suppliers (refer to note 22 - Trade and other payables).

Bombardier Transportation also routinely reviews the terms and conditions of its bank facilities and seeks annual extensions of the availability periods thereunder.

Maturity analysis –The maturity analysis of financial assets and financial liabilities, excluding derivative financial instruments, was as follows, as at December 31, 2018:

	Carrying amount	Undiscounted cash flows (before giving effect to the related hedging instruments)						
		Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	With no specific maturity	Total
Cash and cash equivalents	€ 662	€ 662	€ —	€ —	€ —	€ —	€ —	€ 662
Trade and other receivables	€ 921	879	28	1	—	—	13	921
Other financial assets[1]	€ 83	13	10	8	25	27	—	83
Assets		1,554	38	9	25	27	13	1,666
Trade and other payables	€ 2,208	2,205	2	—	—	—	1	2,208
Other financial liabilities[1]	€ 4	4	—	—	—	—	—	4
Long-term debt								
Principal	€ 24	4	20	—	—	—	—	24
Interest		—	2	—	—	—	—	2
Liabilities		2,213	24	—	—	—	1	2,238
Net amount		€ (659)	€ 14	€ 9	€ 25	€ 27	€ 12	€ (572)

[1] The carrying amount of other financial assets excludes derivative financial instruments and the carrying amount of other financial liabilities excludes derivative financial instruments and the current portion of long-term debt.

Other financial assets include long-term contract receivables maturing in March 2033. Under the respective agreements, Bombardier Transportation will receive incentive payments. Due to future variations in the relevant index the amounts shown in the table above may vary.

The maturity analysis of derivative financial instruments, excluding embedded derivatives, was as follows, as at December 31, 2018:

	Nominal value (EUR equivalent)	Undiscounted cash flows [1]				
		Less than 1 year	1 year	2 to 3 years	3 to 5 years	Over 5 years	Total
Derivative financial assets							
Forward foreign exchange contracts	€ 6,950	€ 129	€ 1	€ —	€ —	€ —	€ 130
Derivative financial liabilities							
Forward foreign exchange contracts	€ (6,077)	€ (117)	€ —	€ —	€ —	€ —	€ (117)
Net amount		€ 12	€ 1	€ —	€ —	€ —	€ 13

[1] Amounts denominated in foreign currency are translated at the period end exchange rate.

Market risk

Foreign exchange risk

Bombardier Transportation 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, Swiss franc, Swedish krona and US dollar. Bombardier Transportation employs various strategies, including the use of derivative financial instruments and by matching asset and liability positions, to mitigate these exposures.

Bombardier Transportation's main exposures to foreign currencies are covered by Bombardier Inc.'s central treasury function with the support of Bombardier Transportation central treasury function. Foreign currency exposures are mitigated in accordance with Bombardier Inc.'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 Bombardier Transportation's consolidated financial statements. Under the FX Policy, potential losses from adverse movements in foreign exchange rates should not exceed Board authorized pre-set limits. Potential loss is defined as the maximum expected loss that could occur if an unhedged foreign currency exposure was exposed to an adverse change of foreign exchange rates over a one-quarter period. The FX Policy also strictly prohibits any speculative foreign exchange transactions that would result in the creation of an exposure in excess of the maximum potential loss approved by the Board of Directors of Bombardier Inc.

Under the FX Policy, it is the responsibility of Bombardier Transportation to identify all actual and potential foreign exchange exposures arising from its operations. This information is communicated to the central treasury group of the Parent, which has the responsibility to execute the hedge transactions in accordance with the FX Policy.

In order to properly manage their exposures, Bombardier Transportation maintains long-term cash flow forecasts in each currency. Bombardier Transportation hedges all its identified foreign currency exposures to limit the effect of currency movements on its results. Bombardier Transportation also mitigate foreign currency risks by maximizing transactions in its functional currency for its operation such as material procurement, sale contracts and financing activities.

Bombardier Transportation mainly uses forward foreign exchange contracts to manage its exposure from transactions in foreign currencies. Bombardier Transportation applies hedge accounting for a significant portion of anticipated transactions and firm commitments denominated in foreign currencies, designated as cash flow hedges. Notably, Bombardier Transportation 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.

Bombardier Transportation'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. These programs are reviewed annually and amended as necessary to reflect current market conditions or practices.

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 Bombardier Transportation's financial instruments recorded in its statement of financial position. The following impact on EBT for fiscal year 2018 is before giving effect to cash flow hedge relationships.

									Effect on pre-tax income
	Variation	**CAD/USD**	**USD/EUR**	**EUR/USD**	**EUR/SEK**	**GBP/EUR**	**EUR/GBP**	**SEK/GBP**	**Other**
Gain (loss)	+10%	€ (47)	€ (69)	€ 73	€ 26	€ 55	€ 91	€ 34	€ 13

The following impact on OCI for fiscal year 2018 is for derivatives designated in a cash flow hedge relationship. For these derivatives, any change in fair value is mostly offset by the re-measurement of the underlying exposure.

									Effect on OCI before income taxes
	Variation	**CAD/USD**	**USD/EUR**	**EUR/USD**	**EUR/SEK**	**EUR/CHF**	**EUR/GBP**	**SEK/GBP**	**Other**
Gain (loss)	+10%	€ (39)	€ (14)	€ 10	€ 67	€ 49	€ 84	€ 27	€ 147

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value amounts disclosed in these consolidated financial statements represent Bombardier Transportation'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 Bombardier Transportation has immediate access. However, there is no active market for most of Bombardier Transportation's financial instruments. In the absence of an active market, Bombardier Transportation determines fair value based on 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. In determining these assumptions, Bombardier Transportation uses primarily external, readily observable market inputs, including factors such as interest rates, credit ratings, 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 are as follows:

Derivative financial instruments – Fair value of derivative financial instruments generally reflects the estimated amounts that Bombardier Transportation 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 Bombardier Transportation's credit risk, at the reporting dates. Bombardier Transportation uses discounted cash flow analysis and market data such as interest rates, credit spreads and foreign exchange spot rate to estimate the fair value of forward agreements.

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

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 cash and cash equivalents, trade and other receivables, restricted cash, loans, deposits and other financial assets, trade and other payables, and other financial liabilities 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 debt – The fair value of long-term debt is estimated using discounted cash flow analyses, based on the current corresponding borrowing rate for similar types of borrowing arrangements.

Fair value hierarchy
The following table presents 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 December 31, 2018:

	Total	Level 1	Level 2	Level 3
Financial assets				
Derivative financial instruments[1]	€ 130	€ —	€ 130	€ —
Investments in securities	5	—	5	—
Long-term contract receivable	65	—	65	—
	€ 200	€ —	€ 200	€ —
Financial liabilities				
Derivative financial instruments[1]	€ (117)	€ —	€ (117)	€ —
	€ (117)	€ —	€ (117)	€ —

[1] Derivative financial instruments consist of forward foreign exchange contracts and embedded derivatives.

Fair value hierarchy for items recorded at amortized cost
The following table presents financial assets and financial liabilities measured at amortized cost 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).

The fair value of financial assets and liabilities by level of hierarchy was as follows, as at December 31, 2018:

	Total	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	€ 921	€ —	€ 921	€ —
Other financial assets	11	—	11	—
	€ 932	€ —	€ 932	€ —
Financial liabilities				
Trade and other payables	€ (2,208)	€ —	€ (2,208)	€ —
Long-term debt	(24)	—	(24)	—
Other financial liabilities	(4)	—	—	(4)
	€ (2,236)	€ —	€ (2,232)	€ (4)

34. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

In the normal course of business, Bombardier Transportation carries out a portion of its businesses through joint ventures and associates. Details of material joint venture and associate, which are accounted for using the equity method, are set out below. This arrangement is a strategic partnership, providing access to the rail market in China:

Name of entity	Principal activity	Principal place of business and county of incorporation	Proportion of ownership interest and voting power held by Bombardier Transportation, as at	
			December 31, 2018	December 31, 2017
Bombardier Sifang (Qingdao) Transportation Ltd. ("BST")	Railcar manufacturing	China	**50%**	50%

The following tables provide summarized financial information for Bombardier Transportation's material associate, other non-material associates and joint ventures which represent our pro rata share of the amounts shown in the associate's financial statements prepared in accordance with Bombardier Inc.'s IFRS accounting policies, as at:

								December 31, 2018
		BST		**Other[1]**	**Joint ventures**			**Total**
Cash and cash equivalents	**€**	**235**	**€**	**36**	**€**	**63**	**€**	**334**
Other current assets	**€**	**362**	**€**	**27**	**€**	**268**	**€**	**657**
Non-current assets	**€**	**134**	**€**	**43**	**€**	**19**	**€**	**196**
Current liabilities	**€**	**460**	**€**	**79**	**€**	**202**	**€**	**741**
Non-current liabilities	**€**	**—**	**€**	**7**	**€**	**11**	**€**	**18**

								December 31, 2017
		BST		Other[1]	Joint ventures			Total
Cash and cash equivalents	€	309	€	11	€	75	€	395
Other current assets	€	291	€	23	€	198	€	512
Non-current assets	€	107	€	17	€	22	€	146
Current liabilities	€	430	€	22	€	190	€	642
Non-current liabilities	€	—	€	8	€	2	€	10

								January 1, 2017
		BST		Other[1]	Joint ventures			Total
Cash and cash equivalents	€	368	€	20	€	127	€	515
Other current assets	€	172	€	11	€	102	€	285
Non-current assets	€	102	€	52	€	26	€	180
Current liabilities	€	402	€	20	€	216	€	638
Non-current liabilities	€	—	€	28	€	2	€	30

[1] Other represents our pro rata share of assets and liabilities of non material associates.

Bombardier Transportation's pro rata share of comprehensive income of BST was as follows, for fiscal years:

		2018		2017
		BST		BST
Revenues	**€**	**342**	€	481
Cost of sales		**292**		417
Gross margin		**50**		64
Selling, general and administrative		**5**		6
Income before the following:		**45**		58
Financing income		**(5)**		(6)
Income before taxes		**50**		64
Income taxes		**7**		10
Net income		**43**		54
Total comprehensive income	**€**	**43**	€	54

Bombardier Transportation's aggregate pro rata share of net income of joint ventures and associates was as follows, for fiscal years:

		2018		2017
Joint ventures	**€**	**48**	€	96
Associates		**46**		60
Net income	**€**	**94**	€	156

The carrying values of investments in joint ventures and associates were as follows, as at:

	December 31, 2018	December 31, 2017	January 1, 2017
Joint ventures	**€ 139**	€ 111	€ 39 [1]
Associates	**292**	294	269
	€ 431	€ 405	€ 308

[1] Of which €3 million is presented in Other Liabilities due to the fact that dividends have been paid out in excess of Bombardier Transportation's investment.

Bombardier Transportation has pledged shares in associates, with a carrying value of nil as at December 31, 2018 (nil as at December 31, 2017 and €23 million as at January 1, 2017).

The aggregate carrying values of non-material joint ventures were €139 million as at December 31, 2018 (€111 million as at December 31, 2017 and €39 million as at January 1, 2017). Bombardier Transportation's pro rata share of net income and total comprehensive income of non-material joint ventures was €48 million for fiscal year 2018 (€96 million for fiscal year 2017).

The aggregate carrying values of non-material associates were €18 million as at December 31, 2018 (€17 million as at December 31, 2017 and €30 million as at January 1, 2017). Bombardier Transportation's pro rata share of net income and total comprehensive income of non-material associates was €1 million for fiscal year 2018 (€6 million for fiscal year 2017).

35. TRANSACTIONS WITH RELATED PARTIES

Bombardier Transportation's related parties are Bombardier Inc. and affiliate companies of the Aerospace segments and CDPQ. In addition, Bombardier Transportation buys and sells products and services on arm's length terms with some of its joint ventures and associates in the ordinary course of business. The following table presents the portion of these transactions that is attributable to affiliated companies as well as to the interests of the other venturers, and transaction with associates, for fiscal years:

	2018	2017
Aerospace segments		
Revenues	**€ 4**	€ 4
Bombardier Inc.		
Revenues	**€ 1**	€ 1
Special items - PCG agreement[1]	**—**	55
SG&A	**67**	96
Joint ventures		
Revenues	**€ 33**	€ 37
Purchase of products and services, and other expenses	**20**	18
Associates		
Revenues	**€ 16**	€ 14
Purchase of products and services, and other expenses	**4**	—

[1] See note 7 - Special items for more details.

The following table presents the Bombardier Transportation's outstanding balances, as at:

	December 31, 2018	December 31, 2017	January 1, 2017
Aerospace segments			
Receivables	**€ 2**	€ 2	€ 4
Payables	**10**	1	1
Bombardier Inc.			
Receivables	**€ 7**	€ 5	€ 8
Payables	**30**	14	6
Joint ventures			
Receivables	**€ 14**	€ 17	€ 21
Payables	**3**	9	2
Advances and progress billings in excess of related costs	**10**	6	7
Associates			
Receivables	**€ 3**	€ 10	€ 8
Other financial assets	**20**	—	—
Payables	**2**	2	4

Bombardier Transportation has prepaid amounts to Bombardier Inc. related to the PSUs, RSUs and DSUs plans amounting to €47 million, €38 million and €59 million as at December 31, 2018, 2017 and January 1, 2017, respectively.

Bombardier Inc. provides, on behalf of Bombardier Transportation:

- A credit guarantee of lease payments amounting to €41 million as at December 31, 2018, in connection with the sale of certain rail equipment (€43 million as at December 31, 2017 and €45 million as at January 1, 2017). This guarantee matures in 2025 and relates to one customer.

PCG fees, which are for performance and other guarantees provided by Bombardier Inc., in the normal course of business, to third parties in the event that Bombardier Transportation does not perform under its contractual obligations, were invoiced to Bombardier Transportation's legal entities up to February 11, 2016. PCG fees represent estimates of the cost of providing the guarantees services to Bombardier Transportation.
As of February 11, 2016, Bombardier Inc. has assigned and transferred future uncollected PCG fees to Bombardier Transportation in exchange of shares in BT Holdco for an amount of €301 million. Bombardier Transportation has recorded a prepaid asset related to those PCG fees which will be amortized over the guaranteed periods of the PCG fees assigned and transferred to Bombardier Transportation. Bombardier Transportation has recorded an amortization expense in the amount of €43 million for PCG for fiscal year 2018 (€58 million for fiscal year 2017). Bombardier Transportation has recorded expense in the amount of €6 million and €13 million for PCG fees invoiced by Bombardier Inc. for fiscal year 2018 and 2017, respectively. Parent company guarantees issued by Bombardier Inc. amounting to €5,278 million were enforceable as at December 31, 2018 (€6,331 million as at December 31, 2017 and €10,152 million as at January 1, 2017).

In fiscal year 2018, Bombardier Transportation paid a capital return of €270 million to BT Holdco, of which €196 million went ultimately to Bombardier Inc. and €74 million ultimately to CDPQ. In fiscal year 2017, Bombardier Transportation paid a capital return of €251 million to BT Holdco, of which €175 million went ultimately to Bombardier Inc. and €75 million ultimately to CDPQ.

Compensation paid to key management personnel
The annual remuneration and related compensation costs of the executive and non-executive board members of Bombardier Inc. and Bombardier Transportation and key Corporate management, defined as the President and Chief Executive Officer of Bombardier Inc., the President and Chief Operating Officer of Bombardier Transportation, and the Senior Vice Presidents of Bombardier Inc., were as follows, for fiscal years:

		2018		2017
Share-based benefits	**€**	**13**	€	15
Salaries, bonuses and other short-term benefits		**12**		15
Retirement benefits		**—**		1
	€	**25**	€	31

36. COMMITMENTS AND CONTINGENCIES

In addition to the commitments and contingencies described elsewhere in these Consolidated Financial Statements, Bombardier Transportation is subject to other off balance sheet risks described in the following table. The maximum potential exposure does not reflect payments expected to be made by Bombardier Transportation.

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

		December 31, 2018		December 31, 2017		January 1, 2017
Credit	**€**	**41**	€	43	€	45

a) Credit guarantees - In connection with the sale of certain transportation rail equipment, Bombardier Transportation has provided a credit guarantee of lease payments amounting to €41 million as at December 31, 2018 (€43 million as at December 31, 2017 and €45 million as at January 1, 2017). This guarantee matures in 2025.

b) Performance guarantees - In certain projects carried out through consortia or other partnership vehicles, partners may be jointly and severally liable to the customer for a default by the other partners. In such cases partners would normally provide counter indemnities to each other. These obligations and guarantees typically extend until final product acceptance by the customer and in some cases to the warranty period.

Bombardier Transportation's maximum net exposure to projects for which the exposure of Bombardier Transportation is capped, assuming all counter indemnities are fully honoured. For projects where Bombardier Transportation's exposure is not capped, such exposure has been determined in relation to Bombardier Transportation's partners' share of the total contract value. Under this methodology, Bombardier Transportation's net exposure is not significant, assuming all counter indemnities are fully honoured. Such joint and several obligations and guarantees have been rarely called upon in the past.

c) Other - In the normal course of its business, Bombardier Transportation has entered into agreements that include indemnities in favour of third parties, mostly tax indemnities. These agreements generally do not contain specified limits on Bombardier Transportation's liability and therefore, it is not possible to estimate Bombardier Transportation's maximum liability under these indemnities.

Operating leases
Bombardier Transportation leases buildings and equipment. Future minimum lease payments under non-cancellable operating leases are due as follows, as at:

		December 31, 2018
Within 1 year	**€**	**47**
Between 1 to 5 years		**103**
More than 5 years		**114**
	€	**264**

Rent expense was €55 million for fiscal year 2018 (€41 million for fiscal year 2017).

Other commitments
Bombardier Transportation also has purchase obligations, under various agreements, made in the normal course of business. The purchase obligations are as follows, as at:

	December 31, 2018	
Within 1 year	€	3,583
Between 1 to 5 years		2,921
More than 5 years		21
	€	6,525

The purchase obligations of Bombardier Transportation include capital commitments for the purchase of PP&E and intangible assets amounting to €174 million and €47 million, respectively, as at December 31, 2018 (€222 million and €38 million as at December 31, 2017 and €198 million and €46 million as at January 1, 2017).

Litigation
In the normal course of operations, Bombardier Transportation 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. Bombardier Transportation intends to vigorously defend its position in these matters.

While Bombardier Transportation cannot predict the final outcome of all legal proceedings pending as at December 31, 2018, 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.

Investigation in Brazil
On March 20, 2014, Bombardier Transportation Brasil Ltda ("BT Brazil"), a subsidiary of Bombardier Transportation, 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. Following the filing by the Superintendent-General of CADE of a formal opinion finding BT Brazil had engaged in anti-competitive behavior in December of 2018, BT Brazil intends to contest this opinion before the competent jurisdiction and continues to defend itself against the allegation vigorously.

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. Bombardier Transportation and BT Brazil continue to cooperate with investigations relating to the administrative proceedings and intend to defend themselves vigorously.

Transnet

Bombardier Transportation has learned through relevant media reports of the appointment of a *Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector, including organs of state* ("Inquiry") for which the terms of reference were published by presidential proclamation on January 25, 2018. Before and after the Inquiry, the media made allegations of irregularities with respect to multiple procurements regarding the supply of 1,064 locomotives by South African train operator Transnet Freight Rail. On September 7, 2018, Bombardier Transportation South Africa (Pty.) Ltd. ("BTSA") was informed that the Special Investigation Unit ("SIU"), a forensic investigation agency under the Department of Justice in South Africa, has opened an investigation with respect to the relocation, in 2014, of the manufacturing site from Pretoria to Durban and the costs claimed in regard to this relocation. BTSA has not received any other communication or request for information from the authorities conducting the inquiries. Bombardier Transportation has launched an internal review into the allegations which is conducted by external advisors under the supervision of counsel. The review is still ongoing but based on information known to Bombardier Transportation at this time, there is no reason to believe that Bombardier Transportation has been involved in any wrongdoing with respect to the procurement by Transnet of 240 *TRAXX* locomotives from Bombardier Transportation in one of numerous aforementioned procurements.

Spain

In December 2017, the Spanish Competition Authority ("CNMC") conducted an inspection at the offices of Bombardier European Investments, S.L.U. ("BEI") in Madrid. According to the Inspection Order, CNMC's inspection follows information it learned about possible irregularities in public tenders with the Railway Infrastructures Administrator ("ADIF"). On January 2, 2018, BEI received an information request from the CNMC regarding the legal and operational organization of BEI. BEI is cooperating with the authorities to the extent possible and responded to the information request. There are currently no charges nor allegations that BEI breached any law.

On August 28, 2018, BEI was informed that the CNMC was opening formal proceedings against eight competing companies active on the Spanish signalling equipment market and four directors, including BEI and its parent company, Bombardier Transportation (Global Holding) UK Limited. No Bombardier directors were named. The inclusion of the parent company is typical of European competition authorities at the early stage of the proceedings. The CNMC now has until February 28, 2020 to investigate and adopt a final decision on the case.

Bombardier Transportation's policy is to comply with all applicable laws, including antitrust and competition laws. In light of the early stage of the preliminary investigation, management is unable to predict its duration or outcome, including whether any operating division of Bombardier Transportation could be found liable for any violation of law or the extent of any fine, if found to be liable.

Sweden

Since the fourth quarter of 2016, the Swedish police authorities are conducting an on-going investigation in relation to allegations concerning a 2013 contract for the supply of signalling equipment to Azerbaijan Railways ADY. Bombardier Transportation's subsidiary has launched an internal review into the allegations which is conducted by external advisors under the supervision of counsel. Both the investigation and the internal review are ongoing. On August 18, 2017, charges were laid against a then employee of the subsidiary for aggravated bribery and, alternatively, influence trafficking. The trial on these charges took place from August 29 to September 20, 2017. No charges were laid against the subsidiary of Bombardier Transportation. In a decision rendered on October 11, 2017, the then employee was acquitted of all charges. The decision was appealed on October 25, 2017 by the Prosecution Authority. A trial on appeal is not expected to commence before January 2020. The underlying contract that gave rise to this matter is being audited by the World Bank Group pursuant to its contractual audit rights. The audit is still ongoing. Bombardier Transportation's policy is to comply with all applicable laws and it is cooperating to the extent possible with the investigation and the audit.

Engagement Terms, Liability and Conditions of Use

We, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, conducted our audit of this financial reporting on behalf of the Company. Besides satisfying the legal disclosure requirement (Sec. 325 HGB [“Handelsgesetzbuch”: German Commercial Code]) for statutory audits, the audit opinion is addressed exclusively to the Company and was issued for internal purposes only. It is not intended for any other purpose or to serve as a decision-making basis for third parties. The result of voluntary audits summarized in the audit opinion is thus not intended to serve as a decision-making basis for third parties and must not be used for purposes other than those intended.

Our work is based on our engagement agreement for the audit of these financial statements including the General Engagement Terms for “Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften” [German Public Auditors and Public Audit Firms] as issued by the Institute of Public Auditors in Germany [“Institut der Wirtschaftsprüfer”: IDW] on 1 January 2017.

To clarify, we point out that we assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the audit opinion to reflect events or circumstances arising after it was issued, unless required to do so by law.

It is the sole responsibility of anyone taking note of the summarized result of our work contained in this audit opinion to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax**;**

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

Annex 8.B. :

Bombardier Transportation (Global Holding) UK Limited's annual financial statements
for the fiscal year ended 31 December 2019,
with the reports of Bombardier Transportation (Global Holding) UK Limited's statutory auditor
on those financial statements

Bombardier Transportation (Global Holding) UK Limited
London

Audit Opinion
Consolidated Financial Statements
for the year ended
31 December 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Building a better working world

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Financial reporting

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e issue the audit opinion presented belo in co pliance ith le al and professional re uire ents sub ect to the conditions described in the enclosed n a e ent Ter s iability and onditions of se .

DE E DE T AUD TO S E O T

o ombardier ransportation lobal olding K imited

Opinion

e ha e audited the consolidated financial statements of ombardier ransportation lobal olding K imited and its subsidiaries the group , hich comprise the consolidated statements of financial position as at December , , and the consolidated statement of comprehensi e income, consolidated statement of changes in e uit and consolidated statement of cash flo s for the ear then ended and notes to the consolidated financial statements, including a summar of significant accounting policies.

n our opinion, the accompan ing consolidated financial statements gi e a true and fair ie of the financial position of the group as at December , , and of its consolidated financial performance and its consolidated cash flo s for the ear then ended in accordance ith nternational Financial eporting Standards.

Basis for Opinion

e conducted our audit in accordance ith nternational Standards on uditing S s . ur responsibilities under those standards are further described in the uditor s esponsibilities for the udit of the onsolidated Financial Statements section of our report. e are independent of the roup in accordance ith the german ethical re uirements that are rele ant to our audit of the consolidated financial statements, and e ha e fulfilled our other ethical responsibilities in accordance ith these re uirements. e belie e that the audit e idence e ha e obtained is sufficient and appropriate to pro ide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

anagement is responsible for the preparation of consolidated financial statements that gi e a true and fair ie in accordance ith nternational Financial eporting Standards, and for such internal control as management determines is necessar to enable the preparation of consolidated financial statements that are free from material misstatement, hether due to fraud or error.

n preparing the consolidated financial statements, management is responsible for assessing the roup s abilit to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to li uidate the roup or to cease operations, or has no realistic alternati e but to do so.

hose charged ith go ernance are responsible for o erseeing the roup s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

ur ob ecti es are to obtain reasonable assurance about hether the consolidated financial statements as a hole are free from material misstatement, hether due to fraud or error, and to issue an auditor s report that includes our opinion. easonable assurance is a high le el of assurance, but is not a guarantee that an audit conducted in accordance ith S s ill al a s detect a material misstatement hen it e ists. isstatements can arise from fraud or error and are considered material if, indi iduall or in the aggregate, the could reasonabl be e pected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

s part of an audit in accordance ith S s, e e ercise professional udgment and maintain professional skepticism throughout the audit. e also

- dentif and assess the risks of material misstatement of the consolidated financial statements, hether due to fraud or error, design and perform audit procedures responsi e to those risks, and obtain audit e idence that is sufficient and appropriate to pro ide a basis for our opinion. he risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud ma in ol e collusion, forger , intentional omissions, misrepresentations, or the o erride of internal control.

EY

btain an understanding of internal control rele ant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of e pressing an opinion on the effecti eness of the roup s internal control.

aluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made b management.

onclude on the appropriateness of management s use of the going concern basis of accounting and, based on the audit e idence obtained, hether a material uncertaint e ists related to e ents or conditions that ma cast significant doubt on the roup s abilit to continue as a going concern. f e conclude that a material uncertaint e ists, e are re uired to dra attention in our auditor s report to the related disclosures in the consolidated financial statements or, if such disclosures are inade uate, to modif our opinion. ur conclusions are based on the audit e idence obtained up to the date of our auditor s report. o e er, future e ents or conditions ma cause the roup to cease to continue as a going concern.

aluate the o erall presentation, structure and content of the consolidated financial statements, including the disclosures, and hether the consolidated financial statements represent the underl ing transactions and e ents in a manner that achie es a true and fair ie .

btain sufficient appropriate audit e idence regarding the consolidated financial information of the entities or business acti ities ithin the roup to e press an opinion on the consolidated financial statements. e are responsible for the direction, super ision and performance of the group audit. e remain solel responsible for our audit opinion.

e communicate ith those charged ith go ernance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including an significant deficiencies in internal control that e identif during our audit.

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Bombardier Transportation (Global Holding) UK Limited

Consolidated Financial Statements for the fiscal years ended December 31, 2019 and 2018

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GLOSSARY

The following table shows the abbreviations used in this report.

Term	Description	Term	Description
AFS	Available for sale	HFT	Held for trading
BST	Bombardier Sifang (Qingdao) Transportation Ltd.	IAS	International Accounting Standard(s)
CCTD	Cumulative currency translation difference	IASB	International Accounting Standards Board
CDPQ	Caisse de dépôt et placement du Québec	IFRIC	International Financial Reporting Interpretation Committee
CGU	Cash generating unit		
DDHR	Derivative designated in a hedge relationship	IFRS	International Financial Reporting Standard(s)
DSU	Deferred share unit	NCI	Non-controlling interests
EBIT	Earnings (loss) before financing expense, financing income and income taxes	OCI	Other comprehensive income (loss)
		PCG	Parent company guarantees
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	PP&E	Property, plant and equipment
		PSU	Performance share unit
		R&D	Research and development
EBT	Earnings (loss) before income taxes	RSU	Restricted share unit
FVOCI	Fair value through other comprehensive income (loss)	SG&A	Selling, general and administrative
		U.K.	United Kingdom
FVTP&L	Fair value through profit and loss	U.S.	United States of America

Bombardier Transportation is used as abbreviation for Bombardier Transportation (Global Holding) UK Limited.

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF INCOME
For the fiscal years ended December 31
(in millions of euro)

	Notes		**2019** [1]		2018
Revenues	13				
Rolling stock and systems		**€**	**4,636**	€	4,943
Services			**1,910**		1,773
Signalling			**837**		825
			7,383		7,541
Cost of sales			**6,884**		6,472
Gross margin			**499**		1,069
SG&A			**477**		490
R&D			**121**		103
Share of income of joint ventures and associates	32		**(84)**		(94)
Other expense (income)	5		**(8)**		3
Special items	6		**43**		(21)
EBIT			**(50)**		588
Financing expense	7		**67**		86
Financing income	7		**(19)**		(21)
EBT			**(98)**		523
Income taxes	9		**14**		228
Net income (loss)		**€**	**(112)**	€	295
Attributable to					
Equity holders of Bombardier Transportation		**€**	**(118)**	€	290
NCI			**6**		5
		€	**(112)**	€	295

[1] Refer to Note 3 - Changes in accounting policies for the impact of the adoption of IFRS 16, *Leases*.

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the fiscal years ended December 31
(in millions of euro)

	Notes		**2019**		2018
Net income (loss)		**€**	**(112)**	€	295
OCI					
Items that may be reclassified to net income					
Net change in cash flow hedges					
Foreign exchange re-evaluation			**(2)**		—
Net gain (loss) on derivative financial instruments			**(95)**		12
Reclassification to income or to the related non-financial asset[1]			**(39)**		5
Income taxes	9		**25**		(8)
			(111)		9
CCTD					
Net investments in foreign operations			**71**		(3)
Items that are never reclassified to net income					
Retirement benefits					
Remeasurement of defined benefit plans			**(138)**		46
Income taxes	9		**14**		10
			(124)		56
Total OCI			**(164)**		62
Total comprehensive income (loss)		**€**	**(276)**	€	357
Attributable to					
Equity holders of Bombardier Transportation		**€**	**(282)**	€	353
NCI			**6**		4
		€	**(276)**	€	357

[1] €5 million of net deferred gain is expected to be reclassified from OCI to the carrying amount of the related non-financial asset or to income during fiscal year 2020.

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at
(in millions of euro)

	Notes		**December 31 2019** [1]		December 31 2018		January 1 2018
Assets							
Cash and cash equivalents	11	**€**	**481**	€	662	€	993
Trade and other receivables	12		**1,115**		921		726
Contract assets	13		**2,167**		2,240		2,003
Inventories	14		**138**		119		172
Other financial assets	16		**100**		132		166
Other assets	17		**276**		229		269
Current assets			**4,277**		4,303		4,329
PP&E	18		**890**		677		674
Goodwill	19		**1,723**		1,701		1,702
Deferred income taxes	9		**340**		182		287
Investments in joint ventures and associates	32		**473**		431		405
Other financial assets	16		**105**		81		214
Other assets	17		**304**		348		330
Non-current assets			**3,835**		3,420		3,612
		€	**8,112**	€	7,723	€	7,941
Liabilities							
Trade and other payables	21	**€**	**2,339**	€	2,208	€	1,940
Provisions	22		**750**		843		1,071
Contract liabilities	13		**2,435**		2,289		2,231
Other financial liabilities	23		**173**		124		197
Other liabilities	24		**914**		865		1,056
Current liabilities			**6,611**		6,329		6,495
Provisions	22		**16**		56		140
Long-term debt[2]			**—**		20		24
Retirement benefits	20		**926**		854		868
Other financial liabilities	23		**106**		1		1
Other liabilities	24		**180**		60		94
Non-current liabilities			**1,228**		991		1,127
			7,839		7,320		7,622
Equity							
Attributable to equity holders of Bombardier Transportation			**262**		394		311
Attributable to NCI			**11**		9		8
			273		403		319
		€	**8,112**	€	7,723	€	7,941
Commitments and contingencies	34						

[1] Refer to Note 3 - Changes in accounting policies for the impact of the adoption of IFRS 16, *Leases*.

[2] Obligations under finance leases were reclassified from Long-term debt to Other liabilities, following the application of IFRS 16, *Leases*. See Note 3 - Changes in accounting policies for more information.

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the fiscal years ended
(in millions of euro)

	Attributable to equity holders of Bombardier Transportation										
	Share Capital and Premium	Retained earnings			Accumulated OCI						
	Common Shares	Other retained earnings	Group Reorgani-zation	Remea-surement losses	Cash flow hedges	CCTD	Total	NCI	Total Equity
As at January 1 2018	€ 4,078	€ 671	€ (3,921)	€ (479)	€ 50	€ (88)	€ 311	€ 8	€ 319
Total comprehensive income									
Net income	—	290	—	—	—	—	290	5	295
OCI	—	—	—	56	9	(2)	63	(1)	62
	—	290	—	56	9	(2)	353	4	357
Capital return to shareholders	—	(270)	—	—	—	—	(270)	—	(270)
Capital distribution	—	—	—	—	—	—	—	(3)	(3)
As at December 31, 2018	**€ 4,078**	**€ 691**	**€ (3,921)**	**€ (423)**	**€ 59**	**€ (90)**	**€ 394**	**€ 9**	**€ 403**
Total comprehensive income									
Net income (loss)	**—**	**(118)**	**—**	**—**	**—**	**—**	**(118)**	**6**	**(112)**
OCI	**—**	**—**	**—**	**(124)**	**(111)**	**71**	**(164)**	**—**	**(164)**
	—	**(118)**	**—**	**(124)**	**(111)**	**71**	**(282)**	**6**	**(276)**
Capital distribution	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(4)**	**(4)**
Capital injection[1]	**150**	**—**	**—**	**—**	**—**	**—**	**150**	**—**	**150**
As at December 31, 2019	**€ 4,228**	**€ 573**	**€ (3,921)**	**€ (547)**	**€ (52)**	**€ (19)**	**€ 262**	**€ 11**	**€ 273**

[1] Refer to Note 33 - Transactions with related parties for more information.

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the fiscal years ended December 31
(in millions of euro)

	Notes		**2019** [1]		2018
Operating activities					
Net income (loss)		**€**	**(112)**	€	295
Non-cash items					
Amortization[2]	18, 19		**124**		85
Impairment charges (reversals) on PP&E and intangible assets	5, 6, 18, 19		**(4)**		7
Deferred income taxes	9		**(113)**		116
Gains on disposals of PP&E and intangible assets	5, 6		**(8)**		(54)
Gain on sale of a business	5		**(3)**		—
Share of income of joint ventures and associates	32		**(84)**		(94)
Share-based expense	26		**3**		22
Loss on sale of long-term contract receivables	6		**—**		26
Dividends received from joint ventures and associates			**44**		61
Net change in non-cash balances	27		**(230)**		(469)
Cash flows from operating activities			**(383)**		(5)
Investing activities					
Additions to PP&E and intangible assets			**(163)**		(164)
Proceeds from disposals of PP&E and intangible assets			**23**		73
Net proceeds from disposal of a business			**26**		1
Cash flows from investing activities			**(114)**		(90)
Financing activities					
Net proceeds from issuance of long-term debt			**—**		2
Repayments of long-term debt			**—**		(7)
Payment of lease liabilities[3]			**(43)**		—
Subordinated loan from the Parent	23		**100**		—
Capital injection[4]			**150**		—
Capital return to shareholders[4]			**—**		(270)
Capital return to NCI			**(4)**		(3)
Cash flows from financing activities			**203**		(278)
Effect of exchange rates on cash and cash equivalents			**113**		42
Net decrease in cash and cash equivalents			**(181)**		(331)
Cash and cash equivalents at beginning of year			**662**		993
Cash and cash equivalents at end of year	11	**€**	**481**	€	662
Supplemental information[5][6]					
Cash paid for					
Interest		**€**	**31**	€	18
Income taxes		**€**	**138**	€	123
Cash received for					
Interest		**€**	**2**	€	3
Income taxes		**€**	**6**	€	21

[1] Refer to Note 3 - Changes in accounting policies for the impact of the adoption of IFRS 16, *Leases*.
[2] Includes €42 representing amortization charge related to right-of-use of assets for fiscal year 2019.
[3] Lease payments related to the interest portion, short term leases, low value assets and variable lease payments not included in lease liabilities are classified as cash outflows from operating activities. The total cash outflows for fiscal year 2019 amounted to €61 million.
[4] For more details, see Note 33 - Transactions with related parties.
[5] Amounts paid or received for interest and income taxes are reflected as cash flows from operating activities.
[6] Interest paid comprises interest on long-term debt excluding up-front costs paid related to the negotiation of debts or credit facilities, interest paid on lease liabilities and interest paid on extended payment terms for trade payables. Interest received comprises interest received related to cash and cash equivalents.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended December 31, 2019 and 2018

(Tabular figures are in millions of euro, unless otherwise indicated)

1. BASIS OF PRESENTATION

Bombardier Transportation (Investment) UK Limited ("BT Holdco") is incorporated under the laws of the UK and is the parent of Bombardier Transportation (Global Holding) UK Limited ("Bombardier Transportation"). Bombardier Transportation is a wholly owned subsidiary of BT Holdco. Bombardier Transportation is incorporated under the laws of the UK. Bombardier Transportation's headquarters is located in Berlin, Germany. Bombardier Transportation provides rail transportation equipment, systems and related services. Bombardier Transportation is a global leader in the rail equipment manufacturing and servicing industry and is managed as a separate operating segment of Bombardier Inc.

Basis of presentation

Bombardier Transportation's Consolidated Financial Statements are expressed in Euro and have been prepared in accordance with IFRS, as issued by the IASB.

Bombardier Transportation's Consolidated Financial Statements for fiscal year 2019 were authorized for issuance by the Board of Directors on March 12, 2020.

Nature of operations

The table below presents the main market segments as well as an overview of the main products and services.

ROLLING STOCK AND SYSTEMS		SERVICES	SIGNALLING	
• Very high-speed trains • High-speed trains • Intercity trains • Regional trains • Commuter trains • Metros • Light rail vehicles • Automated people mover (APM) • Light rail systems • Automated monorail • Turnkey systems	• Electric & Diesel Locomotives • Traction and auxiliary converters • Traction motors • Train control and management systems • Bogies product portfolio to match the entire range of rail vehicles	• Fleet management • Material and logistics management • Vehicle renovation and overhaul • Component re-engineering and overhaul • Technical support • Operations and maintenance	• Integrated control systems • Computer and relay based interlocking systems • Transit security • Radio based rail control and signalling systems • Wayside equipment	• Automatic train protection and train operation systems

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated.

Basis of consolidation

The Consolidated Financial Statements include all legal entities of Bombardier Transportation, most of which are directly or indirectly wholly owned.

The principal legal entities, whose revenues represent more than 10% of total revenues of Bombardier Transportation, or more than 10% of its total assets, are as follows:

Subsidiary	Location
Bombardier Transportation GmbH	Germany
Bombardier Transportation (Holdings) UK Ltd.	U.K.
Bombardier Transportation Canada Inc.	Canada
Bombardier Transport France S.A.S.	France

Revenues of these legal entities totalled 56% of consolidated revenues or 57% of consolidated assets for fiscal year 2019 (59% and 62% for fiscal year 2018).

Subsidiaries – Subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date control over the subsidiaries ceases.

Bombardier Transportation consolidates investees, including structured entities when, based on the evaluation of the substance of the relationship with Bombardier Transportation, it concludes that it controls the investees. Bombardier Transportation controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Joint ventures – Joint ventures are those entities over which Bombardier Transportation exercises joint control, requiring unanimous consent of the parties sharing control of relevant activities such as, strategic financial and operating decision making and where the parties have rights to the net assets of the arrangement. Bombardier Transportation recognizes its interest in joint ventures using the equity method of accounting, and are recorded in EBIT.

Associates – Associates are entities in which Bombardier Transportation has the ability to exercise significant influence over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting, and are recorded in EBIT.

All significant intercompany balances and transactions between Bombardier Transportation entities have been eliminated. Transactions with Bombardier Inc. or affiliated entities that do not belong to the scope of consolidated entities are disclosed as related party transactions. Refer to Note 33 - Transactions with related parties.

Foreign currency translation

The consolidated financial statements are expressed in Euro, the presentation currency of Bombardier Transportation. The presentation currency is the currency in which the financial statements are presented. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of most foreign subsidiaries is their local currency, mainly the Euro, Pound sterling, Swedish Krona, various other European currencies and the U.S. dollar.

Foreign currency transactions – Transactions denominated in foreign currencies are initially recorded in the functional currency of the related entity using the exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. Any resulting exchange difference is recognized in income except for exchange differences related to retirement benefits asset and liability which are recognized in OCI. Non-monetary assets and liabilities denominated in foreign currencies and measured at historical cost are translated using historical exchange rates, and those

measured at fair value are translated using the exchange rate in effect at the date the fair value is determined. Revenues and expenses are translated using the average exchange rates for the period or the exchange rate at the date of the transaction for significant items.

Foreign operations – Assets and liabilities of foreign operations whose functional currency is other than the Euro are translated into Euro using closing exchange rates. Revenues and expenses, as well as cash flows, are translated using the average exchange rates for the period. Translation gains or losses are recognized in OCI and are reclassified in income on disposal or partial disposal of the investment in the related foreign operation.

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

			Exchange rates as at	**Average exchange rates for fiscal years**	
	December 31 2019	December 31 2018	January 1 2018	**2019**	2018
Pound Sterling	**1,17536**	1,11791	1.12710	**1,13954**	1,13048
Swedish Krona	**0,09572**	0,09752	0.10159	**0,09453**	0,09757
US dollar	**0,89015**	0,87336	0.83382	**0,89296**	0,84661

Revenue recognition

Long-term contracts – Revenues from long-term contracts related to designing, engineering or manufacturing specifically designed products (including rail vehicles, vehicles overhaul and signalling contracts) and service contracts are generally recognized over time. The measure of progress toward complete satisfaction of the performance obligation 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. The contract transaction price is adjusted for change orders, claims, performance incentives and other contract terms that provide for the adjustment of prices to the extent they represent enforceable rights for Bombardier Transportation. Variable consideration such as assumptions for price escalation clauses, performance incentives and claims are only included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Customer options are only included in the transaction price of the contract when they become legally enforceable as a result of the customer exercising its right to purchase the additional goods or services. If a contract review indicates the expected costs to fulfill the contract exceed the expected economic benefits expected to be received under it, the entire expected loss on the contract is recognized as an onerous contract provision with the corresponding expense recorded in cost of sales. The expected benefits to be received are generally limited to the revenues from the associated contract.

Options or variation orders for additional assets are treated as contract modifications when exercised. Modifications of Bombardier Transportation's long term contracts are generally accounted as part of the existing contract to the extent the remaining goods and services are considered to form part of a single performance obligation that is partially satisfied at the date of contract modification. The effect that the contract modification has on the transaction price and the existing progress toward satisfaction of the single performance obligation is recognized as an adjustment to revenue at the date of the contract modification on a cumulative catch-up basis.

Other – Revenues from the sale of spare parts are recognized at the point in time when the customer has obtained control of the promised asset and Bombardier Transportation has satisfied the performance obligation.

Contract balances

Contract related balances comprise of contract assets and contract liabilities presented separately in the consolidated statements of financial position.

Contract assets - Are recognized when goods or services are transferred to customers before consideration is received or before Bombardier Transportation has an unconditional right to payment for performance completed to date. Contract assets are subsequently transferred to receivables when the right of payment becomes unconditional. Contract assets comprise cost incurred and recorded margins in excess of advances and progress billings on long-term production and service contracts.

Contract liabilities – Are recognized when amounts are received from customers in advance of transfer of goods or services. Contract liabilities are subsequently recognized in revenue as or when Bombardier Transportation performs under contracts. Contract liabilities comprise advances and progress billings in excess of long-term contract cost incurred and recorded margin, and other deferred revenues related to operation and maintenance of systems.

A net position of contract asset or contract liability is determined for each contract. The cash flows in respect of advances and progress billings, including amounts received from third party advance providers, are classified as cash flows from operating activities.

Government assistance

Government assistance, including investment tax credits, is recognized when there is a reasonable assurance that the assistance will be received and that Bombardier Transportation will comply with all relevant conditions. Government assistance related to the acquisition of inventories, PP&E and intangible assets is recorded as a reduction of the cost of the related asset. Government assistance related to current expenses is recorded as a reduction of the related expenses.

Special items

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

Income taxes

Bombardier Transportation applies the liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized for the future income tax consequences of temporary differences between the carrying amounts of assets and liabilities and their respective tax bases, and for tax losses carried forward. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates that will be in effect for the year in which the differences are expected to reverse.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized.

Deferred income tax assets and liabilities are recognized directly in income, OCI or equity based on the classification of the item to which they relate.

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 Bombardier Transportation include cash and cash equivalents, trade and other receivables, long-term contract receivables, investments in securities, deposits, loans, restricted cash and derivative financial instruments with a positive fair value. Financial liabilities of Bombardier Transportation include trade and other payables, short-term borrowings, long-term debt and derivative financial instruments with a negative fair value.

Financial instruments are recognized in the consolidated statement of financial position when Bombardier Transportation becomes a party to the contractual obligations of the instrument. On initial recognition, financial instruments are recognized at their fair value plus, in the case of financial instruments not at FVTP&L, transaction costs that are directly attributable to the acquisition or issue of financial instruments. Subsequent to initial recognition, financial instruments are measured according to the category to which they are classified, which are: a) financial instruments classified as FVTP&L, b) financial instruments designated as FVTP&L, c) FVOCI financial assets, or d) amortised cost. Financial instruments are subsequently measured at amortized cost, unless they are classified as FVOCI or FVTP&L or designated as FVTP&L, in which case they are subsequently measured at fair value. Bombardier Transportation does not designate any financial instruments at FVTP&L.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or Bombardier Transportation has transferred its rights to receive cash flows from the asset and either (a)

Bombardier Transportation has transferred substantially all the risks and rewards of the asset, or (b) Bombardier Transportation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

For transactions where it is not obvious whether Bombardier Transportation has transferred or retained substantially all the risks and rewards of ownership, Bombardier Transportation performs a quantitative analysis to compare its exposure to the variability in asset cash flows before and after the transfer. Judgment is applied in determining a number of reasonably possible scenarios that reflect the expected variability in the amount and timing of net cash flows, and then in assigning each scenario a probability with greater weighting being given to those outcomes which are considered more likely to occur.

When the transfer of a customer receivable results in the derecognition of the asset, the corresponding cash proceeds are classified as cash flows from operating activities.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing liability is replaced by another from the same creditor on substantially different terms, or the terms of the liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

a) Financial instruments classified at amortized cost

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.

Other Financial instruments - Trade and other receivables, restricted cash, certain long-term contract receivables and other financial assets are all financial assets measured at amortized cost using the effective interest rate method less any impairment losses. Trade and other payables, short-term borrowings, long-term debt and certain other financial liabilities are measured at amortized cost using the effective interest rate method.

Trade receivables as well as other financial assets are subject to impairment review. Trade receivables and contract assets are reviewed for impairment based on the simplified approach which measures the loss allowance at an amount equal to the lifetime expected credit losses. Other financial assets for which the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. For other financial assets for which the credit risk has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses.

b) Financial instruments classified as FVTP&L

Certain long-term contract receivables are required to be classified as FVTP&L. Subsequent changes in fair value of such financial instruments are recorded in other expense (income), except for the fair value changes arising from a change in interest rates or when the instrument is held for investing purposes which are recorded in financing expense or financing income.

Derivative financial instruments – Derivative financial instruments are mainly used to manage Bombardier Transportation's exposure to foreign exchange market risks, generally through forward foreign exchange contracts. Derivative financial instruments include 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 FVTP&L, 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 cost of sales or financing expense or financing income, based on the nature of the exposure.

Embedded derivatives of Bombardier Transportation include foreign exchange instruments included in sale or purchase agreements. Upon initial recognition, the fair value of the foreign exchange instruments not designated in a hedge relationship is recognized in cost of sales. Subsequent changes in fair value of embedded derivatives are recorded in cost of sales or financing expense or financing income, based on the nature of exposure.

c) FVOCI financial assets

Investments in securities are classified as FVOCI. Investments in securities, excluding equity instruments, are accounted for at fair value with unrealized gains and losses included in OCI, except for impairment gains or losses and foreign exchange gains and losses on monetary investments, such as fixed income investments, which are recognized in income. Equity instruments, included in investments in securities, were designated, on initial recognition, at FVOCI, where the subsequent changes in the fair value are recognized in OCI with no recycling to net income. Dividend income is recognized in financing income.

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 and non-derivative hedging financial instruments are expected to substantially offset the changes in the fair value of the hedged item attributable to the underlying risk exposure.

Bombardier Transportation 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 cash flows or to a specific asset or liability. Bombardier Transportation also formally documents and assesses, both at the hedge's inception and on an ongoing basis, whether the hedging instruments are effective in offsetting the changes in the fair value or cash flows of the hedged items. The permitted hedging strategy used by Bombardier Transportation is as follows:

Cash flow hedges – Bombardier Transportation generally applies cash flow hedge accounting to forward foreign exchange contracts entered into to hedge foreign exchange risks on forecasted transactions and recognized assets and liabilities. 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 as a reclassification adjustment 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.

For Bombardier Transportation, foreign currency exposure, arising from its long-term contracts, spreads over many years. Such exposures are generally entirely hedged at the time of order intake, contract-by-contract, for a period that is often shorter than the maturity of the cash flow exposure. Upon maturity of the hedges, Bombardier Transportation enters into new hedges in a rollover strategy for periods up to the maturity of the cash flow exposure. There is an economic relationship between the hedged items and the hedging instruments as the critical terms, under a spot designation, are closely aligned. The critical terms are the nominal amount and the currency.

To test the hedge effectiveness, Bombardier Transportation uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in the fair value of the hedged items attributable to the hedged risks. The hedge ineffectiveness can arise due to the time value of money, under a spot designation, as the expected timing between the forecasted transaction and the forward contract are not aligned, due to different indexes, and changes to the forecasted amount of cash flow of hedged items and hedging instruments. Bombardier Transportation has established a hedge ratio of 1:1.

The portion of gains or losses on the hedging instrument 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 cost of sales or financing expense or financing income 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.

Leases accounting policies applicable starting January 1, 2019 following adoption of IFRS 16 - *Leases.* See Note 3 - Changes in accounting policies for more details.

When Bombardier Transportation is the lessee – Leases are recognized as a right-of-use asset in PP&E and a corresponding lease liability in Other liabilities at the date at which the leased asset is available for use by Bombardier Transportation. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment.

The lease liability is measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by Bombardier Transportation and payment of penalties for termination of a lease when the lease term reflects the lessee exercising a termination option. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest portion. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is recorded in financing expense. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of income.

Leases accounting policies applicable prior to January 1, 2019, when Bombardier Transportation was following IAS 17 and IFRIC 4.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the arrangement conveys a right to use the asset. When substantially all risks and rewards of ownership are transferred from the lessor to the lessee, lease transactions are accounted for as finance leases. All other leases are accounted for as operating leases.

Bombardier Transportation enters into sale and leaseback transactions, typically for properties, whereby Bombardier Transportation sells an asset to a lessor and immediately leases it back. These leases are generally accounted for as operating leases based on the above accounting policy for lease classification. In the case of properties, the sale is treated as a disposal of PP&E with recognition of a corresponding gain or loss on sale, and the cash proceeds are classified as as disposals of PP&E within cash flows from investing activities.

When Bombardier Transportation is the lessee – Leases of assets classified as finance leases are presented in the consolidated statements of financial position according to their nature. The interest element of the lease payment is recognized over the term of the lease based on the effective interest rate method and is included in financing expense. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease.

Inventory valuation

Raw materials – Raw materials inventories are valued at the lower of cost or net realizable value. Cost is generally determined using the moving average method.

Impairment of inventories – Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused inventories to be written down 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.

Retirement and other long-term employee benefits

Retirement benefit plans are classified as either defined benefit plans or defined contribution plans.

Defined benefit plans

Retirement benefit liability or asset recognised on the consolidated statement of financial position is measured at the difference between the present value of the defined benefit obligation and the fair value of plan asset at the reporting date. When Bombardier Transportation has a surplus in a defined benefit plan, the value of any plan asset recognized is restricted to the asset ceiling - i.e. the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan ("asset ceiling test"). A minimum liability is recorded when legal minimum funding requirements for past services exceed economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. A constructive obligation is recorded as a defined benefit obligation when there is no realistic alternative but to pay employee benefits. Retirement benefit liability or asset includes the effect of any asset ceiling, minimum liability and constructive obligation.

The cost of pension and other benefits earned by employees is actuarially determined for each plan using the projected unit credit method, and management's best estimate of salary escalation, retirement ages, life expectancy, inflation, discount rates and health care costs. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. These assets are measured at fair value at the end of the reporting period, which is based on published market mid-price information in the case of quoted securities. The discount rates are determined at each reporting date by reference to market yields at the end of the reporting period on high quality corporate fixed-income investments consistent with the currency and the estimated terms of the related retirement benefit liability. Past service costs are recognized in income at the earlier of i) the date of the plan amendment or curtailment or ii) the date that Bombardier Transportation recognized the restructuring costs. Effective January 1, 2019, when plan amendments, curtailments and settlements occur, Bombardier Transportation uses updated actuarial assumptions to determine current service cost and net interest for the period after the plan amendment, curtailment or settlement.

The remeasurement gains and losses (including the foreign exchange impact) arising on the plan assets and defined benefit obligation and the effect of any asset ceiling and minimum liability are recognized directly in OCI in the period in which they occur and are never reclassified to net income. Past service costs (credits) are recognized directly in income in the period in which they occur.

The accretion on net retirement benefit obligations is included in financing income or financing expense. The remaining components of the benefit cost are either capitalized as part of labour costs and included in inventories and in certain PP&E and intangible assets during their construction, or are recognized directly in income. The benefit cost recorded in net income is allocated to labour costs based on the function of the employee accruing the benefits.

Defined contribution plans

Contributions to defined contribution plans are recognized in net income as incurred or are either capitalized as part of labour costs and included in inventories. The benefit cost recorded in net income is allocated to labour costs based on the function of the employee accruing the benefits.

Other long-term employee benefits – The accounting method is similar to the method used for defined benefit plans, except that all actuarial gains and losses are recognized immediately in income. Other long-term employee benefits are included in other liabilities.

Property, plant and equipment

PP&E are carried at cost less accumulated amortization and impairment losses. The cost of an item of PP&E includes its purchase price or manufacturing cost as well as other costs incurred in bringing the asset to its present location and condition. If the cost of certain components of an item of PP&E is significant in relation to the total cost of the item, the total cost is allocated between the various components, which are then separately depreciated over the estimated useful lives of each respective component. The amortization of PP&E is computed on a straight-line basis over the following useful lives:

Buildings	5 to 75 years
Equipment	2 to 15 years
Other	3 to 10 years

The amortization method and useful lives are reviewed on a regular basis, at least annually, and changes are accounted for prospectively. The amortization expense and impairments are recorded in cost of sales, SG&A or R&D expenses based on the function of the underlying asset or in special items. Amortization of assets under construction begins when the asset is ready for its intended use.

When a significant part is replaced or a major inspection or overhaul is performed, its cost is recognized in the carrying amount of the PP&E if the recognition criteria are satisfied, and the carrying amount of the replaced part or previous inspection or overhaul is derecognized. All other repair and maintenance costs are charged to income when incurred.

Intangible assets

Internally generated intangible assets include development costs and internally developed or modified application software. These costs are capitalized when certain criteria such as proven technical feasibility are met. The costs of internally generated intangible assets include the cost of materials, direct labour, manufacturing overheads and borrowing costs and exclude costs which were not necessary to create the asset, such as identified inefficiencies.

Acquired intangible assets include the cost of development activities carried out by vendors for which Bombardier Transportation controls the underlying output from the usage of the technology, as well as the cost related to externally acquired licences, patents and trademarks.

Intangible assets are recorded at cost less accumulated amortization and impairment losses and include goodwill, as well as other intangible assets such as licenses, patents and trademarks. Other intangible assets are included in other assets. Amortization expense is recognized as follows:

	Method	**Estimated useful life**
Platform development	Straight-line	5 to 8 years
Licenses, patents and trademarks	Straight-line	3 to 20 years
Application software and other	Straight-line	3 to 5 years

The amortization methods and estimated useful lives are reviewed on a regular basis, at least annually, and changes are accounted for prospectively. The amortization expense for the platform development costs is recorded in R&D expense and for other intangible assets is recorded in cost of sales, SG&A or R&D expense based on their function of the underlying asset.

Bombardier Transportation does not have indefinite-life intangible assets, other than goodwill. Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment of PP&E and intangible assets

Bombardier Transportation assesses at each reporting date whether there is an indication that an item of PP&E or intangible asset may be impaired. If any indication exists, Bombardier Transportation estimates the recoverable amount of the individual asset, when possible.

When the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, the asset is tested at the CGU level. Most of Bombardier Transportation's non-financial assets are tested for impairment at the CGU level. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

- The fair value less costs to sell reflects the amount Bombardier Transportation could obtain from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. If there is no binding sales agreement or active market for the asset, the fair value is assessed by using appropriate valuation models dependent on the nature of the asset or CGU, such as discounted cash flow models.
- The value in use is calculated using estimated net cash flows, with detailed projections generally over a five-year period and subsequent years being extrapolated using a growth assumption. The estimated net cash flows are discounted to their present value using a discount rate before income taxes that reflects current market assessments of the time value of money and the risk specific to the asset or CGU.

When the recoverable amount is less than the carrying value of the related asset or CGU, the related assets are written down to their recoverable amount and an impairment loss is recognized in net income.

For PP&E and intangible assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, Bombardier Transportation estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. A reversal of an impairment loss reflects an increase in the estimated service potential of an asset. The reversal of impairment losses is limited to the amount that would bring the carrying value of the asset or CGU to the amount that would have been recorded, net of amortization, had no impairment loss been recognized for the asset or CGU in prior years. Such reversal is recognized to income in the same line item where the original impairment was recognized.

Intangible assets not yet available for use and goodwill are reviewed for impairment at least annually or more frequently if circumstances such as significant declines in expected sales, earnings or cash flows indicate that it is more likely than not that the asset or CGU might be impaired. Impairment losses relating to goodwill are not reversed in future periods.

Impairment of investments in joint ventures and associates

Bombardier Transportation's investments in its joint ventures and associates are accounted for using the equity method subsequent to initial recognition. The carrying amount of the investment is adjusted to recognize changes in Bombardier Transportation's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

Bombardier Transportation's share of net income of joint ventures and associates is included in the consolidated statement of income.

After application of the equity method, Bombardier Transportation determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, Bombardier Transportation determines whether there is objective evidence that the investment in joint venture or associate is impaired. If there is such evidence, Bombardier Transportation calculates the amount of impairment as the difference between the recoverable amount of the joint venture or associate and its carrying value, and then recognizes the loss in income.

Provisions
Provisions are recognised when Bombardier Transportation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated. These liabilities are presented as provisions when they are of uncertain timing or amount. Provisions are measured at their present value.

Product warranties – A provision for assurance type warranties 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 Bombardier Transportation's suppliers. Claims for reimbursement from third parties are recorded if their realization is virtually certain. Product warranties typically range from one to five years, except for bogie warranties that extend up to 20 years.

Restructuring provisions – Restructuring provisions are recognised only when Bombardier Transportation has an actual or a constructive obligation. Bombardier Transportation has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline. Furthermore, the affected employees or worker councils must have been notified of the plan's main features.

Onerous contracts – If it is more likely than not that the unavoidable costs of meeting the obligations under a firm contract exceed the economic benefits expected to be received under it, a provision for onerous contracts is recorded in cost of sales, except for the interest component, which is recorded in financing expense. Unavoidable costs include the costs that relate directly to the contract such as anticipated cost overruns, expected costs associated with late delivery penalties and technological problems, as well as allocations of costs that relate directly to the contract. Provisions for onerous contracts are measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract.

Termination benefits – Termination benefits are usually paid when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. Bombardier Transportation recognizes termination benefits when it is demonstrably committed, through a detailed formal plan without possibility of withdrawal, to terminate the employment of current employees.

Environmental costs – A provision for environmental costs is recorded when environmental claims or remedial efforts are probable and the costs can be reasonably estimated. Legal asset retirement obligations and environmental costs of a capital nature that extend the life, increase the capacity or improve the safety of an asset or that mitigate, or prevent environmental contamination that has yet to occur, are included in PP&E and are generally amortized over the remaining useful life of the underlying asset. Costs that relate to an existing condition caused by past operations and that do not contribute to future revenue generation are expensed and included in cost of sales.

Credit guarantees - 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.

Litigation – A provision for litigation is recorded in case of legal actions, governmental investigations or proceedings when it is probable that an outflow of resources will be required to settle the obligation and the cost can be reliably estimated.

Share-based payments

Equity-settled share-based payment plans – Equity-settled share-based payments are measured at fair value at the grant date. For the PSUs, DSUs and RSUs, the value of the compensation is measured based on the closing price of a Class B Share (subordinate voting) of Bombardier Inc. on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the shares were granted, if any, and is based on the PSUs, DSUs and RSUs that are expected to vest. For share option plans, the value of the compensation is measured using a Black-Scholes option pricing model. The effect of any change in the number of options, PSUs, DSUs and RSUs that are expected to vest is accounted for in the period in which the estimate is revised. Compensation expense is recognized on a straight-line basis over the vesting period, with a corresponding increase in equity as a participation in Bombardier Inc.'s share-based plans. Bombardier Transportation is reimbursing Bombardier Inc. for the equivalent of the compensation expense. Any consideration paid by plan participants on the exercise of stock options is credited to the equity of Bombardier Inc.

Cash-settled share-based payments – Cash-settled share-based payments are measured at fair value at the grant date with a corresponding liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in income. Limited PSUs, DSUs and RSUs are cash-settled share-based payments, for which the value of the compensation is measured based on the closing price of a Class B Share (subordinate voting) of Bombardier Inc. on the Toronto Stock Exchange adjusted to take into account the terms and conditions upon which the shares were granted, if any, and is based on the PSUs, DSUs and RSUs that are expected to vest.

Employee share purchase plan – Bombardier Inc.'s contributions to the employee share purchase plan are measured at cost and accounted for in the same manner as the related employee payroll costs. Compensation expense is recorded at the time of the employee contribution.

3. CHANGES IN ACCOUNTING POLICIES

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 was adopted effective January 1, 2019, and Bombardier Transportation elected to use the modified retrospective approach whereby comparative periods were not restated. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

Bombardier Transportation applied the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application and did not reassess contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. In addition, Bombardier Transportation elected to apply recognition exemptions available in the standard for lease contracts where the lease term ends within 12 months of the date of initial application or lease commencement date and that do not contain a purchase option, and lease contracts for which the underlying asset is of low value.

On initial application, Bombardier Transportation also applied the practical expedients to use a single discount rate to a portfolio of leases with reasonably similar characteristics, to rely on its assessment of whether leases are onerous immediately before the date of initial application instead of performing an impairment review and to exclude initial direct costs from the measurement of the right-of-use asset.

Where Bombardier Transportation is a lessee, IFRS 16 resulted in on-balance sheet recognition of most of its leases that were considered operating leases under IAS 17. This resulted in the gross-up of the balance sheet through the

recognition of a right-of-use asset, adjusted for lease incentives received and onerous contract provisions previously recognized, and a lease liability for the present value of the remaining future lease payments, discounted using the incremental borrowing rate at the date of initial application. Depreciation expense on the right-of-use asset and interest expense on the lease liability replaced the previously recognized operating lease expense. The impact of adopting this standard on the cash flow statement is neutral, however the principal repayment of the lease liabilities will be presented in financing activities under IFRS 16, whereas previously it was presented in operating activities.

This change in policy resulted in the recognition of right-of-use assets, in PP&E, and lease liabilities, in Other liabilities, amounting to €199 million, respectively as of January 1, 2019. See Note 18 - PP&E and Note 24 - Other liabilities for more details. In addition, Bombardier Transportation had existing capital leases amounting to €24 million that were recorded in long-term debt and that were reclassified to lease liabilities on January 1, 2019 with the corresponding cost of assets and accumulated amortization of €38 million and €27 million, respectively, being reclassified to right-of-use assets. The weighted average incremental borrowing rate applied to lease liabilities recognised at the date of initial application was 2.93%.

The undiscounted operating lease commitments of Bombardier Transportation as of December 31, 2018 amounted to €264 million, as presented in the audited consolidated financial statements and notes thereto included in Bombardier Transportation's Financial Report for the fiscal year ended December 31, 2018. The undiscounted value of lease liabilities as at January 1, 2019 (excluding the €24 million of reclassified capital leases) was €252 million (discounted to €199 million as at January 1, 2019). The difference between the previously disclosed €264 million undiscounted operating lease commitments and the €252 million undiscounted value of lease liabilities as at January 1, 2019 is due to short term leases and low value leases which are excluded from lease liability, but were part of the operating lease commitments.

Income taxes
In June 2017, the IASB released IFRIC 23, *Uncertainty over income tax treatments*. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 was adopted effective January 1, 2019 and resulted in no significant adjustments.

Retirement and other long-term employee benefits
In February 2018, the IASB released an amendment to IAS 19, *Employee Benefits*, effective on January 1, 2019. The amendment relates to accounting for plan amendments, curtailments and settlements on defined benefit plans. The amendment requires the use of updated actuarial assumptions to determine current service cost and net interest for the period after a plan amendment, curtailment or settlement. This amendment was adopted effective January 1, 2019, with no earlier application and resulted in no adjustments as of January 1, 2019. This amendment will apply to plan amendments, curtailments or settlements occurring after January 1, 2019.

4. USE OF ESTIMATES AND JUDGMENT

The application of Bombardier Transportation's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Estimates and judgments are significant when:

- the outcome is highly uncertain at the time the estimates and judgments are made; and
- if different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

Management's best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their

underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results will differ from the estimates used, and such differences could be material.

Management's budget and strategic plan cover a five-year period and are fundamental information used as a basis for many estimates necessary to prepare financial information. Management prepares a budget and a strategic plan covering a five-year period, on an annual basis, using a process whereby a detailed one-year budget and four-year strategic plan are prepared. Cash flows and profitability included in the budget and strategic plan are based on existing and future contracts and orders, general market conditions, current cost structures, anticipated cost variations and in-force collective agreements. The budget and strategic plan are subject to approval at various levels, including senior management, Bombardier Inc.'s Board of Directors and Bombardier Transportation's Board of Directors. Management uses the budget and strategic plan, as well as additional projections or assumptions, to derive the expected results for periods thereafter. Management then tracks performance as compared to the budget and strategic plan at various levels within Bombardier Transportation. Significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following areas require management's most critical estimates and judgments. The sensitivity analyses below should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

Long-term contracts – Bombardier Transportation conducts most of its business under long-term manufacturing and service contracts. Revenues and margins from long-term contracts relating to the designing, engineering or manufacturing of specially designed products (including rail vehicles, vehicle overhaul and signalling contracts) and service contracts are recognized over time. The long-term nature of these contracts requires estimates of total contract costs and the transaction price. The measure of progress toward complete satisfaction of the performance obligation 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.

The contract transaction price includes adjustments for change orders, claims, performance incentives, price escalation clauses and other contract terms that provide for the adjustment of prices to the extent they represent enforceable rights for Bombardier Transportation.Variable consideration such as assumptions for price escalation clauses, performance incentives and claims is only included in the transaction price to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Contract costs include material, direct labour, manufacturing overhead and other costs, such as warranty and freight. Estimated contract costs at completion incorporate forecasts for material usage and costs, including escalation clauses, labour hours and costs, foreign exchange rates (including the effect of hedges) and labour productivity. These costs are influenced by the nature and complexity of the work to be performed, as well as the impact of change orders and potential delays in delivery. Cost estimates are based mainly on historical performance trends, economic trends, collective agreements and contracts signed with suppliers. Management applies judgment to determine the probability that Bombardier Transportation will incur additional costs from delays or other penalties, and such costs, if probable, are included in estimated costs at completion, unless there is an adjustment to the transaction price in which case it is recorded as a reduction of estimated revenues at completion.

Recognized revenues and margins are subject to revisions as contracts progress towards completion. Management conducts quarterly reviews of estimated costs and revenues to completion on a contract-by-contract basis, including a review of escalation assumptions. In addition, a detailed annual review is performed on a contract-by-contract basis as part of the budget and strategic plan process. The effect of any revision may be significant and is recorded by way of a cumulative catch-up adjustment in the period in which the estimates are revised.

Sensitivity analysis
A 1% increase in the estimated future costs to complete all ongoing long-term contracts would have decreased Bombardier Transportation's gross margin for fiscal year 2019 by approximately €98 million.

Goodwill – The recoverable amount of Bombardier Transportation, the group of CGUs at which level goodwill is monitored by management, is based on fair value less costs of disposal using a discounted cash flow model. During the fourth quarter of 2019, Bombardier Transportation completed its annual goodwill impairment test and did not identify any impairment**.** The fair value measurement is categorized within Level 3 of the fair value hierarchy.

Estimated future cash flows were based on the budget and strategic plan for the first 5 years and a growth rate of 1% was applied to derive a terminal value beyond the initial 5-year period. The post-tax discount rate is also a key estimate in the discounted cash flow model and was based on a representative weighted average cost of capital. The post-tax discount rate used to calculate the recoverable amount in fiscal year 2019 was 8.5%. A 100-basis point change in the post-tax discount rate would not have resulted in an impairment charge in 2019.

Valuation of deferred income tax assets – To determine the extent to which deferred income tax assets can be recognized, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made as part of the budget and strategic plan by tax jurisdiction on an undiscounted basis and are reviewed on a quarterly basis. Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period, the history of taxable profits and availability of prudent tax planning strategies. See Note 9 - Income taxes for more details.

Tax contingencies – Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense or recovery already recorded. Bombardier Transportation establishes tax provisions for possible consequences of audits by the tax authorities of each country in which it operates. The amount of such provisions is based on various factors, such as experience from previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the domicile of each legal entity.

Retirement and other long-term employee benefits – The actuarial valuation process used to measure pension and other post-employment benefit costs, assets and obligations is dependent on assumptions regarding discount rates, compensation and pre-retirement benefit increases, inflation rates, health-care cost trends, as well as demographic factors such as employee turnover, retirement and mortality rates. The impacts from changes in discount rates and, when significant, from key events and other circumstances, are recorded quarterly.

Discount rates are used to determine the present value of the expected future benefit payments and represent the market rates for high-quality corporate fixed-income investments consistent with the currency and the estimated term of the retirement benefit liabilities. As the U.K. high-quality corporate bond market, as defined under IFRS, includes relatively few long-term maturity bonds, the discount rate for Bombardier Transportation's U.K. pension and other post-employment plans is established by constructing a yield curve. The yield curve is developed from corporate bond yield information for corporate bonds rated AA or equivalent quality and excluding bonds which have a "corporate" BICS (Bloomberg Industry classification system) assignment but which have actual or implied government backing. Target yields are developed from bonds across a range of maturity points, and a curve is fitted to those targets. Spot rates (zero coupon bond yields) are developed from the yield curve and used to discount benefit payment amounts associated with each future year. Since corporate bonds are generally not available for very long maturities, an assumption is made that spot rates remain level beyond the term of the longest data target point. The term of the longest data target point as at December 31, 2019 was 23 years.

Expected rates of compensation increases are determined considering the current salary structure, as well as historical and anticipated wage increases, in the context of current economic conditions.

See Note 20 – Retirement benefits for further details regarding assumptions used and sensitivity analysis to changes in critical actuarial assumptions.

Onerous contract provision – An onerous contract provision is recorded if it is more likely than not that the unavoidable costs of meeting the obligations under a firm contract exceed the economic benefits expected to be received under it. In most cases the economic benefits expected to be received under the contract consist of contract revenue. The calculation of the unavoidable costs requires estimates of expected future costs, including anticipated future cost reductions related to performance improvements and transformation initiatives, anticipated cost overruns, expected costs associated with late delivery penalties and technological problems, as well as allocations of costs that relate directly to the contract. The measurement of the provision is impacted by anticipated delivery schedules since for new aircraft programs early production units require higher cost than units produced later in the process, and for long term train manufacturing contracts delays result in penalties.

Sensitivity analysis
A 1% increase in the expected costs would have decreased EBIT for fiscal year 2019 by approximately €33 million.

Consolidation – From time to time, Bombardier Transportation participates in structured entities where voting rights are not the dominant factor in determining control. In these situations, management may use a variety of complex estimation processes involving both qualitative and quantitative factors to determine whether Bombardier Transportation is exposed to, or has rights to, significant variable returns. The quantitative analyses involve estimating the future cash flows and performance of the investee and analyzing the variability in those cash flows. The qualitative analyses involve consideration of factors such as the purpose and design of the investee and whether Bombardier Transportation is acting as an agent or principal. There is a significant amount of judgment exercised in evaluating the results of these analyses as well as in determining if Bombardier Transportation has power to affect the investee's returns, including an assessment of the impact of potential voting rights, contractual agreements and de facto control.

5. OTHER EXPENSE (INCOME)

Other expense (income) was as follows, for fiscal years:

		2019		2018
(Gains) losses on disposals of PP&E and intangible assets	**€**	**(8)**	€	1
Gain on sale of a business		**(3)**		—
Severance and other involuntary termination costs (including changes in estimates)[1]		**—**		2
Impairment of intangible assets		**3**		—
	€	**(8)**	€	3

[1] Excludes those presented in special items.

6. SPECIAL ITEMS

Special items comprise items which do not reflect Bombardier Transportation's core performance or where their separate presentation will assist users of the consolidated financial statements in understanding Bombardier Transportation'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:

		2019		2018
Restructuring charges[1]	**€**	**43**	€	8
Gains on disposal of PP&E under sale and leaseback transactions[2]		**—**		(55)
Loss on sale of long-term contract receivables[3]		**—**		26
Impairment of non-core operations[4]		**—**		14
Purchase of pension annuities[5]		**—**		10
Pension equalization[6]		**—**		2
Income taxes		**(1)**		(2)
	€	**42**	€	3
Of which is presented in				
Special items in EBIT	**€**	**43**	€	(21)
Financing expense - loss on sale of long-term contract receivables[3]		**—**		26
Income taxes - effect of special items		**(1)**		(2)
	€	**42**	€	3

[1] For fiscal year 2019, represents severance charges of €55 million, partially offset by curtailment gains of €5 million, and by the reversal of previously-recorded impairment charges of €7 million, all related to previously-announced restructuring actions. For fiscal year 2018, represents severance charges of €4 million, partially offset by curtailment gains of €3 million, and impairment charges of PP&E of €7 million, all related to previously-announced restructuring actions.

[2] Bombardier Transportation sold and leased back two facilities in line with our transformation plan.

[3] For fiscal year 2018, Bombardier Transportation sold long-term receivables, which resulted in a loss of €26 million recorded in financing expense.

[4] An impairment charge related to non-core operations of €14 million recorded in fiscal year 2018 with respect to the expected sale of legal entities, as part of the Bombardier Transportation transformation plan.

[5] Represents the non-cash loss on the settlement of defined benefit pension plans resulting from the purchase of annuities with insurance companies. As part of its ongoing de-risking strategies, Bombardier Transportation has an initiative for the buy-out of annuities payable to pensioners or deferred pensioners for certain plans to the extent they are fully funded on a buy-out basis, subject to compliance with certain conditions including applicable pension legislations.

[6] On October 26, 2018, the High Court in the United Kingdom ruled that pension schemes must equalize for the effect of unequal Guaranteed Minimum Pensions between male and female for benefits earned during specified periods ("GMP equalization"). Bombardier Transportation estimated the impact of the ruling on its pension plans and recognized an additional obligation of €2 million as at December 31 2018. The one-time P&L impact was recognized in fiscal year 2018 as a past service cost under IAS 19 - Employee Benefits.

7. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows, for fiscal years:

		2019		2018
Financing expense				
Interest expense on short term borrowings	**€**	**16**	€	8
Accretion on net retirement benefit obligations		**15**		15
Amortization of letter of credit facility costs		**10**		10
Interest expense on lease liabilities[1]		**6**		—
Loss on sale of long-term contract receivables[2]		**—**		26
Other		**20**		26
		67		85
Interest on long-term debt, after effect of hedges		**—**		1
	€	**67** [4]	€	86 [4]
Financing income				
Interest on cash and cash equivalents	**€**	**(2)**	€	(2)
Net gain on certain financial instruments[3]		**(7)**		(5)
Other		**(10)**		(14)
	€	**(19)** [5]	€	(21) [5]

[1] Following the adoption of IFRS 16 - *Leases*, effective January 1, 2019, Bombardier Transportation presented the interest expense on lease liabilities as part of financing expense. See Note 3 - Changes in accounting policies for more details.
[2] Represents the loss related to the sale of long-term contract receivables. See Note 6 – Special items for more details.
[3] Net gains on certain financial instruments classified as FVTP&L, including losses (gains) arising from changes in interest rates.
[4] Of which €40 million representing the interest expense calculated using the effective interest rate method for financial liabilities classified as amortized cost, respectively for fiscal year 2019 (€7 million for fiscal year 2018).
[5] Of which €4 million representing the interest income calculated using the effective interest rate method for financial assets classified as amortized cost and FVOCI, for fiscal year 2019 (€9 million for fiscal year 2018).

8. EMPLOYEE BENEFIT COSTS

Employee benefit costs[1] were as follows, for fiscal years:

	Notes		**2019**		2018
Wages, salaries and other employee benefits		**€**	**2,380**	€	2,407
Retirement benefits[2]	20		**102**		142
Restructuring, severance and other involuntary termination costs	5, 6		**55**		6
Share-based expense	26		**3**		22
		€	**2,540**	€	2,577

[1] Employee benefit costs include costs capitalized as part of the cost of inventories and other self-constructed assets.
[2] Includes defined benefit and defined contribution plans.

9. INCOME TAXES

Analysis of income tax expense
Details of income tax expense were as follows, for fiscal years:

		2019		2018
Current income taxes	**€**	**127**	€	112
Deferred income taxes		**(113)**		116
	€	**14**	€	228

The reconciliation of income taxes, computed at the Canadian statutory rates, to income tax expense was as follows, for fiscal years:

		2019		2018
EBT	**€**	**(98)**	€	523
Canadian statutory tax rate		**26.6 %**		26.7%
Income tax expense at statutory rate		**(26)**		140
Increase (decrease) resulting from:				
Non-recognition of tax benefits related to tax losses and temporary differences		**113**		42
Write-down of deferred income tax assets		**7**		104
Income tax rates differential of foreign subsidiaries and other investees		**7**		4
Recognition of previously unrecognized tax losses or temporary differences		**(71)**		(22)
Permanent differences		**(23)**		(24)
Effect of substantively enacted income tax rate changes		**2**		—
Other		**5**		(16)
Income tax expense	**€**	**14**	€	228
Effective tax rate		**(14.3)%**		43.6%

Bombardier Transportation's applicable Canadian statutory tax rate is the Federal and Provincial combined tax rate applicable in the jurisdiction in which Bombardier Transportation operates.

Details of deferred income tax expense were as follows, for fiscal years:

		2019		2018
Non-recognition of tax benefits related to tax losses and temporary differences	**€**	**113**	€	42
Origination and reversal of temporary differences		**(164)**		(8)
Write-down of deferred income tax assets		**7**		104
Recognition of previously unrecognized tax losses or temporary differences		**(71)**		(22)
Effect of substantively enacted income tax rate changes		**2**		—
	€	**(113)**	€	116

Deferred income taxes

The significant components of the Bombardier Transportation's deferred income tax asset and liability were as follows, as at:

	December 31, 2019		December 31, 2018		January 1, 2018	
	Asset	**Liability**	Asset	Liability	Asset	Liability
Operating tax losses carried forward	**€ 1,235**	**€ —**	€ 977	€ —	€ 854	€ —
Retirement benefits	**146**	**—**	120	—	124	—
Investment in affiliate equity	**(59)**	**—**	(103)	—	—	—
Contract liabilities	**6**	**—**	16	—	—	—
Inventories	**(81)**	**—**	—	—	—	—
Provisions	**291**	**—**	359	—	516	—
Other financial assets and other assets	**135**	**—**	123	—	66	—
PP&E	**(24)**	**—**	20	—	4	—
Other financial liabilities and other liabilities	**(33)**	**—**	(80)	—	2	—
Contract assets	**69**		74		38	
Intangible assets	**(6)**	**—**	13	—	(125)	—
Other	**40**	**—**	46	—	25	—
	1,719	**—**	1,565	—	1,504	—
Unrecognized deferred tax assets	**(1,379)**	**—**	(1,383)	—	(1,217)	—
	€ 340	**€ —**	€ 182	€ —	€ 287	€ —

The changes in the net deferred income tax asset were as follows for the fiscal years:

	2019	2018
Balance at beginning of year, net	**€ 182**	€ 287
In net income	**113**	(116)
In OCI		
Retirement benefits	**14**	10
Cash flow hedges	**25**	(8)
Other[1]	**6**	9
Balance at end of year, net	**€ 340**	€ 182

[1] Mainly comprises foreign exchange rate effects.

The net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to €5,138 million as at December 31, 2019, of which €231 million relates to retirement benefits that will reverse through OCI (€4,885 million as at December 31, 2018 of which €153 million relates to retirement benefits that will reverse through OCI and €4,431 million as at January 1, 2018 of which €193 million relates to retirement benefits that will reverse through OCI). Of these amounts, approximately €4,267 million as at December 31, 2019 has no expiration date (€4,244 million as at December 31, 2018 and €3,881 million as at January 1, 2018) and approximately €2,785 million relates to the Bombardier Transportation's operations in Germany where a minimum income tax is payable on 40% of taxable income (€2,516 million as at December 31, 2018 and €2,357 million as at January 1, 2018) and €491 million relate to the Bombardier Transportation's operations in France where a minimum income tax is payable on 50% of taxable income (€381 million as at December 31, 2018 and €437 million as at January 1, 2018).

In addition, Bombardier Transportation has €149 million of unused investment tax credits, most of which can be carried forward for 20 years and €38 million of net capital losses carried forward for which deferred tax assets have not been recognized (€143 million and €36 million as at December 31, 2018 and €70 million and €41 million as at January 1, 2018). Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains.

Net deferred tax assets of €76 million were recognized as at December 31, 2019 (€39 million as at December 31, 2018 and €101 million as at January 1, 2018) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical taxable income, projections for future taxable income and prudent tax planning strategies, management believes it is probable Bombardier Transportation will realize the benefits of these deductible differences and operating tax losses carried forward. See Note 4 – Use of estimates and judgment for more information on how Bombardier Transportation determines the extent to which deferred income tax assets are recognized.

No deferred tax liabilities have been recognized on undistributed earnings of Bombardier Transportation's foreign subsidiaries, joint ventures and associates when they are considered to be indefinitely reinvested, as Bombardier Transportation has control or joint control over the dividend policy, unless it is probable that these temporary differences will reverse. Upon distribution of these earnings in the form of dividends or otherwise, Bombardier Transportation may be subject to corporation and/or withholding taxes. Taxable temporary differences for which a deferred tax liability was not recognized amount to approximately €506 million as at December 31, 2019 (€508 million as at December 31, 2018 and €417 million as at January 1, 2018).

10. FINANCIAL INSTRUMENTS

Net gains (losses) on financial instruments recognized in income were as follows, for fiscal years:

		2019		2018
Financial instruments measured at amortized cost				
Financial assets - expected credit loss allowance (impairment charges)	**€**	**(13)**	€	(19)
Interest on cash and cash equivalents		**2**		2
Financial instruments measured at fair value				
Required to be classified as FVTP&L[1]	**€**	**(13)**	€	(36)

[1] Includes loss on sale of long-term contract receivable for fiscal year 2018, see Note 6 – Special items for more details.

Carrying amounts of financial instruments

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

	FVTP&L	FVOCI	Amortized cost	DDHR	Total carrying value	Fair value
December 31, 2019						
Financial assets						
Cash and cash equivalents	**€ —**	**€ —**	**€ 481**	**€ —**	**€ 481**	**€ 481**
Trade and other receivables	**—**	**—**	**1,115**	**—**	**1,115**	**1,115**
Other financial assets	**84**	**5**	**47**	**69**	**205**	**205**
	€ 84	**€ 5**	**€ 1,643**	**€ 69**	**€ 1,801**	**€ 1,801**
Financial liabilities						
Trade and other payables	**€ —**	**n/a**	**€ 2,339**	**€ —**	**€ 2,339**	**€ 2,339**
Other financial liabilities	**46**	**n/a**	**107**	**126**	**279**	**279**
	€ 46		**€ 2,446**	**€ 126**	**€ 2,618**	**€ 2,618**
December 31, 2018						
Financial assets						
Cash and cash equivalents	€ —	€ —	€ 662	€ —	€ 662	€ 662
Trade and other receivables	—	—	921	—	921	921
Other financial assets	84	5	13	111	213	211
	€ 84	€ 5	€ 1,596	€ 111	€ 1,796	€ 1,794
Financial liabilities						
Trade and other payables	€ —	n/a	€ 2,208	€ —	€ 2,208	€ 2,208
Long-term debt[1]	—	n/a	24	—	24	24
Other financial liabilities	31	n/a	4	86	121	121
	€ 31		€ 2,236	€ 86	€ 2,353	€ 2,353

	HFT	AFS	Amortized cost	DDHR	Total carrying value	Fair value
January 1, 2018						
Financial assets						
Cash and cash equivalents	€ 993	€ —	€ —	€ —	€ 993	€ 993
Trade and other receivables	—	—	726	—	726	726
Other financial assets	30	4	229	117	380	408
	€ 1,023	€ 4	€ 955	€ 117	€ 2,099	€ 2,127
Financial liabilities						
Trade and other payables	€ —	n/a	€ 1,940	€ —	€ 1,940	€ 1,940
Long-term debt[1]	—	n/a	28	—	28	28
Other financial liabilities	33	n/a	11	150	194	194
	€ 33		€ 1,979	€ 150	€ 2,162	€ 2,162

[1] Includes the current portion of long-term debt.

n/a: Not applicable

Offsetting financial assets and financial liabilities

Bombardier Transportation is subject to enforceable master netting agreements related mainly to its derivative financial instruments and cash and cash equivalents which contain a right of set-off in case of default, insolvency or bankruptcy. The amounts that are subject to the enforceable master netting agreements, but which do not meet some or all of the offsetting criteria, are as follows as at:

Description of recognized financial assets and liabilities	Amount recognized in the financial statements	Amounts subject to master netting agreements	Net amount not subject to master netting agreements
December 31, 2019			
Derivative financial instruments - assets	**€ 84**	**€ (77)**	**€ 7**
Derivative financial instruments - liabilities	**€ (172)**	**€ 90**	**€ (82)**
Cash and cash equivalents	**€ 481**	**€ (13)**	**€ 468**
December 31, 2018			
Derivative financial instruments - assets	€ 130	€ (90)	€ 40
Derivative financial instruments - liabilities	€ (117)	€ 97	€ (20)
Cash and cash equivalents	€ 662	€ (7)	€ 655
January 1, 2018			
Derivative financial instruments - assets	€ 147	€ (109)	€ 38
Derivative financial instruments - liabilities	€ (183)	€ 143	€ (40)
Cash and cash equivalents	€ 993	€ (34)	€ 959

Derivatives and hedging activities

The carrying amounts of all derivative and non-derivative financial instruments in a hedge relationship were as follows, as at:

	December 31, 2019		December 31, 2018		January 1, 2018	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments designated as cash flow hedges[1]						
Forward foreign exchange contracts	**€ 69**	**€ 126**	€ 111	€ 86	€ 117	€ 150
Derivative financial instruments classified as HFT[2]						
Forward foreign exchange contracts	**14**	**43**	17	31	29	33
Embedded derivative financial instruments						
Other	**1**	**3**	2	—	1	—
	15	**46**	19	31	30	33
Total derivative financial instruments	**€ 84**	**€ 172**	€ 130	€ 117	€ 147	€ 183

(1) The maximum length of time of derivative financial instruments hedging Bombardier Transportation's exposure to the variability in future cash flows for anticipated transactions is 12 months as at December 31, 2019.

(2) Held as economic hedges, except for embedded derivative financial instruments.

The methods and assumptions used to measure the fair value of financial instruments are described in Note 31 – Fair value of financial instruments.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were as follows, as at:

		December 31, 2019		December 31, 2018		January 1, 2018
Cash	**€**	**458**	€	533	€	709
Cash equivalents						
Term deposits		**23**		129		284
Cash and cash equivalents	**€**	**481**	€	662	€	993

See Note 28 – Credit facilities for details on covenants related to cash and cash equivalents.

12. TRADE AND OTHER RECEIVABLES

Trade and other receivables were as follows, as at:

					Past due but not impaired [3]				
		Total		**Not past due**		**less than 90 days**		**more than 90 days**		**Impaired** [4]
December 31, 2019[1][2]										
Trade receivables, gross	**€**	**1,038**	**€**	**836**	**€**	**6**	**€**	**159**	**€**	**37**
Allowance for doubtful accounts		**(31)**		**—**		**—**		**—**		**(31)**
		1,007	**€**	**836**	**€**	**6**	**€**	**159**	**€**	**6**
Other		**108**								
Total	**€**	**1,115**								
December 31, 2018[1][2]										
Trade receivables, gross	€	880	€	450	€	205	€	200	€	25
Allowance for doubtful accounts		(24)		—		—		—		(24)
		856	€	450	€	205	€	200	€	1
Other		65								
Total	€	921								
January 1, 2018[1][2]										
Trade receivables, gross	€	686	€	449	€	68	€	120	€	49
Allowance for doubtful accounts		(47)		—		—		—		(47)
		639	€	449	€	68	€	120	€	2
Other		87								
Total	€	726								

(1) Of which €139 million and €490 million are denominated in USD and other foreign currencies, respectively, as at December 31, 2019 (€72 million and €477 million, respectively, as at December 31, 2018 and €122 million and €354 million, respectively, as at January 1, 2018).

(2) Of which €431 million represents customer retentions relating to long-term contracts as at December 31, 2019 based on normal terms and conditions (€349 million as at December 31, 2018 and €239 million as at January 1, 2018).

(3) Of which €165 million of trade receivables relates to long-term contracts as at December 31, 2019, of which €159 million were more than 90 days past due (€405 million as at December 31, 2018, of which €200 million were more than 90 days past due and €188 million as at January 1, 2018, of which €120 million were more than 90 days past due). Bombardier Transportation assesses whether these receivables are collectible as part of its risk management practices applicable to long-term contracts as a whole.

(4) Of which a gross amount of €37 million of trade receivables are individually impaired as at December 31, 2019 (€25 million as at December 31, 2018 and €49 million as at January 1, 2018).

The factors that Bombardier Transportation considers to classify trade receivables as impaired are as follows: the customer is in bankruptcy or under administration, payments are in dispute, or payments are in arrears. Further information on financial risk is provided in Note 30 – Financial risk management.

Allowance for doubtful accounts – Changes in the allowance for doubtful accounts were as follows, for fiscal years:

		2019		2018
Balance at beginning of year	**€**	**(24)**	€	(47)
Provision for doubtful accounts		**(13)**		(19)
Amounts written-off		**7**		43
Effect of foreign currency exchange rate changes		**(1)**		(1)
Balance at end of year	**€**	**(31)**	€	(24)

Off-balance sheet sale of receivables
In the normal course of its business, Bombardier Transportation has facilities, to which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €809 million were outstanding under such facilities as at December 31, 2019 (€799 million as at December 31, 2018 and €907 million as at January 1, 2018). Receivables of €1,691 million were sold to these facilities during fiscal year 2019 (€1,590 million during fiscal year 2018).

In addition, in fiscal year 2018, Bombardier Transportation sold a long-term contract receivable, previously recorded in other financial assets, for proceeds of €113 million, refer to Note 6 - Special items and Note 16 - Other financial assets for more details.

13. CONTRACT BALANCES

Contract assets were as follows, as at:

		December 31, 2019		December 31, 2018		January 1, 2018
Long-term contracts						
Production contracts						
Cost incurred and recorded margins	**€**	**8,827**	€	7,740	€	6,920
Less: advances and progress billings		**(7,106)**		(5,857)		(5,155)
		1,721		1,883		1,765
Service contracts						
Cost incurred and recorded margins		**567**		413		273
Less: advances and progress billings		**(121)**		(56)		(35)
		446		357		238
	€	**2,167**	€	2,240	€	2,003

Contract liabilities were as follows, as at:

		December 31, 2019		December 31, 2018		January 1, 2018
Advances and progress billings in excess of long-term contract cost incurred and recorded margin	**€**	**2,006**	€	1,817	€	1,648
Other deferred revenues		**429**		472		583
	€	**2,435**	€	2,289	€	2,231
Of which current	**€**	**2,435**	€	2,289	€	2,231

Under certain contracts, title to contract balances 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, Bombardier Transportation provides performance bonds, bank guarantees and other forms of guarantees to customers as security for advances received from customers pending performance under certain contracts. In accordance with industry practice, Bombardier Transportation 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.

Advances and progress billings received on long-term contracts in progress were €9,233 million as at December 31, 2019 (€7,730 million as at December 31, 2018 and €6,838 million as at January 1, 2018). Revenues include revenues from long-term contracts, which amounted to €6,041 million for fiscal year 2019 (€6,249 million for fiscal year 2018).

In connection with certain long-term contracts, Bombardier 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 Bombardier 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) in contract assets and amounted to €503 million as at December 31, 2019 (€624 million as at December 31, 2018 and €434 million as at January 1, 2018). The third-party advance providers could request repayment of these amounts if Bombardier Transportation fails to perform its contractual obligations such as delivery by a specific date.

Revenues recognized were as follows for fiscal years:

		2019		2018
Revenue recognized from:				
Contract liability balance at the beginning of the period				
Long term production contracts and service contracts	**€**	**1,201**	€	1,520
Performance obligations satisfied (partially satisfied) in previous periods[1]				
Long term production contracts		**(93)**		147
Long term service contracts		**(3)**		(19)
	€	**1,105**	€	1,648

[1] Includes changes in transaction price such as penalties and escalation.

Impairment losses recognized were as follows for fiscal year:

		2019		2018
Impairment losses recognized on:				
Receivables arising from:				
Production contracts	**€**	**(13)**	€	(18)
Service contracts		**—**		(1)
	€	**(13)**	€	(19)

14. INVENTORIES

Inventories were as follows, as at:

		December 31, 2019		December 31, 2018		January 1, 2018
Raw material	**€**	**138**	€	119	€	172
	€	**138**	€	119	€	172

15. BACKLOG

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as we perform under contracts at delivery or recognized over time. The amounts disclosed below represent the value of firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include constrained variable consideration, unexercised options or letters of intent.

Revenues expected to be recognized in:

(In billions of €)		**December 31, 2019**		**December 31, 2018**
Less than 24 months	**€**	**15.6**	**€**	**14.7**
Thereafter		**16.2**		**15.4**
Total	**€**	**31.8**	**€**	**30.1**

16. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

		December 31, 2019		December 31, 2018		January 1, 2018
Long-term contract receivables[(1)(2)]	**€**	**89**	€	65	€	211
Derivative financial instruments[(3)]		**84**		130		147
Restricted cash		**18**		6		10
Investments in securities		**5**		5		4
Deposits		**5**		4		4
Loans		**—**		—		1
Other		**4**		3		3
	€	**205**	€	213	€	380
Of which current	**€**	**100**	€	132	€	166
Of which non-current		**105**		81		214
	€	**205**	€	213	€	380

(1) See Note 30 – Financial risk management.
(2) See Note 6 - Special items for more details on the sale of long-term contract receivables for fiscal year 2018.
(3) See Note 10 – Financial instruments.

17. OTHER ASSETS

Other assets were as follows, as at:

		December 31, 2019		December 31, 2018		January 1, 2018
Intangible assets other than goodwill[(1)]	**€**	**159**	€	106	€	53
Prepaid expenses[(2)]		**141**		195		241
Sales tax and other taxes		**108**		89		113
Income taxes receivable		**77**		42		39
Retirement benefits[(3)]		**68**		114		123
Deferred financing charges		**24**		24		23
Other		**3**		7		7
	€	**580**	€	577	€	599
Of which current	**€**	**276**	€	229	€	269
Of which non-current		**304**		348		330
	€	**580**	€	577	€	599

(1) See Note 19 – Intangible assets.
(2) Includes the prepaid asset related to PCG, see Note 33 - Transactions with Related Parties for more details.
(3) See Note 20 – Retirement benefits.

18. PROPERTY, PLANT AND EQUIPMENT

PP&E were as follows, as at:

	Land	Buildings	Equipment	Construction in progress	Other	Total	Right-of-use assets	Total
Cost								
Balance as at December 31, 2018	€ 54	€ 952	€ 406	€ 81	€ 45	€ 1,538	€ —	€ 1,538
Change in accounting policies[1]	—	(38)	—	—	—	(38)	237	199
Additions	—	14	39	39	3	95	31	126
Disposals	(8)	(11)	(37)	—	(10)	(66)	(1)	(67)
Transfers	—	16	16	(35)	3	—	—	—
Effect of foreign currency exchange rate changes	1	7	7	1	1	17	2	19
Balance as at December 31, 2019	**€ 47**	**€ 940**	**€ 431**	**€ 86**	**€ 42**	**€ 1,546**	**€ 269**	**€ 1,815**
Accumulated amortization and impairment								
Balance as at December 31, 2018	€ (15)	€ (641)	€ (190)	€ —	€ (15)	€ (861)	€ —	€ (861)
Change in accounting policies[1]	—	27	—	—	—	27	(27)	—
Amortization	—	(22)	(45)	—	(7)	(74)	(42)	(116)
Reversal of impairment	—	2	5	—	—	7	—	7
Disposals	1	13	33	—	8	55	—	55
Transfers	—	—	—	—	—	—	—	—
Effect of foreign currency exchange rate changes	—	(4)	(5)	—	—	(9)	(1)	(10)
Balance as at December 31, 2019	**€ (14)**	**€ (625)**	**€ (202)**	**€ —**	**€ (14)**	**€ (855)**	**€ (70)**	**€ (925)**
Net carrying value	**€ 33**	**€ 315**	**€ 229**	**€ 86**	**€ 28**	**€ 691**	**€ 199**	**€ 890**

	Land	Buildings	Equipment	Construction in progress	Other	Total
Cost						
Balance as at January 1, 2018	€ 54	€ 950	€ 383	€ 67	€ 43	€ 1,497
Additions	—	10	36	52	4	102
Disposals	—	(32)	(33)	—	(4)	(69)
Transfers	—	19	18	(38)	1	—
Effect of foreign currency exchange rate changes	—	5	2	—	1	8
Balance as at December 31, 2018	€ 54	€ 952	€ 406	€ 81	€ 45	€ 1,538
Accumulated amortization and impairment						
Balance as at January 1, 2018	€ (14)	€ (630)	€ (167)	€ —	€ (12)	€ (823)
Amortization	—	(25)	(46)	—	(6)	(77)
Impairment	(1)	(1)	(5)	—	—	(7)
Disposals	—	18	29	—	3	50
Effect of foreign currency exchange rate changes	—	(3)	(1)	—	—	(4)
Balance as at December 31, 2018	€ (15)	€ (641)	€ (190)	€ —	€ (15)	€ (861)
Net carrying value	€ 39	€ 311	€ 216	€ 81	€ 30	€ 677

[1] Represents the initial recognition of right-of-use assets as at January 1, 2019 following the adoption of IFRS 16, *Leases*. Refer to Note 3 - Changes in accounting policies for more details.

The carrying value of right-of-use assets was as follows, as at:

	December 31, 2019	January 1, 2019
Buildings	**€ 180**	€ 190
Equipment	**8**	11
Land	**3**	—
Others	**8**	9
	€ 199	€ 210

Depreciation expense of right-of-use assets was as follows, for fiscal year 2019:

	Land	**Buildings**	**Equipment**	**Other**	**Total**
Depreciation expense of right-of-use assets	**€ —**	**€ (33)**	**€ (4)**	**€ (5)**	**€ (42)**

The expense related to short term leases and low value leases amounted to €12 million for fiscal year 2019.

19. INTANGIBLE ASSETS

Intangible assets were as follows, as at:

	Goodwill	Platform development [1][3]	Licenses, patents, trademarks [1][2]	Software, Other [1][3]	Total
Cost					
Balance as at December 31, 2018	**€ 1,701**	**€ 96**	**€ 177**	**€ 179**	**€ 2,153**
Additions	**—**	**63**	**—**	**5**	**68**
Disposals	**—**	**(5)**	**—**	**—**	**(5)**
Effect of foreign currency exchange rate changes	**22**	**1**	**—**	**—**	**23**
Balance as at December 31, 2019	**€ 1,723**	**€ 155**	**€ 177**	**€ 184**	**€ 2,239**
Accumulated amortization and impairment					
Balance as at December 31, 2018	**€ —**	**€ —**	**€ (177)**	**€ (169)**	**€ (346)**
Amortization	**—**	**—**	**—**	**(8)**	**(8)**
Impairment	**—**	**(3)**	**—**	**—**	**(3)**
Balance as at December 31, 2019	**€ —**	**€ (3)**	**€ (177)**	**€ (177)**	**€ (357)**
Net carrying value	**€ 1,723**	**€ 152**	**€ —**	**€ 7**	**€ 1,882**

	Goodwill	Platform development [1][3]	Licenses, patents, trademarks [1][2]	Software, Other [1][3]	Total
Cost					
Balance as at January 1, 2018	€ 1,702	€ 36	€ 181	€ 177	€ 2,096
Additions	—	60	—	2	62
Disposals	—	—	(4)	(2)	(6)
Effect of foreign currency exchange rate changes	(1)	—	—	2	1
Balance as at December 31, 2018	€ 1,701	€ 96	€ 177	€ 179	€ 2,153
Accumulated amortization and impairment					
Balance as at January 1, 2018	€ —	€ —	€ (181)	€ (160)	€ (341)
Amortization	—	—	—	(8)	(8)
Disposals	—	—	4	2	6
Effect of foreign currency exchange rate changes	—	—	—	(3)	(3)
Balance as at December 31, 2018	€ —	€ —	€ (177)	€ (169)	€ (346)
Net carrying value	€ 1,701	€ 96	€ —	€ 10	€ 1,807

[1] Presented in Note 17 – Other assets.
[2] Includes no internally generated intangible assets, respectively, as at December 31, 2019, 2018 and as at January 1, 2018.
[3] Includes internally generated intangible assets with a cost and accumulated amortization of €281 million and €116 million as at December 31, 2019 (€222 million and €112 million as at December 31, 2018 and €160 million and €105 million as at January 1, 2018).

Goodwill

Goodwill is related primarily to the DaimlerChrysler Rail Systems GmbH (Adtranz) acquisition in May 2001. Goodwill is monitored by management at Bombardier Transportation level. During the fourth quarter of fiscal year 2019, Bombardier Transportation completed an impairment test. Bombardier Transportation did not identify any impairment. See Note 4 – Use of estimates and judgment for more details.

20. RETIREMENT BENEFITS

Bombardier Transportation sponsors several funded and unfunded defined benefit pension plans as well as defined contribution pension plans in Canada and abroad, covering a majority of its employees. Bombardier Transportation also provides other unfunded defined benefit plans, covering certain groups of employees mainly in Germany, Canada and the U.S.

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

Funded plans are plans for which segregated plan assets are invested in a trust. 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.

FUNDED DB PLANS

Bombardier Transportation's major DB plans reside in the U.K., Canada and the U.S., therefore very significant portions of the DB pension plan assets and benefit obligation are located in those countries. The following text focuses mainly on plans registered in these three countries.

Governance

Under applicable pension legislations, the administrator of each plan is either Bombardier Inc. or Bombardier Transportation, in the case of U.S. plans and Canadian plans registered outside of Québec, or a pension committee, board of trustees or corporate trustee in the case of plans registered in Québec and the U.K.

Plan administrators are responsible for the management of plan assets and the establishment of investment policies, which define, for each plan, investment objectives, target asset allocation, risk mitigation strategies, and other elements required by pension legislation.

Plan assets are pooled in three common investment funds (CIFs) for Canadian, U.K. and U.S. plans, respectively, in order to achieve economies of scale and greater efficiency, diversification and liquidity. The CIFs are broken down by sub-funds or asset classes in order to allow each plan to have its own asset allocation given its associated pension obligation liability profile.

The management of the CIFs has been delegated to three (Canadian, U.K. and U.S.) investment committees (ICs). The ICs are responsible for allocating assets among various sub-funds and asset classes in accordance with each plan's investment policy. They are also responsible for hiring, monitoring and terminating investment managers and have established a multi-manager structure for each sub-fund and asset class. They are supported by Bombardier Inc.'s Pension Asset Management Services, who oversee the management of the plans' assets and of the CIFs on a daily basis. Daily administration of the plans is delegated to either Bombardier Inc. or to external pension administration service providers. The administrators, the ICs and Bombardier Inc. also rely on the expertise of external legal advisors, actuaries, auditors and investment consultants.

Benefit Policy

DB plan benefits are usually based on salary and years of service. In Canada and the U.S., since September 1, 2013, all new non-unionized employees join DC plans (i.e. they no longer have the option of joining DB or hybrid plans). Employees who are members of a DB or hybrid plan closed to new members continue to accrue service in their original plan.

In the U.K., all DB plans are closed to new members. New employees join DC plans. Pension entitlements are indexed to inflation according to pension legislation and plan rules.

Funding requirements

Actuarial valuations are conducted by independent firms hired by Bombardier Transportation or the administrators, as required by pension legislation. The purpose of the valuations is to determine the plans' financial position and the annual contributions to be made by Bombardier Transportation to fund both benefits accruing in the year (normal cost) and deficits accumulated over prior years. Minimum funding requirements are set out by applicable pension legislations.

Pension plans in Canada are notably governed under the Supplemental Pension Plans Act in Québec, the Pension Benefits Act in Ontario and the Income Tax Act. Actuarial valuations are required at least every three years. Depending on the jurisdiction and the funded status of the plan, actuarial valuations may be required annually. Contributions are determined by the appointed actuary and cover future service costs and deficits, as prescribed by laws and actuarial practices.

For Quebec pension plans, minimum contributions are required to amortize the going-concern deficits (established under the assumption that the plan will continue to be in force) over a period up to fifteen years (which is gradually decreasing to 10 years as of December 31, 2020). Funding is based on an "enhanced" going-concern valuation, including a stabilization provision. This provision is funded by special amortization and current service contributions, and by actuarial gains.

For Ontario pension plans, minimum contributions are required to amortize the going-concern deficits (established under the assumption that the plan will continue to be in force) over a period up to ten years. Solvency deficiencies up to 85% of solvency liabilities are required to be funded over a period of 5 years. An explicit margin called a provision for adverse deviations (PFAD) is added to both the going concern liabilities and future service cost when determining minimum contributions.

Pension plans in the U.S. are mainly governed under the Employee Retirement Income Security Act, the Internal Revenue Code and the Pension Protection Act of 2006. Actuarial valuations are required annually. Contributions are determined by appointed actuaries and cover future service costs and deficits, as prescribed by law. Funding deficits are generally amortized over a period of seven years.

Pension plans in the U.K. are notably governed under the Pensions Act of 2004. Actuarial valuations are required at least every three years. The funding deficit amortization period is determined jointly by the administrators and Bombardier Transportation.

Investment Policy and de-risking strategies

The investment policies are established to achieve a long-term investment return so that, in conjunction with contributions, the plans have sufficient assets to pay for the promised benefits while maintaining a level of risk that is acceptable given the tolerance of plan stakeholders. See below for more information about risk management initiatives.

The target asset allocation is determined based on expected economic and market conditions, the maturity profile of the plans' liabilities, the funded status of the respective plans and the plan stakeholders' tolerance to risk.

The plans' investment strategy is to invest broadly in fixed income and equity securities and to have a smaller portion of the funds' assets invested in real return asset securities (global infrastructure and real estate listed securities).

As at December 31, 2019, the average target asset allocation was as follows:

- 49%, 61% and 50% in fixed income securities, for Canadian, U.K. and U.S. plans, respectively;
- 42%, 29% and 50% in equity securities, for Canadian, U.K. and U.S. plans, respectively; and
- 9% and 10% in real return asset securities, for Canadian and U.K. plans, respectively.

In addition, to mitigate interest rate risk, interest rate hedging overlay portfolios (comprised of long-term interest rate swaps and long-term bond forwards) will be implemented for the pension plans when the market will be favourable and the plans' triggers will be reached.

The plan administrators have also established dynamic risk management strategies. As a result, asset allocation will likely become more conservative in the future and interest rate hedging overlay portfolios are likely to be established as plan funding status and market conditions continue to improve and the plans become more mature. Under certain pension legislations, and subject to compliance with certain conditions, the buy-out of annuities with insurance companies would discharge Bombardier Transportation and administrators of their respective obligations. Accordingly, in 2018, annuities were purchased for pensioners of three pension plans registered in Ontario and the UK. Overall, annuities were purchased for 522 pensionners with total premium paid to insurers by the pension funds of approximately €94 million. The buy-out of annuities payable to pensioners of other pension plans will be contemplated in the coming years when these plans become fully funded on a buy-out basis.

Bombardier Inc.'s Pension Asset Management Services monitors the de-risking triggers on an ongoing basis to ensure timely and efficient implementation of these strategies. Bombardier Transportation and administrators periodically undertake asset and liability studies to determine the appropriateness of the investment policies and de-risking strategies.

Risk management initiatives

Bombardier Transportation's pension plans are exposed to various risks, including equity, interest rate, inflation, foreign exchange, liquidity and longevity risks. Several risk management strategies and policies have been put in place to mitigate the impact these risks could have on the funded status of DB plans and on the future level of contributions by Bombardier Transportation. The following is a description of key risks together with the mitigation measures in place to address them.

Equity risk
Equity risk results from fluctuations in equity prices. This risk is managed by maintaining diversification of portfolios across geographies, industry sectors and investment strategies.

Interest rate risk
Interest rate risk results from fluctuations in the fair value of plan assets and liabilities due to movements in interest rates. This risk is managed by reducing the mismatch between the duration of plan assets and the duration of pension obligation. This is accomplished by having a portion of the portfolio invested in long-term fixed income securities and interest rate hedging overlay portfolios.

Inflation risk
Inflation risk is the risk that benefits indexed to inflation increase significantly as a result of changes in inflation rates. To manage this risk, the benefit indexation has been capped in certain plans and a portion of plan assets has been invested in real return fixed income securities and real return asset securities.

Foreign exchange risk
Currency risk exposure arises from fluctuations in the fair value of plan assets denominated in a currency other than the currency of the plan liabilities. Currency risk is managed with foreign currency hedging strategies as per plan investment policies.

Liquidity risk
Liquidity risk stems from holding assets which cannot be readily converted to cash when needed for the payment of benefits or to rebalance the portfolios. Liquidity risk is managed through investments in treasury bills, government bonds and equity futures and by having no investments in private placements or hedge funds.

Longevity risk
Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments. This risk is mitigated by using the most recent mortality and mortality improvement tables to set the level of contributions. The buy-out of annuities with insurance companies transfers all of the risks listed above to insurers for the annuities purchased.

UNFUNDED DB PLANS

Unfunded plans are located in countries where the establishment of funds for segregated plan assets is generally not permitted or not in line with local practice. Bombardier Transportation's main unfunded DB plans are located in Germany. Nearly two thirds of the German unfunded DB plan liability relate to former plan members who no longer accrue future service benefits. Bombardier Transportation contributes annually to the Pensions-Sicherungs-Verein, Germany's pension protection association, which provides protection for pension benefits up to certain limits in the event that plan sponsors become insolvent.

DC PLANS

A growing proportion of employees are participating in DC plans and, as a result, contributions to DC plans have increased over the past several years. The largest DC plans are located in Canada and in the U.S. The plan administrators and ICs oversee the management of DC plan assets.

OTHER PLANS

Bombardier Transportation also provides other unfunded defined benefit plans, consisting essentially of post-retirement healthcare coverage, life insurance benefits and retirement allowances. Bombardier Transportation provides post-retirement life insurance and post-retirement health care, with provisions that vary between groups of employees in Canada, U.S. and U.K. New non-unionized hires are generally no longer offered post-retirement health care.

RETIREMENT BENEFITS PLANS

The following table provides the components of the retirement benefit cost, for fiscal years:

	2019			2018		
	Pension benefits	**Other benefits**	**Total**	Pension benefits	Other benefits	Total
Current service cost	**€ 65**	**€ 1**	**€ 66**	€ 72	€ 1	€ 73
Accretion expense	**14**	**1**	**15**	14	1	15
Past service cost[1]	**(21)**	**—**	**(21)**	2	—	2
Curtailment	**(5)**	**—**	**(5)**	(3)	—	(3)
Settlement[2]	**—**	**—**	**—**	10	—	10
DB plans	**53**	**2**	**55**	95	2	97
DC plans	**47**	**—**	**47**	45	—	45
Total retirement benefit cost	**€ 100**	**€ 2**	**€ 102**	€ 140	€ 2	€ 142
Related to						
Funded DB plans	**€ 26**	**n/a**	**€ 26**	€ 68	n/a	€ 68
Unfunded DB plans	**€ 27**	**€ 2**	**€ 29**	€ 27	€ 2	€ 29
DC plans	**€ 47**	**n/a**	**€ 47**	€ 45	n/a	€ 45
Recorded as follows						
EBIT expense or capitalized cost	**€ 86**	**€ 1**	**€ 87**	€ 126	€ 1	€ 127
Financing expense	**€ 14**	**€ 1**	**€ 15**	€ 14	€ 1	€ 15

[1] Represents the loss related to the pension equalization for fiscal year 2018. See Note 6 – Special items for more details.
[2] Represents the loss related to the purchase of pension annuities for fiscal year 2018. See Note 6 – Special items for more details.

n/a: Not applicable

Changes in the cumulative amount of remeasurements gains (losses) of defined benefit plans recognized in OCI, and presented as a separate component of deficit, were as follows, for fiscal years:

Gains (losses)		
Balance as at January 1, 2018	€	(479)
Impact of asset ceiling and minimum liability		8
Actuarial gains, net		32
Effect of exchange rate changes		6
Income taxes		10
Balance as at December 31, 2018		(423)
Actuarial losses, net		(134)
Effect of exchange rate changes		(4)
Income taxes		14
Balance as at December 31, 2019	**€**	**(547)**

The following tables present the changes in the defined benefit obligation and fair value of pension plan assets, for fiscal years:

			2019			2018
	Pension benefits	**Other benefits**	**Total**	Pension benefits	Other benefits	Total
Change in benefit obligation						
Obligation at beginning of year	**€ 3,114**	**€ 37**	**€ 3,151**	€ 3,304	€ 38	€ 3,342
Accretion	**85**	**1**	**86**	82	1	83
Current service cost	**65**	**1**	**66**	72	1	73
Plan participants' contributions	**5**	**—**	**5**	4	—	4
Past service cost[1]	**(21)**	**—**	**(21)**	2	—	2
Actuarial losses (gains) - changes in financial assumptions	**443**	**5**	**448**	(155)	(2)	(157)
Actuarial (gains) losses - changes in experience adjustments	**10**	**(2)**	**8**	(2)	1	(1)
Actuarial (gains) losses - changes in demographic assumptions	**(55)**	**(1)**	**(56)**	(16)	—	(16)
Benefits paid	**(114)**	**(1)**	**(115)**	(114)	(1)	(115)
Curtailment	**(5)**	**—**	**(5)**	(3)	—	(3)
Settlement	**—**	**—**	**—**	(48)	—	(48)
Effect of exchange rate changes	**134**	**2**	**136**	(12)	(1)	(13)
Obligation at end of year	**€ 3,661**	**€ 42**	**€ 3,703**	€ 3,114	€ 37	€ 3,151
Obligation is attributable to						
Active members	**€ 1,361**	**€ 16**	**€ 1,377**	€ 1,240	€ 15	€ 1,255
Deferred members	**809**	**—**	**809**	672	—	672
Retirees	**1,491**	**26**	**1,517**	1,202	22	1,224
	€ 3,661	**€ 42**	**€ 3,703**	€ 3,114	€ 37	€ 3,151
Change in plan assets						
Fair value at beginning of year	**€ 2,411**	**€ —**	**€ 2,411**	€ 2,604	€ —	€ 2,604
Employer contributions	**79**	**1**	**80**	66	1	67
Plan participants' contributions	**5**	**—**	**5**	4	—	4
Interest income on plan assets	**71**	**—**	**71**	68	—	68
Actuarial gains (losses)	**266**	**—**	**266**	(142)	—	(142)
Benefits paid	**(114)**	**(1)**	**(115)**	(114)	(1)	(115)
Settlement	**—**	**—**	**—**	(58)	—	(58)
Administration costs	**(3)**	**—**	**(3)**	(3)	—	(3)
Effect of exchange rate changes	**130**	**—**	**130**	(14)	—	(14)
Fair value at end of year	**€ 2,845**	**€ —**	**€ 2,845**	€ 2,411	€ —	€ 2,411

[1] Represents pension equalization for fiscal year 2018. See Note 6 – Special items for more details.

The following table presents the reconciliation of plan assets and obligations to the amount recognized in the consolidated statements of financial position, as at:

	December 31, 2019		December 31, 2018		January 1, 2018	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits	Pension benefits	Other benefits
Present value of defined benefit obligation	**€ 3,661**	**€ 42**	€ 3,114	€ 37	€ 3,304	€ 38
Fair value of plan assets	**(2,845)**	**—**	(2,411)	—	(2,604)	—
	816	**42**	703	37	700	38
Impact of asset ceiling test and minimum liability[1]	**—**	**—**	—	—	7	—
Net amount recognised	**€ 816**	**€ 42**	€ 703	€ 37	€ 707	€ 38
Amounts included in:						
Retirement benefit						
Liability	**€ 884**	**€ 42**	€ 817	€ 37	€ 830	€ 38
Asset[2]	**(68)**	**—**	(114)	—	(123)	—
Net liability	**€ 816**	**€ 42**	€ 703	€ 37	€ 707	€ 38

[1] Comprises the effect of exchange rate changes.
[2] Presented in Note 17 – Other assets.

The following table presents the allocation of the net retirement benefit liability by major countries, as at:

	December 31, 2019		December 31, 2018		January 1, 2018	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits	Pension benefits	Other benefits
Funded pension plans						
Canada	**€ 57**	**€ —**	€ 65	€ —	€ 42	€ —
U.K.	**(8)**	**—**	(73)	—	(75)	—
U.S.	**89**	**—**	74	—	75	—
Other	**44**	**—**	66	—	68	—
	182	**—**	132	—	110	—
Unfunded pension plans						
Germany	**499**	**—**	450	—	470	—
Canada	**—**	**27**	—	22	—	21
U.S.	**7**	**6**	6	7	6	8
Other	**128**	**9**	115	8	121	9
	634	**42**	571	37	597	38
Net liability	**€ 816**	**€ 42**	€ 703	€ 37	€ 707	€ 38

The following table presents the allocation of benefit obligation and plan assets by major countries, as at:

	December 31, 2019		December 31, 2018		January 1, 2018	
	Benefit obligation	**Plan assets**	Benefit obligation	Plan assets	Benefit obligation	Plan assets
Funded pension plans						
Canada	**€ 468**	**€ 411**	€ 404	€ 339	€ 463	€ 428
U.K.	**1,990**	**1,998**	1,620	1,693	1,723	1,798
U.S.	**234**	**145**	181	107	187	112
Other	**335**	**291**	338	272	334	266
	3,027	**2,845**	2,543	2,411	2,707	2,604
Unfunded pension plans	**676**	**—**	608	—	635	—
	€ 3,703	**€ 2,845**	€ 3,151	€ 2,411	€ 3,342	€ 2,604

The fair value of plan assets by level of hierarchy, was as follows, as at:

								December 31, 2019
		Total		**Level 1**		**Level 2**		**Level 3**
Cash and cash equivalents	**€**	**217**	**€**	**157**	**€**	**60**	**€**	**—**
Equity securities								
U.S.		**311**		**306**		**—**		**5**
U.K.		**103**		**96**		**7**		**—**
Switzerland		**17**		**17**		**—**		**—**
Canada		**49**		**49**		**—**		**—**
Other		**407**		**405**		**—**		**2**
		887		**873**		**7**		**7**
Fixed-income securities								
Corporate		**346**		**—**		**346**		**—**
Government		**1,068**		**—**		**1,068**		**—**
Other		**5**		**—**		**5**		**—**
		1,419		**—**		**1,419**		**—**
Real return asset securities		**265**		**212**		**—**		**53**
Other		**57**		**—**		**57**		**—**
	€	**2,845**	**€**	**1,242**	**€**	**1,543**	**€**	**60**

								December 31, 2018
		Total		Level 1		Level 2		Level 3
Cash and cash equivalents	€	182	€	127	€	55	€	—
Equity securities								
U.S.		234		229		—		5
U.K.		83		76		7		—
Switzerland		14		14		—		—
Canada		35		35		—		—
Other		319		317		—		2
		685		671		7		7
Fixed-income securities								
Corporate		327		—		327		—
Government		934		—		934		—
Other		4		—		4		—
		1,265		—		1,265		—
Real return asset securities		250		202		—		48
Other		29		—		29		—
	€	2,411	€	1,000	€	1,356	€	55

								January 1, 2018
		Total		Level 1		Level 2		Level 3
Cash and cash equivalents	€	155	€	117	€	38	€	—
Equity securities								
U.S.		271		266		—		5
U.K.		99		92		7		—
Switzerland		20		20		—		—
Canada		50		50		—		—
Other		345		343		—		2
		785		771		7		7
Fixed-income securities								
Corporate		332		—		332		—
Government		990		—		990		—
Other		6		—		6		—
		1,328		—		1,328		—
Real return asset securities		261		211		—		50
Other		75		—		75		—
	€	2,604	€	1,099	€	1,448	€	57

Plan assets did not include any of Bombardier Inc.'s shares, nor any property occupied by Bombardier Transportation or other assets used by Bombardier Transportation as at December 31, 2019, 2018 and January 1, 2018.

The following table presents the contributions made for fiscal year 2019 and 2018 as well as the estimated contributions for fiscal year 2020:

	2020	**2019**	2018
	Estimated		
Contribution to			
Funded pension plans	€ 58	**€ 58**	€ 45
Unfunded pension plans	21	**21**	21
Other benefits	2	**1**	1
Total defined benefits plans	81	**80**	67
DC pension plans	54	**47**	45
Total contributions	€ 135	**€ 127**	€ 112

The following table presents information about the maturity profile of the defined benefit obligation expected to be paid, as at:

	December 31, 2019
Benefits expected to be paid	
Within 1 year	**€ 108**
Between 1 and 5 years	**502**
Between 5 and 10 years	**766**
Between 10 and 15 years	**875**
Between 15 and 20 years	**896**
	€ 3,147

The following table provides the weighted average duration of the defined benefit obligations related to pension plans, as at:

Duration in years as at	**December 31, 2019**
Funded pension plans	
Canada	**16.0**
U.S.	**17.6**
U.K.	**19.2**
Other	**17.3**
Unfunded pension plans	
Germany	**15.7**
U.S.	**11.6**
Other	**15.8**

The following table provides the expected payments to be made under the unfunded plans, as at December 31, 2019:

	Germany	**Other**	**Total**
Benefits expected to be paid			
Within 1 year	**€ 19**	**€ 6**	**€ 25**
Between 1 and 5 years	**83**	**28**	**111**
Between 5 and 10 years	**117**	**42**	**159**
Between 10 and 15 years	**128**	**47**	**175**
Between 15 and 20 years	**111**	**47**	**158**
	€ 458	**€ 170**	**€ 628**

The significant actuarial assumptions reflect the economic situation of each country. The weighted-average assumptions used to determine the benefit cost and obligation were as follows, as at:

	December 31, 2019		December 31, 2018		January 1, 2018	
(in percentage)	**Pension benefits**	**Other benefits**	Pension benefits	Other benefits	Pension benefits	Other benefits
Benefit cost						
Discount rate	**2.69%**	**3.69%**	2.50%	3.37%	2.49%	3.65%
Rate of compensation increase	**2.86%**	**3.00%**	2.87%	3.00%	2.87%	3.00%
Inflation rate	**2.03%**	**2.20%**	2.05%	2.20%	2.08%	2.25%
Ultimate health care cost trend rate	**n/a**	**5.21%**	n/a	5.20%	n/a	5.17%
Benefit obligation						
Discount rate	**1.92%**	**2.89%**	2.69%	3.69%	2.50%	3.37%
Rate of compensation increase	**2.85%**	**2.75%**	2.86%	3.00%	2.87%	3.00%
Inflation rate	**2.27%**	**2.10%**	2.03%	2.20%	2.05%	2.20%
Initial health care cost trend rate	**n/a**	**5.65%**	n/a	5.79%	n/a	5.89%
Ultimate health care cost trend rate	**n/a**	**5.25%**	n/a	5.21%	n/a	5.20%

n/a: Not applicable

The mortality tables and the average life expectancy in years of a member at age 45 or 65 is as follows, as at December 31:

(in years)		**Life expectancy over 65 for a male member currently**			
		Aged 65 on December		**Aged 45 on December**	
Country	Mortality tables	**2019**	2018	**2019**	2018
Canada	2014 Private Sector Mortality Table (“CPM2014Priv”) projected generationally using the CMP Improvement Scale B (“CPM-B”)	**21.9**	21.7	**22.9**	22.8
U.K.	SNA07M_CMI 2016 and S2P(M/F)A CMI 2016[1]	**22.0**	22.6	**23.8**	24.8
U.S.	Pri-2012 mortality table projected generationally using the MP-2019 improvement scale[2]	**20.6**	20.7	**22.2**	22.3
Germany	Dr. K Heubeck 2018	**20.3**	19.9	**23.1**	22.7

		Life expectancy over 65 for a female member currently			
		Aged 65 on December		**Aged 45 on December**	
Country	Mortality tables	**2019**	2018	**2019**	2018
Canada	2014 Private Sector Mortality Table (“CPM2014Priv”) projected generationally using the CMP Improvement Scale B (“CPM-B”)	**24.3**	24.2	**25.2**	25.1
U.K.	SNA07M_CMI 2016 and S2P(M/F)A CMI 2016[1]	**23.9**	24.7	**25.7**	26.9
U.S.	Pri-2012 mortality table projected generationally using the MP-2019 improvement scale[2]	**22.6**	22.7	**24.2**	24.3
Germany	Dr. K Heubeck 2018	**23.8**	23.5	**26.0**	25.7

[1] SNA07M_CMI 2013 and S2P(M/F)A CMI 2016 as at December 31, 2018.

[2] RP-2014 mortality table projected generationally using the MP-2018 improvement scale as at December 31, 2018.

A 0.25 percentage point increase in one of the following actuarial assumptions would have the following effects, all other actuarial assumptions remaining unchanged:

Assumption		Retirement benefit cost for fiscal year 2019		Net retirement benefit liability as at December 31, 2019
Discount rate	€	(6)	€	(151)
Rate of compensation increase	€	1	€	19
Inflation rate	€	2	€	69

A one year additional life expectancy as at December 31, 2019 for all DB plans would increase the net retirement benefit liability by €104 million and the retirement benefit cost for fiscal year 2019 by €4 million, all other actuarial assumptions remaining unchanged.

As at December 31, 2019, the health care cost trend rate for retirement 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 5,65% and to decrease progressively to 5,25% by calendar year 2027 and then remain at that level for all participants. A one percentage point change in assumed health care cost trend rates would have the following effects, as at December 31, 2019 and for fiscal year 2019:

		One percentage point increase		One percentage point decrease
Effect on the net retirement benefit liability	€	1	€	(1)

21. TRADE AND OTHER PAYABLES

Trade and other payables were as follows, as at:

		December 31, 2019		December 31, 2018		January 1, 2018
Trade payables	**€**	**1,469**	€	1,535	€	1,252
Accrued liabilities		**632**		554		601
Other		**238**		119		87
	€	**2,339**	€	2,208	€	1,940

Bombardier Transportation negotiated extended payment terms of 240 to 310 days after delivery with certain of its suppliers. Trade payables with these extended terms totalled €488 million and bore interest at a weighted average rate of 2.50% as at December 31, 2019 (€474 million and 2.41%, respectively, as at December 31, 2018 and €479 million and 1.96% as at January 1, 2018). Suppliers generally have the right to return to original payment terms for future payables upon providing a minimum notice period.

22. PROVISIONS

Changes in provisions were as follows, for fiscal years 2019 and 2018:

	Product warranties	Restructuring, severance and other termination benefits	Onerous contracts	Other [1]	Total
Balance as at December 31, 2018	**€ 285**	**€ 159**	**€ 407**	**€ 48**	**€ 899**
Additions	**115**	**69** [2]	**154**	**7**	**345**
Utilization	**(116)**	**(105)**	**(210)**	**(4)**	**(435)**
Reversals	**(38)**	**(14)** [2]	**(3)**	**(5)**	**(60)**
Effect of foreign currency exchange rate changes	**2**	**1**	**14**	**—**	**17**
Balance as at December 31, 2019	**€ 248**	**€ 110**	**€ 362**	**€ 46**	**€ 766**
Of which current	**€ 248**	**€ 109**	**€ 362**	**€ 31**	**€ 750**
Of which non-current	**—**	**1**	**—**	**15**	**16**
	€ 248	**€ 110**	**€ 362**	**€ 46**	**€ 766**

	Product warranties	Restructuring, severance and other termination benefits	Onerous contracts	Other [1]	Total
Balance as at January 1, 2018	€ 393	€ 200	€ 571	€ 47	€ 1,211
Additions	93	19 [2]	90	21	223
Utilization	(131)	(45)	(249)	(16)	(441)
Reversals	(68)	(15)	(18)	(5)	(106)
Effect of foreign currency exchange rate changes	(2)	—	13	1	12
Balance as at December 31, 2018	€ 285	€ 159	€ 407	€ 48	€ 899
Of which current	€ 285	€ 117	€ 407	€ 34	€ 843
Of which non-current	—	42	—	14	56
	€ 285	€ 159	€ 407	€ 48	€ 899

[1] Includes litigations and claims, as well as environmental liabilities.

[2] See Note 6 – Special items for more details on the additions and reversals related to restructuring charges.

23. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	December 31, 2019	December 31, 2018	January 1, 2018
Derivative financial instruments[1]	**€ 172**	€ 117	€ 183
Subordinated loan from the Parent[2]	**100**	—	—
Current portion of long-term debt	**—**	4	4
Other	**7**	4	11
	€ 279	€ 125	€ 198
Of which current	**€ 173**	€ 124	€ 197
Of which non-current	**106**	1	1
	€ 279	€ 125	€ 198

[1] See Note 10 – Financial instruments.

[2] Unsecured debt, which is mandatory or automatically convertible into non-redeemable share capital of Bombardier Transportation. This debt may not be enforced against Bombardier Transportation or its assets. This debt from Bombardier Inc. bears interest at 2.50% with a maturity of May 2023.

24. OTHER LIABILITIES

Other liabilities were as follows, as at:

	December 31, 2019	December 31, 2018	January 1, 2018
Accruals for long-term contract costs	**€ 354**	€ 387	€ 534
Employee benefits[1]	**223**	249	292
Lease liabilities[2]	**213**	—	—
Income taxes payable	**159**	133	130
Other taxes payable	**145**	156	194
	€ 1,094	€ 925	€ 1,150
Of which current	**€ 914**	€ 865	€ 1,056
Of which non-current	**180**	60	94
	€ 1,094	€ 925	€ 1,150

[1] Comprises all employee benefits excluding those related to retirement benefits, which are reported in the line items Retirement benefits and in Other assets (see Note 20 – Retirement benefits).

[2] Following the adoption of IFRS 16 - *Leases*, effective January 1, 2019, Bombardier Transportation presented lease liabilities under the line item "Other liabilities". Lease liabilities as at January 1, 2019 amounted to €223 million. See Note 3 - Changes in accounting policies for more details.

25. SHARE CAPITAL

Ordinary shares

All ordinary shares have a nominal value of €1.

Ordinary shares	
Voting rights:	One vote each.
Dividend:	Payable only if declared.

The number of ordinary shares issued and fully paid was as follows as at:

	December 31, 2019	December 31, 2018
Issued and fully paid		
Balance at beginning of year	**210**	210
Issuance of shares	**1**	—
Balance at end of year	**211**	210

Dividends

Dividends declared were as follows:

	Dividend declared for fiscal year				**Dividend declared after**	
	December 31, 2019		December 31, 2018		**December 31, 2019**	
		Total		Total		**Total**
	Per share (in millions of Euro)	**(in millions of Euro)**	Per share (in millions of Euro)	(in millions of Euro)	**Per share (in millions of Euro)**	**(in millions of Euro)**
Ordinary shares	**€ —**	**€ —**	€ 1.29	€ 270	**€ —**	**€ —**

26. SHARE-BASED PLANS

PSU, DSU and RSU plans

The Board of Directors of Bombardier Inc. approved a PSU and a RSU plan under which PSUs and RSUs may be granted to executives and other designated employees. The PSUs and the RSUs give recipients the right, upon vesting, to receive a certain number of Bombardier Inc.'s Class B Shares (subordinate voting). The PSUs and RSUs also give certain recipients the right to receive a cash payment equal to the value of the RSUs. The Board of Directors of Bombardier Inc. has also approved a DSU plan under which DSUs may be granted to senior officers. The DSU plan is similar to the PSU plan, except that their exercise can only occur upon retirement or termination of employment. During fiscal year 2019, a combined value of €39 million of PSUs were authorized for issuance (€42 million during fiscal year 2018) by Bombardier Inc., of which €17 million and €19 million relates to Bombardier Transportation for fiscal year 2019 and 2018, respectively.

The number of PSUs, DSUs and RSUs has varied as follows, for fiscal years:

			2019			2018
	PSU	**DSU**	**RSU**	PSU	DSU	RSU
Balance at beginning of year	**38,561,793**	**—**	**—**	29,798,232	52,532	10,750,542
Granted	**17,614,754**	**—**	**—**	11,341,720	—	—
Transfer[1]	**1,755,832**	**—**	**—**	(78,714)	—	(1,312)
Exercised	**(11,014,967)**	**—**	**—**	—	(52,531)	(10,520,243)
Forfeited	**(6,243,492)**	**—**	**—**	(2,499,445)	(1)	(228,987)
Balance at end of year	**40,673,920**	**—**	**—**	38,561,793	—	—

[1] Represents PSU, DSU or RSU of employees transfered from Bombardier Inc. or the Aviation segment to Bombardier Transportation, and vice-versa.

PSUs and DSUs granted will vest if a financial performance threshold is met. The conversion ratio for vested PSUs and DSUs ranges from 50% to 100%. PSUs and DSUs generally vest three years following the grant date if the financial performance thresholds are met. For grants issued between January 1, 2017 and December 31, 2019, the vesting dates range from August 2020 to May 2022.

The weighted-average grant date fair value of PSUs granted during fiscal year 2019 was €1.41 (€2.63 during fiscal year 2018). The fair value of each PSUs granted was measured based on the closing price of a Class B Share (subordinate voting) of Bombardier Inc. on the Toronto Stock Exchange.

A compensation revenue of €1 million was recorded during fiscal year 2019 with respect to the PSU, DSU and RSU plans (a compensation expense of €18 million during fiscal year 2018).

Share option plans

Under share option plans, options are granted to key employees to purchase Class B Shares (subordinate voting). Of the 224,641,195 Class B Shares (subordinate voting) reserved for issuance at Bombardier Inc, 26,035,564 were available for issuance under these share option plans, as at December 31, 2019.

Current share option plan - Effective June 1, 2009, Bombardier Inc. amended the share option plan for key employees for options granted after this date. The most 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; and
- the options terminate no later than seven years after the grant date.

The summarized information on the current share option plan is as follows as at December 31, 2019:

	Issued and outstanding			Exercisable	
Exercise price range (Cdn$)	**Number of options**	**Weighted-average remaining life (years)**	**Weighted-average exercise price (Cdn$)**	**Number of options**	**Weighted-average exercise price (Cdn$)**
1 to 2	10,257,560	3.79	1.75	8,589,852	1.76
2 to 4	14,473,995	5.19	2.42	2,277,555	2.65
4 to 6	3,120,561	4.68	4.24	445,057	4.88
	27,852,116			11,312,464	

The number of options issued and outstanding under the current share option plan has varied as follows, for fiscal years:

	2019		2018	
	Number of options	**Weighted-average exercise price (Cdn$)**	Number of options	Weighted-average exercise price (Cdn$)
Balance at beginning of year	**24,714,382**	**2.58**	25,231,622	2.60
Granted	**7,424,416**	**2.12**	4,048,398	3.78
Transfer	**1,741,129**	**2.62**	—	—
Exercised	**(1,709,177)**	**1.65**	(3,418,085)	3.33
Forfeited	**(3,887,497)**	**3.49**	(308,428)	2.26
Expired	**(431,137)**	**3.63**	(839,125)	5.99
Balance at end of year	**27,852,116**	**2.37**	24,714,382	2.58
Options exercisable at end of year	**11,312,464**	**2.06**	8,363,933	2.63

Share-based compensation expense for options

The weighted-average grant date fair value of stock options granted during fiscal year 2019 was €0.78 per option (€1.18 per option for fiscal year 2018). The fair value of each option granted was determined using a Black-Scholes option pricing model, which incorporates the share price at the grant date, and the following weighted-average assumptions, for fiscal years:

	2019	2018
Risk-free interest rate	**1.54%**	2.21%
Expected life	**5 years**	5 years
Expected volatility in market price of shares	**60.82%**	51.99%
Expected dividend yield	**0%**	0%

A compensation expense of €4 million was recorded during fiscal year 2019 with respect to share option plans (€4 million during fiscal year 2018).

27. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows, for fiscal years:

		2019		2018
Trade and other receivables	**€**	**(189)**	€	(217)
Inventories		**(18)**		44
Contract assets		**125**		(244)
Contract liabilities		**84**		64
Other financial assets and liabilities, net		**(49)**		76
Other assets		**5**		43
Trade and other payables		**100**		279
Provisions		**(149)**		(311)
Retirement benefits liability		**(54)**		34
Other liabilities		**(85)**		(237)
	€	**(230)**	€	(469)

The following table presents the reconciliation of movements of liabilities to cash flows arising from financing activities:

		Long-term debt
Balance as at January 1, 2018	€	28
Changes from financing cash flows		
Proceeds from long-term debt		2
Repayment of long-term debt		(7)
Total changes from financing cash flows		23
The effect of changes in foreign exchange rates		1
Balance as at December 31, 2018	€	24
Leases obligations reclassification[1]		(24)
Balance as at December 31, 2019	**€**	**—**

[1] Obligations under finance leases reclassified to lease liabilities under IFRS16 on January 1, 2019. See Note 3 - Changes in accounting policies for more details.

28. 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**
December 31, 2019							
BT facility	**€**	**4,498**	**€**	**4,313**	**€**	**185**	**2023** [1]
December 31, 2018							
BT facility	€	3,940	€	3,515	€	425	2022
January 1, 2018							
BT facility	€	3,560	€	3,346	€	214	2021

[1] The facility has an initial three year availability period, when new letters of credit can be issued up to the maximum commitment amount of the facility, plus a one year amortization period during which new letters of credit cannot be issued. The final maturity date of the facility is 2023.

In addition to the outstanding letters of credit shown in the above table, letters of credit of €3,823 million were outstanding under various bilateral agreements as at December 31, 2019 (€3,363 million as at December 31, 2018 and €2,828 million as at January 1, 2018).

Bombardier Transportation also uses numerous bilateral bonding facilities with insurance companies to support its operations. An amount of €3.4 billion was outstanding under such facilities as at December 31, 2019 (€3.2 billion as at December 31, 2018 and €2.8 billion as at January 1, 2018).

Revolving credit facilities
Bombardier Transportation has an unsecured revolving credit facility amounting to €1,154 million, available for cash drawings.The facility matures in May 2022 and bears interest at Euribor plus a margin. That facility was unused as of December 31, 2019.

Uncommitted Short Term credit facilities
Bombardier Transportation has a €75-million uncommitted Short Term credit facility. This facility is available to Bombardier Transportation for cash drawings. This facility was unused as of December 31, 2019.

Financial covenants
Bombardier Transportation is subject to various financial covenants under the letter of credit facility and the revolving credit facility, which must be met on a quarterly basis. Those facilities include financial covenants requiring minimum equity as well as a maximum debt to EBITDA ratio, all calculated based on Bombardier Transportation stand-alone financial data. These terms and ratios are defined in the respective agreements and do not correspond to the Bombardier Transportation's global metrics as described in Note 29 – Capital management. In addition, Bombardier Transportation must maintain a minimum liquidity of €750 million. Minimum liquidity required is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position. These conditions were all met on a quarterly basis and as at December 31, 2019 and 2018 and January 1, 2018.

Bombardier Transportation regularly monitors these ratios to ensure it meets all financial covenants, and has controls in place to ensure that contractual covenants are met.

29. CAPITAL MANAGEMENT

Bombardier Transportation'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. Bombardier Transportation analyzes its capital structure using global metrics, which are based on a broad economic view of Bombardier Transportation.

In order to adjust its capital structure, Bombardier Transportation may repurchase or issue capital or vary the amount of dividends paid to shareholders.

Bombardier Transportation pro-actively manages such capital based on the key metrics being EBITDA, EBIT and Free Cash Flow (cash flows from operating activities less net additions to PP&E and intangible assets).

See Note 28 – Credit facilities for a description of bank covenants.

30. FINANCIAL RISK MANAGEMENT

Bombardier Transportation 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. Bombardier Transportation is primarily exposed to foreign exchange risk and interest rate risk.

Credit risk
Bombardier Transportation is exposed to credit risk through its normal treasury activities on its derivative financial instruments and other investing activities. Bombardier Transportation is also exposed to credit risk through its trade receivables arising from its normal commercial activities.

The effective monitoring and controlling of credit risks is a key component of Bombardier Transportation's risk management activities. Credit risks arising from the treasury activities are managed by a central treasury function in accordance with Bombardier Inc.'s Foreign Exchange Risk Management Policy and Investment Policy (the "Policy"). The objective of the policy is to minimize Bombardier Transportation's exposure to credit risk from its treasury activities by ensuring that Bombardier Transportation transacts strictly with investment-grade financial institutions based on pre-established counterparty risk limits per financial institution.

Credit risks arising from Bombardier Transportation's normal commercial activities arise 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 Bombardier Transportation's 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.

These 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 Bombardier Transportation'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 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 10 – Financial instruments, except for investment in securities and embedded derivatives, for which their maximum exposure to credit risk is nil.

Credit quality – The credit quality, using external and internal credit rating systems, of financial assets that are neither past due nor impaired is usually investment grade.

Liquidity risk
The management of Bombardier Transportation' liquidity requires a constant monitoring of expected cash inflows and outflows, which is achieved through a detailed forecast of Bombardier Transportation's liquidity position, as well as long-term operating and strategic plans, to ensure adequacy and efficient use of cash resources. Bombardier Transportation uses scenario analyses to stress-test cash flow projections. Liquidity adequacy is continually monitored which involves the application of judgment, taking into consideration historical volatility and seasonal needs, stress-test results, the maturity profile of indebtedness, access to capital markets, the level of customer advances, availability of letter of credit and similar facilities, working capital requirements, the availability of working capital financing initiatives and the funding of product development and other financial commitments.

Based on this analysis, Bombardier Transportation currently anticipates that its year-end cash and cash equivalents of approximately €0.5 billion, the Transportation revolving credit facility of approximately €1.2 billion, will enable it to meet currently anticipated financial requirements for a period of more than 12 months. Furthermore, from time to time Bombardier Transportation obtains funding from Bombardier Inc., and Bombardier Inc. has committed to take actions and initiatives to provide Bombardier Transportation with necessary support, if needed.

In addition, Bombardier Transportation engages in certain working capital financing initiatives which impact cash flow from operating activities such as the sale of receivables (see Note 12 - Trade and other receivables), arrangements for advances from third parties (refer to Note 13 - Contract balances), the negotiation of extended payment terms with certain suppliers (refer to Note 21 - Trade and other payables). These initiatives generally rely on the ongoing provision of credit by financial institutions to the parties involved in the arrangement.

Bombardier Transportation also routinely reviews the terms and conditions of its bank facilities and seeks annual extensions of the availability periods thereunder.

Maturity analysis –The maturity analysis of financial assets and financial liabilities, excluding derivative financial instruments, was as follows, as at December 31, 2019:

	Carrying amount	Undiscounted cash flows (before giving effect to the related hedging instruments)						
		Less than 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	With no specific maturity	Total
Cash and cash equivalents	€ 481	€ 481	€ —	€ —	€ —	€ —	€ —	€ 481
Trade and other receivables	€ 1,115	941	140	24	10	—	—	1,115
Other financial assets[1]	€ 121	23	11	9	27	28	23	121
Assets		1,445	151	33	37	28	23	1,717
Trade and other payables	€ 2,339	2,339	—	—	—	—	—	2,339
Other financial liabilities[1]	€ 107	4	103	—	—	—	—	107
Liabilities		2,343	103	—	—	—	—	2,446
Net amount		€ (898)	€ 48	€ 33	€ 37	€ 28	€ 23	€ (729)

[1] The carrying amount of other financial assets excludes derivative financial instruments and the carrying amount of other financial liabilities excludes derivative financial instruments.

Other financial assets include long-term contract receivables maturing in March 2033. Under the respective agreements, Bombardier Transportation will receive incentive payments. Due to future variations in the relevant index the amounts shown in the table above may vary.

The maturity analysis of derivative financial instruments, excluding embedded derivatives, was as follows, as at December 31, 2019:

	Nominal value (EUR equivalent)	Undiscounted cash flows [1]					
		Less than 1 year	1 year	2 to 3 years	3 to 5 years	Over 5 years	Total
Derivative financial assets							
Forward foreign exchange contracts	€ 5,113	€ 83	€ —	€ —	€ —	€ —	€ 83
Derivative financial liabilities							
Forward foreign exchange contracts	€ 7,242	€ (167)	€ (2)	€ —	€ —	€ —	€ (169)
Net amount		€ (84)	€ (2)	€ —	€ —	€ —	€ (86)

[1] Amounts denominated in foreign currency are translated at the period end exchange rate.

Lease liabilities

Bombardier Transportation leases buildings, equipments, land and other.

Maturity analysis –The maturity analysis of lease liabilities, was as follows, as at:

	December 31, 2019
Within 1 year	€ 53
Between 1 to 5 years	76
More than 5 years	84
	€ 213

Market risk

Foreign exchange risk

Bombardier Transportation 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, Swiss franc, Swedish krona and US dollar. Bombardier Transportation employs various strategies, including the use of derivative financial instruments and by matching asset and liability positions, to mitigate these exposures.

Bombardier Transportation's main exposures to foreign currencies are covered by Bombardier Inc.'s central treasury function. Foreign currency exposures are mitigated in accordance with Bombardier Inc.'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 Bombardier Transportation's consolidated financial statements. Under the FX Policy, potential losses from adverse movements in foreign exchange rates should not exceed Board authorized pre-set limits. Potential loss is defined as the maximum expected loss that could occur if an unhedged foreign currency exposure was exposed to an adverse change of foreign exchange rates over a one-quarter period. The FX Policy also strictly prohibits any speculative foreign exchange transactions that would result in the creation of an exposure in excess of the maximum potential loss approved by the Board of Directors of Bombardier Inc.

Under the FX Policy, it is the responsibility of Bombardier Transportation to identify all actual and potential foreign exchange exposures arising from its operations. This information is communicated to the central treasury group of the Parent, which has the responsibility to execute the hedge transactions in accordance with the FX Policy.

In order to properly manage their exposures, Bombardier Transportation maintains long-term cash flow forecasts in each currency. Bombardier Transportation hedges all its identified foreign currency exposures to limit the effect of currency movements on its results. Bombardier Transportation also mitigate foreign currency risks by maximizing transactions in its functional currency for its operation such as material procurement, sale contracts and financing activities.

Bombardier Transportation mainly uses forward foreign exchange contracts to manage its exposure from transactions in foreign currencies. Bombardier Transportation applies hedge accounting for a significant portion of anticipated transactions and firm commitments denominated in foreign currencies, designated as cash flow hedges. Notably, Bombardier Transportation 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.

Bombardier Transportation'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. These programs are reviewed annually and amended as necessary to reflect current market conditions or practices.

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 Bombardier Transportation's financial instruments recorded in its statement of financial position. The following impact on EBT for fiscal year 2019 is before giving effect to cash flow hedge relationships.

									Effect on pre-tax income
	Variation	CAD/USD	USD/EUR	SEK/EUR	EUR/SEK	GBP/EUR	EUR/GBP	PLN/EUR	Other
Gain (loss)	+10%	€ 9	€ 33	€ 18	€ 4	€ 64	€ 8	€ 7	€ 121

The following impact on OCI for fiscal year 2019 is for derivatives designated in a cash flow hedge relationship. For these derivatives, any change in fair value is mostly offset by the re-measurement of the underlying exposure.

									Effect on OCI before income taxes
	Variation	CAD/USD	ZAR/EUR	CZK/EUR	EUR/SEK	GBP/EUR	EUR/GBP	SEK/GBP	Other
Gain (loss)	+10%	€ (17)	€ (16)	€ 15	€ 45	€ 19	€ 24	€ 16	€ 90

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value amounts disclosed in these consolidated financial statements represent Bombardier Transportation'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 Bombardier Transportation has immediate access. However, there is no active market for most of Bombardier Transportation's financial instruments. In the absence of an active market, Bombardier Transportation determines fair value based on 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. In determining these assumptions, Bombardier Transportation uses primarily external, readily observable market inputs, including factors such as interest rates, credit ratings, 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 are as follows:

Derivative financial instruments – Fair value of derivative financial instruments generally reflects the estimated amounts that Bombardier Transportation 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 Bombardier Transportation's credit risk, at the reporting dates. Bombardier Transportation uses discounted cash flow analysis and market data such as interest rates, credit spreads and foreign exchange spot rate to estimate the fair value of forward agreements.

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

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 cash and cash equivalents, trade and other receivables, restricted cash, loans, deposits and other financial assets, trade and other payables, and other financial liabilities 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 debt – The fair value of long-term debt is estimated using discounted cash flow analyses, based on the current corresponding borrowing rate for similar types of borrowing arrangements.

Fair value hierarchy
The following table presents 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 December 31, 2019:

	Total	Level 1	Level 2	Level 3
Financial assets				
Derivative financial instruments[1]	€ 84	€ —	€ 84	€ —
Investments in securities	5	—	5	—
Long-term contract receivable	69	—	69	—
	€ 158	€ —	€ 158	€ —
Financial liabilities				
Derivative financial instruments[1]	€ (172)	€ —	€ (172)	€ —
	€ (172)	€ —	€ (172)	€ —

[1] Derivative financial instruments consist of forward foreign exchange contracts and embedded derivatives.

Fair value hierarchy for items recorded at amortized cost
The following table presents financial assets and financial liabilities measured at amortized cost 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).

The fair value of financial assets and liabilities by level of hierarchy was as follows, as at December 31, 2019:

	Total	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	€ 1,115	€ —	€ 1,115	€ —
Other financial assets	47	—	47	—
	€ 1,162	€ —	€ 1,162	€ —
Financial liabilities				
Trade and other payables	€ (2,339)	€ —	€ (2,339)	€ —
Other financial liabilities	(107)	—	(100)	(7)
	€ (2,446)	€ —	€ (2,439)	€ (7)

32. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

In the normal course of business, Bombardier Transportation carries out a portion of its businesses through joint ventures and associates. Details of material joint venture and associate, which are accounted for using the equity method, are set out below. This arrangement is a strategic partnership, providing access to the rail market in China:

Name of entity	Principal activity	Principal place of business and county of incorporation	Proportion of ownership interest and voting power held by Bombardier Transportation, as at	
			December 31, 2019	December 31, 2018
Bombardier Sifang (Qingdao) Transportation Ltd. ("BST")	Railcar manufacturing	China	**50%**	50%

The following tables provide summarized financial information for Bombardier Transportation's material associate, other non-material associates and joint ventures which represent our pro rata share of the amounts shown in the associate's financial statements prepared in accordance with Bombardier Inc.'s IFRS accounting policies, as at:

								December 31, 2019
		BST		**Other[1]**	**Joint ventures**			**Total**
Cash and cash equivalents	**€**	**207**	**€**	**43**	**€**	**120**	**€**	**370**
Other current assets	**€**	**397**	**€**	**44**	**€**	**286**	**€**	**727**
Non-current assets	**€**	**133**	**€**	**182**	**€**	**36**	**€**	**351**
Current liabilities	**€**	**436**	**€**	**92**	**€**	**275**	**€**	**803**
Non-current liabilities	**€**	**—**	**€**	**153**	**€**	**5**	**€**	**158**

								December 31, 2018
		BST		Other[1]	Joint ventures			Total
Cash and cash equivalents	€	235	€	36	€	63	€	334
Other current assets	€	362	€	27	€	268	€	657
Non-current assets	€	134	€	43	€	19	€	196
Current liabilities	€	460	€	79	€	202	€	741
Non-current liabilities	€	—	€	7	€	11	€	18

								January 1, 2018
		BST		Other[1]	Joint ventures			Total
Cash and cash equivalents	€	309	€	11	€	75	€	395
Other current assets	€	291	€	23	€	198	€	512
Non-current assets	€	107	€	17	€	22	€	146
Current liabilities	€	430	€	22	€	190	€	642
Non-current liabilities	€	—	€	8	€	2	€	10

[1] Other represents our pro rata share of assets and liabilities of non material associates.

Bombardier Transportation's pro rata share of comprehensive income of BST was as follows, for fiscal years:

		2019		2018
		BST		BST
Revenues	**€**	**526**	€	344
Cost of sales		**459**		292
Gross margin		**67**		52
Selling, general and administrative		**8**		5
Income before the following:		**59**		47
Financing income		**(3)**		(5)
Income before taxes		**62**		52
Income taxes		**7**		7
Net income		**55**		45
Total comprehensive income	**€**	**55**	€	45

Bombardier Transportation's aggregate pro rata share of net income of joint ventures and associates was as follows, for fiscal years:

		2019		2018
Joint ventures	**€**	**26**	€	48
Associates		**58**		46
Net income	**€**	**84**	€	94

The carrying values of investments in joint ventures and associates were as follows, as at:

	December 31, 2019	December 31, 2018	January 1, 2018
Joint ventures	**€ 151**	€ 139	€ 111 [1]
Associates	**322**	292	294
	€ 473	€ 431	€ 405

The aggregate carrying values of non-material joint ventures were €151 million as at December 31, 2019 (€139 million as at December 31, 2018 and €111 million as at January 1, 2018). Bombardier Transportation's pro rata share of net income and total comprehensive income of non-material joint ventures was €26 million for fiscal year 2019 (€48 million for fiscal year 2018).

The aggregate carrying values of non-material associates were €20 million as at December 31, 2019 (€18 million as at December 31, 2018 and €17 million as at January 1, 2018). Bombardier Transportation's pro rata share of net income and total comprehensive income of non-material associates was €3 million for fiscal year 2019 (€1 million for fiscal year 2018).

33. TRANSACTIONS WITH RELATED PARTIES

Bombardier Transportation's related parties are Bombardier Inc. and affiliate companies of the Aviation segment (before July 1st, 2019, was aerospace segments) and CDPQ. In addition, Bombardier Transportation buys and sells products and services on arm's length terms with some of its joint ventures and associates in the ordinary course of business. The following table presents the portion of these transactions that is attributable to affiliated companies as well as to the interests of the other venturers, and transaction with associates, for fiscal years:

	2019	2018
Aviation segment		
Revenues	**€ 5**	€ 4
Other income	**1**	—
Bombardier Inc.		
Revenues	**€ —**	€ 1
SG&A	**69**	67
Joint ventures		
Revenues	**€ 57**	€ 33
Purchase of products and services, and other expenses	**47**	20
Associates		
Revenues	**€ 2**	€ 16
Purchase of products and services, and other expenses	**9**	4

The following table presents the Bombardier Transportation's outstanding balances, as at:

	December 31, 2019	December 31, 2018	January 1, 2018
Aviation segment			
Receivables	**€ 4**	€ 2	€ 2
Payables	**54**	10	1
Bombardier Inc.			
Receivables	**€ 1**	€ 7	€ 5
Payables	**54**	30	14
Subordinated loan from the Parent[1]	**100**	—	—
Joint ventures			
Receivables	**€ 22**	€ 14	€ 17
Payables	**12**	3	9
Advances and progress billings in excess of related costs	**5**	10	6
Associates			
Receivables	**€ 3**	€ 3	€ 10
Other financial assets	**68**	20	—
Payables	**2**	2	2

[1]See Note 23 - Other financial liabilities for more details.

Bombardier Transportation has prepaid amounts to Bombardier Inc. related to the PSUs, RSUs and DSUs plans amounting to €33 million, €47 million and €38 million as at December 31, 2019, December 31, 2018 and January 1, 2018, respectively.

Bombardier Inc. provides, on behalf of Bombardier Transportation:

- A credit guarantee of lease payments amounting to €42 million as at December 31, 2019, in connection with the sale of certain rail equipment (€41 million as at December 31, 2018 and €43 million as at January 1, 2018). This guarantee matures in 2025 and relates to one customer.

PCG fees, which are for performance and other guarantees provided by Bombardier Inc., in the normal course of business, to third parties in the event that Bombardier Transportation does not perform under its contractual obligations, were invoiced to Bombardier Transportation's legal entities up to February 11, 2016. PCG fees represent estimates of the cost of providing the guarantees services to Bombardier Transportation.
As of February 11, 2016, Bombardier Inc. has assigned and transferred future uncollected PCG fees to Bombardier Transportation in exchange of shares in BT Holdco for an amount of €301 million. Bombardier Transportation has recorded a prepaid asset related to those PCG fees which will be amortized over the guaranteed periods of the PCG fees assigned and transferred to Bombardier Transportation. Bombardier Transportation has recorded an amortization expense in the amount of €35 million for PCG for fiscal year 2019 (€43 million for fiscal year 2018). Bombardier Transportation has recorded expense in the amount of €6 million and €6 million for PCG fees invoiced by Bombardier Inc. for fiscal year 2019 and 2018, respectively. Parent company guarantees issued by Bombardier Inc. amounting to €3,291 million were enforceable as at December 31, 2019 (€5,278 million as at December 31, 2018 and €6,331 million as at January 1, 2018).

In fiscal year 2019, Bombardier Transportation paid a capital return of nil to BT Holdco. In fiscal year 2018, Bombardier Transportation paid a capital return of €270 million to BT Holdco, of which €196 million went ultimately to Bombardier Inc. and €74 million ultimately to CDPQ.

BT Holdco made a capital injection of €150 million in Bombardier Transportation following the capital injection of Bombardier Inc. and CDPQ (through its affiliates) in BT Holdco of €150 million on September 26, 2019. The cash infusion supports Bombardier Transportation's production ramp up and associated working capital investment. Bombardier Inc. and CDPQ participated at their current pro rata share in the capital injection and under the same terms as their original investments. As such, the equity ownership percentage of Bombardier Inc. and of CDPQ in BT Holdco remain the same.

Compensation paid to key management personnel
The annual remuneration and related compensation costs of the executive and non-executive board members of Bombardier Inc. and Bombardier Transportation and key Corporate management, defined as the President and Chief Executive Officer of Bombardier Inc., the President and Chief Operating Officer of Bombardier Transportation, and the Senior Vice Presidents of Bombardier Inc., were as follows, for fiscal years:

		2019		2018
Share-based benefits	**€**	**14**	€	13
Salaries, bonuses and other short-term benefits		**7**		12
Termination and other long-term benefits		**2**		—
	€	**23**	€	25

34. COMMITMENTS AND CONTINGENCIES

In addition to the commitments and contingencies described elsewhere in these Consolidated Financial Statements, Bombardier Transportation is subject to other off balance sheet risks described in the following table. The maximum potential exposure does not reflect payments expected to be made by Bombardier Transportation.

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

	December 31, 2019		December 31, 2018		January 1, 2018	
Credit	**€**	**42**	€	41	€	43

a) Credit guarantees - In connection with the sale of certain transportation rail equipment, Bombardier Transportation has provided a credit guarantee of lease payments amounting to €42 million as at December 31, 2019 (€41 million as at December 31, 2018 and €43 million as at January 1, 2018). This guarantee matures in 2025.

b) Performance guarantees - In certain projects carried out through consortia or other partnership vehicles, partners may be jointly and severally liable to the customer for a default by the other partners. In such cases partners would normally provide counter indemnities to each other. These obligations and guarantees typically extend until final product acceptance by the customer and in some cases to the warranty period.

Bombardier Transportation's maximum net exposure to projects is capped, assuming all counter indemnities are fully honoured. For projects where Bombardier Transportation's exposure is not capped, such exposure has been determined in relation to Bombardier Transportation's partners' share of the total contract value. Under this methodology, Bombardier Transportation's net exposure is not significant, assuming all counter indemnities are fully honoured. Such joint and several obligations and guarantees have been rarely called upon in the past.

c) Other - In the normal course of its business, Bombardier Transportation has entered into agreements that include indemnities in favour of third parties, mostly tax indemnities. These agreements generally do not contain specified limits on Bombardier Transportation's liability and therefore, it is not possible to estimate Bombardier Transportation's maximum liability under these indemnities.

Other commitments
Bombardier Transportation also has purchase obligations, under various agreements, made in the normal course of business. The purchase obligations are as follows, as at:

		December 31, 2019
Within 1 year	**€**	**4,471**
Between 1 to 5 years		**3,089**
More than 5 years		**1**
	€	**7,561**

The purchase obligations of Bombardier Transportation include capital commitments for the purchase of PP&E and intangible assets amounting to €145 million and €55 million, respectively, as at December 31, 2019 (€174 million and €47 million as at December 31, 2018 and €222 million and €38 million as at January 1, 2018).

Litigation

In the normal course of operations, Bombardier Transportation is a defendant in certain legal proceedings before various courts or other tribunals including in relation to product liability and contractual disputes with customers and other third parties. Bombardier Transportation's approach is to vigorously defend its position in these matters.

While Bombardier Transportation cannot predict the final outcome of all legal proceedings pending as at December 31, 2019, 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.

Sweden

Since the fourth quarter of 2016, the Swedish police authorities have been conducting an investigation in relation to allegations concerning a 2013 contract for the supply of signalling equipment and services to Azerbaijan Railways ADY (the "ADY Contract"). In October 2016, Bombardier Transportation launched an internal review into the allegations which is conducted by external forensic advisors, under the supervision of the General Counsel and external counsel. Both the investigation and the internal review are on-going. On August 18, 2017, charges were laid against a then employee of the Swedish subsidiary of Bombardier Transportation for aggravated bribery and, alternatively, influence trafficking. The trial on these charges took place from August 29 to September 20, 2017. No charges were laid against the subsidiary of Bombardier Transportation. In a decision rendered on October 11, 2017, the then employee was acquitted of all charges. The decision was appealed regarding all charges on October 25, 2017 by the Prosecution Authority. On June 19, 2019, the Prosecution Authority confirmed that the acquittal on charge of influence trafficking is no longer being appealed; accordingly, this acquittal on this charge stands as a final judgment. The case is still pending with the Swedish Court of Appeal with a likely scenario that the Swedish Court of Appeal will set a date for the appeal trial.

The ADY Contract is being audited by the World Bank Group pursuant to its contractual audit rights. The audit is on-going. Bombardier Transportation's policy is to comply with all applicable laws and it is cooperating to the extent possible with the investigation and the audit.

On November 15, 2018, the World Bank Integrity Vice Presidency ("INT") issued a 'show cause' letter to Bombardier, outlining INT's position regarding alleged collusion, corruption, fraud and obstruction in the ADY Contract. Bombardier Transportation was invited to respond to these preliminary findings and has done so. As the World Bank's audit process is governed by strict confidentiality requirements, Bombardier Transportation can only reiterate that it strongly disagrees with the allegations and preliminary conclusions contained in the letter.

Bombardier Transportation's internal review about the reported allegations is on-going but based on information known to Bombardier Transportation at this time, there is no evidence that suggests a corrupt payment was made or offered to a public official or that any other criminal activity involving Bombardier took place.

In connection with this on-going review, Bombardier Transportation has requested information and documents from the World Bank's audit and continues to wait for such information and documents.

Investigation in Brazil

On March 20, 2014, Bombardier Transportation Brasil Ltda ("BT Brazil"), a subsidiary of Bombardier Transportation, 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 unsuccessfully contested before the courts both the decision to detach the proceedings against these 43 individuals and decisions by CADE restricting physical access to some of the forensic evidence.

As a result of the administrative proceedings initiated by CADE in 2014, BT Brazil 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. Bombardier Transportation and BT Brazil continue to cooperate with investigations relating to the administrative proceedings and intend to defend themselves vigorously.

In December 2018, the Superintendent-General of CADE filed a formal opinion finding BT Brazil had engaged in anti-competitive behaviour. On February 18, 2019, CADE's Attorney General issued its opinion, substantially supporting the General Superintendence's recommendations. On June 20, 2019, the Brazil Superior Court of Justice granted an extraordinary recourse brought by CADE to overcome the effects of certain injunctions instituted by the defendants (including BT Brazil) and the matter was added to the following plenary session of the CADE Board, a quasi-judicial competition tribunal. On July 8, 2019, the CADE Board issued a bench ruling supporting the Superintendent-General of CADE's formal opinion filed in December 2018. This opinion found all the defendants (including BT Brazil) had engaged in anti-competitive behaviour and recommended the conviction of all the investigated parties. In the case of BT Brazil, the conviction includes a fine of 22 million Brazilian Real ($6 million), but no debarment. BT Brazil was not declared ineligible to participate in future public bids.

In parallel with the proceedings described above, Bombardier Transportation conducted an internal review to determine whether any kind of anti-competitive conduct had occurred. This review did not reveal any evidence of participation in an illicit agreement to allocate markets and influence the outcome of competitive bidding procedures as alleged by the competition authority.

Bombardier Transportation strongly disagrees with the conclusions of the CADE Board and BT Brazil has commenced the requisite steps to contest its decision before tribunals of competent jurisdiction and continues to vigorously defend itself against the allegations.

Transnet

Bombardier Transportation learned through various media reports of the appointment of a Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector, including organs of state (the "Zondo Commission") for which the terms of reference were published by presidential proclamation on January 25, 2018. Before and after the creation of the Zondo Commission, the media reported allegations of irregularities with respect to multiple procurements regarding the supply of 1,064 locomotives by South African train operator Transnet Freight Rail. On September 7, 2018, Bombardier Transportation South Africa (Pty.) Ltd. ("BTSA") was informed that the Special Investigation Unit ("SIU"), a forensic investigation agency under the Department of Justice in South Africa, had opened an investigation with respect to the relocation, in 2014, of the manufacturing site from Pretoria to Durban and the costs claimed in regard to this relocation. Bombardier Transportation strongly disagrees with these allegations and will continue to vigorously defend itself.

On February 4, 2019, at the request of the head legal advisor to the Zondo Commission, BTSA submitted a confidential written statement with supporting documents that sets out its position on public allegations and requested the opportunity to publicly present evidence to the Zondo Commission. The Zondo Commission has reviewed the submission and related documents. In June 2019, BTSA was requested by SIU to provide information and explanation about the costs of the relocation to Durban. Although the written statement previously communicated to the Zondo Commission could not be shared with SIU, BTSA did provide SIU with the information in its possession regarding the relocation as well as explanation about the costs for same.

Bombardier Transportation is conducting an internal review into the allegations by external advisors under the supervision of counsel. The review is still ongoing but based on information known to Bombardier Transportation

at this time, there is no reason to believe that Bombardier Transportation has been involved in any wrongdoing with respect to the procurement by Transnet of 240 *TRAXX* locomotives from Bombardier Transportation. Contrary to what has been reported by the media, the contract is still in full force and continues to be executed.

Spain

In December 2017, the Spanish Competition Authority ("CNMC") conducted an inspection at the offices of Bombardier European Investments, S.L.U. ("BEI") in Madrid. According to the Inspection Order, CNMC's inspection follows information it learned about possible irregularities in public tenders with the Railway Infrastructures Administrator ("ADIF"). On January 2, 2018, BEI received an information request from the CNMC regarding the legal and operational organization of BEI. BEI is cooperating with the authorities to the extent possible and responded to the information request. There are currently no charges nor formal accusations that BEI breached any law.

On August 28, 2018, BEI was informed that the CNMC was opening formal proceedings against eight competing companies active on the Spanish signalling equipment market and four directors, including BEI and its parent company, Bombardier Transportation (Global Holding) UK Limited. No Bombardier directors were named. The inclusion of the parent company is typical of European competition authorities at the early stage of the proceedings. The delays for CNMC to adopt a final decision on the case are currently suspended pending various appeals (including by BEI) filed in relation to various decisions rendered by CNMC regarding the involvement into the file of the public client ADIF.

Bombardier Transportation's policy is to comply with all applicable laws, including antitrust and competition laws. In light of the early stage of the preliminary investigation, management is unable to predict its duration or outcome, including whether any operating division of Bombardier Transportation could be found liable for any violation of law or the extent of any fine, if found to be liable.

Bombardier Transportation is conducting an internal review into the allegations by external advisors under the supervision of counsel. The review is still ongoing but based on information known to Bombardier Transportation at this time, no irregularity has been found.

35. EVENT AFTER THE REPORTING DATE

Bombardier Inc. has signed a Memorandum of Understanding with Alstom SA and the *Caisse de Dépôt et placement du Québec* for the sale of Bombardier Transportation to Alstom. Under the transaction, Bombardier and la Caisse will sell their interests in Bombardier Transportation to Alstom on the basis of an enterprise value of EUR ~7.45 billion. The signing of the MOU has been unanimously approved by each of Bombardier and Alstom's board of directors, and the transaction announced is fully supported by la Caisse, who will become a new long-term shareholder of Alstom.

Pursuant to the requirements of French law, Alstom and Bombardier will initiate Works Councils information and consultation procedures prior to the signing of the transaction documents. Accordingly, and consistent with customary practice in France, Alstom, Bombardier and *la Caisse* reached an agreement in principle on the main terms of the transaction and entered into a MOU prior to announcing the proposed transaction. The MOU organizes the information and consultation process by Bombardier and Alstom of their respective Works Councils and contains exclusive commitments by both parties. This process is anticipated to last for approximately four to five months.

Engagement Terms Liability and Conditions of Use

e, rnst oung mb irtschaftspr fungsgesellschaft, conducted our audit of this financial reporting on behalf of the ompan . esides satisf ing the legal disclosure re uirement Sec. andelsgeset buch erman ommercial ode for statutor audits, the audit opinion is addressed e clusi el to the ompan and as issued for internal purposes onl . t is not intended for an other purpose or to ser e as a decision making basis for third parties. he result of oluntar audits summari ed in the audit opinion is thus not intended to ser e as a decision making basis for third parties and must not be used for purposes other than those intended.

ur ork is based on our engagement agreement for the audit of these financial statements including the eneral ngagement erms for irtschaftspr fer and irtschaftspr fungsgesellschaften erman Public uditors and Public udit Firms as issued b the nstitute of Public uditors in erman nstitut der irtschaftspr fer D on anuar .

o clarif , e point out that e assume no responsibilit , liabilit or other obligations to ards third parties unless e ha e concluded a ritten agreement to the contrar ith the respecti e third part or liabilit cannot effecti el be precluded.

e make e press reference to the fact that e ill not update the audit opinion to reflect e ents or circumstances arising after it as issued, unless re uired to do so b la .

t is the sole responsibilit of an one taking note of the summari ed result of our ork contained in this audit opinion to decide hether and in hat a this information is useful or suitable for their purposes and to supplement, erif or update it b means of their o n re ie procedures.

[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax**;**

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

Annex 8.C. :

Bombardier Transportation (Global Holding) UK Limited's
quarterly financial statements as of 31 March 2020,
with the limited review report of Bombardier Transportation (Global Holding) UK Limited's
statutory auditor on those accounts

Bombardier Transportation (Global Holding) UK Limited
London

Condensed Interim Financial Statements
for the three-month period ended year March 31, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Building a better working world

EY

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General Engagement Terms

EY

Report on Review of Condensed Interim Consolidated Financial Statements

To Bombardier Transportation (Global Holding) UK Limited

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Bombardier Transportation (Global Holding) UK Limited, London as at March 31, 2020 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended, and explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the International Accounting Standard (IAS 34), Interim Financial Reporting, as issued by the IASB. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material aspects the financial position of Bombardier Transportation (Global Holding) UK Limited, London, as at March 31, 2020, and of its financial performance and its cash flows for the three-month period then ended in accordance with the International Accounting Standard (IAS 34), Interim Financial Reporting, as issued by the IASB.

Berlin, 14 August 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Canzler
Wirtschaftsprüfer
[German Public Auditor]

Beckers
Wirtschaftsprüfer
[German Public Auditor]

Bombardier Transportation (Global Holding) UK Limited
(“Bombardier Transportation”)

Condensed Interim Consolidated Financial Statements
for the three-month period ended March 31, 2020

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GLOSSARY

The following table shows the abbreviations used in this report.

Term	Description	Term	Description
BST	Bombardier Sifang (Qingdao) Transportation Ltd.	IAS	International Accounting Standard(s)
CCTD	Cumulative currency translation difference	IASB	International Accounting Standards Board
CDPQ	Caisse de dépôt et placement du Québec	IFRIC	International Financial Reporting Interpretation Committee
DDHR	Derivative designated in a hedge relationship		
EBIT	Earnings (loss) before financing expense, financing income and income taxes	IFRS	International Financial Reporting Standard(s)
		NCI	Non-controlling interests
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	OCI	Other comprehensive income (loss)
		PCG	Parent company guarantees
		PP&E	Property, plant and equipment
EBT	Earnings (loss) before income taxes	PSU	Performance share unit
FVOCI	Fair value through other comprehensive income (loss)	R&D	Research and development
		SG&A	Selling, general and administrative
FVTP&L	Fair value through profit and loss	U.K.	United Kingdom

Bombardier Transportation is used as abbreviation for Bombardier Transportation (Global Holding) UK Limited.

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in millions of euro)

		Three-month periods ended March 31	
	Notes	**2020**	2019
Revenues			
Rolling Stock and Systems		**€ 1,316**	€ 1,239
Services		**441**	429
Signalling		**211**	186
		1,968	1,854
Cost of sales		**1,811**	1,666
Gross margin		**157**	188
SG&A		**117**	124
R&D		**21**	22
Share of income of joint ventures and associates		**(9)**	(15)
Other income	3	**—**	(1)
Special items	4	**—**	—
EBIT		**28**	58
Financing expense	5	**22**	15
Financing income	5	**(12)**	(3)
EBT		**18**	46
Income taxes		**26**	32
Net income (loss)		**€ (8)**	€ 14
Attributable to			
Equity holders of Bombardier Transportation		**€ (9)**	€ 13
NCI		**1**	1
		€ (8)	€ 14

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in millions of euro)

		Three-month periods ended March 31		
		2020		2019
Net income (loss)	**€**	**(8)**	€	14
OCI				
Items that may be reclassified to net income				
Net change in cash flow hedges				
Foreign exchange re-evaluation		**(2)**		—
Net gain (loss) on derivative financial instruments		**68**		(41)
Reclassification to income or to the related non-financial asset		**(9)**		(20)
Income taxes		**(6)**		6
		51		(55)
CCTD				
Net investments in foreign operations		**(100)**		80
Items that are never reclassified to net income				
Retirement benefits				
Remeasurement of defined benefit plans		**101**		(135)
Income taxes		**(2)**		19
		99		(116)
Total OCI		**50**		(91)
Total comprehensive income (loss)	**€**	**42**	€	(77)
Attributable to				
Equity holders of Bombardier Transportation	**€**	**43**	€	(78)
NCI		**(1)**		1
	€	**42**	€	(77)

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
As at
(in millions of euro)

	Notes		**March 31 2020**		December 31 2019		January 1 2019 [1]
Assets							
Cash and cash equivalents		**€**	**329**	€	481	€	662
Trade and other receivables			**1,157**		1,115		921
Contract assets	7		**2,297**		2,167		2,240
Inventories	8		**150**		138		119
Other financial assets	9		**222**		100		132
Other assets	10		**279**		276		229
Current assets			**4,434**		4,277		4,303
PP&E			**861**		890		876
Goodwill			**1,702**		1,723		1,701
Deferred income taxes			**275**		340		182
Investments in joint ventures and associates			**476**		473		431
Other financial assets	9		**97**		105		81
Other assets	10		**386**		304		348
Non-current assets			**3,797**		3,835		3,619
		€	**8,231**	€	8,112	€	7,922
Liabilities							
Trade and other payables		**€**	**2,098**	€	2,339	€	2,208
Provisions	11		**652**		750		843
Contract liabilities	7		**2,271**		2,435		2,289
Other financial liabilities[2]	12		**614**		228		156
Other liabilities[2]	13		**731**		859		865
Current liabilities			**6,366**		6,611		6,361
Provisions	11		**16**		16		56
Retirement benefits			**910**		926		854
Other financial liabilities[2]	12		**252**		264		188
Other liabilities[2]	13		**22**		22		60
Non-current liabilities			**1,200**		1,228		1,158
			7,566		7,839		7,519
Equity							
Attributable to equity holders of Bombardier Transportation			**655**		262		394
Attributable to NCI			**10**		11		9
			665		273		403
		€	**8,231**	€	8,112	€	7,922
Commitments and contingencies	20						

[1] Includes the impact of the adoption of IFRS 16, *Lease*s which resulted in the recognition of right-of-use assets, in PP&E, and lease liabilities, in Other financial liabilities, amounting to €199 million, respectively as of January 1, 2019.
[2] Lease liabilities were reclassified from Other liabilities to Other financial liabilities as of March 31, 2020. Refer to Note 22 - Reclassification.

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
For the three-month periods ended
(in millions of euro)

	Attributable to equity holders of Bombardier Transportation								
	Share Capital and Premium	Retained earnings			Accumulated OCI				
	Common Shares	Other retained earnings	Group Reorgani-zation	Remea-surement losses	Cash flow hedges	CCTD	Total	NCI	Total Net investment
As at December 31, 2019	€ 4,228	€ 573	€ (3,921)	€ (547)	€ (52)	€ (19)	€ 262	€ 11	€ 273
Total comprehensive income									
Net income (loss)	—	(9)	—	—	—	—	(9)	1	(8)
OCI	—	—	—	99	51	(98)	52	(2)	50
	—	(9)	—	99	51	(98)	43	(1)	42
Capital injection[1]	350	—	—	—	—	—	350	—	350
As at March 31, 2020	**€ 4,578**	**€ 564**	**€ (3,921)**	**€ (448)**	**€ (1)**	**€ (117)**	**€ 655**	**€ 10**	**€ 665**
As at January 1, 2019	€ 4,078	€ 691	€ (3,921)	€ (423)	€ 59	€ (90)	€ 394	€ 9	€ 403
Total comprehensive income									
Net income	—	13	—	—	—	—	13	1	14
OCI	—	—	—	(116)	(55)	80	(91)	—	(91)
	—	13	—	(116)	(55)	80	(78)	1	(77)
As at March 31, 2019	€ 4,078	€ 704	€ (3,921)	€ (539)	€ 4	€ (10)	€ 316	€ 10	€ 326

[1] BT Holdco made a capital injection, refer to Note 19 - Transactions with related parties for more information.

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in millions of euro)

	Notes		Three-month periods ended March 31 2020		2019
Operating activities					
Net income (loss)		**€**	**(8)**	€	14
Non-cash items					
Amortization[1]			**31**		29
Impairment charges on PP&E and intangible assets	3, 4		**—**		(1)
Deferred income taxes			**48**		8
Gains on disposals of PP&E	2		**—**		(1)
Gain on on sale of a business	3		**—**		(4)
Share of income of joint ventures and associates			**(9)**		(15)
Share-based expense	14		**3**		4
Dividends received from joint ventures and associates			**2**		1
Net change in non-cash balances	16		**(845)**		(524)
Cash flows from operating activities			**(778)**		(489)
Investing activities					
Additions to PP&E and intangible assets			**(21)**		(29)
Proceeds from disposals of PP&E and intangible assets			**—**		4
Net proceeds from disposal of business			**—**		16
Cash flows from investing activities			**(21)**		(9)
Financing activities					
Net variation in short-term borrowings	12		**375**		250
Payment of lease liabilities[2]			**(11)**		(9)
Capital injection	19		**350**		—
Cash flows from financing activities			**714**		241
Effect of exchange rates on cash and cash equivalents			**(67)**		70
Net decrease in cash and cash equivalents			**(152)**		(187)
Cash and cash equivalents at beginning of period			**481**		662
Cash and cash equivalents at end of period		**€**	**329**	€	475
Supplemental information					
Cash paid for					
Interest		**€**	**9**	€	6
Income taxes		**€**	**17**	€	17
Cash received for					
Interest		**€**	**1**	€	—
Income taxes		**€**	**1**	€	1

(1) Includes €11 million representing amortization charge related to right-of-use of assets for the three-month period ended March 31, 2020 (€10 million for the three-month period ended March 31, 2019).
(2) Lease payments related to the interest portion, short term leases, low value assets and variable lease payments not included in lease liabilities are classified as cash outflows from operating activities. The total cash outflow for the three-month period ended March 31, 2020 amounted to €14 million.
(3) Amounts paid or received for interest and income taxes are reflected as cash flows from operating activities.
(4) Interest paid comprises interest on long-term debt excluding up-front costs paid related to the negotiation of debts or credit facilities, interest paid on lease liabilities and interest paid on extended payment terms for trade payables. Interest received comprises interest received related to cash and cash equivalents.

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended March 31, 2020
(Unaudited)
(Tabular figures are in millions of euro, unless otherwise indicated)

1. BASIS OF PRESENTATION

Bombardier Transportation (Investment) UK Limited ("BT Holdco") is incorporated under the laws of the UK and is the parent of Bombardier Transportation (Global Holding) UK Limited ("Bombardier Transportation"). Bombardier Transportation is a wholly owned subsidiary of BT Holdco. Bombardier Transportation is incorporated under the laws of the UK. Bombardier Transportation's headquarters are located in Berlin, Germany. Bombardier Transportation provides rail transportation equipment, systems and related services. Bombardier Transportation is a global leader in the rail equipment manufacturing and servicing industry and is managed as a separate operating segment of Bombardier Inc.

The interim consolidated financial statements are expressed in Euro 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 Bombardier Transportation's Consolidated Financial Statements for the fiscal year ended December 31, 2019.

These interim consolidated financial statements for the three-month period ended March 31, 2020 were initially authorized for issuance by the Board of Directors on May 21, 2020. Subsequently, these interim consolidated financial statements for the three-month period ended March 31, 2020 were re-issued by the Board of Directors on August 14, 2020. There were no changes to the consolidated statement of income, consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statements of cash flows, only the notes were modified following the subsequent event period.

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.

2. IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant economic uncertainty and disruption of financial markets.

COVID-19 response

Bombardier Transportation has been closely monitoring and actively implementing and updating its response to the evolving COVID-19 pandemic and its impacts on employees, operations, the global economy and the demand for its products and services. Management has formed a committee composed of the senior leadership team and key leaders in the organization to monitor, on a daily basis, the evolution of the pandemic, to evaluate the measures being put in place by local and national governments and the resulting impacts on Bombardier Transportation, and to implement necessary contingency plans in real time as the current situation continues to unfold, with a focus on three priorities: protecting employees' health and safety; supporting customers to the best of its abilities; and ensuring that Bombardier Transportation can successfully navigate through this global crisis. Bombardier Transportation's actions are in all cases closely aligned with both the health and safety mandates and support programs that have been announced by the local governments in every region it operates.

Production at several locations, including key sites across Bombardier Transportation's largest markets in Europe and the Americas, was temporarily suspended in the second half of March 2020 due to the global COVID-19 pandemic. Approximately 10,000 Bombardier Transportation employees globally were affected by these shutdowns.

As a result of this reduced activity as well as supply chain disruptions, key production and homologation milestones were postponed from the first quarter. Combined with the impact of deferred order intake related to the crisis, operating cash flow for the quarter was negatively impacted.

Measures to bolster liquidity in response to COVID-19 pandemic

The management of consolidated liquidity requires a constant monitoring of expected cash inflows and outflows, which is achieved through a detailed forecast of Bombardier Transportation's liquidity position, as well as long-term operating and strategic plans, to ensure adequacy and efficient use of cash resources. Bombardier Transportation uses scenario analyses to stress-test cash flow projections. Liquidity adequacy is continually monitored which involves the application of judgment, taking into consideration historical volatility and seasonal needs, stress-test results, the level of customer advances, availability under the revolving credit facility, availability of letter of credit and similar facilities, working capital requirements, compliance with financial covenants, the availability of working capital financing initiatives and the funding of product development and other financial commitments.

In response to the COVID-19 pandemic Bombardier Transportation has taken on or is pursuing the following actions to adapt to the current environment and manage liquidity:

- Bombardier Transportation is managing costs through aggressive company-wide actions, including cutting non-essential spending.
- Where applicable, Bombardier Transportation is participating in various government support programs, including wage subsidies, tax payment deferrals, pension contribution holidays and other measures addressing liquidity needs of corporations during the crisis.
- Cash on hand was increased through a €350 million equity injection in Bombardier Transportation by CDPQ. In connection with this contribution, Bombardier Transportation secured amendments to its revolving credit facility and letter of credit facility. This amendment provides for, among other things, temporary adjustments to certain financial covenants.
- Engineering and production schedules are being re-baselined together with customers and suppliers, to optimize cash generation.
- Bombardier Transportation continues to engage in certain working capital financing initiatives which impact cash flows from operations such as the sale of receivables, arrangements for advances from third parties and the negotiation of extended payment terms with certain suppliers(refer to Note 7 - Contract balances and Note 15 - Net change in non-cash balances).

Considering the current environment, management performed an assessment of Bombardier Transportation's ability to continue as a going concern. Bombardier Transportation currently believes that there are no material uncertainties to this effect, however, this determination was a matter of significant judgment. More specifically, management believes that the above actions combined with its quarter end cash and cash equivalents of €329 million and the revolving credit facility of approximately €1,154 million (€779 million undrawn as at March 31, 2020) will enable Bombardier Transportation to meet its currently anticipated financial requirements for a period of at least, but not limited to, 12 months from the reporting date supporting Bombardier Transportation's ability to continue as a going concern. Furthermore, from time to time Bombardier Transportation obtains funding from its shareholders, and Bombardier Inc has committed to take actions and initiatives to provide Bombardier Transportation with necessary support, if needed.

However, given the inherent uncertainties, the extent of the impact of the COVID-19 pandemic on Bombardier Transportation's results of operations and cash flows is difficult to estimate. Therefore, the above assessment required a significant amount of judgment including a range of operating forecasts assuming a gradual re-start of production in the second quarter as well as related stress test scenarios to assess liquidity adequacy and covenant compliance throughout the period. While Bombardier Transportation believes the judgments made are

reasonable in the circumstances, if the economic disruption is significantly greater than assumed, it could negatively impact our assessment.

Use of estimates and judgments in the application of accounting policies

The application of Bombardier Transportation's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Estimates and judgments are significant when:

- the outcome is highly uncertain at the time the estimates and judgments are made; and
- if different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

Management's best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results will differ from the estimates used, and such differences could be material.

In addition to the judgments above on liquidity management, Bombardier Transportation has considered the impact of the COVID-19 pandemic on various other critical estimates and judgments.

In addition to the estimates and judgments disclosed in the 2019 annual consolidated financial statements, the following areas of judgments and estimates were updated.

Goodwill - The recoverable amount of Bombardier Transportation, the level at which goodwill is monitored by management, is based on fair value less costs of disposal. During the fourth quarter of 2019, Bombardier Transportation completed its annual goodwill impairment test and did not identify any impairment. Considering the value attributed to Bombardier Transportation in the contemplated sale transaction to Alstom, and the excess of the fair value of the business over its carrying value, management concluded there were no indicators of impairment during the three-month period ended March 31, 2020.

Long-term contracts - As part of its financial statement close process, for the quarter ended March 31, 2020 Bombardier Transportation updated its long-term contract accounting for identified changes in estimated contract revenues, contract costs and progress toward completion. Manufacturing overheads during the shut-down as well as incremental costs required as a result of the pandemic were recorded as expenses of the quarter ended March 31, 2020. Based on review of contractual terms including force majeure clauses, and government decrees, there was no significant adjustment recorded to our estimated contract costs. However, there remains some uncertainties as to the impact that COVID-19 related plant shut-downs and supply chain disruptions could have on contract profitability. Refer to the Note 22 - Event after the reporting period.

Valuation of deferred income tax assets - To determine the extent to which deferred income tax assets can be recognized, we estimate the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made as part of the budget and strategic plan by tax jurisdiction on an undiscounted basis and are reviewed on a quarterly basis. We exercise judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period, the history of taxable profits and availability of prudent tax planning strategies.

In the first quarter of 2020 Bombardier Transportation updated this assessment given the revised forecasts. Following this assessment, Bombardier Transportation concluded no significant write-down of tax assets was necessary.

3. OTHER INCOME

Other income was as follows:

	Three-month periods ended March 31			
		2020		2019
Gain on on sale of a business	**€**	**—**	€	(4)
Impairment of PP&E and intangible assets[1]		**—**		3
Gains on disposals of PP&E		**—**		(1)
Severance and other involuntary termination costs (including changes in estimates)[1]		**—**		1
	€	**—**	€	(1)

[1] Excludes those presented in special items.

4. SPECIAL ITEMS

Special items comprise items which do not reflect Bombardier Transportation's core performance or where their separate presentation will assist users of the consolidated financial statements in understanding Bombardier Transportation'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 March 31			
		2020		2019
Restructuring reversals[1]	**€**	**(6)**	€	—
Disruption costs[2]		**6**		—
Income taxes		**6**		—
	€	**6**	€	—
Of which is presented in				
Special items in EBIT	**€**	**—**	€	—
Income taxes - effect of special items		**6**		—
	€	**6**	€	—

[1] Represents reversal of severance charges of €6 million for the three-month period ended March 31, 2020 related to previously-announced restructuring actions. For the three-month period ended March 31, 2019, represents severance charges of €4 million partially offset by the reversal of previously-recorded impairment charges of €4 million, related to previously-announced restructuring actions.

[2] Due to the COVID-19 pandemic, in the second half of March 2020, Bombardier Transportation temporarily suspended operations at various production facilities. Manufacturing overheads during the shut-down as well as incremental costs required as a result of the pandemic which were recorded as expenses of the quarter ended March 31, 2020 amounted to €8 million. Of these costs, €6 million were recorded as special items since they were direct and incremental to actions in response to the pandemic and they were non-recurring in nature. The remaining costs were recorded in cost of sales. These costs do not represent the full impact of the COVID-19 pandemic on the results of operations since it does not reflect the impact of lost or deferred revenues and associated margins.

5. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows:

	Three-month periods ended March 31			
		2020		2019
Financing expense				
Accretion on net retirement benefit obligations	**€**	**4**	€	4
Interest expense on short-term borrowings		**4**		3
Amortization of letter of credit facility costs		**2**		2
Interest expense on lease liabilities		**1**		1
Other		**11**		5
	€	**22**	€	15
Financing income				
Net gain on certain financial instruments[1]	**€**	**(11)**	€	(1)
Other		**(1)**		(2)
	€	**(12)**	€	(3)

[1] Net gains on certain financial instruments classified as FVTP&L, including gains arising from changes in interest rates.

6. FINANCIAL INSTRUMENTS

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

	FVTP&L	FVOCI	Amortized cost	DDHR	Total carrying value	Fair value
March 31, 2020						
Financial assets						
Cash and cash equivalents	**€ —**	**€ —**	**€ 329**	**€ —**	**€ 329**	**€ 329**
Trade and other receivables	**—**	**—**	**1,157**	**—**	**1,157**	**1,157**
Other financial assets	**92**	**5**	**45**	**177**	**319**	**319**
	€ 92	**€ 5**	**€ 1,531**	**€ 177**	**€ 1,805**	**€ 1,805**
Financial liabilities						
Trade and other payables	**€ —**	**n/a**	**€ 2,098**	**€ —**	**€ 2,098**	**€ 2,098**
Other financial liabilities	**35**	**n/a**	**678**	**153**	**866**	**866**
	€ 35		**€ 2,776**	**€ 153**	**€ 2,964**	**€ 2,964**
December 31, 2019						
Financial assets						
Cash and cash equivalents	€ —	€ —	€ 481	€ —	€ 481	€ 481
Trade and other receivables	—	—	1,115	—	1,115	1,115
Other financial assets	84	5	47	69	205	205
	€ 84	€ 5	€ 1,643	€ 69	€ 1,801	€ 1,801
Financial liabilities						
Trade and other payables	€ —	n/a	€ 2,339	€ —	€ 2,339	€ 2,339
Other financial liabilities	46	n/a	320	126	492	492
	€ 46		€ 2,659	€ 126	€ 2,831	€ 2,831
January 1, 2019						
Financial assets						
Cash and cash equivalents	€ —	€ —	€ 662	€ —	€ 662	€ 662
Trade and other receivables	—	—	921	—	921	921
Other financial assets	84	5	13	111	213	211
	€ 84	€ 5	€ 1,596	€ 111	€ 1,796	€ 1,794
Financial liabilities						
Trade and other payables	€ —	n/a	€ 2,208	€ —	€ 2,208	€ 2,208
Other financial liabilities	31	n/a	227	86	344	344
	€ 31		€ 2,435	€ 86	€ 2,552	€ 2,552

n/a: Not applicable

7. CONTRACT BALANCES

Contract assets were as follows, as at:

		March 31, 2020		December 31, 2019		January 1, 2019
Long-term contracts						
Production contracts						
Cost incurred and recorded margins	**€**	**8,192**	€	8,827	€	7,740
Less: advances and progress billings		**(6,381)**		(7,106)		(5,857)
		1,811		1,721		1,883
Service contracts						
Cost incurred and recorded margins		**621**		567		413
Less: advances and progress billings		**(135)**		(121)		(56)
		486		446		357
	€	**2,297**	€	2,167	€	2,240

Contract liabilities were as follows, as at:

		March 31, 2020		December 31, 2019		January 1, 2019
Advances and progress billings in excess of long-term contract cost incurred and recorded margin	**€**	**1,844**	€	2,006	€	1,817
Other deferred revenues		**427**		429		472
	€	**2,271**	€	2,435	€	2,289
Of which current	**€**	**2,271**	€	2,435	€	2,289

In connection with certain long-term contracts, Bombardier 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 Bombardier 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) in contract assets and amounted to €420 million as at March 31, 2020 (€503 million as at December 31, 2019 and €624 million as at January 1, 2019). The third-party advance providers could request repayment of these amounts if Bombardier Transportation fails to perform its contractual obligations such as delivery by a specific date.

8. INVENTORIES

Inventories were as follows, as at:

		March 31, 2020		December 31, 2019		January 1, 2019
Raw material	**€**	**150**	€	138	€	119
	€	**150**	€	138	€	119

9. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

		March 31, 2020		December 31, 2019		January 1, 2019
Derivative financial instruments	**€**	**204**	€	84	€	130
Long-term contract receivables		**82**		89		65
Restricted cash		**19**		18		6
Investments in securities		**5**		5		5
Deposits		**5**		5		4
Other		**4**		4		3
	€	**319**	€	205	€	213
Of which current	**€**	**222**	€	100	€	132
Of which non-current		**97**		105		81
	€	**319**	€	205	€	213

10. OTHER ASSETS

Other assets were as follows, as at:

		March 31, 2020		December 31, 2019		January 1, 2019
Intangible assets other than goodwill	**€**	**170**	€	159	€	106
Retirement benefits		**142**		68		114
Prepaid expenses		**129**		141		195
Sales tax and other taxes		**127**		108		89
Income taxes receivable		**71**		77		42
Deferred financing charges		**22**		24		24
Other		**4**		3		7
	€	**665**	€	580	€	577
Of which current	**€**	**279**	€	276	€	229
Of which non-current		**386**		304		348
	€	**665**	€	580	€	577

11. PROVISIONS

Changes in provisions were as follows, for the three-month periods ended March 31:

	Product warranties	Restructuring, severance and other termination benefits	Onerous contracts	Other [1]	Total
Balance as at December 31, 2019	€ 248	€ 110	€ 362	€ 46	€ 766
Additions	25	4 [2]	4	2	35
Utilization	(22)	(23)	(68)	—	(113)
Reversals	(1)	(9) [2]	(1)	—	(11)
Effect of foreign currency exchange rate changes	(5)	—	(4)	—	(9)
Balance as at March 31, 2020	**€ 245**	**€ 82**	**€ 293**	**€ 48**	**€ 668**
Of which current	€ 245	€ 81	€ 293	€ 33	€ 652
Of which non-current	—	1	—	15	16
	€ 245	€ 82	€ 293	€ 48	€ 668

	Product warranties	Restructuring, severance and other termination benefits	Onerous contracts	Other [1]	Total
Balance as at January 1, 2019	€ 285	€ 159	€ 407	€ 48	€ 899
Additions	28	3 [2]	7	1	39
Utilization	(29)	(13)	(55)	—	(97)
Reversals	(17)	— [2]	(2)	—	(19)
Effect of foreign currency exchange rate changes	1	—	4	1	6
Balance as at March 31, 2019	€ 268	€ 149	€ 361	€ 50	€ 828
Of which current	€ 268	€ 107	€ 361	€ 35	€ 771
Of which non-current	—	42	—	15	57
	€ 268	€ 149	€ 361	€ 50	€ 828

[1] Includes litigations and claims, as well as environmental liabilities.
[2] See Note 4 – Special items for more details on the additions and reversals related to restructuring charges.

12. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

	March 31, 2020	December 31, 2019	January 1, 2019
Short-term borrowings	**€ 375**	€ —	€ —
Lease liabilities[1]	**198**	213	223
Derivative financial instruments	**188**	172	117
Subordinated loan from the Parent[2]	**101**	100	—
Other	**4**	7	4
	€ 866	€ 492	€ 344
Of which current	**€ 614**	€ 228	€ 156
Of which non-current	**252**	264	188
	€ 866	€ 492	€ 344

[1] Lease liabilities were reclassified from Other liabilities to Other financial liabilities. Refer to Note 22 - Reclassification.
[2] Unsecured debt, which is mandatory or automatically convertible into non-redeemable share capital of Bombardier Transportation. This debt may not be enforced against Bombardier Transportation or its assets. This debt from Bombardier Inc. bears interest at 2.50% with a maturity of May 2023.

13. OTHER LIABILITIES

Other liabilities were as follows, as at:

		March 31, 2020		December 31, 2019 [1]		January 1, 2019
Accruals for long-term contract costs	**€**	**354**	€	354	€	387
Employee benefits		**245**		223		249
Income taxes payable		**114**		159		133
Other taxes payable		**40**		145		156
	€	**753**	€	881	€	925
Of which current	**€**	**731**	€	859	€	865
Of which non-current		**22**		22		60
	€	**753**	€	881	€	925

[1] Lease liabilities were reclassified from Other liabilities to Other financial liabilities. Refer to Note 22 - Reclassification.

14. SHARE-BASED PLANS

PSU

The number of PSUs has varied as follows:

	Three-month periods ended March 31	
	2020	2019
	PSU	PSU
Balance at beginning of period	**40,673,920**	38,561,793
Transfer[1]	**6,962**	(164,108)
Granted	**—**	322,486
Forfeited	**598,072**	(1,788,589)
Balance at end of period	**41,278,954**	36,931,582

[1] Represents PSUs of employees transfered from Bombardier Inc. or the Aviation segment to Bombardier Transportation, and vice-versa.

The compensation expense, with respect to the PSU plans, amounted to €2 million during the three-month periods ended March 31, 2020 (€3 million during the three-month period ended March 31, 2019).

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 March 31	
	2020	2019
Balance at beginning of period	**27,852,116**	24,714,382
Granted	**—**	535,677
Exercised	**—**	(375,720)
Forfeited	**—**	(2,472,403)
Balance at end of period	**27,852,116**	22,401,936

A compensation expense of €1 million was recorded during the three-month periods ended March 31, 2020 with respect to share option plans (€1 million for the three-month period ended March 31, 2019).

15. CREDIT FACILITIES

The minimum liquidity required by the Bombardier Transportation letter of credit and revolving credit facilities was €750 million. The remaining covenants require a minimum equity and a maximum debt to EBITDA ratio at the end of each quarter, all calculated based on Bombardier Transportation stand-alone financial data.

The financial covenants under these credit facilities were all met as at March 31, 2020 and December 31, 2019.

16. NET CHANGE IN NON-CASH BALANCES

Net change in non-cash balances was as follows:

	Three-month periods ended March 31	
	2020	2019
Trade and other receivables	**€ (45)**	€ 87
Inventories	**(17)**	(6)
Contract assets	**(248)**	(214)
Contract liabilities	**(91)**	(112)
Other financial assets and liabilities, net	**(64)**	(22)
Other assets	**(65)**	(6)
Trade and other payables	**(203)**	(87)
Provisions	**(88)**	(78)
Retirement benefits liability	**82**	(39)
Other liabilities	**(106)**	(47)
	€ (845)	€ (524)

Off-balance sheet sale of receivables
In the normal course of its business, Bombardier Transportation has facilities, to which it can sell, without credit recourse, qualifying receivables. Receivables of €557 million were outstanding under such facilities as at March 31, 2020 (€809 million as at December 31, 2019 and €799 million as at January 1, 2019). Receivables of €325 million were sold to these facilities during the three-month period ended March 31, 2020 (€519 million during the three-month period ended March 31, 2019).

Trade and other payables
Bombardier Transportation negotiated extended payment terms of 240 to 310 days after delivery with certain of its suppliers. Trade payables with these extended terms totalled €464 million and bore interest at a weighted average rate of 2.33% as at March 31, 2020 (€488 million and 2.50%, respectively, as at December 31, 2019 and €474 million and 2.41%, respectively, as at January 1, 2019). Suppliers generally have the right to return to original payment terms for future payables upon providing a minimum notice period.

Contract balances
See Note 7 - Contract balances for more details regarding arrangements whereby amounts are received from third-party advance providers in exchange for the rights to customer payments.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value amounts disclosed in these consolidated financial statements represent Bombardier Transportation'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 Bombardier Transportation has immediate access. However, there is no active market for most of Bombardier Transportation's financial instruments. In the absence of an active market, Bombardier Transportation determines fair value based on 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 and the creditworthiness of the borrower. In determining these assumptions, Bombardier Transportation uses primarily external, readily observable market inputs, including factors such as interest rates, credit ratings, 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 FVOCI are as follows:

Long-term contract receivables – Bombardier Transportation uses discounted cash flow analysis to estimate the fair value using market data for interest rates.

Derivative financial instruments – Fair value of derivative financial instruments generally reflects the estimated amounts that Bombardier Transportation 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 Bombardier Transportation's credit risk, at the reporting dates. Bombardier Transportation uses discounted cash flow analysis and market data such as interest rates, credit spreads and foreign exchange spot rate to estimate the fair value of forward agreements.
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 cash and cash equivalents, trade and other receivables, restricted cash, loans, deposits and other financial assets, trade and other payables, and other financial liabilities 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.

Fair value hierarchy
The following table presents 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 March 31, 2020:

	Total	Level 1	Level 2	Level 3
Financial assets				
Derivative financial instruments[1]	**€ 204**	**€ —**	**€ 204**	**€ —**
Investments in securities	**5**	**—**	**5**	**—**
Long-term contract receivable	**65**	**—**	**65**	**—**
	€ 274	**€ —**	**€ 274**	**€ —**
Financial liabilities				
Derivative financial instruments[1]	**€ (188)**	**€ —**	**€ (188)**	**€ —**
	€ (188)	**€ —**	**€ (188)**	**€ —**

[1] Derivative financial instruments consist of forward foreign exchange contracts and embedded derivatives.

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Bombardier Transportation's pro rata share of assets and liabilities of its material associate, of other non-material associates and joint ventures was as follows:

								March 31, 2020
		BST		**Other[1]**	**Joint ventures**			**Total**
Cash and cash equivalents	**€**	**161**	**€**	**48**	**€**	**96**	**€**	**305**
Other current assets	**€**	**389**	**€**	**53**	**€**	**314**	**€**	**756**
Non-current assets	**€**	**133**	**€**	**180**	**€**	**36**	**€**	**349**
Current liabilities	**€**	**378**	**€**	**105**	**€**	**278**	**€**	**761**
Non-current liabilities	**€**	**—**	**€**	**153**	**€**	**5**	**€**	**158**

								December 31, 2019
		BST		Other[1]	Joint ventures			Total
Cash and cash equivalents	€	207	€	43	€	120	€	370
Other current assets	€	397	€	44	€	286	€	727
Non-current assets	€	133	€	182	€	36	€	351
Current liabilities	€	436	€	92	€	275	€	803
Non-current liabilities	€	—	€	153	€	5	€	158

								January 1, 2019
		BST		Other[1]	Joint ventures			Total
Cash and cash equivalents	€	235	€	36	€	63	€	334
Other current assets	€	362	€	27	€	268	€	657
Non-current assets	€	134	€	43	€	19	€	196
Current liabilities	€	460	€	79	€	202	€	741
Non-current liabilities	€	—	€	7	€	11	€	18

[1] Other represents our pro rata share of assets and liabilities of non material associates.

19. TRANSACTIONS WITH RELATED PARTIES

Bombardier Transportation's related parties are Bombardier Inc. and affiliate companies of the Aviation segment and CDPQ. In addition, Bombardier Transportation buys and sells products and services on arm's length terms with some of its joint ventures and associates in the ordinary course of business. The following table presents the portion of these transactions that is attributable to affiliated companies as well as to the interests of the other venturers, and transaction with associates:

	Three-month periods ended March 31			
		2020		2019
Aviation segment				
Revenues	**€**	**—**	€	1
Bombardier Inc.				
SG&A	**€**	**18**	€	14
Joint ventures				
Revenues	**€**	**7**	€	9
Purchase of products and services, and other expenses		**7**		11
Associates				
Purchase of products and services, and other expenses	**€**	**—**	€	4

The following table presents Bombardier Transportation's outstanding balances, as at:

		March 31, 2020		December 31, 2019		January 1, 2019
Aviation segment						
Receivables	**€**	**2**	€	4	€	2
Payables		**59**		54		10
Bombardier Inc.						
Receivables	**€**	**—**	€	1	€	7
Payables		**115**		99		30
Subordinated loan from the Parent[(1)]		**101**		100		—
Joint ventures						
Receivables	**€**	**18**	€	22	€	14
Payables		**15**		12		3
Advances and progress billings in excess of related costs		**7**		5		10
Associates						
Receivables	**€**	**3**	€	3	€	3
Other financial assets		**80**		68		20
Payables		**2**		2		2

(1) See Note 12 - Other financial liabilities for more details.

Bombardier Inc. provides, on behalf of Bombardier Transportation:

- A credit guarantee of lease payments amounting to €43 million as at March 31, 2020, in connection with the sale of certain rail equipment (€42 million as at December 31, 2019 and €41 million as at January 1, 2019). This guarantee matures in 2025 and relates to one customer.

Bombardier Transportation has recorded an amortization expense in the amount of €8 million for PCG for the three-month period ended March 31, 2020 (€9 million for the three-month period ended March 31, 2019).

During the three-month period ended March 31, 2020, BT Holdco made a capital injection of €350 million in Bombardier Transportation following the capital injection of CDPQ in BT Holdco of €350 million in consideration for the issuance of additional convertible shares. These additional convertible shares are redeemable at the option of BT Holdco and otherwise having substantially the same terms as the previously issued convertible shares held by CDPQ. Bombardier Inc. did not participate in the capital injection. As such, the equity ownership percentage of Bombardier Inc. and of CDPQ in BT Holdco is 63.66% and 36.34%, respectively.

20. COMMITMENTS AND CONTINGENCIES

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

	March 31, 2020	December 31, 2019	January 1, 2019
Credit	**€ 43**	€ 42	€ 41

Litigation

In the normal course of operations, Bombardier Transportation is a defendant in certain legal proceedings before various courts or other tribunals including in relation to product liability and contractual disputes with customers and other third parties. Bombardier Transportation's approach is to vigorously defend its position in these matters.

While Bombardier Transportation cannot predict the final outcome of all legal proceedings pending as at March 31, 2020, 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.

Sweden

Since the fourth quarter of 2016, the Swedish police authorities have been conducting an investigation in relation to allegations concerning a 2013 contract for the supply of signalling equipment and services to Azerbaijan Railways ADY (the "ADY Contract"). In October 2016, Bombardier Transportation launched an internal review into the allegations which is conducted by external forensic advisors, under the supervision of the General Counsel and external counsel. Both the investigation and the internal review are on-going. On August 18, 2017, charges were laid against a then employee of the Swedish subsidiary of Bombardier Transportation for aggravated bribery and, alternatively, influence trafficking. The trial on these charges took place from August 29 to September 20, 2017. No charges were laid against the subsidiary of Bombardier Transportation. In a decision rendered on October 11, 2017, the then employee was acquitted of all charges. The decision was appealed regarding all charges on October 25, 2017 by the Prosecution Authority. On June 19, 2019, the Prosecution Authority confirmed that the acquittal on charge of influence trafficking is no longer being appealed; accordingly, this acquittal on this charge stands as a final judgment. The case is still pending with the Swedish Court of Appeal with a likely scenario that the Swedish Court of Appeal will set a date for the appeal trial.

The ADY Contract is being audited by the World Bank Group pursuant to its contractual audit rights. The audit is on-going. Bombardier Transportation's policy is to comply with all applicable laws and it is cooperating to the extent possible with the investigation and the audit.

As reported publicly in the media, on November 15, 2018, the World Bank Integrity Vice Presidency ("INT") issued a 'show cause' letter to Bombardier, outlining INT's position regarding alleged collusion, corruption, fraud and obstruction in the ADY Contract. Bombardier Transportation was invited to respond to these preliminary findings and has done so. As the World Bank's audit process is governed by strict confidentiality requirements, Bombardier Transportation can only reiterate that it strongly disagrees with the allegations and preliminary conclusions contained in the letter.

On February 10, 2020 counsel assisting Bombardier Inc. with the World Bank Group audit received a letter from the U.S. Department of Justice (the "DOJ") requesting the communication of documents and information regarding the ADY Contract. Bombardier Inc. is cooperating with the DOJ's ongoing requests and is currently providing documents and information in response to same.

Bombardier Transportation's internal review about the reported allegations regarding the ADY project is on-going but based on information known to Bombardier Transportation at this time, there is no evidence that suggests a corrupt payment was made or offered to a public official or that any other criminal activity involving Bombardier Transportation took place.

In connection with this on-going review, Bombardier Transportation has requested information and documents from the World Bank's audit and continues to wait for such information and documents.

Investigation in Brazil

On March 20, 2014, Bombardier Transportation Brasil Ltda ("BT Brazil"), a subsidiary of Bombardier Transportation, 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 unsuccessfully contested before the courts both the decision to detach the proceedings against these 43 individuals and decisions by CADE restricting physical access to some of the forensic evidence.

As a result of the administrative proceedings initiated by CADE in 2014, BT Brazil 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. Bombardier Transportation and BT Brazil continue to cooperate with investigations relating to the administrative proceedings and intend to defend themselves vigorously.

In December 2018, the Superintendent-General of CADE filed a formal opinion finding BT Brazil had engaged in anti-competitive behaviour. On February 18, 2019, CADE's Attorney General issued its opinion, substantially supporting the General Superintendence's recommendations. On June 20, 2019, the Brazil Superior Court of Justice granted an extraordinary recourse brought by CADE to overcome the effects of certain injunctions instituted by the defendants (including BT Brazil) and the matter was added to the following plenary session of the CADE Board, a quasi-judicial competition tribunal. On July 8, 2019, the CADE Board issued a bench ruling supporting the Superintendent-General of CADE's formal opinion filed in December 2018. This opinion found all the defendants (including BT Brazil) had engaged in anti-competitive behaviour and recommended the conviction of all the investigated parties. In the case of BT Brazil, the conviction includes a fine of 22 million Brazilian Real ($6 million), but no debarment. BT Brazil was not declared ineligible to participate in future public bids.

In parallel with the proceedings described above, Bombardier Transportation conducted an internal review to determine whether any kind of anti-competitive conduct had occurred. This review did not reveal any evidence of participation in an illicit agreement to allocate markets and influence the outcome of competitive bidding procedures as alleged by the competition authority.

Bombardier Transportation strongly disagrees with the conclusions of the CADE Board and BT Brazil has commenced the requisite steps to contest its decision before tribunals of competent jurisdiction and continues to vigorously defend itself against the allegations.

Transnet

Bombardier Transportation learned through various media reports of the appointment of a Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector, including organs of state (the "Zondo Commission") for which the terms of reference were published by presidential proclamation on January 25, 2018. Before and after the creation of the Zondo Commission, the media reported allegations of irregularities with respect to multiple procurements regarding the supply of 1,064 locomotives by South African train operator Transnet Freight Rail. On September 7, 2018, Bombardier Transportation South Africa (Pty.) Ltd. ("BTSA") was informed that the Special Investigation Unit ("SIU"), a forensic investigation agency under the Department of Justice in South Africa, had opened an investigation with respect to the acquisition of the 1064 locomotives by Transnet, in 2014.

On February 4, 2019, BTSA submitted a confidential written statement with supporting documents that sets out its position on public allegations and requested the opportunity to publicly present evidence to the Zondo Commission. The Zondo Commission has reviewed the submission and related documents. In December 2019, BTSA has made a further submission including affidavits. In June 2019, BTSA was requested by SIU to provide information and explanation about the costs of the relocation to Durban. Although the written statement previously communicated to the Zondo Commission could not be shared with SIU, BTSA did provide SIU with the information in its possession regarding the relocation as well as explanation about the costs for same.

Bombardier Transportation is conducting an internal review into the allegations by external advisors under the supervision of counsel. The review is still ongoing but based on information known to Bombardier Transportation at this time, there is no reason to believe that Bombardier Transportation has been involved in any wrongdoing with respect to the procurement by Transnet of 240 *TRAXX* locomotives from Bombardier Transportation. Contrary to what has been reported by the media, the contract is still in full force and continues to be executed.

Spain

In December 2017, the Spanish Competition Authority ("CNMC") conducted an inspection at the offices of Bombardier European Investments, S.L.U. ("BEI") in Madrid. According to the Inspection Order, CNMC's inspection follows information it learned about possible irregularities in public tenders with the Railway Infrastructures Administrator ("ADIF"). On January 2, 2018, BEI received an information request from the CNMC regarding the legal and operational organization of BEI. BEI is cooperating with the authorities to the extent possible and responded to the information request. There are currently no charges nor allegations that BEI breached any law.

On August 28, 2018, BEI was informed that the CNMC was opening formal proceedings against eight competing companies active on the Spanish signalling equipment market and four directors, including BEI and its parent company, Bombardier Transportation (Global Holding) UK Limited. No Bombardier directors were named. The inclusion of the parent company is typical of European competition authorities at the early stage of the proceedings. The delays for CNMC to adopt a final decision on the case are currently suspended pending various appeals (including by BEI) filed in relation to various decisions rendered by CNMC regarding the involvement into the file of the public client ADIF.

Bombardier Transportation's policy is to comply with all applicable laws, including antitrust and competition laws. In light of the early stage of the preliminary investigation, management is unable to predict its duration or outcome, including whether any operating division of Bombardier Transportation could be found liable for any violation of law or the extent of any fine, if found to be liable.

21. TRANSACTION

On February 17, 2020, Bombardier Inc. (Bombardier) signed a Memorandum of Understanding (MOU) with Alstom SA and CDPQ for the sale of the Transportation business to Alstom. Under the contemplated transaction, Bombardier and CDPQ would sell their interests in Transportation to Alstom on the basis of an enterprise value of approximately €7.45 billion.

Pursuant to the requirements of French law, Alstom and Bombardier have initiated Works Councils information and consultation procedures prior to the signing of the transaction documents. Accordingly, and consistent with customary practice in France, Alstom, Bombardier and CDPQ reached an agreement in principle on the main terms of the transaction and entered into the MOU prior to announcing the proposed transaction. The MOU organizes the information and consultation process by Bombardier and Alstom of their respective Works Councils and contains exclusive commitments by both parties. This process is ongoing and is anticipated to conclude in the summer 2020. Thereafter and subject to the views of the works councils the parties would expect to enter into the formal share purchase agreement.

On July 9, 2020, the Corporation confirmed its support of the commitments announced by Alstom to address potential concerns raised by the European Commission in relation to Alstom's acquisition of the Bombardier Transportation business, including the disposition of certain assets currently held by Bombardier Transportation. Commitments to be submitted to the European Commission include:

- A transfer of Bombardier Transportation's contribution to the V300 ZEFIRO very high-speed train platform;
- The divestment of Bombardier Transportation TALENT 3 mainline train platform and dedicated production facilities located within the Hennigsdorf site in Germany; and
- Providing access to certain interfaces and products for some of Bombardier Transportation's Signalling On-Board Units and Train Control Management Systems (TCMS).

These proposed commitments are subject to the European Commission's approval, and any disposition will be done in compliance with all required social processes and consultations with appropriate employee representative bodies.

On July 31, 2020, the European Commission provided conditional approval of the sale of Bombardier Transportation to Alstom, a significant milestone in obtaining the necessary regulatory approvals to complete the transaction. Bombardier and Alstom continue to work together to obtain the remaining approvals and complete the Works Councils consultations required prior to executing the definitive sales agreement, which is now expected to occur in September 2020.

The closing of this transaction is conditioned on certain events occurring, including without limitation the receipt of necessary regulatory approvals, the execution of definitive documentation, receipt of Alstom shareholder approval in respect of the required capital increase and completion of relevant works council consultations discussed above.

22. RECLASSIFICATION

Comparative figures have been reclassified to conform to the presentation adopted in the current period for lease liabilities, which resulted in a reclassification from other liabilities to other financial liabilities.

23. EVENT AFTER THE REPORTING DATE

The Board of Directors approved the consolidated financial statements of Bombardier Transportation for the three- and six-months ended June 30, 2020 on August 14, 2020. During the three-month period ended June 30, 2020, Bombardier Transportation updated project estimates leading to a charge of €395 million largely related to incremental engineering, certification and retrofit costs associated with a number of late-stage projects mainly in the U.K. and Germany. These updated project estimates are non-adjusting subsequent events for the three-month

period ended March 31, 2020 consolidated financial statements since they are indicative of conditions that arose after the end of the reporting period.

[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax**;**

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

Annex 8.D. :

Bombardier Transportation (Global Holding) UK Limited's
interim financial statements for the six months ended 30 June 2020,
with the limited review report of Bombardier Transportation (Global Holding) UK Limited's
statutory auditor on those financial statements

Bombardier Transportation (Global Holding) UK Limited
London

Condensed Interim Financial Statements
for the three- and six-month periods ended June 30, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Building a better working world

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Report on Review of Condensed Interim Consolidated Financial Statements

To Bombardier Transportation (Global Holding) UK Limited

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Bombardier Transportation (Global Holding) UK Limited, London as at June 30, 2020 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three- and six-month periods then ended, and explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the International Accounting Standard (IAS 34), Interim Financial Reporting, as issued by the IASB. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material aspects the financial position of Bombardier Transportation (Global Holding) UK Limited, London, as at June 30, 2020, and of its financial performance and its cash flows for the three-and six-month periods then ended in accordance with the International Accounting Standard (IAS 34), Interim Financial Reporting, as issued by the IASB.

Berlin, 14 August 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Canzler
Wirtschaftsprüfer
[German Public Auditor]

Beckers
Wirtschaftsprüfer
[German Public Auditor]

Bombardier Transportation (Global Holding) UK Limited
(“Bombardier Transportation”)

Condensed Interim Consolidated Financial Statements
for the three- and six-month periods ended June 30, 2020

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GLOSSARY

The following table shows the abbreviations used in this report.

Term	Description	Term	Description
BST	Bombardier Sifang (Qingdao) Transportation Ltd.	IAS	International Accounting Standard(s)
CCTD	Cumulative currency translation difference	IASB	International Accounting Standards Board
CDPQ	Caisse de dépôt et placement du Québec	IFRIC	International Financial Reporting Interpretation Committee
DDHR	Derivative designated in a hedge relationship		
EBIT	Earnings (loss) before financing expense, financing income and income taxes	IFRS	International Financial Reporting Standard(s)
		NCI	Non-controlling interests
EBITDA	Earnings (loss) before financing expense, financing income, income taxes, amortization and impairment charges on PP&E and intangible assets	OCI	Other comprehensive income (loss)
		PCG	Parent company guarantees
		PP&E	Property, plant and equipment
EBT	Earnings (loss) before income taxes	PSU	Performance share unit
FVOCI	Fair value through other comprehensive income (loss)	R&D	Research and development
		SG&A	Selling, general and administrative
FVTP&L	Fair value through profit and loss	U.K.	United Kingdom

Bombardier Transportation is used as abbreviation for Bombardier Transportation (Global Holding) UK Limited.

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in millions of euro)

		Three-month periods ended June 30		Six-month periods ended June 30	
	Notes	**2020**	2019	**2020**	2019
Revenues					
Rolling Stock and Systems		**€ 680**	€ 1,324	**€ 1,996**	€ 2,563
Services		**427**	454	**868**	883
Signalling		**237**	173	**448**	359
		1,344	1,951	**3,312**	3,805
Cost of sales		**1,632**	1,756	**3,443**	3,422
Gross margin		**(288)**	195	**(131)**	383
SG&A		**107**	112	**224**	236
R&D		**13**	27	**34**	49
Share of income of joint ventures and associates		**(46)**	(28)	**(55)**	(43)
Other expense (income)	3	**1**	(1)	**1**	(2)
Special items	4	**(5)**	21	**(5)**	21
EBIT		**(358)**	64	**(330)**	122
Financing expense	5	**17**	17	**39**	32
Financing income	5	**(10)**	(2)	**(22)**	(5)
EBT		**(365)**	49	**(347)**	95
Income taxes		**(11)**	33	**15**	65
Net income (loss)		**€ (354)**	€ 16	**€ (362)**	€ 30
Attributable to					
Equity holders of Bombardier Transportation		**€ (353)**	€ 16	**€ (362)**	€ 29
NCI		**(1)**	—	**—**	1
		€ (354)	€ 16	**€ (362)**	€ 30

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in millions of euro)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Net income (loss)	**€ (354)**	€ 16	**€ (362)**	€ 30
OCI				
Items that may be reclassified to net income				
Net change in cash flow hedges				
Foreign exchange re-evaluation	**3**	—	**1**	—
Net gain (loss) on derivative financial instruments	**(38)**	28	**30**	(13)
Reclassification to income or to the related non-financial assets	**1**	(5)	**(8)**	(25)
Income taxes	**16**	7	**10**	13
	(18)	30	**33**	(25)
CCTD				
Net investments in foreign operations	**(2)**	(56)	**(102)**	24
Items that are never reclassified to net income				
Retirement benefits				
Remeasurement of defined benefit plans	**(182)**	(22)	**(81)**	(157)
Income taxes	**23**	(8)	**21**	11
	(159)	(30)	**(60)**	(146)
Total OCI	**(179)**	(56)	**(129)**	(147)
Total comprehensive loss	**€ (533)**	€ (40)	**€ (491)**	€ (117)
Attributable to				
Equity holders of Bombardier Transportation	**€ (533)**	€ (40)	**€ (490)**	€ (118)
NCI	**—**	—	**(1)**	1
	€ (533)	€ (40)	**€ (491)**	€ (117)

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
As at
(in millions of euro)

	Notes		**June 30 2020**		December 31 2019		January 1 2019 [1]
Assets							
Cash and cash equivalents		**€**	**479**	€	481	€	662
Trade and other receivables			**1,090**		1,115		921
Contract assets	7		**2,293**		2,167		2,240
Inventories	8		**157**		138		119
Other financial assets	9		**141**		100		132
Other assets	10		**234**		276		229
Current assets			**4,394**		4,277		4,303
PP&E			**844**		890		876
Goodwill			**1,704**		1,723		1,701
Deferred income taxes			**372**		340		182
Investments in joint ventures and associates			**493**		473		431
Other financial assets	9		**94**		105		81
Other assets	10		**285**		304		348
Non-current assets			**3,792**		3,835		3,619
		€	**8,186**	€	8,112	€	7,922
Liabilities							
Borrowings		**€**	**500**	€	—	€	—
Trade and other payables			**1,964**		2,339		2,208
Provisions	11		**754**		750		843
Contract liabilities	7		**2,234**		2,435		2,289
Other financial liabilities[2]	12		**176**		228		156
Other liabilities[2]	13		**841**		859		865
Current liabilities			**6,469**		6,611		6,361
Provisions	11		**16**		16		56
Retirement benefits			**994**		926		854
Other financial liabilities[2]	12		**252**		264		188
Other liabilities[2]	13		**24**		22		60
Non-current liabilities			**1,286**		1,228		1,158
		€	**7,755**	€	7,839	€	7,519
Equity							
Attributable to equity holders of Bombardier Transportation			**422**		262		394
Attributable to NCI			**9**		11		9
			431		273		403
		€	**8,186**	€	8,112	€	7,922
Commitments and contingencies	20						

[1] Include the impact of the adoption of IFRS 16, Leases which resulted in the recognition of right-of-use assets, in PP&E, and lease liabilities, in Other financial liabilities, amounting to €199 million, respectively as of January 1, 2019.
[2] Lease liabilities were reclassified from Other liabilities to Other financial liabilities. Refer to Note 22 - Reclassification.

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
For the three-month periods ended
(in millions of euro)

	Attributable to equity holders of Bombardier Transportation									
	Share Capital and Premium	Retained earnings			Accumulated OCI					
	Common Shares	Other retained earnings	Group Reorganization	Remeasurement losses	Cash flow hedges	CCTD	Total	NCI	Total Net investment
As at March 31, 2020	€ 4,578	€ 564	€ (3,921)	€ (448)	€ (1)	€ (117)	€ 655	€ 10	€ 665
Total comprehensive income									
Net loss	—	(353)	—	—	—	—	(353)	(1)	(354)
OCI	—	—	—	(159)	(18)	(3)	(180)	1	(179)
	—	(353)	—	(159)	(18)	(3)	(533)	—	(533)
Capital injection[1]	300	—	—	—	—	—	300	—	300
Capital distribution	—	—	—	—	—	—	—	(1)	(1)
As at June 30, 2020	**€ 4,878**	**€ 211**	**€ (3,921)**	**€ (607)**	**€ (19)**	**€ (120)**	**€ 422**	**€ 9**	**€ 431**
As at March 31, 2019	€ 4,078	€ 704	€ (3,921)	€ (539)	€ 4	€ (10)	€ 316	€ 10	€ 326
Total comprehensive income									
Net income	—	16	—	—	—	—	16	—	16
OCI	—	—	—	(30)	30	(56)	(56)	—	(56)
	—	16	—	(30)	30	(56)	(40)	—	(40)
Capital distribution	—	—	—	—	—	—	—	(1)	(1)
As at June 30, 2019	€ 4,078	€ 720	€ (3,921)	€ (569)	€ 34	€ (66)	€ 276	€ 9	€ 285

[1] BT Holdco made a capital injection, refer to Note 19 - Transactions with related parties for more information.

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
For the six-month periods ended
(in millions of euro)

	Attributable to equity holders of Bombardier Transportation									
	Share Capital and Premium	Retained earnings			Accumulated OCI					
	Common Shares	Other retained earnings	Group Reorganization	Remeasurement losses	Cash flow hedges	CCTD	Total	NCI	Total Net investment
As at December 31, 2019	€ 4,228	€ 573	€ (3,921)	€ (547)	€ (52)	€ (19)	€ 262	€ 11	€ 273
Total comprehensive income									
Net loss	—	(362)	—	—	—	—	(362)	—	(362)
OCI	—	—	—	(60)	33	(101)	(128)	(1)	(129)
	—	(362)	—	(60)	33	(101)	(490)	(1)	(491)
Capital injection[1]	650	—	—	—	—	—	650	—	650
Capital distribution	—	—	—	—	—	—	—	(1)	(1)
As at June 30, 2020	**€ 4,878**	**€ 211**	**€ (3,921)**	**€ (607)**	**€ (19)**	**€ (120)**	**€ 422**	**€ 9**	**€ 431**
As at January 1, 2019	€ 4,078	€ 691	€ (3,921)	€ (423)	€ 59	€ (90)	€ 394	€ 9	€ 403
Total comprehensive income									
Net income	—	29	—	—	—	—	29	1	30
OCI	—	—	—	(146)	(25)	24	(147)	—	(147)
	—	29	—	(146)	(25)	24	(118)	1	(117)
Capital distribution	—	—	—	—	—	—	—	(1)	(1)
As at June 30, 2019	€ 4,078	€ 720	€ (3,921)	€ (569)	€ 34	€ (66)	€ 276	€ 9	€ 285

[1] BT Holdco made a capital injection, refer to Note 19 - Transactions with related parties for more information.

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

BOMBARDIER TRANSPORTATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in millions of euro)

		Three-month periods ended June 30		Six-month periods ended June 30	
	Notes	**2020**	2019	**2020**	2019
Operating activities					
Net income (loss)		**€ (354)**	€ 16	**€ (362)**	€ 30
Non-cash items					
Amortization[1]		**30**	30	**61**	59
Impairment charges (reversals) on PP&E and intangible assets	3, 4	**—**	(3)	**—**	(4)
Deferred income taxes		**(51)**	(14)	**(3)**	(6)
Losses (gains) on disposals of PP&E	3	**1**	(1)	**1**	(2)
Gain on sale of a business	3	**—**	—	**—**	(4)
Share of income of joint ventures and associates		**(46)**	(28)	**(55)**	(43)
Share-based expense (income)	14	**(6)**	4	**(3)**	8
Dividends received from joint ventures and associates		**21**	16	**23**	17
Net change in non-cash balances	15	**163**	(304)	**(682)**	(828)
Cash flows from operating activities		**(242)**	(284)	**(1,020)**	(773)
Investing activities					
Additions to PP&E and intangible assets		**(19)**	(36)	**(40)**	(65)
Proceeds from disposals of PP&E and intangible assets		**—**	4	**—**	8
Net proceeds from disposal of business		**—**	—	**—**	16
Cash flows from investing activities		**(19)**	(32)	**(40)**	(41)
Financing activities					
Net variation in short-term borrowings		**125**	182	**500**	432
Payment of lease liabilities[2]		**(12)**	(11)	**(23)**	(20)
Capital return to NCI		**(1)**	(1)	**(1)**	(1)
Capital injection	19	**300**	—	**650**	—
Cash flows from financing activities		**412**	170	**1,126**	411
Effect of exchange rates on cash and cash equivalents		**(1)**	(16)	**(68)**	54
Net increase (decrease) in cash and cash equivalents		**150**	(162)	**(2)**	(349)
Cash and cash equivalents at beginning of period		**329**	475	**481**	662
Cash and cash equivalents at end of period		**€ 479**	€ 313	**€ 479**	€ 313
Supplemental information[3][4]					
Cash paid for					
Interest		**€ 8**	€ 8	**€ 17**	€ 14
Income taxes		**€ 22**	€ 36	**€ 39**	€ 53
Cash received for					
Interest		**€ —**	€ 1	**€ 1**	€ 1
Income taxes		**€ 14**	€ —	**€ 15**	€ 1

[1] Includes €11 million and €22 million representing amortization charge related to right-of-use of assets for the three-and six-month periods ended June 30, 2020 (€10 million and €20 million for the three- and six-month periods ended June 30, 2019).
[2] Lease payments related to the interest portion, short term leases, low value assets and variable lease payments not included in lease liabilities are classified as cash outflows from operating activities. The total cash outflow for the three- and six month periods ended June 30, 2020 amounted to €17 million and €31 million (€16 million and €30 million for the three- and six-month periods ended June 30, 2019).
[3] Amounts paid or received for interest and income taxes are reflected as cash flows from operating activities.
[4] Interest paid comprises interest on long-term debt excluding up-front costs paid related to the negotiation of debts or credit facilities, interest paid on lease liabilities and interest paid on extended payment terms for trade payables. Interest received comprises interest received related to cash and cash equivalents.

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2020
(Unaudited)
(Tabular figures are in millions of euro, unless otherwise indicated)

1. BASIS OF PRESENTATION

Bombardier Transportation (Investment) UK Limited ("BT Holdco") is incorporated under the laws of the UK and is the parent of Bombardier Transportation (Global Holding) UK Limited ("Bombardier Transportation"). Bombardier Transportation is a wholly owned subsidiary of BT Holdco. Bombardier Transportation is incorporated under the laws of the UK. Bombardier Transportation's headquarters are located in Berlin, Germany. Bombardier Transportation provides rail transportation equipment, systems and related services. Bombardier Transportation is a global leader in the rail equipment manufacturing and servicing industry and is managed as a separate operating segment of Bombardier Inc.

The interim consolidated financial statements are expressed in Euro 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 Bombardier Transportation's Consolidated Financial Statements for the fiscal year ended December 31, 2019.

These interim consolidated financial statements for the three- and six-month periods ended June 30, 2020 were authorized for issuance by the Board of Directors on August 14, 2020.

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.

2. IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant economic uncertainty and disruption of financial markets.

COVID-19 response

Bombardier Transportation has been closely monitoring and actively implementing and updating its response to the evolving COVID-19 pandemic and its impacts on employees, operations, the global economy and the demand for its products and services. Management has formed a committee composed of the senior leadership team and key leaders in the organization to monitor, on a daily basis, the evolution of the pandemic, to evaluate the measures being put in place by local and national governments and the resulting impacts on Bombardier Transportation, and to implement necessary contingency plans in real time as the current situation continues to unfold, with a focus on three priorities: protecting employees' health and safety; supporting customers to the best of its abilities; and ensuring that Bombardier Transportation can successfully navigate through this global crisis. Bombardier Transportation's actions are in all cases closely aligned with both the health and safety mandates and support programs that have been announced by the local governments in every region it operates.

Production at several locations, including key sites across Bombardier Transportation's largest markets in Europe and the Americas, was temporarily suspended in the second half of March 2020 due to the global COVID-19 pandemic. Approximately 10,000 Bombardier Transportation employees globally were affected by these shutdowns.

Measures to bolster liquidity in response to COVID-19 pandemic

The management of consolidated liquidity requires a constant monitoring of expected cash inflows and outflows, which is achieved through a detailed forecast of Bombardier Transportation's liquidity position, as well as long-term operating and strategic plans, to ensure adequacy and efficient use of cash resources. Bombardier Transportation uses scenario analyses to stress-test cash flow projections. Liquidity adequacy is continually monitored which involves the application of judgment, taking into consideration historical volatility and seasonal needs, stress-test results, the level of customer advances, availability under the revolving credit facility, availability of letter of credit and similar facilities, working capital requirements, compliance with financial covenants, the availability of working capital financing initiatives and the funding of product development and other financial commitments.

In response to the COVID-19 pandemic Bombardier Transportation has taken on or is pursuing the following actions to adapt to the current environment and manage liquidity:

- Bombardier Transportation is managing costs through aggressive company-wide actions, including cutting non-essential spending.
- Where applicable, Bombardier Transportation is participating in various government support programs, including wage subsidies, bonding and letter of credit facilities, tax payment deferrals, pension contribution holidays and other measures addressing liquidity needs of corporations during the crisis. For the six-month period ended June 30, 2020, EBIT was negatively impacted by disruption costs related to the COVID-19 pandemic against which Bombardier Transportation recorded wage subsidies for which the impact was approximately €27 million.
- Cash on hand was increased through a €350 million equity injection in Bombardier Transportation by CDPQ in the three-month period ended March 31, 2020. In addition, Bombardier Inc. made an equity injection of €300 million indirectly in Bombardier Transportation in the three-month period ended June 30, 2020. Furthermore, Bombardier Transportation secured amendments to its revolving credit facility and letter of credit facility. These amendments provide for, among other things, temporary adjustments to certain financial covenants through the third quarter and will be reflected in the four-quarter trailing calculation of certain ratios until the period ending March 31, 2021.
- Engineering and production schedules are being re-baselined together with customers and suppliers, to optimize cash generation.
- Bombardier Transportation continues to engage in certain working capital financing initiatives which impact cash flows from operations such as the sale of receivables, arrangements for advances from third parties and the negotiation of extended payment terms with certain suppliers (refer to Note 7 - Contract balances and Note 15 - Net change in non-cash balances).

Considering the current environment, Management performed an assessment of Bombardier Transportation's ability to continue as a going concern. Bombardier Transportation currently believes that there are no material uncertainties to this effect, however, this determination was a matter of significant judgment. More specifically, management believes that the above actions combined with its quarter end cash and cash equivalents of €479 million and the revolving credit facility of approximately €1,154 million (€654 million undrawn as at June 30, 2020) will enable Bombardier Transportation to meet its currently anticipated financial requirements for a period of at least, but not limited to, 12 months from the reporting date supporting Bombardier Transportation's ability to continue as a going concern. Furthermore, from time to time Bombardier Transportation obtains funding from its shareholders, and Bombardier Inc has committed to take actions and initiatives to provide Bombardier Transportation with necessary support, if needed.

However, given the inherent uncertainties, the extent of the impact of the COVID-19 pandemic on the Bombardier Transportation's results of operations and cash flows is difficult to estimate. Therefore, the above assessment required a significant amount of judgment including a range of operating forecasts as well as related stress test scenarios to assess liquidity adequacy and covenant compliance throughout the period. While Bombardier Transportation believes the judgments made are reasonable in the circumstances, if the economic disruption is significantly greater than assumed, it could negatively impact our assessment.

Use of estimates and judgments in the application of accounting policies

The application of Bombardier Transportation's accounting policies requires management to use estimates and judgments that can have a significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the consolidated financial statements. Estimates and judgments are significant when:

- the outcome is highly uncertain at the time the estimates and judgments are made; and
- if different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

Management's best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results will differ from the estimates used, and such differences could be material.

In addition to the judgments above on liquidity management, Bombardier Transportation has considered the impact of the COVID-19 pandemic on various other critical estimates and judgments.

In addition to the estimates and judgments disclosed in the 2019 annual consolidated financial statements, the following areas of judgments and estimates were updated.

Goodwill - The recoverable amount of Bombardier Transportation, the level at which goodwill is monitored by management, is based on fair value less costs of disposal. During the fourth quarter of 2019, Bombardier Transportation completed its annual goodwill impairment test and did not identify any impairment. Considering the value attributed to Bombardier Transportation in the contemplated sale transaction to Alstom, and the excess of the fair value of the business over its carrying value, management concluded there were no indicators of impairment during the three- and six-month periods ended June 30, 2020.

Long-term contracts - As part of its financial statement close process, for the quarter ended June 30, 2020, Bombardier Transportation updated its long-term contract accounting for identified changes in estimated contract revenues, contract costs and progress toward completion. During the three-month period ended June 30, 2020, Bombardier Transportation updated project estimates leading to a charge of €395 million largely related to incremental engineering, certification and retrofit costs associated with a number of late-stage projects mainly in the U.K. and Germany. Manufacturing overheads during the shut-down as well as incremental costs required as a result of the pandemic were recorded as expenses for the three- and six-month periods ended June 30, 2020.

Valuation of deferred income tax assets - To determine the extent to which deferred income tax assets can be recognized, Bombardier Transportation estimated the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made as part of the budget and strategic plan by tax jurisdiction on an undiscounted basis and are reviewed on a quarterly basis. We exercise judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period, the history of taxable profits and availability of prudent tax planning strategies.

For the three- and six-month periods ended June 30, 2020, Bombardier Transportation updated this assessment given the revised forecasts. Following this assessment, Bombardier Transportation concluded no significant write-down of deferred tax assets was necessary.

3. OTHER EXPENSE (INCOME)

Other expense (income) was as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Losses (gains) on disposals of PP&E	**€ 1**	€ (1)	**€ 1**	€ (2)
Gain on sale of a business	—	—	—	(4)
Impairment of PP&E and intangible assets[1]	—	—	—	3
Severance and other involuntary termination costs (including changes in estimates)[1]	**—**	—	—	1
	€ 1	€ (1)	**€ 1**	€ (2)

[1] Excludes those presented in special items.

4. SPECIAL ITEMS

Special items comprise items which do not reflect Bombardier Transportation's core performance or where their separate presentation will assist users of the consolidated financial statements in understanding Bombardier Transportation'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	
	2020	2019	**2020**	2019
Restructuring charges (reversals)[1]	**€ (5)**	€ 21	**€ (11)**	€ 21
Disruption costs[2]	**—**	—	**6**	—
Income taxes	**—**	(3)	**6**	(3)
	(5)	18	**1**	18
Of which is presented in				
Special items in EBIT	**(5)**	21	**(5)**	21
Income taxes - effect of special items	**—**	(3)	**6**	(3)
	(5)	18	**1**	18

[1] For the three- and six-month periods ended June 30, 2020, represents reversal of severance charges of €5 million and €11 million, related to previously-announced restructuring actions. For the three- and six-month periods ended June 30, 2019, represents severance charges of €24 million and €28 million, partially offset by the reversal of previously-recorded impairment charges of €3 million and €7 million, related to previously-announced restructuring actions.

[2] Due to the COVID-19 pandemic, in the second half of March 2020, Bombardier Transportation temporarily suspended operations at various production facilities. As a result of the pandemic, nil and €6 million were recorded as special items in the three- and six-month periods ended June 30, 2020. These costs do not represent the full impact of the COVID-19 pandemic on the results of operations since it does not reflect the impact of lost or deferred revenues and associated margins.

5. 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	
	2020	2019	**2020**	2019
Financing expense				
Interest expense on short term borrowings	**€ 4**	€ 3	**€ 8**	€ 6
Accretion on net retirement benefit obligations	**3**	3	**7**	7
Amortization of letter of credit facility costs	**3**	3	**5**	5
Interest expense on lease liabilities	**2**	2	**3**	3
Other	**5**	6	**16**	11
	€ 17	€ 17	**€ 39**	€ 32
Financing income				
Net gain on certain financial instruments[1]	**€ (10)**	€ (1)	**€ (21)**	€ (2)
Interest on cash and cash equivalents	**—**	(1)	**—**	(1)
Other	**—**	—	**(1)**	(2)
	€ (10)	€ (2)	**€ (22)**	€ (5)

[1] Net gains on certain financial instruments classified as FVTP&L, including gains arising from changes in interest rates.

6. FINANCIAL INSTRUMENTS

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

	FVTP&L	FVOCI	Amortized cost	DDHR	Total carrying value	Fair value
June 30, 2020						
Financial assets						
Cash and cash equivalents	**€ —**	**€ —**	**€ 479**	**€ —**	**€ 479**	**€ 479**
Trade and other receivables	**—**	**—**	**1,090**	**—**	**1,090**	**1,090**
Other financial assets	**85**	**5**	**44**	**101**	**235**	**235**
	€ 85	**€ 5**	**€ 1,613**	**€ 101**	**€ 1,804**	**€ 1,804**
Financial liabilities						
Borrowings	**€ —**	**n/a**	**€ 500**	**€ —**	**€ 500**	**€ 500**
Trade and other payables	**—**	**n/a**	**1,964**	**—**	**1,964**	**1,964**
Other financial liabilities	**21**	**n/a**	**298**	**109**	**428**	**428**
	€ 21		**€ 2,762**	**€ 109**	**€ 2,892**	**€ 2,892**
December 31, 2019						
Financial assets						
Cash and cash equivalents	€ —	€ —	€ 481	€ —	€ 481	€ 481
Trade and other receivables	—	—	1,115	—	1,115	1,115
Other financial assets	84	5	47	69	205	205
	€ 84	€ 5	€ 1,643	€ 69	€ 1,801	€ 1,801
Financial liabilities						
Trade and other payables	€ —	n/a	€ 2,339	€ —	€ 2,339	€ 2,339
Other financial liabilities	46	n/a	320	126	492	492
	€ 46		€ 2,659	€ 126	€ 2,831	€ 2,831
January 1, 2019						
Financial assets						
Cash and cash equivalents	€ —	€ —	€ 662	€ —	€ 662	€ 662
Trade and other receivables	—	—	921	—	921	921
Other financial assets	84	5	13	111	213	211
	€ 84	€ 5	€ 1,596	€ 111	€ 1,796	€ 1,794
Financial liabilities						
Trade and other payables	€ —	n/a	€ 2,208	€ —	€ 2,208	€ 2,208
Other financial liabilities	31	n/a	227	86	344	344
	€ 31		€ 2,435	€ 86	€ 2,552	€ 2,552

n/a: Not applicable

7. CONTRACT BALANCES

Contract assets were as follows, as at:

		June 30, 2020		December 31, 2019		January 1, 2019
Long-term contracts						
Production contracts						
Cost incurred and recorded margins	**€**	**8,200**	€	8,827	€	7,740
Less: advances and progress billings		**(6,415)**		(7,106)		(5,857)
		1,785		1,721		1,883
Service contracts						
Cost incurred and recorded margins		**601**		567		413
Less: advances and progress billings		**(93)**		(121)		(56)
		508		446		357
	€	**2,293**	€	2,167	€	2,240

Contract liabilities were as follows, as at:

		June 30, 2020		December 31, 2019		January 1, 2019
Advances and progress billings in excess of long-term contract cost incurred and recorded margin	**€**	**1,797**	€	2,006	€	1,817
Other deferred revenues		**437**		429		472
	€	**2,234**	€	2,435	€	2,289
Of which current	**€**	**2,234**	€	2,435	€	2,289

In connection with certain long-term contracts, Bombardier 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 Bombardier 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) in contract assets and amounted to €343 million as at June 30, 2020 (€503 million as at December 31, 2019 and €624 million as at January 1, 2019). The third-party advance providers could request repayment of these amounts if Bombardier Transportation fails to perform its contractual obligations such as delivery delays beyond a specified date.

8. INVENTORIES

Inventories were as follows, as at:

		June 30, 2020		December 31, 2019		January 1, 2019
Raw material	**€**	**157**	€	138	€	119
	€	**157**	€	138	€	119

9. OTHER FINANCIAL ASSETS

Other financial assets were as follows, as at:

		June 30, 2020		December 31, 2019		January 1, 2019
Derivative financial instruments	**€**	**122**	€	84	€	130
Long-term contract receivables		**81**		89		65
Restricted cash		**18**		18		6
Deposits		**6**		5		4
Investments in securities		**5**		5		5
Other		**3**		4		3
	€	**235**	€	205	€	213
Of which current	**€**	**141**	€	100	€	132
Of which non-current		**94**		105		81
	€	**235**	€	205	€	213

10. OTHER ASSETS

Other assets were as follows, as at:

		June 30, 2020		December 31, 2019		January 1, 2019
Intangible assets other than goodwill	**€**	**179**	€	159	€	106
Prepaid expenses		**116**		141		195
Sales tax and other taxes		**99**		108		89
Income taxes receivable		**59**		77		42
Retirement benefits		**43**		68		114
Deferred financing charges		**19**		24		24
Other		**4**		3		7
	€	**519**	€	580	€	577
Of which current	**€**	**234**	€	276	€	229
Of which non-current		**285**		304		348
	€	**519**	€	580	€	577

11. PROVISIONS

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

	Product warranties	Restructuring, severance and other termination benefits	Onerous contracts	Other[1]	Total
Balance as at December 31, 2019	€ 248	€ 110	€ 362	€ 46	€ 766
Additions	25	4 [2]	4	2	35
Utilization	(22)	(23)	(68)	—	(113)
Reversals	(1)	(9) [2]	(1)	—	(11)
Effect of foreign currency exchange rate changes	(5)	—	(4)	—	(9)
Balance as at March 31, 2020	€ 245	€ 82	€ 293	€ 48	€ 668
Additions	20	—	144	—	164
Utilization	(21)	(16)	(6)	(1)	(44)
Reversals	(4)	(7) [2]	—	—	(11)
Effect of foreign currency exchange rate changes	2	—	(9)	—	(7)
Balance as at June 30, 2020	€ 242	€ 59	€ 422	€ 47	€ 770
Of which current	€ 242	€ 58	€ 422	€ 32	€ 754
Of which non-current	—	1	—	15	16
	€ 242	€ 59	€ 422	€ 47	€ 770

	Product warranties	Restructuring, severance and other termination benefits	Onerous contracts	Other[1]	Total
Balance as at January 1, 2019	€ 285	€ 159	€ 407	€ 48	€ 899
Additions	28	3 [2]	7	1	39
Utilization	(29)	(13)	(55)	—	(97)
Reversals	(17)	—	(2)	—	(19)
Effect of foreign currency exchange rate changes	1	—	4	1	6
Balance as at March 31, 2019	€ 268	€ 149	€ 361	€ 50	€ 828
Additions	18	27 [2]	6	2	53
Utilization	(19)	(22)	(72)	—	(113)
Reversals	(4)	(3)	(1)	—	(8)
Effect of foreign currency exchange rate changes	(1)	—	(1)	(1)	(3)
Balance as at June 30, 2019	€ 262	€ 151	€ 293	€ 51	€ 757
Of which current	€ 262	€ 109	€ 293	€ 35	€ 699
Of which non-current	—	42	—	16	58
	€ 262	€ 151	€ 293	€ 51	€ 757

[1] Includes litigations and claims, as well as environmental liabilities.

[2] See Note 4 – Special items for more details on the additions and reversals related to restructuring charges.

12. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows, as at:

		June 30, 2020		December 31, 2019		January 1, 2019
Lease liabilities[1]	**€**	**192**	€	213	€	223
Derivative financial instruments		**130**		172		117
Subordinated loan from the Parent[2]		**101**		100		—
Other		**5**		7		4
	€	**428**	€	492	€	344
Of which current	**€**	**176**	€	228	€	156
Of which non-current		**252**		264		188
	€	**428**	€	492	€	344

[1] Lease liabilities were reclassified from Other liabilities to Other financial liabilities. Refer to Note 22 - Reclassification.
[2] Unsecured debt, which is mandatory or automatically convertible into non-redeemable share capital of Bombardier Transportation. This debt may not be enforced against Bombardier Transportation or its assets. This debt from Bombardier Inc. bears interest at 2.50% with a maturity of May 2023.

13. OTHER LIABILITIES

Other liabilities were as follows, as at:

		June 30, 2020		December 31, 2019 [1]		January 1, 2019
Accruals for long-term contract costs	**€**	**368**	€	354	€	387
Employee benefits		**293**		223		249
Income taxes payable		**136**		159		133
Other taxes payable		**68**		145		156
	€	**865**	€	881	€	925
Of which current	**€**	**841**	€	859	€	865
Of which non-current		**24**		22		60
	€	**865**	€	881	€	925

[1] Lease liabilities were reclassified from Other liabilities to Other financial liabilities. Refer to Note 22 - Reclassification.

14. SHARE-BASED PLANS

PSU

The number of PSUs has varied as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Balance at beginning of period	**40,082,810**	36,931,582	**40,673,920**	38,561,793
Transfer[1]	**—**	1,500,141	**6,962**	1,336,033
Granted	**—**	14,655,400	**—**	14,977,886
Forfeited	**(722,310)**	(814,629)	**(1,320,382)**	(2,603,218)
Balance at end of period	**39,360,500**	52,272,494	**39,360,500**	52,272,494

[1] Represents PSUs of employees transferred from Bombardier Inc. or the Aviation segment to Bombardier Transportation, and vice-versa.

The compensation income, with respect to the PSU plans, amounted to €7 million and €5 million during the three- and six-month periods ended June 30, 2020, respectively (compensation expense of €3 million and €6 million during the three- and six-month periods ended June 30, 2019, respectively). The compensation income is due to the revision of assumptions related to future performance.

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	
	2020	2019	**2020**	2019
Balance at beginning of period	**27,852,116**	22,401,936	**27,852,116**	24,714,382
Transfer	**—**	1,741,129	**—**	1,741,129
Granted	**—**	5,221,031	**—**	5,756,708
Exercised	**—**	(216,084)	**—**	(591,804)
Forfeited	**(61,057)**	(549,864)	**(61,057)**	(3,022,267)
Balance at end of period	**27,791,059**	28,598,148	**27,791,059**	28,598,148

A compensation expense of €1 million and €2 million was recorded during the three- and six-month periods ended June 30, 2020, respectively, with respect to share option plans (€1 million and €2 million for the three- and six-month periods ended June 30, 2019, respectively).

15. 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	
	2020	2019	**2020**	2019
Trade and other receivables	**€ 47**	€ (66)	**€ 2**	€ 21
Inventories	**(5)**	(14)	**(22)**	(20)
Contract assets	**(3)**	(134)	**(251)**	(348)
Contract liabilities	**(33)**	17	**(124)**	(95)
Other financial assets and liabilities, net	**16**	(21)	**(48)**	(40)
Other assets	**111**	(25)	**46**	(31)
Trade and other payables	**(123)**	48	**(326)**	(39)
Provisions	**109**	(69)	**21**	(147)
Retirement benefits liability	**(74)**	11	**8**	(28)
Other liabilities	**118**	(51)	**12**	(101)
	€ 163	€ (304)	**€ (682)**	€ (828)

Off-balance sheet sale of receivables
In the normal course of its business, Bombardier Transportation has facilities, to which it can sell, without credit recourse, qualifying receivables. Receivables of €518 million were outstanding under such facilities as at June 30, 2020 (€809 million as at December 31, 2019 and €799 million as at January 1, 2019). Receivables of €225 million and €550 million were sold to these facilities during the three- and six-month periods ended June 30, 2020 (€520 million and €1,039 million during the three- and six-month periods ended June 30, 2019).

Trade and other payables
Bombardier Transportation negotiated extended payment terms of 240 to 310 days after delivery with certain of its suppliers. Trade payables with these extended terms totaled €518 million and bore interest at a weighted average rate of 2.08% as at June 30, 2020 (€488 million and 2.50%, respectively, as at December 31, 2019 and €474 million and 2.41%, respectively, as at January 1, 2019). Suppliers generally have the right to return to original payment terms for future payables upon providing a minimum notice period.

Contract balances
See Note 7 - Contract balances for more details regarding arrangements whereby amounts are received from third-party advance providers in exchange for the rights to customer payments.

16. CREDIT FACILITIES

Bombardier Transportation secured further amendments to its revolving credit facility and letter of credit facility. These amendments provide for, among other things, temporary adjustments to certain financial covenants through the third quarter.

The minimum liquidity required by the Bombardier Transportation letter of credit and revolving credit facilities was €750 million. Effective in June 2020, the minimum liquidity required by the Bombardier Transportation letter of credit and revolving credit facilities is now varying between €500 million and €750 million at the end of each quarter. The remaining covenants continue to require a minimum equity and a maximum debt to EBITDA ratio at the end of each quarter, all calculated based on Bombardier Transportation stand-alone financial data.

The financial covenants under these credit facilities were all met as at June 30, 2020 and December 31, 2019.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value amounts disclosed in these consolidated financial statements represent Bombardier Transportation'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 Bombardier Transportation has immediate access. However, there is no active market for most of Bombardier Transportation's financial instruments. In the absence of an active market, Bombardier Transportation determines fair value based on 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 and the creditworthiness of the borrower. In determining these assumptions, Bombardier Transportation uses primarily external, readily observable market inputs, including factors such as interest rates, credit ratings, 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 FVOCI are as follows:

Long-term contract receivables – Bombardier Transportation uses discounted cash flow analysis to estimate the fair value using market data for interest rates.

Derivative financial instruments – Fair value of derivative financial instruments generally reflects the estimated amounts that Bombardier Transportation would receive to sell favorable contracts i.e. taking into consideration the counterparty credit risk, or pays to transfer unfavorable contracts i.e. taking into consideration Bombardier Transportation's credit risk, at the reporting dates. Bombardier Transportation uses discounted cash flow analysis and market data such as interest rates, credit spreads and foreign exchange spot rate to estimate the fair value of forward agreements.

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 cash and cash equivalents, trade and other receivables, restricted cash, loans, deposits and other financial assets, trade and other payables, and other financial liabilities 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.

Fair value hierarchy
The following table presents 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, 2020:

	Total	Level 1	Level 2	Level 3
Financial assets				
Derivative financial instruments[1]	**€ 122**	**€ —**	**€ 122**	**€ —**
Investments in securities	**5**	**—**	**5**	**—**
Long-term contract receivable	**64**	**—**	**64**	**—**
	€ 191	**€ —**	**€ 191**	**€ —**
Financial liabilities				
Derivative financial instruments[1]	**€ (130)**	**€ —**	**€ (130)**	**€ —**
	€ (130)	**€ —**	**€ (130)**	**€ —**

[1] Derivative financial instruments consist of forward foreign exchange contracts and embedded derivatives.

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Bombardier Transportation's pro rata share of assets and liabilities of its material associate, of other non-material associates and joint ventures was as follows:

								June 30, 2020
		BST		**Other[1]**	**Joint ventures**			**Total**
Cash and cash equivalents	**€**	**94**	**€**	**44**	**€**	**84**	**€**	**222**
Other current assets	**€**	**486**	**€**	**83**	**€**	**310**	**€**	**879**
Non-current assets	**€**	**135**	**€**	**163**	**€**	**34**	**€**	**332**
Current liabilities	**€**	**390**	**€**	**107**	**€**	**267**	**€**	**764**
Non-current liabilities	**€**	**—**	**€**	**158**	**€**	**4**	**€**	**162**

								December 31, 2019
		BST		Other[1]	Joint ventures			Total
Cash and cash equivalents	€	207	€	43	€	120	€	370
Other current assets	€	397	€	44	€	286	€	727
Non-current assets	€	133	€	182	€	36	€	351
Current liabilities	€	436	€	92	€	275	€	803
Non-current liabilities	€	—	€	153	€	5	€	158

								January 1, 2019
		BST		Other[1]	Joint ventures			Total
Cash and cash equivalents	€	235	€	36	€	63	€	334
Other current assets	€	362	€	27	€	268	€	657
Non-current assets	€	134	€	43	€	19	€	196
Current liabilities	€	460	€	79	€	202	€	741
Non-current liabilities	€	—	€	7	€	11	€	18

[1] Other represents our pro rata share of assets and liabilities of non material associates.

19. TRANSACTIONS WITH RELATED PARTIES

Bombardier Transportation's related parties are Bombardier Inc. and affiliate companies of the Aviation segment and CDPQ. In addition, Bombardier Transportation buys and sells products and services on arm's length terms with some of its joint ventures and associates in the ordinary course of business. The following table presents the portion of these transactions that is attributable to affiliated companies as well as to the interests of the other venturers, and transaction with associates:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Aviation segment				
Revenues	**€ 1**	€ —	**€ 1**	€ 1
Bombardier Inc.				
SG&A	**€ 16**	€ 14	**€ 34**	€ 28
Joint ventures				
Revenues	**€ 8**	€ 14	**€ 15**	€ 23
Purchase of products and services, and other expenses	**8**	8	**15**	19
Associates				
Purchase of products and services, and other expenses	**€ —**	€ —	**€ —**	€ 4

The following table presents Bombardier Transportation's outstanding balances, as at:

	June 30, 2020	December 31, 2019	January 1, 2019
Aviation segment			
Receivables	**€ 2**	€ 4	€ 2
Payables	**18**	54	10
Bombardier Inc.			
Receivables	**€ —**	€ 1	€ 7
Payables	**112**	99	30
Subordinated loan from the Parent[(1)]	**101**	100	—
Joint ventures			
Receivables	**€ 38**	€ 22	€ 14
Payables	**14**	12	3
Advances and progress billings in excess of related costs	**8**	5	10
Associates			
Receivables	**€ 3**	€ 3	€ 3
Other financial assets	**73**	68	20
Payables	**2**	2	2

[(1)] See Note 12 - Other financial liabilities for more details.

Bombardier Inc. provides, on behalf of Bombardier Transportation:

- A credit guarantee of lease payments amounting to €42 million as at June 30, 2020, in connection with the sale of certain rail equipment (€42 million as at December 31, 2019 and €41 million as at January 1, 2019). This guarantee matures in 2025 and relates to one customer.

Bombardier Transportation has recorded an amortization expense in the amount of €7 million and €15 million for PCG for the three- and six-month periods ended June 30, 2020 (€10 million and €19 million for the three- and six-month periods ended June 30, 2019). Bombardier Transportation has recorded an expense (revenue) in the amount of €2 million and €2 million for PCG fees for the three- and six-month periods ended June 30, 2020 (€(1) million and €(1) million for the three- and six-month periods ended June 30, 2019).

During the three-month period ended March 31, 2020, BT Holdco made a capital injection of €350 million in Bombardier Transportation following the capital injection of CDPQ in BT Holdco in consideration for the issuance of additional convertible shares. These additional convertible shares are redeemable at the option of BT Holdco and otherwise having substantially the same terms as the previously issued convertible shares held by CDPQ.

During the three-month period ended June 30, 2020, BT Holdco made a capital injection of €300 million in Bombardier Transportation following the capital injection made indirectly by Bombardier Inc. in BT Holdco in consideration for the issuance of new redeemable shares. These new redeemable shares are redeemable at the option of BT Holdco and otherwise have substantially the same terms as the previously issued shares held by Bombardier Inc.

As such, the equity ownership percentage of Bombardier Inc. and of CDPQ in BT Holdco is 65.35% and 34.65%.

20. COMMITMENTS AND CONTINGENCIES

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

	June 30, 2020	December 31, 2019	January 1, 2019
Credit	**€ 42**	€ 42	€ 41

Litigation

In the normal course of operations, Bombardier Transportation is a defendant in certain legal proceedings before various courts or other tribunals including in relation to product liability and contractual disputes with customers and other third parties. Bombardier Transportation's approach is to vigorously defend its position in these matters.

While Bombardier Transportation cannot predict the final outcome of all legal proceedings pending as at June 30, 2020, 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.

Sweden

Since the fourth quarter of 2016, the Swedish police authorities have been conducting an investigation in relation to allegations concerning a 2013 contract for the supply of signalling equipment and services to Azerbaijan Railways ADY (the "ADY Contract"). In October 2016, Bombardier Transportation launched an internal review into the allegations which is conducted by external forensic advisors, under the supervision of the General Counsel and external counsel. Both the investigation and the internal review are on-going. On August 18, 2017, charges were laid against a then employee of the Swedish subsidiary of Bombardier Transportation for aggravated bribery and, alternatively, influence trafficking. The trial on these charges took place from August 29 to September 20, 2017. No charges were laid against the subsidiary of Bombardier Transportation. In a decision rendered on October 11, 2017, the then employee was acquitted of all charges. The decision was appealed regarding all charges on October 25, 2017 by the Prosecution Authority. On June 19, 2019, the Prosecution Authority confirmed that the acquittal on charge of influence trafficking is no longer being appealed; accordingly, this acquittal on this charge stands as a final judgment.The case is still pending with the Swedish Court of Appeal with a likely scenario that the Swedish Court of Appeal will set a date for the appeal trial.

The ADY Contract is being audited by the World Bank Group pursuant to its contractual audit rights. The audit is on-going. Bombardier Transportation's policy is to comply with all applicable laws and it is cooperating to the extent possible with the investigation and the audit.

As reported publicly in the media, on November 15, 2018, the World Bank Integrity Vice Presidency ("INT") issued a 'show cause' letter to Bombardier, outlining INT's position regarding alleged collusion, corruption, fraud and obstruction in the ADY Contract. Bombardier Transportation was invited to respond to these preliminary findings and has done so. As the World Bank's audit process is governed by strict confidentiality requirements, Bombardier Transportation can only reiterate that it strongly disagrees with the allegations and preliminary conclusions contained in the letter.

On February 10, 2020 counsel assisting Bombardier Inc. with the World Bank Group audit received a letter from the U.S. Department of Justice (the "DOJ") requesting the communication of documents and information regarding the ADY Contract. Bombardier Inc. is cooperating with the DOJ's ongoing requests and is currently providing documents and information in response to same.

Bombardier Transportation's internal review about the reported allegations regarding the ADY project is on-going but based on information known to Bombardier Transportation at this time, there is no evidence that suggests a corrupt payment was made or offered to a public official or that any other criminal activity involving Bombardier Transportation took place.

In connection with this on-going review, Bombardier Transportation has requested information and documents from the World Bank's audit and continues to wait for such information and documents.

Investigation in Brazil

On March 20, 2014, Bombardier Transportation Brasil Ltda ("BT Brazil"), a subsidiary of Bombardier Transportation, 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 unsuccessfully contested before the courts both the decision to detach the proceedings against these 43 individuals and decisions by CADE restricting physical access to some of the forensic evidence.

As a result of the administrative proceedings initiated by CADE in 2014, BT Brazil 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. Bombardier Transportation and BT Brazil continue to cooperate with investigations relating to the administrative proceedings and intend to defend themselves vigorously.

In December 2018, the Superintendent-General of CADE filed a formal opinion finding BT Brazil had engaged in anti-competitive behaviour. On February 18, 2019, CADE's Attorney General issued its opinion, substantially supporting the General Superintendence's recommendations. On June 20, 2019, the Brazil Superior Court of Justice granted an extraordinary recourse brought by CADE to overcome the effects of certain injunctions instituted by the defendants (including BT Brazil) and the matter was added to the following plenary session of the CADE Board, a quasi-judicial competition tribunal. On July 8, 2019, the CADE Board issued a bench ruling supporting the Superintendent-General of CADE's formal opinion filed in December 2018. This opinion found all the defendants (including BT Brazil) had engaged in anti-competitive behaviour and recommended the conviction of all the investigated parties. In the case of BT Brazil, the conviction includes a fine of 22 million Brazilian Real ($6 million), but no debarment. BT Brazil was not declared ineligible to participate in future public bids.

In parallel with the proceedings described above, Bombardier Transportation conducted an internal review to determine whether any kind of anti-competitive conduct had occurred. This review did not reveal any evidence of participation in an illicit agreement to allocate markets and influence the outcome of competitive bidding procedures as alleged by the competition authority.

Bombardier Transportation strongly disagrees with the conclusions of the CADE Board and BT Brazil has commenced the requisite steps to contest its decision before tribunals of competent jurisdiction and continues to vigorously defend itself against the allegations.

Transnet

Bombardier Transportation learned through various media reports of the appointment of a Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector, including organs of state (the "Zondo Commission") for which the terms of reference were published by presidential proclamation on January 25, 2018. Before and after the creation of the Zondo Commission, the media reported allegations of irregularities with respect to multiple procurements regarding the supply of 1,064 locomotives by South African train operator Transnet Freight Rail. On September 7, 2018, Bombardier Transportation South Africa (Pty.) Ltd. ("BTSA") was informed that the Special Investigation Unit ("SIU"), a forensic investigation agency under the Department of Justice in South Africa, had opened an investigation with respect to the acquisition of the 1064 locomotives by Transnet, in 2014.

On February 4, 2019, BTSA submitted a confidential written statement with supporting documents that sets out its position on public allegations and requested the opportunity to publicly present evidence to the Zondo Commission. The Zondo Commission has reviewed the submission and related documents. In December 2019, BTSA has made a further submission including affidavits. In June 2019, BTSA was requested by SIU to provide information and explanation about the costs of the relocation to Durban. Although the written statement previously communicated to the Zondo Commission could not be shared with SIU, BTSA did provide SIU with the information in its possession regarding the relocation as well as explanation about the costs for same.

Bombardier Transportation is conducting an internal review into the allegations by external advisors under the supervision of counsel. The review is still ongoing but based on information known to Bombardier Transportation at this time: there is no reason to believe that Bombardier Transportation has been involved in any wrongdoing with respect to the procurement by Transnet of 240 *TRAXX* locomotives from Bombardier Transportation. Contrary to what has been reported by the media, the contract is still in full force and continues to be executed.

Spain

In December 2017, the Spanish Competition Authority ("CNMC") conducted an inspection at the offices of Bombardier European Investments, S.L.U. ("BEI") in Madrid. According to the Inspection Order, CNMC's inspection follows information it learned about possible irregularities in public tenders with the Railway Infrastructures Administrator ("ADIF"). On January 2, 2018, BEI received an information request from the CNMC regarding the legal and operational organization of BEI. BEI is cooperating with the authorities to the extent possible and responded to the information request. There are currently no charges nor allegations that BEI breached any law.

On August 28, 2018, BEI was informed that the CNMC was opening formal proceedings against eight competing companies active on the Spanish signalling equipment market and four directors, including BEI and its parent company, Bombardier Transportation (Global Holding) UK Limited. No Bombardier directors were named. The inclusion of the parent company is typical of European competition authorities at the early stage of the proceedings. The delays for CNMC to adopt a final decision on the case are currently suspended pending various appeals (including by BEI) filed in relation to various decisions rendered by CNMC regarding the involvement into the file of the public client ADIF.

Bombardier Transportation's policy is to comply with all applicable laws, including antitrust and competition laws. In light of the early stage of the preliminary investigation, management is unable to predict its duration or outcome, including whether any operating division of Bombardier Transportation could be found liable for any violation of law or the extent of any fine, if found to be liable.

21. TRANSACTION

On February 17, 2020, Bombardier Inc. (Bombardier) signed a Memorandum of Understanding (MOU) with Alstom SA and CDPQ for the sale of the Transportation business to Alstom. Under the contemplated transaction, Bombardier and CDPQ would sell their interests in Transportation to Alstom on the basis of an enterprise value of approximately €7.45 billion.

Pursuant to the requirements of French law, Alstom and Bombardier have initiated Works Councils information and consultation procedures prior to the signing of the transaction documents. Accordingly, and consistent with customary practice in France, Alstom, Bombardier and CDPQ reached an agreement in principle on the main terms of the transaction and entered into the MOU prior to announcing the proposed transaction. The MOU organizes the information and consultation process by Bombardier and Alstom of their respective Works Councils and contains exclusive commitments by both parties. This process is ongoing and is anticipated to conclude in the summer 2020. Thereafter and subject to the views of the works councils the parties would expect to enter into the formal share purchase agreement.

On July 9, 2020, the Corporation confirmed its support of the commitments announced by Alstom to address potential concerns raised by the European Commission in relation to Alstom's acquisition of the Bombardier Transportation business, including the disposition of certain assets currently held by Bombardier Transportation. Commitments to be submitted to the European Commission include:

- A transfer of Bombardier Transportation's contribution to the *V300 ZEFIRO* very high-speed train platform;
- The divestment of Bombardier Transportation *TALENT 3* mainline train platform and dedicated production facilities located within the Hennigsdorf site in Germany; and
- Providing access to certain interfaces and products for some of Bombardier Transportation's Signalling On-Board Units and Train Control Management Systems (TCMS).

These proposed commitments are subject to the European Commission's approval, and any disposition will be done in compliance with all required social processes and consultations with appropriate employee representative bodies.

On July 31, 2020, the European Commission provided conditional approval of the sale of Bombardier Transportation to Alstom, a significant milestone in obtaining the necessary regulatory approvals to complete the transaction. Bombardier and Alstom continue to work together to obtain the remaining approvals and complete the Works Councils consultations required prior to executing the definitive sales agreement, which is now expected to occur in September 2020.

The closing of this transaction is conditioned on certain events occurring, including without limitation the receipt of necessary regulatory approvals, the execution of definitive documentation, receipt of Alstom shareholder approval in respect of the required capital increase and completion of relevant works council consultations discussed above.

22. RECLASSIFICATION

Comparative figures have been reclassified to conform to the presentation adopted in the current period for lease liabilities, which resulted in a reclassification from other liabilities to other financial liabilities.

[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax**;**

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

ANNEX 9
FINANCIAL INFORMATION RELATING TO THE TRANSPORTATION SEGMENT OF BOMBARDIER INC.

This Annex 9 includes the following:

Annex 9.A. :	Description of Bombardier Transportation's business: Relevant excerpts from Bombardier Inc.'s annual financial report
Annex 9.B. :	Analysis of the results of Bombardier Inc.'s Transportation segment for the fiscal years ended 31 December 2018 and 2019: Relevant excerpts of Bombardier Inc.'s Transportation Segment Management Report for the fiscal years ended 31 December 2018 and 2019
Annex 9.C. :	Analysis of the results of Bombardier Inc.'s Transportation segment for the period ended 31 March 2020: Relevant excerpts of Bombardier Inc.'s Transportation Segment Management Report for the quarter ended 31 March 2020
Annex 9.D. :	Analysis of the results of Bombardier Inc.'s Transportation segment for the period ended 30 June 2020: Relevant excerpts of Bombardier Inc.'s Transportation Segment Management Report for the six months and three months ended 30 June 2020

Annex 9.A. :

Description of Bombardier Transportation's business:

Relevant excerpts from Bombardier Inc.'s annual financial report

PROFILE

World-class products and services portfolio positioned for growth

Transportation offers a wide-ranging portfolio of innovative and efficient solutions in the rail industry. We cover the full spectrum of rail solutions, ranging from global mobility solutions to a variety of trains and sub-systems, services, system integration and signalling to meet the market's needs and expectations. We have won orders across all product segments and major geographies, underlining the competitiveness of our products and services worldwide.

We have production, engineering and service centres around the world. The global headquarters is located in Berlin, Germany.

MARKET SEGMENT: ROLLING STOCK AND SYSTEMS

HIGH-SPEED AND VERY HIGH-SPEED TRAINS

Application: Equipment for medium and long-distance operations.

Major products: *ZEFIRO* family

Key features: Solutions offering very high operating flexibility, high comfort and safety standards for passengers in combination with high efficiency. Portfolio covers the full spectrum of speed requirements: high-speed (200-250 km/h) and very high-speed (250-380 km/h).

ZEFIRO very high-speed train

COMMUTER, REGIONAL AND INTERCITY TRAINS

Application: Suburban and regional rail transit for urban centres and surrounding regions and medium speed connections between cities.

Major products: *AVENTRA*, *TALENT, OMNEO*, *TWINDEXX* Vario, *BiLevel* and MultiLevel families

Key features: Broad product line featuring electric, diesel, dual mode and battery-powered multiple units, along with locomotive-hauled coaches in both single and double-deck configurations. Our modular train platforms offer very high flexibility to transit authorities and operators, as well as high levels of comfort and capacity. The train operates emission-free, thereby making a significant contribution towards environmentally-friendly mobility.

AVENTRA single deck train

LIGHT RAIL VEHICLES

Application: Efficient surface transit in urban centres and surrounding suburban areas.

Major products: *FLEXITY* family

Key features: Our broad portfolio of *FLEXITY* vehicles feature innovative capabilities and performance while offering low lifecycle costs. Based on adaptable modular platforms, our vehicle range offers a full spectrum of smart light rail solutions to enhance the connectivity and identity of cities worldwide. Equipped with our award-winning Obstacle Detection Assistance System, our trams and light rail vehicles increase the safety of the driver, passengers and all other traffic participants.

FLEXITY tram for Toronto Transit Commission (TTC)

METROS

Application: Broad range of high capacity mobility solutions for every urban environment

Major products: *MOVIA* and *INNOVIA* platforms (metros, monorails and people movers)

Key features: Wide variety of urban mobility solutions developed from proven and innovative technology. Maximum system value for every capacity, in any type of environment. Safety, lifecycle cost, passenger comfort and smart city integration, to name a few, all drive the designs and innovations of our portfolio, covering a wide range of system needs. This includes quick-to-build and minimally intrusive technology such as the *INNOVIA* Monorail 300. Bombardier products have a long history of automation and are serving numerous cities around the world with driverless systems.

MOVIA C30 metro car in Stockholm, Sweden

LOCOMOTIVES

Application: Electric and diesel locomotives for intercity, regional and freight rail service.

Major products: *TRAXX* platform, *ALP* electric and dual-power locomotives

Key features: Versatile product platform offering electric, diesel-electric, dual-power and multi-system propulsion, last-mile diesel or battery drive features. Innovative solutions increase power and reliability in combination with high energy efficiency and low lifecycle costs. Homologated in several countries in Europe, enabling cross-border service. The *TRAXX* MS3 locomotive is the most advanced multi-systems locomotive on the market with the Last Mile function, letting it easily bridge non-electrified track sections often found in ports or freight terminals.

TRAXX MS3 locomotive in Kassel, Germany

PROPULSION AND CONTROLS

Application: Complete propulsion and control product portfolio for all Bombardier and third-party rail vehicles and e-mobility applications, delivering electric power with strong reliability, power efficiency and high safety.

Major products: The *MITRAC* platform, which includes traction and auxiliary converters for underframe, rooftop and machine room mounting; drives (motors and gears), train control management systems (TCMS), high voltage equipment and complete system solutions. Innovative train to wayside communication solutions round off the portfolio.

Key features: A leader in reliability, modular design, energy safety (SIL 2 compliance), energy efficiency, integration of new technologies and ease of maintenance, which keep initial investments and lifecycle costs low.

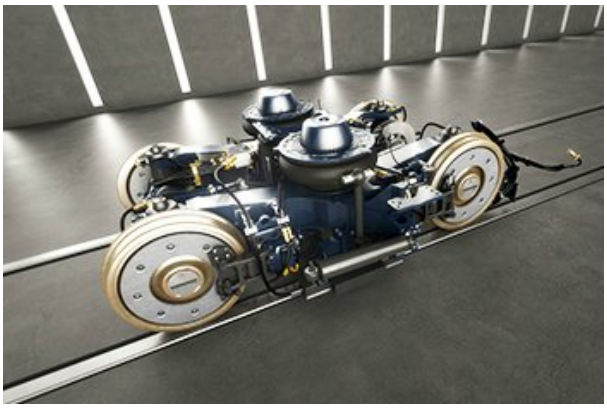
MITRAC converter

BOGIES

Application: Complete spectrum of bogies, which match the entire range of Bombardier vehicles.

Major products: *FLEXX* bogies portfolio including latest technologies: *FLEXX* Eco, *FLEXX* Urban, *FLEXX* Speed, *FLEXX* Power and the award-winning *WAKO* Technology

Key features: Advanced product technology and complete aftermarket services covering the full spectrum of rolling stock applications. Our track-friendly bogies are designed to ensure safe and smooth operation and reduce wheel and rail wear, minimizing operational costs and noise.



FLEXX bogie built in Siegen, Germany

MASS TRANSIT AND AIRPORT SYSTEMS

Application: Fully Automated People Mover (APM), metro, monorail and light rail systems.

Major products: *INNOVIA* APM 300 system, *INNOVIA* monorail 300 system, *MOVIA* metro system, *FLEXITY* tram system

Key features: Broad rolling stock portfolio for urban and airport applications that can be customized to provide a complete turnkey system solution. Strong track record for reliability and availability across 60 complete systems around the world.

INNOVIA APM system developed for LAX airport

MAINLINE SYSTEMS

Application: System solutions for intercity and high-speed applications covering medium- to long-distance operations.

Key features: Turnkey system approach to provide reliable rail systems for mainline applications featuring very high passenger comfort and safety standards. Highly experienced in systems integration and engineering.

MARKET SEGMENT: SIGNALLING

MASS TRANSIT SIGNALLING

Application: Rail control and signalling solutions for mass transit systems such as metros, light rail or APMs.

Major products: *CITYFLO* solution

Key features: Complete portfolio of solutions ranging from manual applications (GoA 0) to fully automated Communication-Based Train Control (GoA 4), which helps to increase infrastructure capacity and can be installed without interruption to service.

CITYFLO 650 solution in Kuala Lumpur

MAINLINE SIGNALLING

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

Major products: *INTERFLO* and *EBI* Cab Automatic Train Control onboard equipment

Key features: Complete portfolio of conventional signalling systems, which uses the European Rail Traffic Management System technology and is already functioning in several countries inside and outside of Europe.

INDUSTRIAL SIGNALLING

Application: Rail control and signalling solutions for the industrial sector, major application in the surface and sub-surface mining and industrial freight industries.

Major products: *INTERFLO* 150 solution

Key features: Innovative signalling system technologies used to increase transport capacity in a secure and cost effective manner. Our technology covers the whole process, enhancing not only the underground operation, but also the transfer of ore from the excavation site to the transportation hub.

OPTIFLO - SERVICE SOLUTIONS FOR SIGNALLING

Application: Comprehensive portfolio of services for mass transit, mainline and industrial sector rail infrastructure and signalling solutions.

Key features: Infrastructure management, technical support, cyber security assessment and other service solutions tailored to ensure the highest levels of availability and reliability as well as cost effective maintenance of rail control signalling solutions.

MARKET SEGMENT: SERVICES

MATERIAL SOLUTIONS

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

Key features: Advanced material supply solutions together with global engineering and purchasing power through global network of parts and components suppliers. Logistics capability to source and deliver what is needed, when needed, where needed.

FLEET MANAGEMENT

Application: Comprehensive portfolio of fleet and operations management services.

Key features: Robust and effective ‘back office’ solutions support rail operators in delivering their ‘front line’ service every day. Engineering expertise, whole life maintenance techniques and tools (ORBITA, AVIS, EMS, etc.) optimize availability, reliability, punctuality, safety and cost over the whole life cycle of the fleet. Broad experience in operations and maintenance of commuter and regional trains.

ASSET LIFE MANAGEMENT, COMPONENT RE-ENGINEERING AND OVERHAUL

Application: Upgrade, life extension and overhaul of rail vehicles and components.

Key features: Broad portfolio of system and component upgrades executed at our specialized facilities and customer sites. We leverage our engineering and supply chain strength to bring operational performance and whole life cost advantages.

OPERATIONS AND MAINTENANCE OF SYSTEMS

Application: Complete operations and maintenance (O&M) services for fully automated transit and mass transit systems.

Key features: Strong O&M experience in automated, driverless technologies, including APM, metro and monorail systems as well as fleet management solutions for urban and intercity transportation systems.

Workforce

Total number of employees

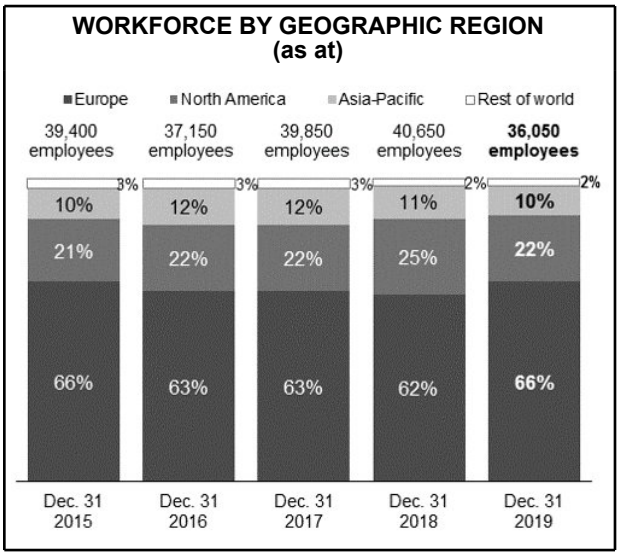
	As at December 31, 2019	As at December 31, 2018
Permanent[1]	**31,750**	35,050
Contractual	**4,300**	5,600
	36,050	40,650
Percentage of permanent employees covered by collective agreements	**66%**	62%

[1] Including 950 inactive employees as at December 31, 2019 (900 inactive employees as at December 31, 2018).

We continue to proceed with the deployment of our transformation initiatives with the goal of delivering increased value to customers and shareholders. These initiatives aim at improving productivity, setting up and exploring new partnerships and optimising our production and engineering worldwide footprint, while streamlining our administrative and non-production functions across the organization.

In 2019, the overall number of employees has decreased by 11%, or 4,600 employees, worldwide, as a result of these initiatives.

Both our permanent and our contractual workforce has decreased in all regions. While workforce in Europe decreased mostly as a result of optimisation and restructuring actions in line with our transformation plan, the decrease in our workforce in North America and Asia-Pacific also reflects the impact from ramp-down of production following the completion of some large contracts.



Our global incentive-based employee compensation rewards the collective and personal efforts of our employees in achieving our objectives, using performance indicator targets. At the end of 2019, a total of 2,100 employees worldwide, or 6.6% of permanent employees, were eligible to participate in the program. In 2019, as part of this program, incentive-based compensation was linked to the achievement of targeted results, based on adjusted EBIT and free cash flow.[1]

[1] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Annex 9.B. :

Analysis of the results of Bombardier Inc.'s Transportation segment
for the fiscal years ended 31 December 2018 and 2019:

Relevant excerpts of Bombardier Inc.'s Transportation Segment Management Report for the fiscal years ended 31 December 2018 and 2019

This MD&A includes forward-looking statements, which may involve, but are not limited to: statements with respect to our objectives, anticipations and outlook or guidance in respect of various financial and global metrics and sources of contribution thereto, targets, goals, priorities, market and strategies, financial position, market position, capabilities, competitive strengths, credit ratings, beliefs, prospects, plans, expectations, anticipations, estimates and intentions; general economic and business outlook, prospects and trends of an industry; expected growth in demand for products and services; growth strategy, including in the business aircraft aftermarket business; 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; expectations regarding progress and completion of challenging Transportation projects and the release of working capital therefrom within the anticipated timeframe; expectations regarding revenue and backlog mix; the expected impact of the legislative and regulatory environment and legal proceedings on our business and operations; strength of capital profile and balance sheet, creditworthiness, available liquidities and capital resources, expected financial requirements and ongoing review of strategic and financial alternatives; the introduction of productivity enhancements, operational efficiencies and restructuring initiatives and anticipated costs, intended benefits and timing thereof; the expected objectives and financial targets underlying our transformation plan and the timing and progress in execution thereof, including the anticipated business transition to growth cycle and cash generation; expectations and objectives regarding debt repayments and refinancing of bank facilities and maturities; and intentions and objectives for our programs, assets and operations. As it relates to the pursuit of a divestiture of our operations in Belfast and Morocco and the sale of the *CRJ* aircraft program (collectively, the Pending Transactions), this MD&A also contains forward-looking statements with respect to: the expected terms, conditions, and timing for completion thereof; the respective anticipated proceeds and use thereof and/or consideration therefor, related costs and expenses, as well as the anticipated benefits of such transactions and their expected impact on our outlook, guidance and targets, operations, infrastructure, opportunities, financial condition, business plan and overall strategy; and the fact that closing of these transactions will be conditioned on certain events occurring, including the receipt of necessary regulatory approvals.

Forward-looking statements can generally be identified by the use of forward-looking terminology such as “may”, “will”, “shall”, “can”, “expect”, “estimate”, “intend”, “anticipate”, “plan”, “foresee”, “believe”, “continue”, “maintain” or “align”, the negative of these terms, variations of them or similar terminology. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of our current objectives, strategic priorities, expectations, outlook and plans, and in obtaining a better understanding of our business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

By their nature, forward-looking statements require management 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 forecast results set forth in forward-looking statements. While management considers these assumptions to be reasonable and appropriate based on information currently available, there is risk that they may not be accurate. The assumptions underlying the forward-looking statements made in this MD&A in relation to the Pending Transactions discussed herein include the following material assumptions: the satisfaction of all closing conditions (including receipt of regulatory approvals on acceptable terms within commonly experienced time frames) and successful completion of such transactions within the anticipated timeframe, the realization of the intended benefits therefrom (including receipt of expected proceeds) within the anticipated timeframe. For additional information, including with respect to the other assumptions underlying the forward-looking statements made in this MD&A, refer to the Strategic Priorities and Guidance and forward-looking statements sections in applicable reportable segment.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, risks associated with general economic conditions, risks associated with our business environment (such as risks associated with “Brexit”, the financial condition of the airline industry, business aircraft customers, and the rail industry; trade policy; increased competition; political instability and force majeure events or global climate change), operational risks (such as risks related to developing new products and services; development of new business and awarding of new contracts; book-to-bill ratio and order backlog; the certification and homologation of products and services; fixed-price and fixed-term commitments and production and project execution, including challenges associated with

challenging Transportation projects and the risk that actions and initiatives undertaken by Transportation to move forward and complete such projects may not be successful, and the intended outcome and release of working capital therefrom not being realized, within the timeframe anticipated or at all; pressures on cash flows and capital expenditures based on project-cycle fluctuations and seasonality; risks associated with our ability to successfully implement and execute our strategy, transformation plan, productivity enhancements, operational efficiencies and restructuring initiatives; doing business with partners; inadequacy of cash planning and management and project funding; product performance warranty and casualty claim losses; regulatory and legal proceedings; environmental, health and safety risks; dependence on certain customers, contracts and suppliers; supply chain risks; human resources; reliance on information systems; reliance on and protection of intellectual property rights; reputation risks; risk management; tax matters; and adequacy of insurance coverage), financing risks (such as risks related to liquidity and access to capital markets; retirement benefit plan risk; exposure to credit risk; substantial existing debt and interest payment requirements; certain restrictive debt covenants and minimum cash levels; financing support provided for the benefit of certain customers; and reliance on government support), market risks (such as risks related to foreign currency fluctuations; changing interest rates; decreases in residual values; increases in commodity prices; and inflation rate fluctuations). For more details, see the Risks and uncertainties section in Other in this MD&A. With respect to the Pending Transactions discussed herein specifically, certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to: the failure to receive or delay in receiving regulatory approvals on acceptable terms or at all, or otherwise satisfy the conditions to the completion of these transactions or delay in completing, and uncertainty regarding the length of time required to complete, such transactions, and all or part of the intended benefits therefrom not being realized and the anticipated proceeds therefrom not being available to Bombardier within the anticipated timeframe, or at all; and alternate sources of funding that would be used to replace the anticipated proceeds from such transactions may not be available when needed, or on desirable terms. For more details, see the Risks and uncertainties section in Other in this MD&A.

Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements. Other risks and uncertainties not presently known to us or that we presently believe are not material could also cause actual results or events to differ materially from those expressed or implied in our forward-looking statements. The forward-looking statements set forth herein reflect management's expectations as at the date of this report 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.

NON-GAAP FINANCIAL MEASURES

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

Non-GAAP financial measures	
Adjusted EBIT[1]	EBIT excluding 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.
[redacted]	
Free cash flow (usage)	Cash flows from operating activities less net additions to PP&E and intangible assets.
[redacted]	

[1] Starting January 1, 2019, EBIT before special items and [redacted] are replaced with adjusted EBIT and [redacted], respectively. The definitions of both measures remain unchanged.

Non-GAAP financial measures are mainly derived from the consolidated financial statements but do not have standardized meanings prescribed by IFRS. The exclusion of certain items from non-GAAP performance measures does not imply that these items are necessarily non-recurring. Other entities in our industry may define the above measures differently than we do. In those cases, it may be difficult to compare the performance of those entities to ours based on these similarly-named non-GAAP measures.

Prior to the first quarter of fiscal year 2019, the Corporation reported non-GAAP measures labelled "EBIT before special items" and [redacted]. Beginning in the first quarter of fiscal year 2019, the Corporation changed the label of these non-GAAP measures to "adjusted EBIT" and [redacted], respectively, without making any change to the composition of these non-GAAP measures. The Corporation believes that this new label aligns better with broad market practice in its industry and better distinguishes these measures from the IFRS measurement "EBIT".

Adjusted EBIT, [redacted], [redacted] and [redacted]
Management uses adjusted EBIT, [redacted], [redacted] and [redacted] for purposes of evaluating underlying business performance. Management believes these non-GAAP earnings measures in addition to IFRS measures provide users of our Financial Report with enhanced understanding of our results and related trends and increases the transparency and clarity of the core results of our business. Adjusted EBIT, [redacted], [redacted] and [redacted] exclude items that do not reflect our core performance or where their exclusion will assist users in understanding our results for the period. For these reasons, a significant number of users of the MD&A analyze our results based on these financial measures. Management believes these measures help users of MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

Free cash flow (usage)
Free cash flow is defined as cash flows from operating activities less net additions to PP&E and intangible assets. Management believes that this non-GAAP cash flow measure provides investors with an important perspective on the Corporation's generation of cash available for shareholders, debt repayment, and acquisitions after making the capital investments required to support ongoing business operations and long-term value creation. This non-GAAP cash flow measure does not represent the residual cash flow available for discretionary expenditures as it excludes certain mandatory expenditures such as repayment of maturing debt. Management uses free cash flow as a measure to assess both business performance and overall liquidity generation.

HIGHLIGHTS

Improving the backlog while working through challenging legacy projects

RESULTS				
For the fiscal years ended December 31		**2019** [1]	2018	Variance
Revenues	**$**	**8,269**	$ 8,915	(7)%
Order intake (in billions of dollars)	**$**	**10.0**	$ 9.9	1 %
Book-to-bill ratio[2]		**1.2**	1.1	0.1
[redacted]				
Adjusted EBIT[3][4]	**$**	**70**	$ 750	(91)%
Adjusted EBIT margin[3][4]		**0.8%**	8.4%	(760) bps
EBIT[3]	**$**	**22**	$ 774	(97)%
EBIT margin[3]		**0.3%**	8.7%	(840) bps
Net additions to PP&E and intangible assets	**$**	**157**	$ 108	45 %
As at December 31		**2019**	2018	Variance
Order backlog (in billions of dollars)	**$**	**35.8**	$ 34.5	4 %

[1] Refer to Note 3 - Changes in accounting policies in our Consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
[2] Ratio of new orders over revenues.
[3] Including share of income from joint ventures and associates amounting to $94 million for the fiscal year ended December 31, 2019 ($111 million for the fiscal year ended December 31, 2018).
[4] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section for reconciliations to the most comparable IFRS measures.

KEY HIGHLIGHTS AND EVENTS

Full-year financial results reflect actions and initiatives undertaken to move forward and complete challenging projects

- During the past year, Transportation continued to progress through its turnaround, by re-synchronizing production and resetting certain project delivery schedules, while also investing to support in-service reliability improvements and funding additional manufacturing and engineering capacity. The higher than anticipated cost to implement these initiatives and to address late-stage legacy projects, mainly concentrated in the U.K., Switzerland and Germany, led to lower earnings and [redacted][1] for the segment.
    - Over $500 million in contract estimate changes embedded in 2019 earnings
- Completed delivery of several large legacy projects, including Metropolitan Transportation Authority (MTA) in New York City, Crossrail in the U.K. and Toronto Transit Commission (TTC) in Toronto.
- As Transportation exited the year, progress was also made in achieving key milestones on other major projects, including significant in-service reliability improvement on Swiss Federal Railways (SBB) in Switzerland and the homologation of the multi-unit software for LoTrain in the U.K., paving the way for the delivery of trains on this project and subsequent *AVENTRA* contracts in the U.K.

Backlog Improvement Positions for Stronger Financial Results

- Transportation continued to grow and improve the quality of its backlog with $10.0 billion in new orders, and a book-to-bill ratio[2] of 1.2 for the year. Backlog reached $35.8 billion at year end.
- Approximately 70% of 2019 orders coming from service contracts, signalling projects and options on rolling stock projects, carrying lower execution risk. Backlog share of services and signalling contracts increased to 48% (42% a year ago).

[1] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric and the Analysis of results section for reconciliations to the most comparable IFRS measure.
[2] Ratio of new orders over revenues.

Focused on Stronger Project Execution to Drive Sustainable Financial Performance

- Appointment of Danny Di Perna as President, Bombardier Transportation, in February 2019 strengthened focus on customer relationships and disciplined project execution.
    - Strengthened Transportation's leadership team with appointments of new Head of Engineering and new Regional Presidents to better deliver on customer commitments.
- Clear management priorities - focus on significant production ramp-up in the U.K. and France, reliability in Germany, settlement of claims and acceptance of trains on the SBB project in Switzerland, and continuing to drive efficiency across the organization.

CDPQ Investments in Transportation

- Transportation's results for 2019 did not reach the performance targets underlying CDPQ's investment in BT Holdco. Accordingly, for the 12-month period starting on February 12, 2020, Bombardier's percentage of ownership on conversion of CDPQ's shares will decrease by 2.5%, to 67.5%; and the preference return entitlement rate on liquidation of its shares will increase from 9.5% to 12.0% for this period. Any dividends paid by BT Holdco to its shareholders during this period will be distributed on the basis of each shareholder's percentage of ownership upon conversion, being 67.5% for Bombardier and 32.5% for CDPQ. [redacted]

ANALYSIS OF RESULTS

Results of operations

	Fiscal years ended December 31	
	2019 [1]	2018
Revenues		
Rolling stock and systems[2]	**$ 5,192**	$ 5,844
Services[3]	**2,140**	2,096
Signalling[4]	**937**	975
Total revenues	**$ 8,269**	$ 8,915
Amortization	**139**	101
Impairment charge on PP&E and intangible assets	**3**	—
Adjusted EBIT[5][6]	**70**	750
Special items	**48**	(24)
EBIT[5]	**$ 22**	$ 774
Adjusted EBIT margin[5][6]	**0.8%**	8.4%
EBIT margin	**0.3%**	8.7%

(1) Refer to Note 3 - Changes in accounting policies in our Consolidated financial statements, for the impact of the adoption of IFRS 16, *Leases*. Under the modified retrospective approach adopted by the Corporation, 2018 figures are not restated.
(2) Comprised of revenues from light rail vehicles, metros, commuter and regional trains, intercity trains, high-speed and very high-speed trains, locomotives, propulsion and controls, bogies, mass transit and airport systems, and mainline systems.
(3) Comprised of revenues from fleet management, asset life management, component re-engineering and overhaul, material solutions, and operations and maintenance of systems.
(4) Comprised of signalling revenues from mass transit, mainline, industrial and *OPTIFLO* service solutions.
(5) Including share of income from joint ventures and associates amounting to and $94 million, respectively, for and fiscal year ended December 31, 2019 (and $111 million for and fiscal year ended December 31, 2018).
(6) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section for reconciliations to the most comparable IFRS measures.

Revenues by geographic region

	Fiscal years ended December 31			
	2019		2018	
Europe[1]	**$ 4,929**	**59%**	$ 5,522	62%
North America	**1,955**	**24%**	1,757	20%
Asia-Pacific[1]	**986**	**12%**	1,137	13%
Rest of World[1][2]	**399**	**5%**	499	5%
	$ 8,269	**100%**	$ 8,915	100%

(1) The decreases in Europe in the and fiscal year ended December 31, 2019 reflect negative currency impacts of and $289 million, respectively. The decreases in Asia-Pacific and in the Rest of World region in the fiscal year reflect negative currency impacts of $43 million and $13 million, respectively.
(2) The Rest of World region includes South America, Central America, Africa, the Middle East and the CIS.

Revenues

Total revenues for the fiscal year ended December 31, 2019 have decreased by $646 million, respectively, compared to the same periods last fiscal year. Excluding a negative currency impacts and $345 million for the fiscal year, , while revenues for the fiscal year have decreased by $301 million, or 3%, compared to the same periods last fiscal year.

The $301-million decrease excluding currency impact for the fiscal year is mainly explained by:

- revised estimates on certain contracts in the U.K., Switzerland and Germany that negatively affect revenues of rolling stock in Europe in the current year; and
- lower activities in rolling stock and systems mostly due to some contracts nearing completion. The affected contracts mainly relate to commuter and regional trains in Europe and Asia-Pacific, mass transit systems in the Rest of World region and Asia-Pacific, and intercity trains, very high-speed trains, LRVs and APMs in Europe. The lower activities in Europe and Asia-Pacific are partially offset by ramp-up in production related to some metro contracts.

Partially offset by:

- higher activities in services in Europe, North America and Asia-Pacific; and
- higher activities in rolling stock and systems in North America, mostly due to ramp-up in production related to some LRV and metro contracts, partially offset by some APM contracts nearing completion.

Special items

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

The special items recorded as losses (gains) in EBIT were as follows:

	Ref		Fiscal years ended December 31	
			2019	2018
Restructuring charges	1		**$ 48**	$ 10
Impairment of non-core operations	2		**—**	17
Purchase of pension annuities	3		**—**	12
Pension equalization	4		**—**	3
Gains on disposal of PP&E under sale and leaseback transactions	5		**—**	(66)
			$ 48	$ (24)
EBIT margin impact			**(0.5)%**	0.3%

1. Represents severance charges related to previously-announced restructuring actions of $61 million for the fiscal year ended December 31, 2019, partially offset by curtailment gains of $5 million and reversals of previously-recorded asset write-downs of $8 million recognized in previous quarters.

   For the fiscal year ended December 31, 2018, represents severance charges of $6 million and asset write-downs of $8 million, partially offset by curtailment gains of $4 million, all related to previously-announced restructuring actions.

2. Represents an impairment charge related to non-core operations with respect to the sale of legal entities as part of our transformation plan.

3. Represents the non-cash loss on the settlement of defined benefit pension plans resulting from the purchase of annuities with insurance companies. As part of its ongoing de-risking strategies, the Corporation has an initiative for the buy-out of annuities payable to pensioners or deferred pensioners for certain plans to the extent they are fully funded on a buy-out basis, subject to compliance with certain conditions including applicable pension legislations.

4. On October 26, 2018, the High Court in the United Kingdom ruled that pension schemes must equalize for the effect of unequal Guaranteed Minimum Pensions between male and female for benefits earned during specified periods ("GMP equalization"). The Corporation estimated the impact of the ruling on its pension plans and recognized an additional obligation of $3 million for the fourth quarter and the fiscal year ended December 31, 2018. The one-time P&L impact was recognized in the fourth quarter of 2018 as a past service cost under IAS 19 - Employee Benefits.

5. Represents the impact from sale and leaseback of two facilities in line with our transformation plan.

EBIT margin

[redacted]

The adjusted EBIT margin[1] for the fiscal year decreased by 7.6 percentage points, mainly as a result of:

- lower margin in rolling stock and systems, mainly due to revised estimates on certain contracts in the U.K., Switzerland and Germany in the fourth quarter;
- lower margin in signalling, mainly due to revised estimates on certain contracts; and
- higher R&D expenses.

Partially offset by:

- a positive impact of a pension amendment related to past service recorded in the first quarter of 2019; and
- higher margin in services, mainly due to a positive impact from revised estimates on certain contracts.

Including the impact of special items (see explanation of special items above), the EBIT margin for the fiscal year decreased by 8.4 percentage points, compared to the same period last year.

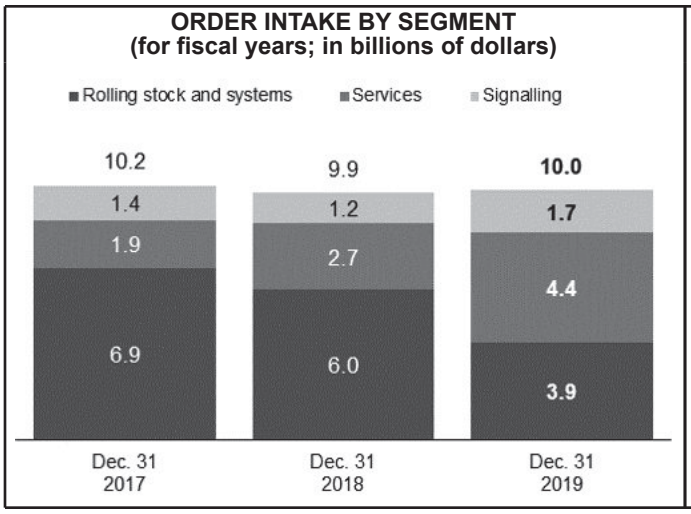
[1] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric.

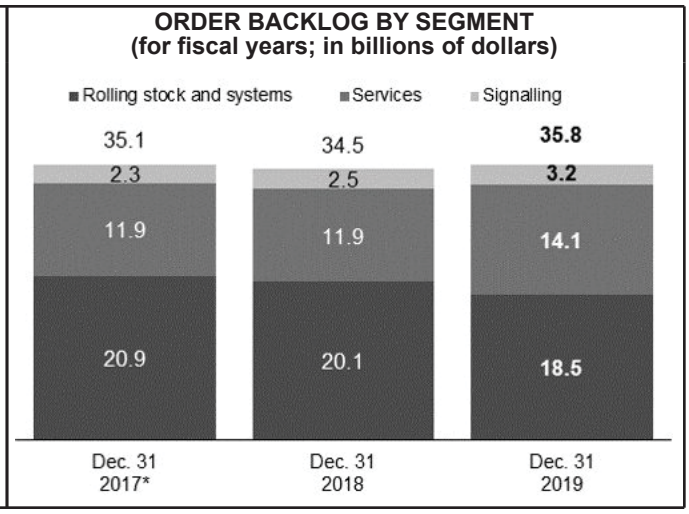
Significant orders in 2019 for all segments resulting in book-to-bill of 1.2

Order backlog

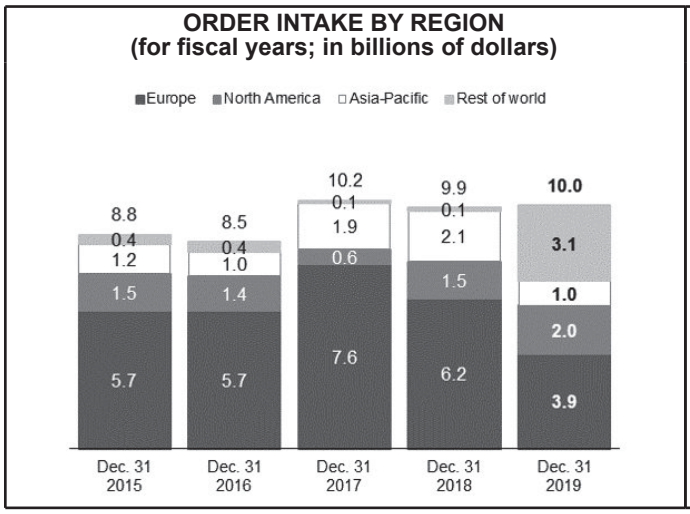
(in billions of dollars)	[redacted]	Fiscal years ended December 31			
			2019		2018
Balance at the beginning of period		**$**	**34.5**	$	35.1 [1]
Order intake			**10.0**	$	9.9
Revenues			**(8.3)**	$	(8.9)
Foreign currency impact and other adjustments			**(0.4)**	$	(1.6)
Balance at the end of period		**$**	**35.8**	$	34.5
Book-to-bill ratio[2]			**1.2**		1.1

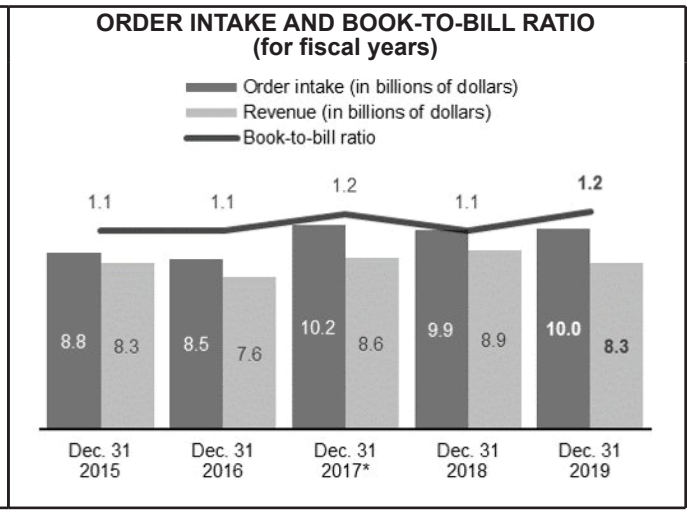
[1] Backlog as at December 31, 2017 was restated due to the adoption of IFRS 15, *Revenue from contracts with customers*.
[2] Ratio of new orders over revenues.





* Backlog as at December 31, 2017 was restated due to the adoption of IFRS 15, *Revenue from contracts with customers*.





* 2017 revenue was restated during fiscal year ended 31 December 2018 due to the adoption of IFRS 15, *Revenue from contracts with customers.*

We have obtained several significant orders during the year which resulted in a book-to-bill ratio[(1)] of 1.2. The contribution of services and signalling to our order intake has increased over the past three years from 32% in fiscal year ended December 31, 2017, to 61% in fiscal year ended December 31, 2019, improving the quality of our backlog. We maintained a leading position[(2)] in our relevant and accessible rail market[(3)] with a cumulative order intake of $30.1 billion over the past three years, including a higher share of orders in the Rest of World region, mostly driven by the contract signed with National Authority of Tunnels (NAT) in Cairo, Egypt, in the third quarter of 2019.

(1) Ratio of new orders over revenues.
(2) Based on a rolling 36-month order intake with latest data published by companies publishing order intake for at least 36 months.
(3) Our relevant and accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition, and excluding the infrastructure, freight wagon and shunter segments.

The significant orders obtained during the fiscal year ended December 31, 2019 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value [1]
Fourth quarter					
Port Authority of New York and New Jersey (PANYNJ)	U.S.	Extension of operations and maintenance (O&M) services	N/A	Services	$ 309
Régie Autonome des Transports Parisiens (RATP), on behalf of Île-de-France Mobilités	France	Metro cars	105	Rolling stock and systems	$ 280 [2]
Transport for London (TfL)	U.K.	Extension of Train Services Agreement	N/A	Services	$ 240
FirstGroup and Trenitalia	U.K.	Train Services Agreement	N/A	Services	$ 154
Third quarter					
National Authority for Tunnels (NAT)	Egypt	*INNOVIA* 300 Monorail system and trains, *CITYFLO* 650 signalling and automatic train control technology and O&M services	280	Rolling stock and systems, Signalling, and Services	$ 2,640 [3]
Undisclosed	Asia-Pacific	Undisclosed	N/A	Rolling stock and systems	$ 247
Undisclosed	North America	Undisclosed	N/A	Services	$ 247
Dresdner Verkehrsbetriebe (DVB)	Germany	*FLEXITY* trams, *FlexCare* maintenance management system and Obstacle Detection	30	Rolling stock and systems, and Services	$ 219
Abellio UK and Eversholt Rail Ltd.	U.K.	Train Services Agreement	N/A	Services	$ 161
Undisclosed	Europe	Undisclosed	N/A	Services	$ 106
Undisclosed	North America	Undisclosed	N/A	Rolling stock and systems	$ 104
Second quarter					
Trenitalia	Italy	Frecciarossa 1000 very high-speed trains (derived from V300*ZEFIRO* platform) and related maintenance services	112	Rolling stock and systems, and Services	$ 261 [4]
City and County of San Francisco	U.S.	O&M services for *INNOVIA* Automated People Mover (APM) 100 system	N/A	Services	$ 220
Israel Railways (ISR)	Israel	Exercise of a call-off for *TWINDEXX* Vario double-deck coaches	74	Rolling stock and systems	$ 166
Undisclosed	Asia-Pacific	Undisclosed	N/A	Rolling stock and systems	$ 101
First quarter					
New Jersey Transit Corporation (NJ TRANSIT)	U.S.	Multilevel III commuter rail cars	113	Rolling stock and systems	$ 669
Queensland Government	Australia	Modifications and redesign of the New Generation Rollingstock (NGR) trains and related maintenance services	N/A	Rolling stock and systems, and Services	$ 255
Eurotunnel	France	Refurbishment services of nine passenger shuttle trains	N/A	Services	$ 171

[1] Contract values exclude price escalation.
[2] Contract signed as part of a consortium with Alstom. The total contract is valued at $593 million, and only our share of the contract is stated above.
[3] Contract signed as part of a consortium with Orascom Construction PLC and Arab Contractors. The total contract is valued at $4.16 billion, and only our share of the contract is stated above.
[4] Contract signed in partnership with Hitachi Rail SpA. The total contract is valued at $643 million, and only our share of the contract is stated above.

During the fourth quarter and fiscal year ended December 31, 2019, the following significant order was awarded to our joint venture, which is not included in our backlog since it is a joint venture:

- Our Chinese joint venture Bombardier Sifang (Qingdao) Transportation Ltd. (BST), in which we own 50% of the shares and which is consolidated by our partner CRRC Sifang Rolling Stock Co. Ltd., was awarded a contract for the supply of 160 CR400AF new Chinese standard high-speed train cars from China State Railway Group Co. Ltd., China, valued at $427 million.

Subsequent to the end of the fiscal year, our Chinese joint venture BST, in which we own 50% of the shares and which is consolidated by our partner CRRC Sifang Rolling Stock Co. Ltd., was awarded a contract to provide maintenance services for 656 high-speed train cars from China State Railway Group Co. Ltd., China, valued at $357 million. This order is not included in our backlog since it is a joint venture.

RISKS AND UNCERTAINTIES

We operate in industry segments which present a variety of risk factors and uncertainties. The risks and uncertainties described below are those that we currently believe could materially affect our business activities, financial condition, cash flows, results of operations and reputation, but are not necessarily the only risks and uncertainties that we face. If any of these risks, or any additional risks and uncertainties presently unknown to us or that we currently consider as being not material, actually occur or become material risks, our business activities, financial condition, cash flows, results of operations and reputation could be materially adversely affected.

OPERATIONAL RISK	Operational risk is the risk of potential loss due to the nature of our operations. Sources of operational risk include development of new products and services, development of new business and awarding of new contracts, book-to-bill ratio and order backlog, and the complexity of obtaining certification and homologation of products and services. In addition, the large and complex projects that are characteristic of our businesses are often structured as fixed-price contracts and thus exposed to production and project execution risks. Furthermore, our cash flows are subject to pressures based on project-cycle fluctuations and seasonality and our businesses are capital intensive, which require that we regularly incur significant capital expenditures and investment over multi-year periods prior to realizing cash flows under a project. Other sources of operational risk include our ability to successfully implement our strategy and transformation plan, productivity enhancements, operational efficiencies and restructuring initiatives, and actions of business partners, our ability to move forward and complete challenging Transportation projects and release working capital therefrom within the timeframe anticipated, product performance warranty and casualty claim losses, the use of estimates and judgments in accounting, regulatory and legal conditions, environmental, health and safety issues, as well as dependence on customers and contracts, suppliers (including supply chain management) and human resources. We are also subject to risks related to reliance on information systems, reliance on and protection of intellectual property rights, reputation risks, risks of impairments and asset write-downs, risk management, tax matters and adequacy of insurance coverage.
FINANCING RISK	Financing risk is the risk of potential loss due to the liquidity of our financial assets including counterparty credit risk, access to capital markets, restrictive debt covenants, financing support provided for the benefit of certain customers and government support.
GENERAL ECONOMIC RISK	General economic risk is the risk of potential loss due to unfavourable economic conditions. These factors include, but are not limited to, government budget compression, reduced levels of public and private capital expenditures, declining business confidence, political and economic pressures, including those arising from increasing government deficits and sovereign debt overruns, and crises in the credit markets.
BUSINESS ENVIRONMENT RISK	Business environment risk is the risk of potential loss due to external risk factors. These factors may include the financial condition of the airline industry (including scope clauses in pilot union agreements restricting the operation of smaller jetliners by major airlines or by their regional affiliates) and business aircraft customers, the financial condition of the rail industry, trade policy, as well as increased competition from other businesses including new entrants in market segments in which we compete. In addition, political instability and force majeure events such as acts of terrorism, global climate change, global health risks, 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.
MARKET RISK	Market risk is the risk of potential loss due to adverse movements in market factors including foreign currency fluctuations, changing interest rates, decreases in residual values of assets, increases in commodity prices and inflation rate fluctuations.

Operational risk

Delays in achieving technical milestones and execution of production ramp-up on certain Transportation projects resulted in charges in the fourth quarter of 2019; while the Corporation has undertaken actions and initiatives to move forward and complete such projects (including having entered into commercial negotiations with customers to reset schedules, resolve late delivery penalties, and address related provisions and costs), there can be no assurances that it will be successful in these negotiations, or that the outcome of any such actions, initiatives or negotiations will have the intended effect, within the anticipated timeframe or at all. The timing of cash inflows from milestone payments on large Transportation projects and the later-than-anticipated closing of certain orders and call-offs resulted in lower-than-anticipated free cash flow for the fourth quarter of 2019; there can be no assurance that the free cash flow shortfall will be recovered, in part or at all, in 2020 or later, or that free cash flow shortfalls will not be incurred again in the future; moreover, any recovery will be offset by the cash flow impact of

the incremental costs recognized in the fourth quarter adjustments at Transportation. Transportation's ability to move forward and complete such challenging projects within the anticipated timeframe is key to return to stronger financial performance. Any subsequent failure by Transportation to meet delivery or other contractual schedules or performance requirements or to execute projects efficiently may increase the volatility and unpredictability of revenue and profitability.

The Pending Transactions may be delayed or may not be completed

Completion of each of the Pending Transactions is subject to the receipt of required regulatory approvals. There is no certainty, nor can the Corporation provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

A substantial delay in obtaining regulatory or other approvals or the imposition of unfavourable terms or conditions in the approvals could have a material adverse effect on the Corporation's ability to complete the relevant Pending Transactions. If closing of any of the Pending Transactions does not take place as contemplated, the Corporation could suffer adverse consequences on its business, financial condition or results of operations, including the loss of investor confidence in connection with the Corporation's ability to execute its strategic plan. In addition, failure to complete any of the Pending Transactions for any reason could materially negatively impact the market price of the Corporation's securities.

If one or more Pending Transactions are not completed, we may undertake various other financing initiatives intended to solidify our liquidity position, and we plan to continue to explore various initiatives such as certain business activities' potential participation in industry consolidation to strengthen our balance sheet and enhance shareholder value.

Developing new products and services

Changes resulting from global trends such as climate change, volatile fuel prices, the growth of developing markets, urbanization, population growth and demographic factors influence customer demands in our main aerospace and rail transportation markets. To remain competitive and meet customers' needs, we are required to anticipate these changes and must continuously develop and design new products, improve existing products and services and invest in and develop new technologies. Introducing new products or technologies requires a significant commitment to R&D investment, including maintaining a significant level of highly skilled employees.

Furthermore, our investments in new products or technologies may or may not be successful. Our results may be impacted if we invest in products that are not accepted in the marketplace, if customer demand or preferences change, if new products are not approved by regulatory authorities (or if we fail to design or obtain homologation or accreditation for new products or technologies), are not brought to market in a timely manner, in particular, as compared to our competitors, or if our products become obsolete. We may incur cost overruns in developing new products and there is the risk that our products will not meet performance specifications to which we have committed to customers.

Our results could also be negatively impacted if we fail to design or obtain accreditation for new technologies and platforms on budget and in a timely manner. Further, our long-term growth, competitiveness and continued profitability are dependent on our ability to anticipate and adapt to changes in markets and to reduce the costs of producing high-quality, new and existing products, to continue to develop our product mix and to align our global presence with worldwide market opportunities.

In a highly competitive environment, we are and will remain exposed to the risk that more innovative or more competitive products, services or technologies are developed by competitors or introduced on the market more quickly or that the products we develop are not accepted by the market.

Business development and awarding of new contracts

Our businesses are dependent on obtaining new orders and customers, thus continuously replenishing our order backlog. Our results may also be negatively impacted if we are unable to effectively execute strategies to gain access to new markets, capture growth or successfully establish roots in new markets. Although we have developed and continue to develop our presence in many geographic markets, access to certain markets can prove to be difficult to secure, particularly if there is a local competitor benefiting from a stronghold in its home market. These types of situations could put us in an unfavourable position relative to some of our competitors and present challenges to our strategy and competitive strength in those zones.

In addition, fluctuating demand cycles are common in the industries in which we operate and can have a significant impact on the degree of competition for available projects and the awarding of new contracts. As such, fluctuations in demand or the ability of the private and/or public sector to fund projects in a depressed economic climate could adversely affect the awarding of new contracts and margin and thus our financial results.

A substantial portion of our revenue and profitability is generated from large-scale project awards. The timing of when project awards will be made is unpredictable and outside of our control. We operate in highly competitive markets where it is difficult to predict whether and when we will receive awards since these awards and projects often involve complex and lengthy negotiations and bidding processes. These processes can be impacted by a wide variety of factors including governmental approvals, financing contingencies, commodity prices, environmental conditions and overall market and economic conditions. In addition, we may not win contracts that we have bid upon due to price, a customer's perception of our reputation, ability to perform and/or perceived technology or other advantages held by competitors. Our competitors may be more inclined to take greater or unusual risks or accept terms and conditions in a contract that we might not otherwise deem market or acceptable. Furthermore, we may incur significant costs in order to bid on certain projects that may not be awarded to us, thus resulting in expenses that did not generate any profit for us.

Our estimates of future performance depend on, among other matters, whether and when we receive certain new contracts, including the extent to which we utilize our workforce. The rate at which we utilize our workforce is impacted by a variety of factors including: our ability to manage attrition; our ability to forecast our need for services which in turn allows us to maintain an appropriately sized workforce; our ability to transition employees from completed projects to new projects or between internal business groups; and our need to devote resources to activities such as training or business development. While our estimates are based upon our good faith judgment, these estimates can be unreliable and may frequently change based on newly available information. In the case of large-scale projects where timing is often uncertain, it is particularly difficult to predict whether and when we will receive a contract award. The uncertainty of contract award timing can present difficulties in matching our workforce size with our contract needs. If an expected contract award is delayed or not received, or if an ongoing contract is cancelled, we could incur costs resulting from reductions in staff or redundancy of facilities that would have the effect of reducing our operational efficiency, margins and profits.

Our order book-to-bill ratio and our order backlog may not be indicative of future revenues

Our book-to-bill ratio, which we define as new orders over revenues or units delivered, is an indicator that we use to track potential future revenues. Backlog represents management’s estimate of the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at December 31, 2019 as we perform under contracts at delivery or over time. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. Backlog does not include constrained variable consideration, unexercised options or letters of intent. However, the realization of revenues from new orders is based on certain assumptions, including the assumption that our relevant contracts will be performed in full in accordance with their terms and applicable construction and technical standards. The termination, modification, delay, suspension or reduction in scope of any one or more major contracts may have a material and adverse effect on future revenues and profitability. We cannot guarantee that the revenues initially anticipated in our new orders will be realized in full, in a timely manner, or at all, or that, even if realized, such revenues will result in profits or cash generation as expected, and any shortfall may be significant. The materialisation of any of the risks described above could have a material adverse effect on our business, financial condition, cash flows and results of operations.

In addition, many of our contracts contain “termination for convenience” provisions, which permit the customer terminate or cancel the contract at its convenience upon providing us with notice a specified period of time before the termination date and/or paying us equitable compensation, depending on the specific contract terms. In the event a significant number of customers were to avail themselves of such “termination for convenience” provisions, or if one or more significant contracts were terminated for convenience, our reported backlog would be adversely affected with a corresponding adverse impact on expected future revenues and profitability.

Certification and homologation process

We are subject to stringent certification and approval requirements, as well as to the ability of regulatory bodies to perform these assessments on a timely basis, which vary by country and can delay the certification of our products. Non-compliance with current or future regulatory requirements imposed by Transport Canada (TC), [redacted] the Transport Safety Institute in the U.S. or other regulatory authorities could result in service interruption of our products, fewer sales or slower deliveries, an unplanned build-up of inventories, reduction in inventory values or impairment of assets.

The marketing and EIS of our rail products require compliance with rail transportation security standards that differ widely at the global level and are governed by various relevant regulatory authorities. This creates a complex process for securing the homologation of trains. The process for securing the homologation of trains is highly involved and may take longer and be more costly than initially anticipated due to the extent of testing and other supporting technical elements required by the relevant authorities, which elements may change over time. Our contracts increasingly include language that requires us to bear the risks and obligations associated with the homologation process, including risks relating to changes in law or regulation or the interpretation or application of regulations in respect of homologation.

Delays caused by the homologation process, or increased engineering or production costs relating to homologation, may lead to delays in our ability to deliver our products and complete our contracts, as well as contract cost overruns relative to our estimates and models and the payment of significant penalties or damages, service interruptions affecting the products, or even the risk of cancellation of all or a portion of the contract in extreme cases of prolonged delays. There can be no assurance regarding the time frame required for obtaining certification or homologation.

Fixed-price and fixed-term commitments and production and project execution

We have historically offered, and expect to continue to offer, a significant portion of our products through pre-agreed fixed-price contracts with a stipulated delivery schedule, rather than contracts under which payment is determined solely on a time-and-material basis. The revenue, cash flow and profitability of large, complex, long-term projects vary significantly in accordance with the progress of the project and depend on a variety of factors, some of which are beyond our control. Generally, we cannot terminate contracts unilaterally.
We are exposed to risks associated with these fixed-price contracts, including specification modifications and change orders demanded by customers, increasing regulatory requirements in relation to certification or homologation, unexpected technological problems, difficulties with partners, subcontractors and suppliers, logistical difficulties and other execution issues that could lead to cost and time overruns, late delivery penalties and liquidated damages payments, postponement or delays in contract execution or delays in receiving milestone payments. In the context of large, complex, long-term contracts, such overruns and issues can be material in terms of cost and time, may lead to restructuring of milestones and milestone payments, withholding of payment by customers or risk of cancellation of all or a portion of contract by the customer, and may have a material adverse impact on our business, results, cash flows, financial position and reputation. In addition, many of our contracts contain requirements to comply with mandatory performance levels for the equipment we deliver or a fixed delivery schedule. If we are unable to comply with these obligations, our clients could request the payment of contractual penalties, or terminate the contract in question, or even claim compensation. The profit margins generated by some of these contracts can, as a result, prove to be lower than those initially projected, or even be zero-margin or loss-making contracts.

Operational challenges impacting the production system for one or more of our programs could result in production delays and/or failure to meet customer demands, which would adversely affect our revenues and margins. Our production systems are extremely complex. Operational issues, including delays or defects in supplier components, failure to meet internal performance plans, or delays or failures to achieve required regulatory certifications or homologations, could result in significant out-of-sequence work and increased production costs, as well as delayed deliveries to customers, impacts to product performance and/or increased warranty or support costs. We may also incur late delivery penalties if we are unable to increase production rates sufficiently quickly to meet our commitments.

Moreover, due to the nature of the bidding process, long-term contract revenues are based, in part, on significant judgments and cost estimates. Our estimates of the costs for completing a project are subject to a number of assumptions, including future economic conditions, cost and availability of labour and raw materials, labour productivity, employment levels and salaries, facility utilization rates, inflation rates, foreign exchange rates and construction and technical standards to be applied to the project, and are influenced by the nature and complexity of the work to be performed. Due to the complexity and the length of many of the projects in which we participate, the actual investment, costs and productivity may differ materially from what we had initially modelled or anticipated. Because of the significance of our judgments and estimates described above, materially different revenues and profit margins could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances or estimates may adversely affect our future period financial performance.

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. However, the third-party advance providers could request repayment of these amounts if Transportation fails to perform its contractual obligations, such as delivery by a specified date. In such a case, there can be no assurance that Transportation will be successful in negotiating an extension with third-party advance providers. These repayment obligations are secured by external guarantees.

In addition, many of our long-term contracts are signed with customers that are governmental or quasi-public entities. These types of customers require that we comply with project bidding and open market specifications, which may limit our ability to negotiate certain contractual terms and conditions and can force us to accept less favourable conditions. For example, customers may require manufacturers to bear an increasing proportion of the homologation regulatory risk, may insist on payment schedules that reduce or eliminate advance payments or that lead to negative cash-flow during the execution of a project, and may require mandatory technical performance levels and requirements associated with the issuance of parent company guarantees and bonds. For the most part, our rail transportation business is subject to public procurement protocols, which often take the form of adherence contracts that cannot be amended in any meaningful sense, causing bidders to risk disqualification if they attempt to reflect contingencies or special considerations in their offers. Moreover, public procurement protocols often feature specifications that are subject to numerous change orders, which may result in disputes regarding allocation of costs in respect of such change orders or specification modifications. These particularities could potentially expose our business to significant additional risks or costs that could adversely affect the profitability of our projects.

Additionally, for certain projects, contracts in our rail transportation business impose manufacturing or purchasing requirements in the countries in which the project is being executed. Such contracts may require us to build local production capacities, partner with local entities, and/or secure third-party purchases from local suppliers. Such terms and conditions can lead to pressures on costs, target volumes and execution.

Cash flows and capital expenditures

Our businesses are cyclical and highly capital intensive due to their nature. In the ordinary course of our business, the structure and duration of many of our complex, long-term projects and product development programs require us to invest significantly in engineering, development and production for many years before deliveries are made and the product begins to generate cash flow. In addition, we are regularly required to incur capital expenditures in order to, among other matters, maintain equipment, increase operating efficiency, develop and design new products, improve existing products and services, invest in and develop new technologies and maintain a

significant level of highly skilled employees. Our ability to negotiate and collect customer advances and progress payments is therefore an important element of our cash flow and working capital management. However, intense competition in the markets in which we operate and demands by customers in the current economic environment have resulted in fewer and lower advance payments, which could place significant financial pressures on our operations. Discrepancies between our disbursements and amounts received on orders placed, or even any reduction in the overall volume of orders placed or a deterioration of the payment terms on these orders has an automatic adverse impact on the evolution in working capital requirements and results of operations.

Seasonality and cyclicality of financial results

Our cash flows are, to a certain degree, subject to periodic fluctuations and we expect a disproportionate amount of our cash flows from operations to be received or paid by us during our third and fourth quarter, and frequently in the last weeks of a given quarter. We expect this trend to continue. While the payment terms with certain of our vendors extend beyond the amount of time necessary to collect proceeds from our customers, no assurance can be given that we will be able to maintain such terms. As a result of fourth quarter cash receipts, at December 31 of each year, our cash and cash equivalents balances typically reach their highest level (other than as a result of cash flows provided by or used in investing and financing activities). Our interim and annual results can be affected by these periodic fluctuations, including as a result of timing variations that could push cash flows from one quarter to another.

Because a significant portion of our revenue is generated from large, complex, long-term projects with sculpted milestone payments, our results of operations can fluctuate significantly from quarter to quarter and year to year depending on whether and when project awards occur and the commencement and progress of work under awarded contracts. In addition, our customers may demand specification modifications, or change orders, milestones, milestone payments or delivery schedules. Given the cyclical nature of the industries in which we operate, our financial results, like others in such industries, may be impacted in any given period by a wide variety of factors beyond our control, and as a result there may, from time to time, be significant and unpredictable variations in our quarterly and annual financial results such that any historical results should not be considered indicative of the results to be expected for any future period.

Deployment and execution of strategic initiatives related to cost reductions and working capital improvement

In 2015, the Corporation launched its five-year turnaround plan focusing on three priorities: improve cash generation, reduce costs and drive performance. As with any large, company-wide transformation there are inherent risks in the timing of the deployment and in the planned value to be achieved. In early 2020, consistent with this plan, and following a comprehensive review of strategic alternatives, the Corporation indicated it was actively pursuing options to strengthen its balance sheet and enhance shareholder value. The timing and magnitude of the specific initiatives and associated benefits, if any, could be affected by a multitude of external and internal factors including, but not limited to: the evolution of the demands and requirements of our businesses, variations in planned production volumes and schedules, the outcome of negotiations with suppliers and unions, changing legislation, changes in socio-economic conditions in the countries in which we operate, evolutions in the labour market for key talent, and changes in the priorities of the business. There can be no assurance that these initiatives, or other initiatives, will enable us to reach our objectives, or that any such measures will be implemented successfully or within the set time frame. A failure to successfully implement our strategy and transformation initiatives, or if such measures prove insufficient, could have a material adverse impact on our business activities, financial condition, profitability and outlook.

We may not be able to successfully execute our manufacturing strategy and productivity enhancement initiatives

One of the priorities of the strategic plan and transformation initiatives established by management consists of sustained efforts in the areas of cost reduction and productivity enhancement / operational efficiencies. This priority aims in part at leveraging the strength of our engineering and manufacturing centres of excellence. In addition, our cost reduction and operational efficiencies / productivity enhancement efforts also focus on further implementing and leveraging our standardized product and service platforms. We believe that flexible

manufacturing is the key element to enable improvements in our ability to respond to customers in a cost-effective manner. Our success in implementing this priority of our strategic plan is dependent on the involvement of management, production employees and suppliers. Any failure to achieve cost reduction and operational efficiencies / productivity enhancement priorities (including the anticipated levels of productivity and operational efficiencies) in our manufacturing facilities, could have a material adverse impact on our business activities, financial condition, profitability and outlook.

Business partners

In some of the projects carried out through consortia or other partnership vehicles in which we participate, partners are jointly and severally liable to the customer. The success of these partnerships is dependent on satisfactory performance by us and our business partners. Failure of the business partners to fulfill their contractual obligations could result in additional financial and performance obligations, which could result in increased costs, unforeseen delays or impairment of assets. In addition, a partner withdrawing from a consortium during the bid phase may result in the loss of a potential order.

In order to penetrate new markets and strengthen our partnerships, we have implemented a number of joint ventures and partnerships in various countries and regions, such as Africa, the Middle East and Asia (in particular, China). These operations involve certain risks, in particular in relation to potential political or economic instability depending on the countries, in the difficulties that may arise in evaluating assets and liabilities relating to these operations, in integrating people, activities, technologies and products, as well as in implementing governance and compliance systems and procedures.

The failure by a business partner to comply with applicable laws, rules or regulations, or contract requirements, could negatively impact our business and, in the case of government contracts, could result in fines, penalties, suspension or even debarment being imposed on us, which could have a material adverse impact on our reputation, business, financial condition and results of operations.

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 or correct. These products are subject to detailed specifications, which are listed in the individual contracts with customers, as well as to stringent certification or approval requirements. Defects may be found in products before and after they are delivered to the customer. When discovered, we may incur significant additional costs to modify and/or retrofit our products and 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 give rise to non-conformity costs, including warranty and damage claims, negatively affect our reputation and profitability and result in the loss of customers. Correcting such defects, if possible, could require significant investment.

In addition, due to the nature of our business, liability claims may arise from accidents, incidents or disasters involving products and services that we have provided, including claims for serious personal injuries or death. These accidents may be caused by climatic factors or human error. If any of our products is proven to have quality issues, fails to meet the national or industrial standards or has potential risks to the safety of human and properties, we may have to recall such products, be subject to penalties, have our operating licences or permits revoked, suspend production and sale of our products, or be ordered to take corrective measures. A product recall may also affect our reputation and brand name, result in a decreased demand for our products and lead to stricter scrutiny by regulatory agencies over our operations.

We cannot be certain that current insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, there can be no assurance that we will be able to obtain insurance coverage at acceptable levels and costs in the future.

Regulatory and legal risks

We are subject to numerous risks relating to current and future regulations, as well as legal proceedings, both present or that may arise in the future. For example, the harmonization of the European railway market through the new European standards will require investment to upgrade our existing products to comply with regulatory requirements, without which regulatory authorities and thus our customer may not accept our products. Unavailability of compliant products may lead to a loss of market share.

Given our size, investigations, claims and lawsuits seeking damages and other relief are regularly threatened or pending against us. We are, and may become, party to lawsuits in the ordinary course of business, including those involving allegations of late deliveries of goods or services, product liability, product defects, quality problems and intellectual property infringement. These matters may divert financial and management resources that would otherwise be used to benefit our operations, and the cost to defend litigation may be significant. Material losses may be incurred related to litigation beyond the limits or outside the coverage of current insurance and existing provisions for litigation-related losses may not be sufficient to cover the ultimate loss or expenditure. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation and place us at a disadvantage for future orders or contract awards. There also may be adverse publicity associated with litigation, including without limitation litigation related to product safety, which could negatively affect the public perception of our business or reputation, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation could materially adversely affect our business and financial results.

In addition, as part of the regulatory and legal environments in which we operate, we are subject to anti-bribery laws that prohibit improper payments directly or indirectly to government officials, authorities or persons defined in those anti-bribery laws in order to obtain business or other improper advantages in the conduct of business. Notably, sales to foreign customers are subject to such laws. Pursuant to such laws, a company may be found liable for violations resulting not only from actions of certain of its employees, but also in certain circumstances from actions of its contractors and third party agents.

Our Code of Ethics and other corporate policies mandate compliance with these laws and regulations and we have implemented training programs, internal monitoring and controls, and reviews and audits to ensure compliance with such laws. However, there can be no assurance that our internal control policies and procedures will protect us from recklessness, fraudulent behaviour, dishonesty or other inappropriate behaviour on the part of our employees, contractors, suppliers, affiliates, consultants, agents, and/or partners. Misconduct or failure by our employees, contractors, suppliers, affiliates, consultants, agents, and/or partners to comply with anti-bribery laws and other applicable laws and regulations could impact Bombardier in various ways that include, but are not limited to, criminal, civil and administrative legal sanctions, debarment from bidding for or performing government contracts, and negative publicity, and could have a negative effect on our business, reputation, results of operations, profitability, share price and financial condition. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny of and punishment to companies convicted of violating anti-corruption and anti-bribery laws. See also “Supply chain risks” below.

Also refer to Note 43 – Commitments and contingencies to our consolidated financial statements.

Environmental, health and safety risks

Our products, as well as our manufacturing and service activities, are subject to environmental laws and regulations in each of the jurisdictions in which we operate, governing, among other things, product performance or materials content, energy use and greenhouse gas emissions, air, water and noise pollution, the use, storage, labelling, transportation and disposal or release of hazardous substances, human health and safety risks arising from the exposure to hazardous or toxic materials or defective products 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, including our disposal of hazardous wastes at third party sites. These laws and regulations may cause us to incur costs, including fines, damages, criminal or civil sanctions and remediation costs, or experience interruptions in our operations, and may negatively impact the market for our products.

Environmental, health and safety regulatory requirements, or enforcement thereof, may become more stringent in the future and we may incur additional costs to be compliant with such future requirements or enforcement. 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 will close, sell or dispose of in the future.

Dependence on limited number of contracts and customers

In any given period, a limited number of contracts or customers may account for a significant portion of our revenues and cash flows for some of our products. Although we constantly seek to expand our customer base, we believe that revenues and results for any given period may continue to be significantly affected by a limited number of contracts or customers due to the nature of some of our products. Consequently, the loss of such a customer or changes to their orders, milestones, milestone payments, cancellation of all or a portion of their contract, or significant operational risk materializing in one or several large contracts could result in fewer sales and/or a lower market share, and may have a material adverse impact on our business, results, cash flows and financial position. Since the majority of our rail transportation customers are governments or public-sector companies or operate under public contracts, our order intake is also dependent to a significant degree on public-sector budgets and spending policies.

Supply chain risks

Our manufacturing operations are dependent on a limited number of suppliers for the delivery of raw materials (mainly aluminum, advanced aluminum alloy and titanium) and major systems (such as engines, wings, nacelles, landing gear, avionics, flight controls and fuselages) for our aerospace products, and raw materials (mainly steel and aluminum), services (mainly engineering, civil and electrical subcontracts) and major systems (such as brakes, doors, heating, ventilation and air conditioning) for our rail transportation products.

Disruptions in our supply chain can impact our ability to deliver on schedule. Moreover, failure by one or more suppliers to meet performance specifications, quality standards or delivery schedules could adversely affect our ability to meet our commitments to customers, in particular if we are unable to purchase the key components and parts from those suppliers upon agreed terms or in a cost-effective manner and if we cannot find alternative suppliers on commercially acceptable terms in a timely manner. We may not be able to recover any costs or liability we incur (including liability to our customers) as a result of any such failure from the applicable supplier, which could have a material adverse effect on our financial condition and results of our operations.

Some of our suppliers participate in the development of products such as aircraft or rolling stock platforms. The advancement of many of our new product development programs also relies on the performance of these key suppliers and, therefore, supplier delays which go unmitigated could result in delays to a program as a whole. These suppliers subsequently deliver major components and own some of the intellectual property related to key components they have developed. Our contracts with these suppliers are therefore on a long-term basis. The replacement of such suppliers, if possible, could be costly and take a significant amount of time.

Our dependence on foreign suppliers and subcontractors and our global operations subject us to a variety of risks and uncertainties. All of our direct suppliers must comply with our Supplier Code of Conduct, which formalizes our expectations with respect to suppliers' business standards, and is designed to ensure that each of our suppliers' operations are conducted in a legal, ethical, and responsible manner. However, we do not control our independent suppliers or those indirect suppliers and companies with whom they do business and cannot guarantee their compliance with our Supplier Code of Conduct and with applicable laws and regulations or that violations will be reported to us in a timely manner. Any violation of applicable laws and regulations or failure to use ethical business practices by one or more third-party subcontractors or suppliers, including laws and regulations related to, among other things, labour practices, health and safety, and environmental protection, could also materially adversely affect our business and reputation and, in the case of government contracts, could result in fines, penalties, suspension or even debarment being imposed on us.

Human resources (including collective agreements)

Our senior executives have extensive experience in the industries in which we operate and with our business, suppliers, products and customers. The loss of management knowledge, expertise and technical proficiency as a result of the loss of one or more members of our core management team could result in a diversion of management resources or a temporary executive gap, and negatively affect our ability to develop and pursue other business strategies, which could materially adversely affect our business and financial results.

Employment market competition is fierce when it comes to hiring the highly qualified managers and specialists needed to complete the work we require, particularly in certain emerging countries. In many of our business areas we intend to expand our business activities, for which we will need highly skilled employees. The success of our development plans depends, in part, on our ability to develop skills, to retain employees, and to recruit and integrate additional managers and skilled employees. Human resource risk includes the risk of delays in the recruitment of or inability to retain and motivate highly skilled employees, including those involved in R&D and manufacturing activities that are essential to our success. There is no guarantee that we will be successful in recruiting, integrating and retaining such employees as needed to accompany our business development, in particular in emerging countries. Conversely, the measures to adapt headcount to evolution in demand may result in pressures from our workforce and social risks, which may have an adverse impact on our expected costs reductions and production capacities.

In addition, we are party to several collective agreements that are due to expire at various times in the future. An inability to renew these collective agreements on mutually agreeable terms, as they become subject to renegotiation from time to time, could result in work stoppages or other labour disturbances such as strikes, walkouts or lock-outs, and/or increased costs of labour, which could adversely affect our ability to deliver products and services in a timely manner and on budget and could adversely affect our financial condition and results.

Additionally, as a result of our continuing review of our businesses and processes to reduce cost, improve our manufacturing platform, and better position ourselves in the marketplace, it may be necessary to curtail production or permanently shut down facilities, leading to the transfer of employees to new production facilities and processes or to the reduction of our workforce. This could materially adversely impact our relationship with our employees, as well as result in asset write-downs at affected facilities.

Reliance on information systems

Like those of other large multinational companies, our technology systems may be vulnerable to a variety of sources of failure, interruption or misuse, including by reason of natural disasters, cyberattacks and cybersecurity threats, network communication failures, computer viruses and other security threats to the confidentiality, availability and integrity of our systems. Information security risks have increased in recent years due to the proliferation of new technologies and the increased sophistication of perpetrators of cyberattacks.

Information contained in our systems include proprietary or sensitive information on our customers, suppliers, partners, employees, business information, research and development activities and our intellectual property. Unauthorized third parties may be able to penetrate our network security and misappropriate or compromise our confidential information, deploy viruses, worms and other malware or phishing that would exploit any security vulnerabilities in our management information systems, create system disruptions or cause machinery or plant shutdowns. Such attacks could potentially lead to the publication, manipulation or leakage of information, improper use of our systems, defective products, production downtimes, and supply shortages. Our partners and suppliers also face risks of unauthorized access to their information systems which may contain our confidential information. The Cyber Security, Risk and Compliance team, under the direction of the Global CIO, and reporting to the Finance and Risk Management Committee of the Board of Bombardier, supervises and maintains technical and process controls, enforcement and comprehensive monitoring of systems and networks designed to prevent, detect and respond to unauthorized activity in our systems. Considering the complexity and evolving nature of the threats, as well as the unpredictability of the timing, nature and scope of disruptions from such threats, we cannot ensure that the measures taken will be sufficient to counter any such unauthorized access to information systems, nor that our assessment and mitigation measures are sufficient to avoid, or mitigate the impact of, a system failure.

The integrity, reliability and security of information in all forms are critical to our success. Inaccurate, incomplete or unavailable information and/or inappropriate access to information could lead to incorrect financial and/or operational reporting, poor decisions, delayed reaction times to the resolution of problems, privacy breaches and/or inappropriate disclosure or leaking of sensitive information. Any system failure, cyberattack or a breach of systems could result in disruption of activities and operational delays, information losses, significant remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, diminished competitive advantage and/or litigation and reputational harm affecting customer and investor confidence, which could materially adversely affect our business, financial condition, and results of our operations. Material losses may be incurred related to the foregoing beyond the limits or outside the coverage of current insurance and existing provisions for such losses may not be sufficient to cover the ultimate loss or expenditure. Furthermore, media or other reports of perceived security vulnerabilities of our systems, even if no breach has been attempted or had occurred, could adversely impact our brand and reputation and materially impact our business and financial results.

Reliance on and protection of intellectual property

We regularly apply for new patents and actively manage our intellectual property portfolio to secure our technological position. However, our patents and other intellectual property may not prevent competitors from independently developing, or obtaining through licensing, alternative technologies that are substantially equivalent or superior to ours, and we cannot provide assurance that the measures we have taken will be sufficient to prevent any misappropriation of our intellectual property. Furthermore, we cannot assure that all our registration applications will be successful, or our registered intellectual property rights will not be subject to any objection. If the steps we have taken and the protection afforded by law do not adequately safeguard our intellectual property rights, or we are not able to register or defend our intellectual property rights, and our competitors exploit our intellectual property in the manufacture and sale of competing products in the markets we operate, such events could materially and adversely affect our business.

We could also face claims by others that we are improperly using intellectual property owned by them or otherwise infringing their rights in intellectual property. Irrespective of the validity or the successful assertion of such claims, we could incur costs in either defending or settling any intellectual property disputes alleging infringement. Adverse rulings in any litigation or proceeding could result in the loss of our proprietary rights and subject us to significant liabilities or even business disruption. Any potential intellectual property litigation against us could also force us to, among other things, cease selling the challenged products, develop non-infringing alternatives or obtain licences from the owner of the infringed intellectual property. We may not be successful in developing such alternatives or in obtaining such licences on reasonable terms or at all, which could damage our reputation and affect our financial condition and profitability.

Reputation risks

Reputational risk may arise under many situations including, among others, quality or performance issues on our projects, product safety issues, a poor health and safety record, failure to maintain ethically and socially responsible operations, or alleged or proven non-compliance with laws or regulations by our employees, agents, subcontractors, suppliers and/or partners. Any negative publicity about, or significant damage to, our image and reputation could have an adverse impact on customer perception and confidence and may cause the cancellation of current projects and influence our ability to obtain future projects, which could materially adversely affect our business, results of operations and financial condition. Also, the pervasiveness and viral nature of social media could exacerbate any negative publicity with respect to our business practices and products.

Furthermore, any unethical conduct by a supplier or subcontractor or any allegations, whether or not founded, of unfair or illegal business practices by a supplier or subcontractor, including production methods, labour practices, health and safety and environmental protection, could also materially adversely affect our image and reputation, which could in turn materially adversely affect our business and financial results.

Adequacy of insurance coverage for our business, products and properties

We maintain insurance policies in accordance with the needs of our business. However, we cannot guarantee that our insurance policies will provide adequate coverage should we face extraordinary occurrences that result in losses. We may not obtain certain insurance coverage or may experience difficulties in obtaining the insurance coverage we need at acceptable levels and costs in the future, which could materially and adversely affect our business, financial condition and results of operations.

Accidents or natural disasters may also result in significant property damage, disruption of our operations and personal injuries or fatalities, and our insurance coverage may be inadequate to cover such losses. In the event of an uninsured loss or a loss in excess of our insured limits, we could suffer damage to our reputation and/or lose all or a portion of our production capacity as well as future revenues expected to be generated by the relevant facilities. Any material loss not covered by our insurance could adversely affect our business, financial condition and results of operations.

Risk management policies, procedures and strategies

We have devoted significant resources to develop our risk management policies, procedures and strategies and expect to continue to do so in the future. Nonetheless, our policies, procedures and strategies may not be comprehensive. Many of our methods for identifying, analyzing and managing risk and exposures are based upon risk management processes that are embedded in governance and activities of each reportable segment, focusing on all stages of the product development process. Risk management methods depend upon the evaluation and/or reporting of information regarding product development, product management, industry outlooks, markets, customers, project execution, catastrophe occurrence or other matters publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated or reported.

Tax matters and changes in tax laws

As a multinational company conducting operations through subsidiaries in multiple jurisdictions, we are subject to income and other taxes, tax laws and fiscal policies in numerous jurisdictions. Our effective income tax rate in the future could be adversely affected as a result of a number of factors, including changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, treaties or regulations or their interpretation, and the outcome of income tax audits in various jurisdictions around the world.

We regularly assess all of these matters to determine the adequacy of our tax liabilities. In determining our provisions for income taxes and our accounting for tax-related matters in general, we are required to exercise judgment. We regularly make estimates where the ultimate tax determination is uncertain. There can be no assurance that the final determination of any tax audit, appeal of the decision of a taxing authority, tax litigation or similar proceedings will not be materially different from that reflected in our historical financial statements. The assessment of additional taxes, interest and penalties could be materially adverse to our current and future results of operations and financial condition.

Our Canadian and foreign entities undertake certain operations with other currently existing or new subsidiaries in different jurisdictions around the world. The tax laws of these jurisdictions, including Canada, have detailed transfer pricing rules that require that all transactions with non-resident related parties be priced using arm's length pricing principles. The taxation authorities in the jurisdictions where we carry on business could challenge our arm's length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities were to successfully challenge our transfer pricing policies, our income tax expense may be adversely affected and we could also be subjected to interest and penalties. Any such increase in our income tax expense and related interest and penalties could have a material adverse effect on our business, results of operations or financial condition.

Financing risk

Liquidity and access to capital markets

Our businesses are cyclical and highly capital intensive. In the ordinary course of our business, we rely on cash and cash equivalents, cash flows generated by operations, capital market resources such as debt and equity and other financing arrangements such as revolving credit facilities, and certain working capital financing initiatives such as the sale of receivables, arrangements for advances from third parties and the negotiation of extended payment terms with certain suppliers to satisfy our financing needs. There can be no assurance that such working capital cash sources will be available to us in the future on acceptable terms or at all.

Our ability to achieve our business and cash generation plans is based on a number of assumptions which involve significant judgments and estimates of future performance, borrowing capacity and credit availability, which cannot at all times be assured.

The Corporation also routinely reviews its debt profile with a view to managing or extending maturities and/or negotiating more favourable terms and conditions with respect to its bank facilities. The Corporation also routinely reviews the terms and conditions of its bank facilities and seeks annual extensions of the availability periods thereunder.

From time to time, we undertake various financing initiatives to solidify our liquidity position. We plan to continue to explore various initiatives such as certain business activities' potential participation in industry consolidation. There are no assurances that we will be able to implement these or any other strategic options on favourable terms and timing or at all, and, if implemented, that such actions would have the planned results.

There can be no assurance that our expected cash flows from operating activities, combined with available short-term capital resources will enable the development of new products to enhance competitiveness and support growth and will enable us to meet all other expected financial requirements in the foreseeable future.

If our cash flows and other capital resources are insufficient to fund the required work on our ongoing contracts, programs and projects, as well as our capital expenditures and debt service obligations, we could be forced to reduce or delay deliveries, investments and capital expenditures or to seek additional debt or equity capital. We may not be able to obtain alternative capital resources, if necessary, on favourable terms or at all.

A decline in credit ratings, a significant reduction in the surety or financing market global capacity, widening credit spreads, changes in our outlook or guidance, significant changes in market interest rates or general economic conditions or an adverse perception by banks and capital markets of our financial condition or prospects could all significantly increase our cost of financing or impede our ability to access financial markets. Our credit ratings may be impacted by many factors, including factors outside of our control relating to the industries or countries and regions in which we operate, and, accordingly, no assurance can be given that our credit ratings may not be downgraded in the future. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, may increase our cost of financing.

Our right to convert into cash certain deposits or investments, held in financing structures to guarantee our obligations, may be subject to restrictions. Additionally, in some countries, cash generated by operations may be subject to restrictions on the right to convert and/or repatriate money and may thus not be available for immediate use.

Retirement benefit plan risk

We are required to make contributions to a number of pension plans, some of which are presently in a deficit position. Pension funding requirements are dependent on regulatory requirements and on the valuations of plan assets and liabilities, which are subject to a number of factors, including expected returns on plan assets, long-term interest rates, as well as applicable actuarial practices and various other assumptions. The potential requirement to make additional contributions as a result of changes to regulations, actuarial assumptions or other factors may reduce the amount of funds available for operating purposes, thus limiting our financial flexibility and weakening our financial condition.

There is no assurance that retirement benefit plan assets will earn the expected rates of return. The ability of our retirement benefit plan assets to earn these expected rates of return depends in large part on the performance of capital markets. Market conditions also affect the discount rates used to calculate our net retirement benefit liabilities and could also impact our retirement benefit costs, cash funding requirements and liquidity position.

The net retirement benefit liability is highly sensitive to variations to the underlying discount rate, which represents the market rate for high-quality corporate fixed-income investments at the end of each reporting period consistent with the currency and estimated term of the benefit obligations. As a result, the discount rates change is based on market conditions.

Despite all of these risks, as a result of the risk mitigation measures we have implemented over the years, the employer contributions to our pension plans have been very stable from one year to another (within $320 million - $375 million range) since 2015. Refer to the Retirement benefits section in Overview of the MD&A for more details.

Credit risk

We are exposed to credit risk through our derivative financial instruments and other investing activities carried out as part of our normal treasury activities, as well as through our trade receivables arising from normal commercial activities and through financing activities provided to our aerospace customers primarily in the form of aircraft loans and lease receivables. Reduced liquidity may result if our customers or other counterparties are unable to make payment of amounts owed to us, or delay these payments, and we may incur impairment losses on these assets. Furthermore, if our customers experience deteriorating credit quality, we may need to provide additional direct or indirect financing support to maintain sales, increasing our exposure to credit risk, or reduce our customers' credit limits, which could negatively affect our revenues.

We also have exposure to banks in the form of periodically placed deposits and credit commitments. In the event the banks with which we transact are unable to withstand regulatory or liquidity pressures, credit facilities, including letter of credit facilities, may become unavailable or we may not be able to extend such facilities upon their maturity.

Substantial debt and significant interest payment requirements

We currently have, and expect to continue to have, a substantial amount of debt, and significant interest payment requirements. Our level of indebtedness could have significant consequences, including the following:

- it may be more difficult to satisfy our obligations with respect to our indebtedness;
- our vulnerability to general adverse economic and industry conditions may be increased;
- we may be required to dedicate a substantial portion of our cash flows from operations to interest and principal repayments on our indebtedness, reducing the availability of cash flows to fund capital expenditures, working capital, acquisitions, new business initiatives and other general corporate purposes;
- our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate may be limited;
- we may be placed at a disadvantage compared to our competitors that have less debt or greater financial resources;
- it may limit, along with the financial and other restrictive covenants to which we are subject, among other things, our ability to borrow additional funds on commercially reasonable terms, or at all;

- we may be required to monetize assets on terms that are unfavourable to us; and
- we may be required to offer debt or equity securities on terms that are not favourable to us or our shareholders.

We have various debt maturities ranging between 2021 and 2034, and we cannot provide assurance that this indebtedness will be refinanced on favourable terms or at all.

For more information regarding our long-term debt, see Note 29 - Long-term debt, to our consolidated financial statements.

Restrictive debt covenants

The indentures governing certain of our indebtedness, revolving credit facility and letter of credit facility contain covenants that, among other things, restrict our ability, and in some cases the ability of our subsidiaries, to:
- incur additional debt and provide guarantees;
- repay subordinated debt;
- create or permit certain liens;
- use the proceeds from the sale of assets and capital stock of subsidiaries;
- 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 future operations or capital needs, or engage in other business activities that may be beneficial.

The Corporation is subject to various financial covenants under the Transportation letter of credit facility and the Transportation revolving credit facility, which must be met on a quarterly basis. Those facilities include financial covenants requiring minimum equity as well as a maximum debt to EBITDA ratio, all calculated based on Transportation stand-alone financial data. These terms and ratios are defined in the respective agreements and do not correspond to the Corporation's global metrics as described in Note 37 – Capital management or to the specific terms used in the MD&A. In addition, the Corporation must maintain a minimum Transportation liquidity of €750 million ($843 million). Minimum liquidity required is not defined as comprising only cash and cash equivalents as presented in the consolidated statement of financial position.

Our ability to comply with these covenants may also be affected by events beyond our control. A breach of any of these agreements or our inability to comply with these covenants could result in a default under these facilities, which would permit our banks to request immediate defeasance or cash cover of all outstanding letters of credit, and our bond holders and other lenders to declare amounts owed to them to be immediately payable. If any of these facilities is accelerated, or we are subject to significant cash cover calls, we may not have access to sufficient liquidity or credit to refinance such facilities on terms acceptable to us or at all. Furthermore, if we incur additional debt in the future, we may be subject to additional covenants, which may be more restrictive than those to which we are subject now. In addition, failure to comply with the obligations contained in our existing or future indentures or loan agreements could require us to immediately cash cover, or repay debt under other agreements that may contain cross-acceleration or cross-default provisions. There can be no assurance that we would be able to obtain waivers or amendments of any such defaults, or be able to cash cover or refinance such facilities, on terms acceptable to us or at all.

Government support

From time to time, we receive various types of government financial support. Some of these financial support programs require the repayment of amounts to the government at the time of product delivery. The level of government support reflects government policy and depends on fiscal spending levels and other political and economic factors. We cannot predict if future government-sponsored support will be available. The loss of or any substantial reduction in the availability of government support could negatively impact our liquidity assumptions related to the development of aircraft or rail products and services. In addition, any future government support received by our competitors could have a negative impact on our competitiveness, sales and market share.

General economic risk

The markets in which we operate may from time to time be affected by a number of local, regional and global factors. Since our sales and operations are undertaken around the world, including through manufacturing and production capacity in Europe and in North America, and partnerships and joint ventures in regions such as Asia and Africa, we may be directly or indirectly affected by an unfavourable political or economic slowdown occurring within these geographic zones and our business may be exposed to a number of related risks, such as fluctuations in exchange rates and restrictions on the transfer of capital.

Should the current uncertain global economic situation persist over time or deteriorate, should the economic headwinds in certain countries, regions or key markets intensify or spread to other countries, or should the global economic environment deteriorate, this could, in particular, result in potential buyers postponing the purchase of our products or services, lower order intake, order cancellations or deferral of deliveries, lower availability of customer financing, an increase in our involvement in customer financing, downward pressure on selling prices, increased inventory levels, decreased level of customer advances, slower collection of receivables, reduction in production activities, paused or discontinued production of certain products, termination of employees or adverse impacts on suppliers.

Brexit

On June 23, 2016, a referendum took place whereby British citizens voted to exit the European Union, commonly known as “Brexit”. On January 31, 2020, the U.K. formally left the European Union and has entered into a transition or implementation period lasting until December 31, 2020.

Bombardier could be impacted by Brexit in both our aerospace and rail businesses. In 2019, 42% of our revenues were generated in Europe, of which 22% was generated in the U.K. Brexit could result in increased geopolitical and economic risks and could cause disruptions to and create uncertainty surrounding our businesses, including affecting our relationships with existing and future customers, suppliers and employees, which could in turn have an adverse effect on our financial results and operations. There could also be greater restrictions on imports and exports between the U.K. and European Union countries and could also result in increased regulatory complexities.

The announcement of Brexit caused significant currency exchange fluctuations. The U.S. dollar strengthened against other currencies, particularly the pound sterling and the euro. Our revenues are denominated mainly in U.S. dollars for aircraft sales and mainly in euro and other currencies for our rail business. The strengthening of the U.S. dollar relative to these other currencies could adversely affect our results of operations, particularly in the rail business, where a potential devaluation of the local currency or of the euro relative to the U.S. dollar coupled with potential increased inflation risk, may expose us to losses and could impair our customers' purchasing power.

Business environment risk

[redacted]

Financial condition of the rail industry

The rail industry has historically been resilient during economic downturns. Challenging economic and financial conditions in specific areas, however, may have a negative impact on some rail operators. As customers deal with budget pressures and discipline and even austerity measures, it may result in projects being reduced in size, postponed or even cancelled. Such actions by public or private rail operators may negatively impact our order intake and revenues and put significant pressure on our cost structure and prices. These conditions may be exacerbated in times of declining investment activity.

A significant proportion of our rail business in any given period relies on government agencies and other public institutions, which have historically represented the vast majority of the value of the orders that we book annually. The amount public institutions are able to invest and spend depends on complex political and economic factors and could vary from one fiscal year to the next. Economic slowdown and public budgetary restrictions can cause a decrease in infrastructure investments, delays in placing orders and delays in executing contracts or payments, as well as a decrease in fiscal and other incentive-based measures to promote research and development. In periods of over-indebtedness (or of a sovereign debt crisis), the implementation of austerity or public spending reduction programs can lead to a negative impact on the volume of orders placed for transportation infrastructure projects.

In addition, intense competition in the rail industry and demands by customers in the current economic environment have resulted in certain adverse impacts, including the lower level and later receipt of advance payments. This evolution of contract terms may adversely impact our cash flows and may require us to obtain and deploy increased amounts of capital from other sources, including factoring facilities, which may adversely affect our return on equity, financial condition and results of operations. In addition, there can be no assurance that if such customer payment and advances terms continue to evolve in a manner adverse to the manufacturers we will be able to access sufficient replacement working capital to finance the execution of projects on acceptable terms or at all.

Trade policy

As a globally operating organization, our businesses are subject to government policies related to import and export restrictions and business acquisitions, support for export sales, and world trade policies including specific regional trade practices. As a result, we are exposed to risks associated with changing priorities by government and supranational agencies.

In addition, protectionist trade policies and changes in the political and regulatory environment in the markets in which we operate, such as foreign exchange import and export controls, tariffs and other trade barriers, price or exchange controls as well as potential changes to free trade arrangements could affect our business in several national markets, impact our sales and profitability and make the repatriation of profits difficult, and may expose us to penalties, sanctions and reputational damage.

Increased competition from other businesses including new entrants in market segments in which we compete

We face intense competition in the markets and geographies in which we operate. We face competition from strong competitors, some of which are larger and may have greater resources in a given business or region, as well as competitors from emerging markets and new entrants, which may have a better cost structure. In the aerospace market segments in which we compete, competitors are developing numerous aircraft programs, with entries-into-service expected throughout the next decade. We face the risk that market share may be eroded if potential customers opt for competitors' products. We may also be negatively impacted if we are not able to meet product support expectations or provide an international presence for our diverse customer base.

Some rail transportation market segments in which we operate, and some of the significant market participants in our businesses, are undergoing consolidation. Such consolidation may increase pressure on prices and profit margins, as well as on payment terms and conditions, manufacturing timeframes and the technologies proposed and services provided to clients, which could weaken our position in certain markets. Furthermore, certain competitors might be more effective and faster in capturing available market opportunities, which in turn may negatively impact our results, revenues and market share.

Political instability

Political instability, which may result from various factors, including social or economic factors, in certain regions of the world may be prolonged and unpredictable. Any prolonged political instability in markets in which we participate could lead to delays or cancellation of orders, deliveries or projects in which we have invested significant resources, particularly when the customers are state-owned or state-controlled entities.

Geopolitical and economic risks, international sanctions and the price of oil affecting many energy-exporting nations have raised new concerns in international economies. Beyond any immediate impact, these developments may also negatively affect the evolution of the global economy.

In addition, geopolitical events in the geographic areas in which we operate can increase difficulties relative to the conditions under which the contracts we have signed are executed, extend execution periods or trigger unexpected legislative or regulatory changes that could significantly increase the costs of execution initially projected for these contracts, all of which could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Force majeure

Force majeure events are unpredictable and may have significant adverse results such as: personal injury or fatality; damage to or destruction of ongoing projects, facilities or equipment; environmental damage; delays or cancellations of orders and deliveries; delays in the receipt of materials from our suppliers; delays in projects; or legal liability.

Global climate change

Global climate change could exacerbate certain of the threats facing our business, including the frequency and severity of weather-related events, which can disrupt our operations, damage our infrastructure or properties, create financial risk to our business or otherwise have a material adverse effect on our results of operations, financial position or liquidity. These may result in substantial costs to respond during the event, to recover from the event and possibly to modify existing or future infrastructure requirements to prevent recurrence. Climate changes could also disrupt our operations by impacting the availability and cost of materials needed for manufacturing and could increase insurance and other operating costs.

The potential physical impacts of climate change on our operations are highly uncertain, and could be particular to the geographic circumstances in areas in which we operate and may include changes in rainfall and storm patterns and intensities, water shortages, rising water levels and changing temperatures. These factors may impact our decisions to construct new facilities or maintain existing facilities in areas most prone to physical climate risks. We could also face indirect financial risks passed through the supply chain and process disruptions due to physical climate changes could result in price modifications for our products and the resources needed to produce them. These impacts may adversely impact the cost, production, and financial performance of our operations. In addition, concerns about the environmental impacts of air travel and tendencies towards “green” travel initiatives have contributed to higher levels of scrutiny with respect to emissions which could have the effect of reducing demand for air travel and could materially adversely impact our Aviation business and reputation.

Global climate change also results in regulatory risks which vary according to the national and local requirements implemented by each jurisdiction where we are present. Our products as well as our manufacturing and services activities are subject to environmental regulations by federal, provincial and local authorities in Canada as well as local regulatory authorities with jurisdiction over our operations outside of Canada. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. Most countries where we carry out manufacturing activities are at various stages of developing binding emission allocations and trading schemes. During 2019, our regulatory risks associated with climate change mainly fell under our obligations to the European Union Emission Trading Scheme, the United Kingdom Climate Change Agreement, the United Kingdom's Carbon Reduction Commitment energy efficiency scheme (launched in April 2010), the Energy Savings Opportunity Scheme and the Québec carbon market trading scheme. Increased public awareness and concern regarding global climate change may result in more legislative and/or regulatory requirements to reduce or mitigate the effects of greenhouse gas emissions. The impact to us and our industry from legislation and increased regulation regarding climate change is likely to be adverse and could be significant, particularly if regulators were to conclude that emissions from aircraft cause significant harm to the upper atmosphere or have a greater impact on climate change than other industries. We may be directly exposed to such measures, which could result in significant costs on us, on our customers and on our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting, and other costs necessary to comply with such regulations that could adversely affect our business, financial condition, operating performance, and ability to compete. In addition, such regulatory changes could necessitate us to develop new technologies, requiring significant investments of capital and resources.

Market risk

Foreign exchange risk

Our financial results are reported in U.S. dollars and a significant portion of our sales and operating costs are transacted in currencies other than U.S. dollars, most often euros, Canadian dollars, pounds sterling, Swiss francs, Swedish krona and Mexican pesos. [redacted]Transportation aims to hedge all of its identified foreign currency exposures to limit the effect of currency movements on their results. Such contracts hedge foreign-currency denominated transactions and any change in the fair value of the contracts could be offset by changes in the underlying value of the transactions being hedged. The use of forward foreign exchange contracts also contains an inherent credit risk related to default on obligations by the counterparties to such contracts. Although we aim to have foreign-exchange hedging contracts with respect to all currencies in which we do business, there may be situations where we do not have hedging contracts or are not fully hedged for various reasons including regulation and market availability and accessibility. As a result, there can be no assurance that our approach to managing our exposure to foreign-exchange rate fluctuations will be effective in the future or that we will be able to enter into foreign-exchange hedging contracts as deemed necessary on satisfactory terms. In situations where we are not fully hedged, our results of operations are affected by movements in these currencies against the U.S. dollar. Significant fluctuations in relative currency values against the U.S. dollar could thus have a significant impact on our future profitability. Additionally, the settlement timing of foreign currency derivatives could significantly impact our liquidity. Fluctuations in foreign currency exchange rates could also have a material adverse effect on the relative competitive position of our products in markets where they face competition from competitors who are less affected by such fluctuations in exchange rates.

Interest rate risk

Changes in interest rates may result in fluctuations in our future cash flows related to variable-rate financial assets and liabilities, including long-term fixed-rate debt synthetically converted to variable interest rates. Changes in interest rates may also affect our future cash flows related to commitments to provide financing support to facilitate customers' access to capital. For these items, cash flows could be impacted by changes in benchmark rates such as Libor, Euribor or Bankers' Acceptance. In addition, we are exposed to gains and losses arising from changes in interest rates, which includes marketability risks, through our financial instruments carried at fair value. These financial instruments include certain aircraft loans and lease receivables, investments in securities, investments in financing structures, lease subsidies and certain derivative financial instruments.

[redacted]

Commodity price risk

We are exposed to commodity price risk relating principally to fluctuations in the cost of materials used in our supply chain, such as aluminum, advanced aluminum alloy, titanium, steel and other materials that we use to manufacture our products, and which represent a significant portion of our cost of sales. We do not maintain significant inventories of raw materials and components and parts. The prices and availabilities of raw materials and components and parts may vary significantly from period to period due to factors such as consumer demand, supply, market conditions and costs of raw materials. In particular, raw materials required for our operations, may be subject to pricing cyclicality and periodic shortages from time to time. We cannot guarantee that corresponding variations in cost will be fully reflected in contract prices, and we may be unable to recoup these raw material price increases, which could affect the profitability of such contracts.

Inflation risk

[redacted] At Transportation, contract cost estimates are subject to inflation rate assumptions. Estimated revenues at completion are adjusted for price escalation clauses, several of which are linked to inflation. Fluctuations in inflation rates could nevertheless have a significant impact on our future profitability if the inflation rate assumption used varies from the actual inflation rate, and this is a particularly acute risk in respect of large long-term contracts which may have an impact on our results for several years.

FOREIGN EXCHANGE RATES

We are subject to currency fluctuations from the translation of revenues, expenses, assets and liabilities of 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 foreign exchange rates used to translate assets and liabilities into U.S. dollars were as follows, as at:

	December 31, 2019	December 31, 2018	Increase (Decrease)
Euro	**1.1234**	1.1450	(2%)
Canadian dollar	**0.7696**	0.7337	5%
Pound sterling	**1.3204**	1.2800	3%

The average foreign exchange rates used to translate revenues and expenses into U.S. dollars were as follows, for the fourth quarters ended:

	December 31, 2019	December 31, 2018	Decrease
Euro	**1.1069**	1.1422	(3%)
Canadian dollar	**0.7574**	0.7582	0%
Pound sterling	**1.2849**	1.2878	0%

The average foreign exchange rates used to translate revenues and expenses into U.S. dollars were as follows, for the fiscal years ended:

	December 31, 2019	December 31, 2018	Decrease
Euro	**1.1200**	1.1822	(5%)
Canadian dollar	**0.7537**	0.7729	(2%)
Pound sterling	**1.2763**	1.3367	(5%)

Annex 9.C. :

Analysis of the results of Bombardier Inc.'s Transportation segment
for the period ended 31 March 2020:

Relevant excerpts of Bombardier Inc.'s Transportation Segment Management Report for the quarter ended 31 March 2020

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements, which may involve, but are not limited to: statements with respect to our objectives, anticipations and outlook or guidance in respect of various financial and global metrics and sources of contribution thereto, targets, goals, priorities, market and strategies, financial position, market position, capabilities, competitive strengths, credit ratings, beliefs, prospects, plans, expectations, anticipations, estimates and intentions; general economic and business outlook, prospects and trends of an industry; expected demand for products and services; growth strategy; 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; expectations regarding challenging Transportation projects and the release of working capital therefrom; expectations regarding revenue and backlog mix; the expected impact of the legislative and regulatory environment and legal proceedings; strength of capital profile and balance sheet, creditworthiness, available liquidities and capital resources and expected financial requirements; productivity enhancements, operational efficiencies and restructuring initiatives; expectations and objectives regarding debt repayments and refinancing of bank facilities and maturities; expectations regarding availability of government assistance programs, compliance with restrictive debt covenants; expectations regarding the declaration and payment of dividends on our preferred shares; intentions and objectives for our programs, assets and operations; and the impact of the COVID-19 pandemic on the foregoing and the effectiveness of plans and measures we have implemented in response thereto. As it relates to previously announced pending transactions, including the divestiture of our operations in Belfast and Morocco, the sale of the *CRJ* aircraft program, and the sale of the Transportation division to Alstom (collectively, the "Pending Transactions"), this MD&A also contains forward-looking statements with respect to the expected completion and timing thereof in accordance with their terms and conditions; the respective anticipated proceeds and use thereof, as well as the anticipated benefits of such transactions and their expected impact on our outlook, guidance and targets, operations, infrastructure, opportunities, financial condition, business plan and overall strategy.

Forward-looking statements can generally be identified by the use of forward-looking terminology such as "may", "will", "shall", "can", "expect", "estimate", "intend", "anticipate", "plan", "foresee", "believe", "continue", "maintain" or "align", the negative of these terms, variations of them or similar terminology. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of our current objectives, strategic priorities, expectations, outlook and plans, and in obtaining a better understanding of our business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

By their nature, forward-looking statements require management 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 forecast results set forth in forward-looking statements. While management considers these assumptions to be reasonable and appropriate based on information currently available, there is risk that they may not be accurate. The assumptions are set out throughout this MD&A (particularly, in the assumptions below the Forward-looking statements in this MD&A). For additional information, including with respect to other assumptions underlying the forward-looking statements made in this MD&A, refer to the Strategic Priorities and Guidance and forward-looking statements sections in the applicable reportable segment in the MD&A of our financial report for the fiscal year ended December 31, 2019. Given the impact of the changing circumstances surrounding the COVID-19 pandemic and the related response from the Corporation, governments (federal, provincial and municipal), regulatory authorities, businesses and customers, there is inherently more uncertainty associated with the Corporation's assumptions as compared to prior periods.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, risks associated with general economic conditions, risks associated with our business environment (such as risks associated with "Brexit", the financial condition of the airline industry, business aircraft customers, and the rail industry; trade policy; increased competition; political instability and force majeure events or global climate change), operational risks (such as risks related to developing new products and services; development of new business and awarding of new contracts; book-to-bill ratio and order backlog; the certification and homologation of products and services; fixed-price and fixed-term commitments and production and project execution, including challenges associated with certain Transportation projects; pressures on cash flows and capital expenditures based on project-cycle fluctuations and seasonality; execution of our strategy, transformation plan, productivity enhancements, operational efficiencies and restructuring initiatives; doing business with partners; inadequacy of cash planning and management and project funding; product performance warranty and casualty claim losses; regulatory and legal proceedings; environmental, health and safety risks; dependence on certain customers, contracts and suppliers; supply chain risks; human resources; reliance on information systems; reliance on and protection of intellectual property rights; reputation risks; risk management; tax matters; and adequacy of insurance coverage), financing risks (such as risks related to liquidity and access to capital markets; retirement benefit plan risk; exposure to credit risk; substantial debt and interest payment requirements; restrictive debt covenants and minimum cash levels; financing support for the benefit of certain customers; and reliance on government support), market risks (such as foreign currency fluctuations; changing interest rates; decreases in residual values; increases in commodity prices; and inflation rate fluctuations). For more details, see the Risks and uncertainties section in Other in this MD&A and in the MD&A of our financial report for the fiscal year ended December 31, 2019. Any one or more of the foregoing factors may be exacerbated by the growing COVID-19 outbreak and may have a significantly more severe impact on the Corporation's

business, results of operations and financial condition than in the absence of such outbreak. As a result of the current COVID-19 pandemic, additional factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to: risks related to the impact and effects of the COVID-19 pandemic on economic conditions and financial markets and the resulting impact on our business, operations, capital resources, liquidity, financial condition, margins, prospects and results; uncertainty regarding the magnitude and length of economic disruption as a result of the COVID-19 outbreak and the resulting effects on the demand environment for our products and services; emergency measures and restrictions imposed by public health authorities or governments, fiscal and monetary policy responses by governments and financial institutions; disruptions to global supply chain, customers, workforce, counterparties and third-party service providers; further disruptions to operations, production, project execution and deliveries; technology, privacy, cyber security and reputational risks; and other unforeseen adverse events.

With respect to the Pending Transactions, certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to: the failure to satisfy closing conditions, including regulatory approvals, or delay in completing such transactions and, as regards the sale of the Transportation division, the failure to enter into definitive documentation or the failure to receive Alstom shareholder approval in respect of the required capital increase or to complete relevant works council consultations, or the occurrence of a material adverse change; alternate sources of funding to replace the anticipated proceeds from the Pending Transactions may not be available when needed, or on desirable terms; the occurrence of an event which would allow the parties to terminate their obligations or agreements in principle; changes in the terms of the transactions; the failure by the parties to fulfill their obligations and agreements in principle; risks associated with the loss and replacement of key management and personnel; and the impact of the transactions on our relationships with third parties, including potentially resulting in the loss of clients, employees, suppliers, business partners or other benefits and goodwill of the business.

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. For more details, see the Risks and uncertainties sections in Other in this MD&A and in the MD&A of our financial report for the fiscal year ended December 31, 2019. Other risks and uncertainties not presently known to us or that we presently believe are not material could also cause actual results or events to differ materially from those expressed or implied in our forward-looking statements. The forward-looking statements set forth herein reflect management's 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.

Forward-looking statements[1] in this MD&A are based on and subject to the following material assumptions:

Overall business

- general economic conditions, which include the impact on the economy and financial markets of the COVID-19 pandemic and other health risks;
- the ability of our supply base and third-party service providers to gradually resume support to product development and planned production rates on commercially acceptable terms in a timely manner;
- the effectiveness of our mitigation measures taken in response to the COVID-19 pandemic to minimize the resulting downward pressure on cash flow and manage liquidity;
- our ability to execute and deliver additional effective mitigation initiatives in response to future developments;
- the accuracy of our estimates and judgments regarding the duration, scope and impacts of the ongoing COVID-19 pandemic on our business, operations, liquidity, financial condition, margins, cash flows, prospects and results in future periods;
- the ability to have sufficient liquidity to execute the strategic plan, to meet financial covenants and to pay down long-term debt or refinance bank facilities and maturities;
- the expected impact of emergency measures implemented by governments;
- the effectiveness of government support programs, including wage subsidies, tax payment deferrals, pension contribution holidays and other measures addressing liquidity needs of corporations during the crisis and our ability to qualify for same;
- the effectiveness of COVID-19 containment efforts and gradual recovery of global environment and global economic conditions beginning in the second quarter of 2020;
- our ability to orderly restart production and progressively resume work on suspended projects as soon as the travel restrictions to applicable locations have been lifted and temporary foreigner visa suspensions are lifted;
- the time frames for the ramp-down of current COVID-19 social distancing guidelines and other mitigation-related requirements;
- retention of key employees and management;

[1] Also refer to the forward-looking statements section for the forward-looking statements disclaimer.

- our ability to successfully defend ourselves against litigation matters arising in the context of the COVID-19 pandemic;
- our ability to access the capital markets as needed; and
- the availability of working capital financing initiatives and ongoing provision of credit by financial institutions to subject parties.

Transportation

- closing of the sale of the Transportation division to Alstom in the first half of 2021 in accordance with negotiated terms; and
- our ability to reestablish new contract schedules with customers and suppliers to optimize cash generation as production gradually resumes.

The assumptions underlying the forward-looking statements made in this MD&A in relation to each of the Pending Transactions specifically include the following material assumptions: the satisfaction of all closing conditions (including regulatory approvals, and, as regards to the sale of the Transportation division, the execution of definitive documentation, Alstom shareholder approval in respect of the required capital increase, completion of works council consultations and absence of a material adverse change) and receipt of expected proceeds within the anticipated timeframe; and fulfillment by the parties of their obligations and agreements in principle.

For additional information, including with respect to other assumptions underlying the forward looking statements made in this MD&A, refer to the Strategic Priorities and Guidance and forward-looking statements sections in applicable reportable segment in the MD&A of our financial report for the fiscal year ended December 31, 2019. Given the impact of the changing circumstances surrounding the COVID-19 pandemic and the related response from the Corporation, governments (federal, provincial and municipal), regulatory authorities, businesses and customers, there is inherently more uncertainty associated with the Corporation's assumptions as compared to prior periods.

For a discussion of the material risk factors associated with the forward-looking information, refer to the Risks and uncertainties section in Other.

Impacts of COVID-19 on Transportation

Production at several locations, including key sites across Transportation's largest markets in Europe and the Americas, was temporarily suspended in the second half of March 2020 due to the global COVID-19 pandemic. Approximately 10,000 Transportation employees globally were affected by these shutdowns.

As a result of this reduced activity as well as supply chain disruptions, key production and homologation milestones were postponed from the first quarter. Combined with the impact of deferred order intake related to the crisis, free cash flow[1] for the quarter was negatively impacted, creating an estimated shortfall of $200 million to $300 million for the quarter. The financial impact of the production slowdown, supply chain shortages and other disruptions is expected to increase as the situation extends into April and May 2020.[2]

While customers lost significant ridership during this period and saw their revenues decline meaningfully, the outlook for Transportation continues to be positive given its strong backlog, which stood at $33.1 billion. As production gradually resumes, Transportation is working with customers and suppliers to reestablish new contract schedules.[2]

[1] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric and reconciliation to the most comparable IFRS measures.
[2] See the forward-looking statements disclaimer.

NON-GAAP FINANCIAL MEASURES

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

Non-GAAP financial measures	
Adjusted EBIT	EBIT excluding 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.
[redacted]	[redacted]
Free cash flow (usage)	Cash flows from operating activities less net additions to PP&E and intangible assets.

Non-GAAP financial measures are mainly derived from the consolidated financial statements but do not have standardized meanings prescribed by IFRS. The exclusion of certain items from non-GAAP performance measures does not imply that these items are necessarily non-recurring. Other entities in our industry may define the above measures differently than we do. In those cases, it may be difficult to compare the performance of those entities to ours based on these similarly-named non-GAAP measures.

Adjusted EBIT, [redacted]
Management uses adjusted EBIT, [redacted] for purposes of evaluating underlying business performance. Management believes these non-GAAP earnings measures in addition to IFRS measures provide users of our Financial Report with enhanced understanding of our results and related trends and increases the transparency and clarity of the core results of our business. Adjusted EBIT, [redacted] exclude items that do not reflect our core performance or where their exclusion will assist users in understanding our results for the period. For these reasons, a significant number of users of the MD&A analyze our results based on these financial measures. Management believes these measures help users of MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

Free cash flow (usage)
Free cash flow is defined as cash flows from operating activities less net additions to PP&E and intangible assets. Management believes that this non-GAAP cash flow measure provides investors with an important perspective on the Corporation's generation of cash available for shareholders, debt repayment, and acquisitions after making the capital investments required to support ongoing business operations and long-term value creation. This non-GAAP cash flow measure does not represent the residual cash flow available for discretionary expenditures as it excludes certain mandatory expenditures such as repayment of maturing debt. Management uses free cash flow as a measure to assess both business performance and overall liquidity generation.

TRANSPORTATION

HIGHLIGHTS

Results of the quarter

Three-month periods ended March 31	2020	2019	Variance
Revenues	**$ 2,169**	$ 2,107	3 %
Order intake (in billions of dollars)	**$ 0.8**	$ 1.7	(53)%
Book-to-bill ratio[1]	**0.4**	0.8	(0.4)
[redacted]			
Adjusted EBIT[2][3]	**$ 51**	$ 83	(39)%
Adjusted EBIT margin[2][3]	**2.4%**	3.9%	(150) bps
EBIT[2]	**$ 51**	$ 83	(39)%
EBIT margin[2]	**2.4%**	3.9%	(150) bps
Net additions to PP&E and intangible assets	**$ 23**	$ 28	(18)%
As at	**March 31, 2020**	December 31, 2019	Variance
Order backlog (in billions of dollars)	**$ 33.1**	$ 35.8	(8)%

[1] Ratio of new orders over revenues.
[2] Including share of income from joint ventures and associates amounting to $10 million for the three-month period ended March 31, 2020 ($17 million for the three-month period ended March 31, 2019).
[3] Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for a definition of these metrics and the Analysis of results section for reconciliations to the most comparable IFRS measures.

Key highlights and events

- Revenues during the quarter grew 5% organically to $2.2 billion, excluding currency translation year-over-year, mainly from rolling stock and systems and signalling activities. This growth mainly reflects the ongoing production ramp-up in the U.K. and Germany, notwithstanding impacts of reduced activity in the second half of March 2020 due to the global COVID-19 pandemic.

- EBIT margin of 2.4% for the first quarter was generally in line with expectations, and reflects an unfavourable rolling stock contract mix. The margin dilution from mix is expected to continue as Transportation executes on low-margin contracts in the backlog expected to be realized in 2020.[1]

- Cash on hand was increased through a $386 million equity injection in Transportation by CDPQ to support working capital as part of our measures to deal with the COVID-19 pandemic. In connection with this contribution, the Corporation secured amendments to Transportation's revolving and letter of credit facilities. These amendments provide for, among other things, temporary adjustments to certain financial covenants.

- In the second half of March 2020, production at several locations, including key sites across Transportation's largest markets in Europe and the Americas, was temporarily suspended due to the global COVID-19 pandemic.
    - Approximately 10,000 employees were affected by shutdowns. The cost of these measures and other disruption costs are being expensed as incurred, as opposed to being charged to projects.
    - Additionally, certain Transportation suppliers have delayed, reduced or altogether stopped the manufacture, shipping and delivery of critical parts, further disrupting production.
    - The revenues and earnings impact of the production slowdown and disruptions is expected to increase as the situation extended into April and May 2020.[1]
    - Free cash flow[2] has been negatively impacted in the first quarter by the engineering, production and supply chain disruptions resulting in an estimated $200 million to $300 million of cash inflows delays mainly from the postponement of key production and homologation milestones. The future impact on cash flows is being mitigated through various initiatives.

[1] See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview.
[2] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.

    - As production gradually resumes, Transportation is working with customers and suppliers to reestablish new contract schedules.

- The outlook for Transportation continues to be positive given its strong backlog, which stood at $33.1 billion at the end of the quarter.[1]
    - Book-to-bill ratio[2] for the first quarter was lower than expected at 0.4, due in part to the COVID-19 pandemic effect on the timing of order awards. Approximately 80% of orders in the first quarter came from services contracts, signalling projects and options exercised on rolling stock contracts, carrying lower execution risks.

- During the quarter, Bombardier and its customer, Swiss Federal Railways (SBB), reached a commercial agreement leading to the title transfer and take-over by SBB of 32 trains in revenue service. This agreement reflects the significant in-service reliability improvement achieved since entry-into-service and significantly reduced the inventory balance and associated customer payment financing outstanding.

[1] See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview.
[2] Ratio of new orders over revenues.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended March 31	
	2020	2019
Revenues		
Rolling stock and systems[1]	**$ 1,451**	$ 1,407
Services[2]	**486**	488
Signalling[3]	**232**	212
Total revenues	**$ 2,169**	$ 2,107
[redacted]	[redacted]	[redacted]
Amortization	**34**	32
Impairment charge on PP&E and intangible assets	**—**	3
Adjusted EBIT[4][5]	**51**	83
Special items	**—**	—
EBIT[4]	**$ 51**	$ 83
[redacted]	[redacted]	[redacted]
Adjusted EBIT margin[4][5]	**2.4%**	3.9%
EBIT margin	**2.4%**	3.9%

(1) Comprised of revenues from light rail vehicles, metros, commuter and regional trains, intercity trains, high-speed and very high-speed trains, locomotives, propulsion and controls, bogies, mass transit and airport systems, and mainline systems.
(2) Comprised of revenues from fleet management, asset life management, component re-engineering and overhaul, material solutions, and operations and maintenance of systems.
(3) Comprised of signalling revenues from mass transit, mainline, industrial and *OPTIFLO* service solutions.
(4) Including share of income from joint ventures and associates amounting to $10 million for the three-month period ended March 31, 2020 ($17 million for the three-month period ended March 31, 2019).
(5) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

Total revenues for the three-month period ended March 31, 2020, have increased by $62 million, compared to the same period last year. Excluding a negative currency impact of $38 million for the three-month period, revenues have increased by $100 million, or 5%, for the three-month period, compared to the same period last year.

The $100-million increase excluding currency impact for the three-month period is mainly explained by:

- higher activities in rolling stock and systems in Europe, Asia-Pacific and Rest of World region, mostly due to ramp-up in production related to some commuter and regional train, intercity train and light rail vehicle (LRV) contracts in Europe, some metro contracts in Asia-Pacific and some automated people mover (APM) contracts in the Rest of World region, partly offset by some locomotive contracts in Europe and the Rest of World region nearing completion; and
- higher activities in signalling mainly in North America and Asia-Pacific.

Partially offset by:

- overall lower revenues as a result of the COVID-19 pandemic and related site closures which negatively impacted our operations;
- lower activities in rolling stock and systems in North America mostly due to some contracts nearing completion. These contracts mainly relate to metros, commuter and regional trains and LRVs; and
- lower activities in signalling in the Rest of World region.

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

The special items recorded as losses (gains) in EBIT were as follows:

		Three-month periods ended March 31	
	Ref	**2020**	2019
Disruption costs	1	**$ 6**	$ —
Restructuring charges	2	**$ (6)**	$ —
		$ —	$ —
EBIT margin impact		**—%**	—%

1. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. Manufacturing overheads during the shut-down as well as incremental costs required as a result of the pandemic which were recorded as expenses of the quarter ended March 31, 2020 amounted to $9 million for Transportation. Of these costs, $6 million were recorded as special items for Transportation since they were direct and incremental to actions in response to the pandemic and they were non-recurring in nature. The remaining costs were recorded in cost of sales. These costs do not represent the full impact of the COVID-19 pandemic on the results of operations since it does not reflect the impact of lost or deferred revenues and associated margins.

2. Represents reversal of severance charges of $6 million for the three-month period ended March 31, 2020 related to previously-announced restructuring actions.

EBIT margin
The adjusted EBIT margin[1] for the three-month period decreased by 1.5 percentage points, mainly as a result of:
- a pension amendment related to past service recorded in the same period last year that positively impacted our results in 2019;
- lower margin in rolling stock and systems, mainly due to an unfavourable contract mix;
- lower margin in services, mainly due to a positive impact from revised estimates on certain contracts in the same period last year; and
- a lower share of income from joint ventures and associates.

Partially offset by:
- lower SG&A expenses.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 1.5 percentage points, compared to the same period last year.

[1] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric.

Orders and backlog

Order backlog

(in billions of dollars)	Three-month periods ended March 31 2020	2019
Balance at the beginning of period	**$ 35.8**	$ 34.5
Order intake	**0.8**	1.7
Revenues	**(2.2)**	(2.1)
Foreign currency impact and other adjustments	**(1.3)**	(0.3)
Balance at the end of period	**$ 33.1**	$ 33.8
Book-to-bill ratio[1]	**0.4**	0.8

[1] Ratio of new orders over revenues.

Order intake in the three-month period ended March 31, 2020, has decreased by $0.9 billion compared to the order intake for the same period last year, due in part to the COVID-19 pandemic effect on the timing of order awards. We have obtained several small orders across various product segments and regions during the quarter resulting in a book-to-bill ratio[1] of 0.4, and have maintained a leading position[2] in our relevant and accessible rail market.[3]

[1] Ratio of new orders over revenues.
[2] Based on a rolling 36-month order intake with latest data published by companies publishing order intake for at least 36 months.
[3] Our relevant and accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition, and excluding the infrastructure, freight wagon and shunter segments.

The significant orders obtained during the three-month period ended March 31, 2020 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value [1]
First quarter					
Société Nationale des Chemins de fer Français (SNCF), on behalf of the Region Auvergne-Rhône Alpes	France	Exercise of an option for *OMNEO* / Régio 2N double deck electric multiple units (EMUs)	114	Rolling stock and systems	$ 193
Fraport AG	Germany	Extension of Operations and Maintenance (O&M) services of *INNOVIA* APM 100 automated people mover (APM) system and modernization of its signalling technology with *CITYFLO* 650 solution	N/A	Services and Signalling	$ 113

[1] Contract values exclude price escalation. Exception: option for *OMNEO* / Régio 2N double deck EMUs for SNCF.

During the three-month period ended March 31, 2020, our Chinese joint venture Bombardier Sifang (Qingdao) Transportation Ltd. (BST), in which we own 50% of the shares, was awarded a contract to provide maintenance services for 656 high-speed train cars from China State Railway Group Co. Ltd., China, valued at $357 million. This order is not included in our backlog since it is a joint venture.

RISKS AND UNCERTAINTIES

We operate in industry segments which present a variety of risk factors and uncertainties. The risks and uncertainties that we currently believe could materially affect our business activities, financial condition, cash flows and results of operations are described in our Financial Report for the fiscal year ended December 31, 2019 in Other, but are not necessarily the only risks and uncertainties that we face.

COVID-19 Pandemic Outbreak

On March 11, 2020, the World Health Organization recognized the outbreak of COVID-19 as a pandemic. The COVID-19 pandemic continues to negatively impact the global economy, disrupt global supply chains and create significant economic uncertainty and disruption of financial markets. Emergency measures being enacted by governments worldwide to contain the spread of the virus, including the implementation of travel bans, self-imposed quarantine periods, self-isolation, physical and social distancing and the closure of non-essential businesses, are causing material disruption to businesses in Canada and globally which has resulted in an uncertain and challenging economic environment. Global debt and equity capital markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

This uncertainty has already materialized with falling global GDP growth, causing a global financial market shock which has directly impacted the Corporation's share price. Uncertainties related to, and perceived or experienced negative effects from, COVID-19 may continue to cause significant volatility or decline in the trading price of our securities, capital market conditions and general economic conditions. In addition, severe disruption and instability in the global financial markets and continued deteriorations in credit and financing conditions may increase the likelihood of litigation, increase the cost of or limit or restrict our ability to access debt and equity capital or other sources of funding on favourable terms, or at all, lead to consolidation that negatively impacts our business, increase competition, result in reductions in our work force, cause us to further reduce our capital spend or otherwise disrupt our business or make it more difficult to implement our strategic plans. Sustained adverse effects may also prevent us from satisfying debt financial covenants and minimum cash requirements or result in possible credit ratings watch or downgrades in our credit ratings.

As an emerging risk, the duration, scope and impact of the ongoing COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions and the pace of any subsequent recovery and economic normalization. Given the rapid and evolving nature of the COVID-19 pandemic, any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly it is challenging for the Corporation to estimate or quantify the extent to which the COVID-19 pandemic may, directly or indirectly, affect the Corporation's business activities, financial condition, cash flows, profitability, prospects and results of operations in future periods.

Business disruptions and slowdown:

The continued spread of the COVID-19 around the globe and the responses of governmental authorities and corporate entities, including through mandated or voluntary shutdowns, have led to a general slow-down in the global economy and the Corporation's business with temporary disruptions and slowdowns to our workforce and production at several locations and key sites, our customers, our revenues and operations and our supply chain.

Projects and contracts:

Our worldwide operations have been and will likely continue in the near and medium terms (and possibly longer) to be disrupted to varying degrees, including from project and delivery delays resulting from reduced production activity, travel restrictions or the postponement of key production and homologation milestones, and extended or complete project shutdowns, which may, in each case, expose the Corporation to penalties or cancellations and negatively affect the revenue, cash flow and profitability of these projects.

Reduction in demand and deferred order intake:

The risks associated with the COVID-19 pandemic may cause significant and unpredictable reduction in the demand and order intake for our products and services as customers divert resources and priorities towards mitigating the impacts and effects of the COVID-19 pandemic and worsening economic conditions.

Customer and counterparty risks:

The adverse effects of the COVID-19 pandemic on the economies and financial markets of many countries increase the risk of defaults from customers and other counterparties (including parties to the Pending Transactions), delays in payments, and difficulties in enforcing agreements and collecting receivables. Our customers and other counterparties may seek to terminate or to amend their agreements for the purchase of our products or services in order to focus resources to meet the increasing demands of managing COVID-19, or in response to financial distress related to COVID-19 (including bankruptcy, lack of liquidity, lack of funding, operational failures, or other reasons).

If we or any of the third parties with whom we engage, including suppliers, service providers, customers and other third parties with whom we conduct business, were to experience long-term effects such as prolonged or permanent shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively impacted, including the impairment of our product development activities for a period of time, which could also lead to loss of customers, as well as reputational, competitive, or business harm.

Supply chain:

Production stoppages and slowdowns resulting from government regulation and prevention measures undertaken in response to the COVID-19 outbreak have led to supply disruptions for the Corporation. Any prolonged disruption in the supply of raw materials and major systems could have a material adverse effect on the Corporation's operations, significantly increase the cost of operating its business and significantly reduce its margins and profitability.

Work force:

The risks to the Corporation of a pandemic, epidemic or other public health crisis, such as the ongoing COVID-19 pandemic, include risks to employee health and safety. Prolonged restrictive measures put in place in order to control the COVID-19 pandemic and limitations on travel may result in temporary shortages of staff or unavailability of certain employees or consultants with key expertise or knowledge of the Corporation, impact on workforce productivity and increased medical costs/insurance premiums. While the Corporation has proactively implemented measures to protect the health and safety of its employees across the world, including remote work arrangements, these measures present logistical challenges and incremental costs to the Corporation.

Diversion of management attention:

Preparing for and responding to the continuing pandemic has and may continue to divert management's attention from our key strategic priorities, increase costs as we prioritize health and safety matters for our personnel and the continuation of critical ongoing projects, and cause us to reduce, delay, alter or abandon initiatives that may otherwise increase our long-term value.

IT risks and inefficiencies:

The immediate unanticipated rise in remote work arrangements implemented by the Corporation in response to the COVID-19 outbreak may cause inefficiencies and increased pressure on the Corporation's information technology infrastructure, and may increase the Corporation's vulnerability to information technology and cybersecurity related risks and disruption to the Corporation's information systems.

Regulatory backlog:

There may be difficulties and inconsistencies relating to the enforcement of laws, rules, and regulations in response to the COVID-19 pandemic. Regulatory authorities, including those that oversee the Pending Transactions, are heavily occupied with their response to the pandemic. These regulators as well as other executive and legislative bodies in the jurisdictions in which we and our counterparties operate may not be able to provide the level of support and attention to day-to-day regulatory functions that they would otherwise have provided. Such regulatory backlog may materially hinder the development of the Corporation's business by delaying such activities as homologation or certification process for new products or technologies, site openings and the completion of strategic transactions (including the Pending Transactions).

Heightened impact of other risks:

Several of the risks and uncertainties disclosed in our Financial Report for the fiscal year ended December 31, 2019 could be particularly exacerbated by extraordinary externalities such as the COVID-19 pandemic, including, but not limited to, risks described under "Our order book-to-bill ratio and our order backlog may not be indicative of future revenues", "Fixed-price and fixed-term commitments and production and project execution", "Cash flows and capital expenditures", "Seasonality and cyclicality of financial results", "Environmental, health and safety risks", "Dependence on limited number of contracts and customers", "Supply chain risks", "Liquidity and access to capital markets", "Credit risk", "Substantial debt and significant interest payment requirements", "General economic risk", "Business environment risk", and "Market Risk".

Mitigation measures:

While the Corporation has made efforts to manage and mitigate the aforementioned risk factors, such efforts may be unsuccessful, and the effectiveness of these efforts and the extent to which the COVID-19 pandemic affects the Corporation's business will depend on factors beyond its control, including the likelihood, timing, duration and scope of the pandemic or any subsequent waves of COVID-19, and the measures taken or necessary to contain the spread of such outbreaks. Even after the COVID-19 pandemic is over, the Corporation may experience material adverse effects to its business, operations, financial condition, cash flows, margins, prospects and results of operations as a result of the disruption in the global economy and any resulting recession.

Pending Transactions

There is no certainty, nor can the Corporation provide any assurance, that the conditions to closing of the Pending Transactions will be satisfied or, if satisfied, when they will be satisfied. As regards to the sale of the Transportation division in particular, there is a risk that a party may terminate its respective obligations under the agreements in principle and Memorandum of Understanding prior to or after definitive binding agreements being entered into, including due to circumstances surrounding the relevant Works Council. If the Pending Transactions are not completed for any reason, the anticipated proceeds therefrom would not be available to the Corporation, within the anticipated timeframe or at all, and alternate sources of funding may not be available when needed, or on commercially acceptable terms. If the Pending Transactions are not completed for any reason, there is a risk that the announcement of such transactions and the dedication of substantial resources of the Corporation to the completion thereof could have a negative impact on the Corporation's operating results and business generally, and could have a material adverse effect on the current and future operations, financial condition and prospects of the Corporation, including the loss of investor confidence in connection with the Corporation's ability to execute its strategic plan. In addition, failure to complete the Pending Transactions for any reason could materially negatively impact the market price of the Corporation's securities. If the Pending Transactions are not completed for any reason, there can be no assurance that management will be successful in its efforts to identify and implement other strategic alternatives that would be in the best interests of the Corporation and its stakeholders within the context of existing market, regulatory and competitive conditions in the industries in which the Corporation operates, on favourable terms and timing or at all, and, if implemented, that such actions would have the planned results. We also have incurred significant transaction and related costs in connection with the Pending Transactions, and additional significant or unanticipated costs may be incurred.

Commitments and contingencies

Refer to Note 23 - Commitments and contingencies, to our interim consolidated financial statements.

If any of these risks, or any additional risks and uncertainties presently unknown to us or that we currently consider as being not material, actually occur or become material risks, our business activities, financial condition, cash flows and results of operations could be materially adversely affected.

FOREIGN EXCHANGE RATES

We are subject to currency fluctuations from the translation of revenues, expenses, assets and liabilities of our 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 foreign exchange rates used to translate assets and liabilities into U.S. dollars were as follows, as at:

	March 31, 2020	December 31, 2019	Decrease
Euro	**1.1034**	1.1234	(2%)
Canadian dollar	**0.7061**	0.7696	(8%)
Pound sterling	**1.2412**	1.3204	(6%)

The average foreign exchange rates used to translate revenues and expenses into U.S. dollars were as follows, for the three-month periods ended:

	March 31, 2020	March 31, 2019	Decrease
Euro	**1.1024**	1.1366	(3%)
Canadian dollar	**0.7455**	0.7522	(1%)
Pound sterling	**1.2803**	1.2996	(1%)

Annex 9.D. :

Analysis of the results of Bombardier Inc.'s Transportation segment
for the period ended 30 June 2020:

Relevant excerpts of Bombardier Inc.'s Transportation Segment Management Report for the six months
and three months ended 30 June 2020

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements, which may involve, but are not limited to: statements with respect to our objectives, anticipations and outlook or guidance in respect of various financial and global metrics and sources of contribution thereto, targets, goals, priorities, market and strategies, financial position, market position, capabilities, competitive strengths, credit ratings, beliefs, prospects, plans, expectations, anticipations, estimates and intentions; general economic and business outlook, prospects and trends of an industry; expected demand for products and services; growth strategy; 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; expectations regarding challenging Transportation projects and the release of working capital therefrom; expectations regarding revenue and backlog mix; the expected impact of the legislative and regulatory environment and legal proceedings; strength of capital profile and balance sheet, creditworthiness, available liquidities and capital resources and expected financial requirements; productivity enhancements, operational efficiencies and restructuring initiatives; expectations and objectives regarding debt repayments and refinancing of bank facilities and maturities; expectations regarding availability of government assistance programs, compliance with restrictive debt covenants; expectations regarding the declaration and payment of dividends on our preferred shares; intentions and objectives for our programs, assets and operations; and the impact of the COVID-19 pandemic on the foregoing and the effectiveness of plans and measures we have implemented in response thereto. As it relates to previously announced pending transactions, including the divestiture of our operations in Belfast and Morocco and the sale of the Transportation division to Alstom (collectively, the “Pending Transactions”), this MD&A also contains forward-looking statements with respect to the expected completion and timing thereof in accordance with their terms and conditions; the respective anticipated proceeds and use thereof, as well as the anticipated benefits of such transactions and their expected impact on our outlook, guidance and targets, operations, infrastructure, opportunities, financial condition, business plan and overall strategy.

Forward-looking statements can generally be identified by the use of forward-looking terminology such as “may”, “will”, “shall”, “can”, “expect”, “estimate”, “intend”, “anticipate”, “plan”, “foresee”, “believe”, “continue”, “maintain” or “align”, the negative of these terms, variations of them or similar terminology. Forward-looking statements are presented for the purpose of assisting investors and others in understanding certain key elements of our current objectives, strategic priorities, expectations, outlook and plans, and in obtaining a better understanding of our business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

By their nature, forward-looking statements require management 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 forecast results set forth in forward-looking statements. While management considers these assumptions to be reasonable and appropriate based on information currently available, there is risk that they may not be accurate. The assumptions are set out throughout this MD&A (particularly, in the assumptions below the Forward-looking statements in this MD&A). For additional information, including with respect to other assumptions underlying the forward-looking statements made in this MD&A, refer to the Strategic Priorities and Guidance and forward-looking statements sections in the applicable reportable segment in the MD&A of our financial report for the fiscal year ended December 31, 2019. Given the impact of the changing circumstances surrounding the COVID-19 pandemic and the related response from the Corporation, governments (federal, provincial and municipal), regulatory authorities, businesses and customers, there is inherently more uncertainty associated with the Corporation’s assumptions as compared to prior periods.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, risks associated with general economic conditions, risks associated with our business environment (such as risks associated with “Brexit”, the financial condition of the airline industry, business aircraft customers, and the rail industry; trade policy; increased competition; political instability and force majeure events or global climate change), operational risks (such as risks related to developing new products and services; development of new business and awarding of new contracts; book-to-bill ratio and order backlog; the certification and homologation of products and services; fixed-price and fixed-term commitments and production and project execution, including challenges associated with certain Transportation projects; pressures on cash flows and capital expenditures based on project-cycle fluctuations and seasonality; execution of our strategy, transformation plan, productivity enhancements, operational efficiencies and restructuring initiatives; doing business with partners; inadequacy of cash planning and management and project funding; product performance warranty and casualty claim losses; regulatory and legal proceedings; environmental, health and safety risks; dependence on certain customers, contracts and suppliers; supply chain risks; human resources; reliance on information systems; reliance on and protection of intellectual property rights; reputation risks; risk management; tax matters; and adequacy of insurance coverage), financing risks (such as risks related to liquidity and access to capital markets; retirement benefit plan risk; exposure to credit risk; substantial debt and interest payment requirements; restrictive debt covenants and minimum cash levels; financing support for the benefit of certain customers; and reliance on government support), market risks (such as foreign currency fluctuations; changing interest rates; decreases in residual values; increases in commodity prices; and inflation rate fluctuations). For more details, see the Risks and uncertainties section in Other in this MD&A and in the MD&A of our financial report for the fiscal year ended December 31, 2019. Any one or more of the foregoing factors may be exacerbated by the growing COVID-19 outbreak and may have a significantly more severe impact on the Corporation’s business, results of

operations and financial condition than in the absence of such outbreak. As a result of the current COVID-19 pandemic, additional factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to: risks related to the impact and effects of the COVID-19 pandemic on economic conditions and financial markets and the resulting impact on our business, operations, capital resources, liquidity, financial condition, margins, prospects and results; uncertainty regarding the magnitude and length of economic disruption as a result of the COVID-19 outbreak and the resulting effects on the demand environment for our products and services; emergency measures and restrictions imposed by public health authorities or governments, fiscal and monetary policy responses by governments and financial institutions; disruptions to global supply chain, customers, workforce, counterparties and third-party service providers; further disruptions to operations, production, project execution and deliveries; technology, privacy, cyber security and reputational risks; and other unforeseen adverse events.

With respect to the Pending Transactions, certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to: the failure to satisfy closing conditions, including regulatory approvals, or delay in completing such transactions and, as regards the sale of the Transportation division, the failure to enter into definitive documentation or the failure to receive Alstom shareholder approval in respect of the required capital increase or to complete relevant works council consultations, or the occurrence of a material adverse change; alternate sources of funding to replace the anticipated proceeds from the Pending Transactions may not be available when needed, or on desirable terms; the occurrence of an event which would allow the parties to terminate their obligations or agreements in principle; changes in the terms of the transactions; the failure by the parties to fulfill their obligations and agreements in principle; risks associated with the loss and replacement of key management and personnel; and the impact of the transactions on our relationships with third parties, including potentially resulting in the loss of clients, employees, suppliers, business partners or other benefits and goodwill of the business.

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. For more details, see the Risks and uncertainties sections in Other in this MD&A and in the MD&A of our financial report for the fiscal year ended December 31, 2019. Other risks and uncertainties not presently known to us or that we presently believe are not material could also cause actual results or events to differ materially from those expressed or implied in our forward-looking statements. The forward-looking statements set forth herein reflect management's 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.

Forward-looking statements in this MD&A are based on and subject to the following material assumptions:

Overall business

- general economic conditions, which include the impact on the economy and financial markets of the COVID-19 pandemic and other health risks;
- the ability of our supply base and third-party service providers to gradually resume support to product development and planned production rates on commercially acceptable terms in a timely manner;
- the effectiveness of our mitigation measures taken in response to the COVID-19 pandemic to minimize the resulting downward pressure on cash flow and manage liquidity;
- our ability to execute and deliver additional effective mitigation initiatives in response to future developments;
- the accuracy of our estimates and judgments regarding the duration, scope and impacts of the ongoing COVID-19 pandemic on our business, operations, liquidity, financial condition, margins, cash flows, prospects and results in future periods;
- the ability to have sufficient liquidity to execute the strategic plan, to meet financial covenants and to pay down long-term debt or refinance bank facilities and maturities;
- the expected impact of emergency measures implemented by governments;
- the effectiveness of government support programs, including wage subsidies, tax payment deferrals, pension contribution holidays and other measures addressing liquidity needs of corporations during the crisis and our ability to qualify for same;
- the effectiveness of COVID-19 containment efforts and gradual recovery of global environment and global economic conditions beginning in the second quarter of 2020;
- our ability to orderly restart production and progressively resume work on suspended projects as soon as the travel restrictions to applicable locations have been lifted and temporary foreigner visa suspensions are lifted;
- the time frames for the ramp-down of current COVID-19 social distancing guidelines and other mitigation-related requirements;
- retention of key employees and management;

- our ability to successfully defend ourselves against litigation matters arising in the context of the COVID-19 pandemic;
- our ability to access the capital markets as needed; and
- the availability of working capital financing initiatives and ongoing provision of credit by financial institutions to subject parties.

Transportation

- closing of the sale of the Transportation division to Alstom in the first half of 2021 in accordance with negotiated terms; and
- our ability to reestablish new contract schedules with customers and suppliers to optimize cash generation as production gradually resumes.

The assumptions underlying the forward-looking statements made in this MD&A in relation to each of the Pending Transactions specifically include the following material assumptions: the satisfaction of all closing conditions (including regulatory approvals, and, as regards to the sale of the Transportation division, the execution of definitive documentation, Alstom shareholder approval in respect of the required capital increase, completion of works council consultations and absence of a material adverse change) and receipt of expected proceeds within the anticipated timeframe; and fulfillment by the parties of their obligations and agreements in principle.

For additional information, including with respect to other assumptions underlying the forward looking statements made in this MD&A, refer to the Strategic Priorities and Guidance and forward-looking statements sections in applicable reportable segment in the MD&A of our financial report for the fiscal year ended December 31, 2019. Given the impact of the changing circumstances surrounding the COVID-19 pandemic and the related response from the Corporation, governments (federal, provincial and municipal), regulatory authorities, businesses and customers, there is inherently more uncertainty associated with the Corporation's assumptions as compared to prior periods.

For a discussion of the material risk factors associated with the forward-looking information, refer to the Risks and uncertainties section in Other.

Impacts of COVID-19 on Transportation

Production at several locations, including key sites across Transportation's largest markets in Europe and the Americas, was temporarily suspended in the second half of March 2020 and through several weeks during the second quarter due to the global COVID-19 pandemic. Approximately 10,000 Transportation employees globally were affected by these shutdowns. These disruptions, combined with the impact of deferred order intake related to the crisis, meaningfully increased free cash flow usage[1] at Transportation.

While customers lost significant ridership during this period and saw their revenues decline meaningfully, the outlook for Transportation continues to be positive given its strong backlog, which stood at $33.7 billion. As production gradually resumes, Transportation is working with customers and suppliers to reestablish new production and delivery schedules.

[1] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section for a definition of this metric and reconciliation to the most comparable IFRS measures.
[2] See the forward-looking statements disclaimer.

NON-GAAP FINANCIAL MEASURES

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

Non-GAAP financial measures	
Adjusted EBIT	EBIT excluding 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, impact of business disposals and significant impairment charges and reversals.
[redacted]	
[redacted]	[redacted]
[redacted]	
Free cash flow (usage)	Cash flows from operating activities less net additions to PP&E and intangible assets.

Non-GAAP financial measures are mainly derived from the consolidated financial statements but do not have standardized meanings prescribed by IFRS. The exclusion of certain items from non-GAAP performance measures does not imply that these items are necessarily non-recurring. Other entities in our industry may define the above measures differently than we do. In those cases, it may be difficult to compare the performance of those entities to ours based on these similarly-named non-GAAP measures.

Adjusted EBIT, [redacted]
Management uses adjusted EBIT, [redacted] for purposes of evaluating underlying business performance. Management believes these non-GAAP earnings measures in addition to IFRS measures provide users of our Financial Report with enhanced understanding of our results and related trends and increases the transparency and clarity of the core results of our business. Adjusted EBIT, [redacted] exclude items that do not reflect our core performance or where their exclusion will assist users in understanding our results for the period. For these reasons, a significant number of users of the MD&A analyze our results based on these financial measures. Management believes these measures help users of MD&A to better analyze results, enabling better comparability of our results from one period to another and with peers.

Free cash flow (usage)
Free cash flow is defined as cash flows from operating activities less net additions to PP&E and intangible assets. Management believes that this non-GAAP cash flow measure provides investors with an important perspective on the Corporation's generation of cash available for shareholders, debt repayment, and acquisitions after making the capital investments required to support ongoing business operations and long-term value creation. This non-GAAP cash flow measure does not represent the residual cash flow available for discretionary expenditures as it excludes certain mandatory expenditures such as repayment of maturing debt. Management uses free cash flow as a measure to assess both business performance and overall liquidity generation.

TRANSPORTATION

HIGHLIGHTS

Results of the quarter

Three-month periods ended June 30	2020	2019	Variance
Revenues	**$ 1,479**	$ 2,194	(33)%
Order intake (in billions of dollars)	**$ 1.6**	$ 2.0	(20)%
Book-to-bill ratio[1]	**1.1**	0.9	0.2
[redacted]			
Adjusted EBIT[2][3]	**$ (383)**	$ 111	nmf
Adjusted EBIT margin[2][3]	**(25.9)%**	5.1%	(3100) bps
EBIT[2]	**$ (377)**	$ 87	nmf
EBIT margin[2]	**(25.5)%**	4.0%	(2950) bps
Net additions to PP&E and intangible assets	**$ 21**	$ 36	(42)%
As at	**June 30, 2020**	December 31, 2019	
Order backlog (in billions of dollars)	**$ 33.7**	$ 35.8	(6)%

(1) Ratio of new orders over revenues.
(2) Including share of income from joint ventures and associates amounting to $51 million for the three-month period ended June 30, 2020 ($32 million for the three-month period ended June 30, 2019).
(3) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.

Key highlights and events

- Revenues for the quarter of $1.5 billion reflect a lower level of production activity as operations at key sites across Europe and the Americas were temporarily suspended due to the global COVID-19 pandemic and the impact of revised estimates on a number of late-stage projects mainly in the U.K. and Germany.

[redacted]

- Adjusted EBIT[2] loss for the second quarter of $383 million was significantly below expectations, reflecting an additional charge of $435 million at Transportation, largely related to incremental engineering, certification and retrofit costs associated with a number of late-stage projects mainly in the U.K. and Germany. Over two thirds of this charge is expected to impact 2020 free cash flows as Transportation reaches key engineering and entry into service milestones. Reported EBIT loss for the quarter was $377 million.
    - During the quarter, a new, dedicated project team was mandated to conduct deep dives into challenging legacy projects, evaluating both project management processes and talent resources with a goal to fully understand the causes of excessive costs, and take the right corrective actions.

- The outlook for transportation remains positive and is supported by its $33.7 billion backlog and strong industry fundamentals.[1]
    - Order intake of $1.6 billion for the quarter reflects project wins across geographies, with notable contract awards with SNCF's repeat order in France and India's flagship Delhi–Meerut regional rapid transit system project in Asia.

(1) See the forward-looking statements disclaimer as well as the forward-looking statements section in Overview.
(2) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics and the Analysis of results section hereafter for reconciliations to the most comparable IFRS measures.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Revenues				
Rolling stock and systems[1]	**$ 747**	$ 1,490	**$ 2,198**	$ 2,897
Services[2]	**470**	510	**956**	998
Signalling[3]	**262**	194	**494**	406
Total revenues	**$ 1,479**	$ 2,194	**$ 3,648**	$ 4,301
[redacted]				
Amortization	**33**	35	**67**	67
Impairment charges on PP&E and intangible assets	**—**	—	**—**	3
Adjusted EBIT[4][5]	**(383)**	111	**(332)**	194
Special items	**(6)**	24	**(6)**	24
EBIT[4]	**$ (377)**	$ 87	**$ (326)**	$ 170
[redacted]				
Adjusted EBIT margin[4][5]	**(25.9)%**	5.1%	**(9.1)%**	4.5%
EBIT margin[4]	**(25.5)%**	4.0%	**(8.9)%**	4.0%

(1) Comprised of revenues from light rail vehicles, metros, commuter and regional trains, intercity trains, high-speed and very high-speed trains, locomotives, propulsion and controls, bogies, mass transit and airport systems, and mainline systems.
(2) Comprised of revenues from fleet management, asset life management, component re-engineering and overhaul, material solutions, and operations and maintenance of systems.
(3) Comprised of signalling revenues from mass transit, mainline, industrial and *OPTIFLO* service solutions.
(4) Including share of income from joint ventures and associates amounting to $51 million and $61 million, respectively, for the three- and six-month periods ended June 30, 2020 ($32 million and $49 million for the three- and six-month periods ended June 30, 2019).
(5) Non-GAAP financial measures. Refer to the Non-GAAP financial measures section in Overview for definitions of these metrics.

Revenues

Total revenues for the three- and six-month periods ended June 30, 2020, have decreased by $715 million and $653 million, respectively, compared to the same periods last year. Excluding negative currency impacts of $38 million and $76 million, respectively, revenues for the three-month period have decreased by $677 million, or 31%, while revenues for the six-month period have decreased by $577 million, or 13%, compared to the same periods last year.

The $677-million decrease excluding currency impact for the three-month period is mainly explained by:

- revised estimates on a number of late-stage projects mainly in the U.K. and Germany that negatively affect revenues of rolling stock in Europe in the second quarter;
- a negative impact on activities in rolling stock in North America and Europe due to the COVID-19 pandemic and related site closures; and
- lower activities in rolling stock and systems in all regions mostly due to some contracts nearing completion. The affected contracts mainly relate to commuter and regional trains in all regions, intercity trains in Europe, locomotives in Europe and the Rest of World region, metros in North America and Europe, and light rail vehicles (LRVs) in North America, partly offset by ramp-up in production related to some mass transit system contracts in the Rest of World region and Asia-Pacific.

Partially offset by:

- higher activities in signalling in North America, Asia-Pacific and Europe.

The $577-million decrease excluding currency impact for the six-month period is mainly explained by:

- revised estimates on a number of late-stage projects mainly in the U.K. and Germany that negatively affect revenues of rolling stock in Europe in the second quarter;
- a negative impact on activities in rolling stock in North America and Europe due to the COVID-19 pandemic and related site closures;
- lower activities in rolling stock and systems in all regions mostly due to some contracts nearing completion. The affected contracts mainly relate to commuter and regional trains in all regions, locomotives in Europe and the Rest of world region, metros in North America and Europe, intercity trains in Europe, and light rail vehicles in North America, partly offset by ramp-up in production related to some

mass transit system contracts in the Rest of World region and Asia-Pacific, some LRVs in Europe and some metros in Asia-Pacific; and
- lower activities in signalling in Rest of World region.

Partially offset by:
- higher activities in signalling in North America, Asia-Pacific and Europe.

Special items

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

The special items recorded as (gains) losses in EBIT were as follows:

		Three-month periods ended June 30		Six-month periods ended June 30	
	Ref	**2020**	2019	**2020**	2019
Restructuring charges	1	**$ (6)**	$ 24	**$ (12)**	$ 24
Disruption costs	2	**—**	—	**6**	—
		$ (6)	$ 24	**$ (6)**	$ 24
EBIT margin impact		**(0.4)%**	1.1%	**(0.2)%**	0.6%

1. For the three- and six-month periods ended June 30, 2020, represents reversal of severance charges of $6 million and $12 million related to previously-announced restructuring actions.

   For the three- and six-month periods ended June 30, 2019, represents severance charges of $28 million and $32 million, partially offset by a reversal of asset write-downs of $4 million and $8 million.

2. Due to the COVID-19 pandemic, in the second half of March 2020, the Corporation temporarily suspended operations at various production facilities. As a result of the pandemic, nil and $6 million were recorded as special items for Transportation in the three- and six-month periods ended June 30, 2020. These costs do not represent the full impact of the COVID-19 pandemic on the results of operations since it does not reflect the impact of lost or deferred revenues and associated margins.

EBIT margin

Adjusted EBIT margin[1] for the three-month period decreased by 31.0 percentage points, mainly as a result of:
- lower margin in rolling stock and systems, mainly due to revised estimates on a number of late-stage projects mainly in the U.K. and Germany; and
- temporary suspension of operations at various production facilities due to the COVID-19 pandemic and related under-absorption of expenses recorded in the cost of sales and of SG&A expenses.

Partially offset by:
- higher margin in signalling and in services, mainly due to a favourable contract mix; and
- a higher share of income from joint ventures and associates.

Including the impact of special items (see explanation of special items above), the EBIT margin for the three-month period decreased by 29.5 percentage points, compared to the same period last year.

[1] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric.

Adjusted EBIT margin[1] for the six-month period decreased by 13.6 percentage points, mainly as a result of:

- lower margin in rolling stock and systems, mainly due to revised estimates on a number of late-stage projects mainly in the U.K. and Germany;
- temporary suspension of operations at various production facilities due to the COVID-19 pandemic and related under-absorption of expenses recorded in the cost of sales and of SG&A expenses; and
- a pension amendment related to past service recorded in the first quarter last year that positively impacted our results in 2019.

Partially offset by:

- higher margin in signalling and in services, mainly due to a favourable contract mix; and
- a higher share of income from joint ventures and associates.

Including the impact of special items (see explanation of special items above), the EBIT margin for the six-month period decreased by 12.9 percentage points, compared to the same period last year.

[1] Non-GAAP financial measure. Refer to the Non-GAAP financial measures section in Overview for a definition of this metric.

Orders and backlog

Order backlog

(in billions of dollars)	Three-month periods ended June 30		Six-month periods ended June 30	
	2020	2019	**2020**	2019
Balance at the beginning of period	**$ 33.1**	$ 33.8	**$ 35.8**	$ 34.5
Order intake	**$ 1.6**	$ 2.0	**$ 2.4**	$ 3.7
Revenue	**$ (1.5)**	$ (2.2)	**$ (3.7)**	$ (4.3)
Foreign currency impact and other adjustments	**$ 0.5**	$ 0.0	**$ (0.8)**	$ (0.3)
Balance at the end of period	**$ 33.7**	$ 33.6	**$ 33.7**	$ 33.6
Book-to-bill ratio[1]	**1.1**	0.9	**0.7**	0.9

[1] Ratio of new orders over revenues.

Order intake for the three- and six-month periods ended June 30, 2020, has decreased by $0.4 billion and $1.3 billion, respectively, compared to the order intake for the same periods last year, due in part to the COVID-19 pandemic effect on the timing of order awards. We have obtained several orders across various product segments and regions during the first half of the year resulting in a book-to-bill ratio[1] of 0.7, and have maintained a leading position[2] in our relevant and accessible rail market.[3]

[1] Ratio of new orders over revenues.
[2] Based on a rolling 36-month order intake with latest data published by companies publishing order intake for at least 36 months.
[3] Our relevant and accessible rail market is the world rail market, excluding the share of markets associated with contracts that are awarded to local players without open-bid competition, and excluding the infrastructure, freight wagon and shunter segments.

The significant orders obtained during the six-month period ended June 30, 2020 were as follows:

Customer	Country	Product or service	Number of cars	Market segment	Value [1]
Second quarter					
Société Nationale des Chemins de fer Français (SNCF), on behalf of the Region Normandie	France	Exercise of two options for *OMNEO* / Régio 2N double deck electric multiple units (EMUs)	270	Rolling stock and systems	$ 457
National Capital Region Transport Corporation (NCRTC)	India	Commuter and intracity mass transit cars and fleet maintenance services	210	Rolling stock and systems and Services	$ 340
Undisclosed	Asia-Pacific	Undisclosed	N/A	Rolling stock and systems	$ 139
Central Puget Sound Regional Transit Authority (Sound Transit)	U.S.	*BiLevel* commuter rail cars	28	Rolling stock and systems	$ 108
Undisclosed	North America	Undisclosed	N/A	Services	$ 108
First quarter					
Société Nationale des Chemins de fer Français (SNCF), on behalf of the Region Auvergne-Rhône Alpes	France	Exercise of an option for *OMNEO* / Régio 2N double deck EMUs	114	Rolling stock and systems	$ 193
Fraport AG	Germany	Extension of Operations and Maintenance (O&M) services of *INNOVIA* APM 100 automated people mover (APM) system and modernization of its signalling technology with *CITYFLO* 650 solution	N/A	Services and Signalling	$ 113

[1] Contract values exclude price escalation. Exception: options for *OMNEO* / Régio 2N double deck EMUs for SNCF in the first and second quarters.

Subsequent to the end of the second quarter, we obtained a Letter of Award (LoA) from India's Uttar Pradesh Metro Rail Corporation (UPMRC) to build and deliver 201 *MOVIA* metro cars and advanced *CITYFLO* 650 rail control solution for the Agra-Kanpur Metro projects, valued at $275 million. This order is not included in the backlog as at June 30, 2020.

RISKS AND UNCERTAINTIES

We operate in industry segments which present a variety of risk factors and uncertainties. The risks and uncertainties that we currently believe could materially affect our business activities, financial condition, cash flows and results of operations are described in our Financial Report for the fiscal year ended December 31, 2019 in Other, but are not necessarily the only risks and uncertainties that we face.

COVID-19 Pandemic Outbreak

On March 11, 2020, the World Health Organization recognized the outbreak of COVID-19 as a pandemic. The COVID-19 pandemic continues to negatively impact the global economy, disrupt global supply chains and create significant economic uncertainty and disruption of financial markets. Emergency measures being enacted by governments worldwide to contain the spread of the virus, including the implementation of travel bans, self-imposed quarantine periods, self-isolation, physical and social distancing and the closure of non-essential businesses, are causing material disruption to businesses in Canada and globally which has resulted in an uncertain and challenging economic environment. Global debt and equity capital markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

This uncertainty has already materialized with falling global GDP growth, causing a global financial market shock which has directly impacted the Corporation's share price. Uncertainties related to, and perceived or experienced negative effects from, COVID-19 may continue to cause significant volatility or decline in the trading price of our securities, capital market conditions and general economic conditions. In addition, severe disruption and instability in the global financial markets and continued deteriorations in credit and financing conditions may increase the likelihood of litigation, increase the cost of or limit or restrict our ability to access debt and equity capital or other sources of funding on favourable terms, or at all, lead to consolidation that negatively impacts our business, increase competition, result in reductions in our work force, cause us to further reduce our capital spend or otherwise disrupt our business or make it more difficult to implement our strategic plans. Sustained adverse effects may also prevent us from satisfying debt financial covenants and minimum cash requirements or result in possible credit ratings watch or downgrades in our credit ratings.

As an emerging risk, the duration, scope and impact of the ongoing COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions and the pace of any subsequent recovery and economic normalization. Given the rapid and evolving nature of the COVID-19 pandemic, any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly it is challenging for the Corporation to estimate or quantify the extent to which the COVID-19 pandemic may, directly or indirectly, affect the Corporation's business activities, financial condition, cash flows, profitability, prospects and results of operations in future periods.

Business disruptions and slowdown:

The continued spread of the COVID-19 around the globe and the responses of governmental authorities and corporate entities, including through mandated or voluntary shutdowns, have led to a general slow-down in the global economy and the Corporation's business with temporary disruptions and slowdowns to our workforce and production at several locations and key sites, our customers, our revenues and operations and our supply chain.

Projects and contracts:

Our worldwide operations have been and will likely continue in the near and medium terms (and possibly longer) to be disrupted to varying degrees, including from project and delivery delays resulting from reduced production activity, travel restrictions or the postponement of key production and homologation milestones, and extended or complete project shutdowns, which may, in each case, expose the Corporation to penalties or cancellations and negatively affect the revenue, cash flow and profitability of these projects.

Reduction in demand and deferred order intake:

The risks associated with the COVID-19 pandemic may cause significant and unpredictable reduction in the demand and order intake for our products and services as customers divert resources and priorities towards mitigating the impacts and effects of the COVID-19 pandemic and worsening economic conditions.

Customer and counterparty risks:

The adverse effects of the COVID-19 pandemic on the economies and financial markets of many countries increase the risk of defaults from customers and other counterparties (including parties to the Pending Transactions), delays in payments, and difficulties in enforcing agreements and collecting receivables. Our customers and other counterparties may seek to terminate or to amend their agreements for the purchase of our products or services in order to focus resources to meet the increasing demands of managing COVID-19, or in response to financial distress related to COVID-19 (including bankruptcy, lack of liquidity, lack of funding, operational failures, or other reasons).

If we or any of the third parties with whom we engage, including suppliers, service providers, customers and other third parties with whom we conduct business, were to experience long-term effects such as prolonged or permanent shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively impacted, including the impairment of our product development activities for a period of time, which could also lead to loss of customers, as well as reputational, competitive, or business harm.

Supply chain:

Production stoppages and slowdowns resulting from government regulation and prevention measures undertaken in response to the COVID-19 outbreak have led to supply disruptions for the Corporation. Any prolonged disruption in the supply of raw materials and major systems could have a material adverse effect on the Corporation's operations, significantly increase the cost of operating its business and significantly reduce its margins and profitability.

Work force:

The risks to the Corporation of a pandemic, epidemic or other public health crisis, such as the ongoing COVID-19 pandemic, include risks to employee health and safety. Prolonged restrictive measures put in place in order to control the COVID-19 pandemic and limitations on travel may result in temporary shortages of staff or unavailability of certain employees or consultants with key expertise or knowledge of the Corporation, impact on workforce productivity and increased medical costs/insurance premiums. While the Corporation has proactively implemented measures to protect the health and safety of its employees across the world, including remote work arrangements, these measures present logistical challenges and incremental costs to the Corporation.

Diversion of management attention:

Preparing for and responding to the continuing pandemic has and may continue to divert management's attention from our key strategic priorities, increase costs as we prioritize health and safety matters for our personnel and the continuation of critical ongoing projects, and cause us to reduce, delay, alter or abandon initiatives that may otherwise increase our long-term value.

IT risks and inefficiencies:

The immediate unanticipated rise in remote work arrangements implemented by the Corporation in response to the COVID-19 outbreak may cause inefficiencies and increased pressure on the Corporation's information technology infrastructure, and may increase the Corporation's vulnerability to information technology and cybersecurity related risks and disruption to the Corporation's information systems.

Regulatory backlog:

There may be difficulties and inconsistencies relating to the enforcement of laws, rules, and regulations in response to the COVID-19 pandemic. Regulatory authorities, including those that oversee the Pending Transactions, are heavily occupied with their response to the pandemic. These regulators as well as other executive and legislative bodies in the jurisdictions in which we and our counterparties operate may not be able to provide the level of support and attention to day-to-day regulatory functions that they would otherwise have provided. Such regulatory backlog may materially hinder the development of the Corporation's business by delaying such activities as homologation or certification process for new products or technologies, site openings and the completion of strategic transactions (including the Pending Transactions).

Heightened impact of other risks:

Several of the risks and uncertainties disclosed in our Financial Report for the fiscal year ended December 31, 2019 could be particularly exacerbated by extraordinary externalities such as the COVID-19 pandemic, including, but not limited to, risks described under "Our order book-to-bill ratio and our order backlog may not be indicative of future revenues", "Fixed-price and fixed-term commitments and production and project execution", "Cash flows and capital expenditures", "Seasonality and cyclicality of financial results", "Environmental, health and safety risks", "Dependence on limited number of contracts and customers", "Supply chain risks", "Liquidity and access to capital markets", "Credit risk", "Substantial debt and significant interest payment requirements", "General economic risk", "Business environment risk", and "Market Risk".

Mitigation measures:

While the Corporation has made efforts to manage and mitigate the aforementioned risk factors, such efforts may be unsuccessful, and the effectiveness of these efforts and the extent to which the COVID-19 pandemic affects the Corporation's business will depend on factors beyond its control, including the likelihood, timing, duration and scope of the pandemic or any subsequent waves of COVID-19, and the measures taken or necessary to contain the spread of such outbreaks. Even after the COVID-19 pandemic is over, the Corporation may experience material adverse effects to its business, operations, financial condition, cash flows, margins, prospects and results of operations as a result of the disruption in the global economy and any resulting recession.

Pending Transactions

There is no certainty, nor can the Corporation provide any assurance, that the conditions to closing of the Pending Transactions will be satisfied or, if satisfied, when they will be satisfied. As regards to the sale of the Transportation division in particular, there is a risk that a party may terminate its respective obligations under the agreements in principle and Memorandum of Understanding prior to or after definitive binding agreements being entered into, including due to circumstances surrounding the relevant Works Council. If the Pending Transactions are not completed for any reason, the anticipated proceeds therefrom would not be available to the Corporation, within the anticipated timeframe or at all, and alternate sources of funding may not be available when needed, or on commercially acceptable terms. If the Pending Transactions are not completed for any reason, there is a risk that the announcement of such transactions and the dedication of substantial resources of the Corporation to the completion thereof could have a negative impact on the Corporation's operating results and business generally, and could have a material adverse effect on the current and future operations, financial condition and prospects of the Corporation, including the loss of investor confidence in connection with the Corporation's ability to execute its strategic plan. In addition, failure to complete the Pending Transactions for any reason could materially negatively impact the market price of the Corporation's securities. If the Pending Transactions are not completed for any reason, there can be no assurance that management will be successful in its efforts to identify and implement other strategic alternatives that would be in the best interests of the Corporation and its stakeholders within the context of existing market, regulatory and competitive conditions in the industries in which the Corporation operates, on favourable terms and timing or at all, and, if implemented, that such actions would have the planned results. We also have incurred significant transaction and related costs in connection with the Pending Transactions, and additional significant or unanticipated costs may be incurred.

Commitments and contingencies

Refer to Note 25 - Commitments and contingencies, to our interim consolidated financial statements.

If any of these risks, or any additional risks and uncertainties presently unknown to us or that we currently consider as being not material, actually occur or become material risks, our business activities, financial condition, cash flows and results of operations could be materially adversely affected.

FOREIGN EXCHANGE RATES

We are subject to currency fluctuations from the translation of revenues, expenses, assets and liabilities of our 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 foreign exchange rates used to translate assets and liabilities into U.S. dollars were as follows, as at:

	June 30, 2020	December 31, 2019	Decrease
Euro	**1.1284**	1.1234	0%
Canadian dollar	**0.7323**	0.7696	(5%)
Pound sterling	**1.2327**	1.3204	(7%)

The average foreign exchange rates used to translate revenues and expenses into U.S. dollars were as follows, for the three-month periods ended:

	June 30, 2020	June 30, 2019	Decrease
Euro	**1.1001**	1.1240	(2%)
Canadian dollar	**0.7213**	0.7475	(4%)
Pound sterling	**1.2418**	1.2863	(3%)

The average foreign exchange rates used to translate revenues and expenses into U.S. dollars were as follows, for the six-month periods ended:

	June 30, 2020	June 30, 2019	Decrease
Euro	**1.1013**	1.1303	(3%)
Canadian dollar	**0.7332**	0.7499	(2%)
Pound sterling	**1.2610**	1.2930	(2%)

ANNEX 10

UNAUDITED PRO FORMA CONSENSED COMBINED FINANCIAL INFORMATION AS OF 31 MARCH 2020

UNAUDITED PRO FORMA CONSENSED COMBINED FINANCIAL INFORMATION AS OF 31 MARCH 2020

The unaudited pro forma condensed combined financial information presented below shall be read in conjunction with the main text of the Amendment, of which the unaudited pro forma condensed combined financial information is a part.

A. Unaudited pro forma condensed combined financial information as of March 31, 2020

1. Introduction

1.1. Background information

The unaudited pro forma condensed combined financial information of Alstom (together with Bombardier Transportation UK2 and its consolidated subsidiaries, the "**Combined Group**") includes the unaudited pro forma condensed combined statement of financial position as of March 31, 2020 and the unaudited pro forma condensed combined statement of income for the 12-month period ended March 31, 2020 with the related explanatory notes (together the "**Unaudited Pro Forma Condensed Combined Financial Information**") and has been prepared to represent the pro forma effects of the contemplated acquisition, directly or indirectly, through any of its subsidiaries, of the sole control, directly or indirectly, over the entities forming part of the global rail solutions division of Bombardier (the "**Transaction**") and of the related financing transactions.

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared prior to the Completion Date (as defined below). The unaudited pro forma condensed combined statement of financial position has been prepared assuming that the Transaction was completed on March 31, 2020. The unaudited pro forma condensed combined statement of income has been prepared assuming that the Transaction was completed on April 1, 2019.

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared for illustrative purposes only, and, by its nature, is not intended to represent or to be indicative of the actual results of operations or the actual financial position that the Combined Group would have recorded, had the Transaction been completed as of March 31, 2020 in the unaudited pro forma condensed combined statement of financial position, or as of April 1, 2019 in the unaudited pro forma condensed combined statement of income, nor is the Unaudited Pro Forma Condensed Combined Financial Information necessarily indicative of the future operating results or financial position of the Combined Group.

The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with the information contained in the section 4.2 of the Amendment entitled "*Bombardier Transportation financial information*" and in Alstom's 2019/2020 Universal Registration Document incorporated by reference into the Amendment.

1.2. Accounting treatment of the transaction

Considering the guidance in IFRS 3 "Business Combinations" ("IFRS 3") and the acquisition agreement entered into by Alstom, Bombardier Inc. and Caisse de dépôt et placement du Québec ("**CDPQ**") on September 16, 2020 (the "**Acquisition Agreement**"), Alstom management determined that Alstom is the

acquirer and that Bombardier Transportation is the acquiree for accounting purposes, given that Alstom is, directly or indirectly, acquiring 100% of Bombardier Transportation's shares.

By applying the principles in IFRS 3, as Bombardier Transportation is the acquiree, its identifiable assets acquired and liabilities assumed will be initially recognized at their fair values at the date of completion of the proposed Transaction, i.e. the date of acquisition as defined in accordance with IFRS 3 (the "**Completion Date**"). The measurement of the acquirer's assets and liabilities is not affected by the Transaction.

1.3. Preparation of pro forma information

The Unaudited Pro Forma Condensed Combined Financial Information is presented in millions of Euro.

The Unaudited Pro Forma Condensed Combined Financial Information is presented in accordance with Annex 20 of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 "Pro Forma Information", the recommendation issued by ESMA (formerly CESR) (ESMA/2013/319 of March 20, 2013) and the recommendation n°2013-08 issued by AMF (*Autorité des Marchés Financiers*) on pro forma financial information, as modified on July 21, 2019.

The Unaudited Pro Forma Condensed Combined Financial Information is based on the relevant extracts of the following documents:

- Alstom's consolidated financial statements as of and for the year ended March 31, 2020 prepared in accordance with IFRS as adopted by the European Union, which are incorporated by reference in this Amendment. These annual financial statements were audited by PricewaterhouseCoopers Audit and Mazars;
- Bombardier Transportation (Global Holding) UK Limited's consolidated financial statements as of and for the year ended December 31, 2019, as well as Bombardier Transportation (Global Holding) UK Limited's consolidated financial statements as of and for the 3-month period ended March 31, 2020 (which includes information for the 3-month period ended March 31, 2019 as comparative figures), both prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB), which are included in this Amendment. The annual financial statements were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, and the interim financial statements were the subject of a limited review by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

As part of the Transaction, Alstom will also acquire certain assets and liabilities of Bombardier Transportation UK2, which is the holding company of Bombardier Transportation (Global Holding) UK Limited. These assets and liabilities (and the corresponding income and expenses), are not included in the historical financial information used for the preparation of the Unaudited Pro Forma Condensed Combined Financial Information as they are immaterial to the Combined Group (€ 2 million of Cash and cash equivalents, € 1 million of Other current liabilities and nil on Net result). No significant off-balance sheet commitment of Bombardier Transportation UK2 will be transferred to Alstom as part of the Transaction.

The pro forma adjustments to the Unaudited Pro Forma Condensed Combined Financial Information are limited to those that are (i) directly attributable to the Transaction and (ii) factually supportable. The Unaudited Pro Forma Condensed Combined Financial Information does not reflect items such as synergies or operating efficiencies that may result from the Transaction or restructuring and integration costs that may be incurred as a result of the Transaction. Also, it does not reflect the payment relating to Bombardier Transportation's revolving credit facility pursuant to a contractual change of control provision, which is

expected to be made after the completion of the Transaction. The Unaudited Pro Forma Condensed Combined Financial Information is based upon certain assumptions that Alstom believes are reasonable at the date of this Amendment and in the context of the Acquisition Agreement.

The Acquisition Agreement includes specific adjustment mechanisms with respect to the consideration to be paid, which are presented in section 1.2.1 of this Amendment.

At Completion, Alstom, directly or indirectly, will pay a total amount in cash, provided that:

- an amount equal to c. € 500 million plus a maximum of € 150 million (see description of this mechanism in section 1.2.2 (a) of this Amendment) will not be paid in cash but used by Bombardier UK to subscribe by way of set off (*augmentation de capital par compensation de créances*) to a reserved share capital increase of Alstom;
- an amount equal to c.€ 2 billion minus € 150 million (see description of this mechanism in section 1.2.1 of this Amendment) will not be paid in cash but used by CDP Investissements to subscribe by way of set off (*augmentation de capital par compensation de créances*) to a reserved share capital increase of Alstom (see note 4.2).

It is Alstom's intention to finance most of the cash component by an additional € 0.7 billion capital increase subscribed by CDP Investissements, as agreed in the Acquisition Agreement, a rights issue (up to c. € 2 billion) and a bond issuance (€ 0.4 billion). The remaining cash amount will be paid with Alstom's existing cash at the Completion Date, including Bombardier Transportation's net cash at closing.

Given all assumptions taken and the assessments performed on a preliminary basis for the purpose of the Unaudited Pro Forma Condensed Combined Financial Information, the actual financial position and results of operations of the Combined Group in the future may differ from these pro forma amounts as additional information becomes available and as additional analyses are performed.

2. Unaudited pro forma condensed combined statement of financial position as of March 31, 2020

	Alstom historical	Bombardier Transportation under pro forma presentation	Unaudited pro forma adjustments: Business combination		Unaudited pro forma adjustments: Divestitures		Unaudited pro forma adjustments: Other adjustments		Unaudited Combined Group pro forma
Assets									
(in € million)									
Goodwill	1 567	1 702	4 460	*4.2 a)*	(27)	*4.3*			7 703
Intangible assets	470	170			-				640
Property, plant and equipment	1 371	861			(11)	*4.3*			2 221
Investments in joint-venture and associates	693	476			-				1 169
Non consolidated investments	60	5			-				65
Other non-current assets	233	244			-				477
Deferred Tax	234	275			-				509
Total non-current assets	**4 628**	**3 733**	**4 460**		**(38)**		**-**		**12 783**
Inventories	1 743	150			(30)	*4.3*			1 863
Contract assets	1 644	2 150			(42)	*4.3*			3 752
Trade receivables	1 581	1 095			(23)	*4.3*			2 653
Other current operating assets	1 192	715	0	*4.2 e)*	(5)	*4.3*	34	*5 c)*	1 936
Other current financial assets	45	51			(0)	*4.3*			96
Cash and cash equivalents	2 175	329	230	*4.2 c)*	-		(101)	*5 b)*	2 633
Total current assets	**8 380**	**4 490**	**230**		**(101)**		**(67)**		**12 932**
Assets held for sale	-				139	*4.3*			139
TOTAL ASSETS	**13 008**	**8 223**	**4 691**		**-**		**(67)**		**25 854**
Equity and Liabilities									
(in € million)									
Equity attributable to the equity holders of the parent	3 271	655	4 289	*4.2 b)*			(101)	*5 a) c)*	8 114
Non-controlling interests	57	10							67
Total equity	**3 328**	**665**	**4 289**		**-**		**(101)**		**8 181**
Non-current provisions	160	97			(0)	*4.3*			257
Accrued pensions and other employee benefits	491	910			(11)	*4.3*			1 390
Non-current borrowings	772	103	400	*4.2 c)*	-		(103)	*5 a) b)*	1 172
Non-current lease obligations	465	149			-				614
Deferred Tax	17	-			-				17
Total non-current liabilities	**1 905**	**1 259**	**400**		**(11)**		**(103)**		**3 450**
Current provisions	853	571			(36)	*4.3*			1 388
Current borrowings	270	408			-				678
Current lease obligations	131	49			-				180
Contract liabilities	3 148	2 271			(279)	*4.3*			5 140
Trade payables	1 653	2 073			(58)	*4.3*			3 668
Other current liabilities	1 720	927	2	*4.2 d)*	(20)	*4.3*	136	*5 a)*	2 764
Total current liabilities	**7 775**	**6 299**	**2**		**(392)**		**136**		**13 819**
Liabilities related to assets held for sale	-	-			404	*4.3*			404
TOTAL EQUITY AND LIABILITIES	**13 008**	**8 223**	**4 691**		**-**		**(67)**		**25 854**

3. Unaudited pro forma condensed combined statement of income for the 12-month period ended March 31, 2020

			Unaudited pro forma adjustments			
	Alstom historical	Bombardier Transportation under pro forma presentation	Business combination		Other adjustments	Unaudited Combined Group pro forma
(in € million)						
Sales	**8 201**	**7 497**				**15 698**
Cost of sales	(6 740)	(7 068)				(13 808)
Research and development expenses	(302)	(120)				(422)
Selling and administrative expenses	(591)	(431)				(1 022)
Other income / (expense)	(23)	(36)				(59)
Earnings Before Interest and Taxes	**545**	**(158)**	-		-	**387**
Financial income	6	28				34
Financial expense	(82)	(74)	(1)	*4.2 c)*		(157)
Pre-tax income	**469**	**(204)**	**(1)**		-	**264**
Income Tax Charge	(118)	(8)	0	*4.2 c)*		(126)
Share of net income of equity-accounted investments	102	78				180
Net profit from continuing operations	**453**	**(134)**	**(1)**		-	**318**
Net profit from discontinued operations	21	-				21
Net Profit	**474**	**(134)**	**(1)**		-	**339**
Attribuable to:						
Group share	467	(140)	(1)		-	326
Minority interests	7	6	-		-	13

4. Notes to the Unaudited Pro Forma Condensed Combined Financial Information

4.1 Basis of preparation

Alstom's underlying figures correspond to the ones published in its audited consolidated financial statements as of and for the year ended March 31, 2020.

Bombardier Transportation's underlying figures are derived from Bombardier Transportation (Global Holding) UK Limited's historical consolidated financial statements as follows:

- Bombardier Transportation's statement of financial position column as of March 31, 2020 is that appearing in Bombardier Transportation (Global Holding) UK Limited's consolidated financial statements as of and for the 3-month period ended March 31, 2020
- Bombardier Transportation's statement of income column for the 12-month period ended March 31, 2020 has been prepared by
    - considering the statement of income line items amounts appearing in Bombardier Transportation (Global Holding) UK Limited's audited annual financial statements as of and for the year ended December 31, 2019; and
    - subtracting the amounts in its statement of income for the 3-month period ended March 31, 2019, and adding the amounts in its statement of income for the 3-month period ended March 31, 2020, both appearing in Bombardier Transportation (Global Holding) UK Limited's interim financial statements as of and for the 3-month period ended March 31, 2020 (which includes information for the 3-month period ended March 31, 2019 as comparative figures). See table included in Note 6.1 below.

Subsequent events

The Board of Directors of Bombardier Transportation (Global Holding) UK Limited approved the consolidated financial statements of Bombardier Transportation (Global Holding) UK Limited for the 6-month period ended June 30, 2020 on August 14, 2020. During the 3-month period ended June 30, 2020, Bombardier Transportation updated project estimates leading to a charge of € 395 million largely related to incremental engineering, certification and retrofit costs associated with a number of late-stage projects mainly in the UK and Germany. These updated project estimates are non-adjusting subsequent events for the 3-month period ended March 31, 2020 consolidated financial statements of Bombardier Transportation (Global Holding) UK Limited since they are indicative of conditions that arose after the end of the reporting period.

Reclassifications made to the Bombardier Transportation (Global Holding) UK Limited's historical statements of financial position and of income

Certain reclassifications have been made of items in Bombardier Transportation (Global Holding) UK Limited's historical financial statements to align their presentation to that of Alstom's statement of financial position and statement of income.

See tables included in Note 6.2 below.

Significant accounting methods

The management of both Alstom and Bombardier Transportation performed a preliminary comparison of their accounting methods. The assessment did not result in the identification of significant differences except for the following:

- *Practical application of the cost-to-cost method*: Alstom and Bombardier Transportation both apply the "cost-to-cost" method to recognize revenue to reflect the progress of each performance obligation over time (namely train sales) in application of IFRS 15. However, the two groups have a different approach regarding the timing of contribution to the percentage of completion of activities relating to the purchase of goods and the production of semi-finished products: Alstom considers that purchases of materials and equipment and the production of semi-finished goods that are "standard" do not contribute to the progress of the contract until the achievement of a certain level of industrial integration and customization. This implies that these elements are initially recorded in inventories in application of IAS 2, with the revenue being recognized once these materials are taken out of inventories to be used in the train manufacturing process. Bombardier Transportation considers that these materials are project specific immediately upon receipt and during construction in the case of semi-finished goods, and consequently contribute to the percentage of completion of the relevant project; hence they are recognized in cost and revenues upon receipt. This timing difference in the recognition of those costs in cost of sales has an impact on both profit and loss (which generates revenue and margin recognition) and on the balance sheet (contract assets/liabilities vs. inventory).
  Alstom and Bombardier Transportation managements are unable to identify, assess and record the adjustments in the Unaudited Pro Forma Condensed Combined Financial Information, as competition law restrictions prevent them from sharing the relevant information needed to perform reliable estimates. After completion of the Transaction, when Alstom and Bombardier Transportation share the relevant information, Bombardier Transportation's opening balance-sheet will be restated to reflect the alignment on Alstom's IFRS 15 application guidance. Nevertheless, the impact on sales and gross margin is not expected to be material in regard to the Alstom

Bombardier combined group profit and loss for future periods.

- *Presentation of hedge accounting relationships*: On the application of hedge accounting, Bombardier Transportation applies cash flow hedge accounting whereas Alstom presents its hedge accounting relationships on commercial contracts as fair value hedges. While the two methods do not result in a different net impact on profit or loss, they deviate in their presentation in the statement of financial position. In a cash flow hedge, the gain or loss on a hedging instrument is recognized in other comprehensive income. In a fair value hedge, the gain or loss on a hedging instrument is recognised in profit or loss and correspondingly, the gain or loss on the hedged item attributable to the hedged risk is recognised as an asset or liability through profit or loss. In the statement of financial position, Bombardier Transportation presents the associated derivatives as current financial assets or liabilities. Alstom presents the associated derivatives as other current operating assets or liabilities. A reclassification has been made in Bombardier Transportation (Global Holding) UK Limited's historical financial statements to conform the presentation to that of Alstom's statement of financial position (See reclassifications f) and j) in Note 6.2 below).

After completion of the Transaction, the topics above will be further assessed as Alstom and Bombardier Transportation share access to information. Additional adjustments or changes in the presentation of the financial statements may be performed as management aligns the accounting methods of the two groups.

Intercompany transactions

Subsequent to the Completion Date, balances and transactions occurring between Alstom and Bombardier Transportation will represent intercompany transactions that will be eliminated in the Combined Group's consolidated financial statements. No elimination has been reflected as pro forma adjustments in the Unaudited Pro Forma Condensed Combined Financial Information, as balances and transactions between Alstom and Bombardier Transportation as of and for the periods presented are not significant.

4.2 Business combination

Estimated contractual acquisition price

The Acquisition Agreement provides for a contractual acquisition price which will be in the range of € 5.5 billion to € 5.9 billion, based on certain adjustment mechanisms presented in section 1.2.1 of this Amendment. For the purpose of the Unaudited Pro Forma Condensed Combined Financial Information, the preliminary contractual acquisition price has been estimated at € 5.3 billion, based on estimated potential post-closing adjustments and obligations linked to the net cash protection mechanism. The € 0.2 billion difference between the floor price of € 5.5 billion and the estimated preliminary contractual acquisition price of € 5.3 billion is mainly due to the estimated negative net cash position of Bombardier Transportation as of 31 December 2020 which is taken into account in the calculation of the acquisition price, as explained in section 1.2.1 of this Amendment. The final amount of the acquisition price will be determined based on Bombardier Transportation's actual accounting records at 31 December 2020 and at the Completion Date and on the aforementioned mechanisms agreed in the Acquisition Agreement, which are presented in section 1.2.1 of this Amendment.

At Completion, Alstom Holdings will pay an amount in cash, providing that, following a delegation from Alstom Holdings to Alstom for the relevant amount:

- an amount equal to c. € 500 million (plus a maximum of € 150 million) (see description of this mechanism in section 1.2.2 (a) of this Amendment) will be used by Bombardier UK to subscribe

by way of set off (*augmentation de capital par compensation de créances*) to a reserved share capital increase of Alstom;

- an amount equal to c.€ 2 billion minus € 150 million (see description of this mechanism in section 1.2.1 of this Amendment) will be used by CDP Investissements to subscribe by way of set off (*augmentation de capital par compensation de créances*) to a reserved share capital increase of Alstom.

Accordingly, based on the mechanisms in the Acquisition Agreement, the preliminary contractual acquisition price can be broken down as follows:

Amounts in m€	
CDP Investissements	*1 930*
Bombardier UK	*500*
Preliminary acquisition price subscribed in Alstom shares by way of set off	2 430
Preliminary acquisition price paid in cash	2 870
Preliminary contractual acquisition price	**5 300**

CDP Investissements and Bombardier UK would receive respectively 43 419 572 and 10 526 316 Alstom shares[1]. This number of shares is derived from the total amount subscribed by CDP Investissements and Bombardier UK in Alstom shares by way of set-off as determined by the Acquisition Agreement (estimated, for the purpose of these Unaudited Pro Forma Condensed Combined Financial Information, respectively to € 1 930 million and € 500 million) and the contractual share price (respectively 44.45 € and 47.50 €) agreed in the Acquisition Agreement.

The contractual acquisition price is calculated in euros. A portion of the acquisition price paid in cash to Bombardier UK will be paid in US dollars at an agreed exchange rate EUR/USD of circa 1/1.17 (EUR/USD fixing spot rate "BFix" (mid) on September 16, 2020 less 0.015 representing the hedging and associated costs). This payment in US dollars is hedged by Alstom.

Preliminary IFRS consideration transferred

From an accounting perspective, the consideration transferred corresponds to the sum of the fair values, at the Completion Date, of the shares and the cash transferred by Alstom. The number of Alstom's shares is determined based on the contractual acquisition price (see above). Accordingly, as required under IFRS, the subscription by way of set off will be measured based on the fair value of Alstom's shares issued at the Completion Date, which will be represented by the market price of Alstom's shares at the Completion Date.

[1] The number of shares does not take into account any impact of the rights issue (see below regarding the Financing mechanisms of the contemplated Transaction), on the assumption that it would be completed between the signing date of the Acquisition Agreement and the Completion Date.

For the purpose of the Unaudited Pro Forma Condensed Combined Financial Information, the shares component of the IFRS consideration transferred has been based on the fair value of Alstom's shares as of October 2, 2020 as follows:

Number of shares allocated to CDP Investissements and Bombardier UK (based on the share prices agreed in the Acquisition Agreement)	*53 945 888*
Alstom's closing share price as of October 2, 2020 (€)	*41,60*
Estimated fair value of the consideration subscribed in Alstom shares by way of set off (m€)	2 244
Preliminary consideration paid in cash (m€)	2 870
Preliminary estimate of the fair value of the IFRS consideration transferred (m€)	**5 114**

Sensitivity

The following table indicates the sensitivity to changes in the Alstom share price and the impact on the IFRS preliminary consideration transferred:

	Alstom's closing share price (€)	Preliminary consideration transferred (m€)	Preliminary goodwill (m€)
Alstom's closing share price as of October 2, 2020 (€)	41,60	5 114	6 189
Increase in Alstom's share price by 10%	45,76	5 339	6 413
Decrease in Alstom's share price by 10%	37,44	4 890	5 964

Preliminary purchase price allocation

Upon completion of the contemplated Transaction, Bombardier Transportation's identifiable assets acquired and liabilities assumed will be recognized at their fair values at that date with any remaining difference in the consideration transferred recorded as goodwill. The Unaudited Pro Forma Condensed Combined Financial Information does not include any fair value adjustments or any allocation to new assets or liabilities at this stage due to competition law restrictions that prevent Alstom management and Bombardier Transportation management from sharing the relevant information needed to perform reliable fair value estimates. Hence, on a preliminary basis, the purchase price in the Unaudited Pro Forma Condensed Combined Financial Information has been allocated to the historical carrying amounts of assets acquired and liabilities assumed, which were determined to approximate their fair values as of March 31, 2020, with the resulting difference recorded as goodwill.

Financing

The financing structure of the purchase price is expected to be as follows:

- Payment in cash based on:
  - A capital increase reserved to CDP Investissements of € 0.7 billion and agreed in the Acquisition Agreement
  - A rights issue of up to € 2 billion raised on the market
  - A bond issuance of € 0.4 billion
  - And the remaining amount paid with Alstom's existing cash on the balance sheet, including Bombardier Transportation's net cash at closing
- Payment by subscription to a reserved share capital increase of Alstom by way of set off (*augmentation de capital par compensation de créances*) by Bombardier UK and CDP Investissements.

Amounts in m€	
Preliminary estimate of the fair value of the IFRS consideration transferred	5 114
Financed through:	
Equity financing	4 944
Capital increase reserved to CDP Investissements and Bombardier UK and subscribed by way of set off (based on the market price of Alstom's shares)	*2 244*
Additional capital increase by CDP Investissements	*700*
Rights issue	*2 000*
Issuance of bonds	400
Impact on Cash	(230)

From an accounting perspective, the estimated preliminary consideration transferred amounts to € 5.1 billion.

The preliminary contractual acquisition price is estimated to 5.3 billion and the preliminary financing structure through the issuance of equity and bonds is estimated to € 5.5 billion. This € 0.2 billion difference is reflected as an increase of the Cash in the Unaudited Pro Forma Condensed Combined Financial Information. However, the estimated preliminary contractual acquisition price of € 5.3 billion takes into account an estimated negative net cash position of Bombardier Transportation amounting to € (0.2) billion as of 31 December 2020. The € 0.2 billion difference between the estimated preliminary contractual acquisition price and the financing structure is a preliminary estimate that will notably be impacted by Bombardier Transportation's actual financial position at 31 December 2020 and at Completion Date.

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared assuming the rights issue and the bond issuance are completed for their entire amounts (respectively € 2 billion and € 0.4 billion) prior to the Completion Date. Accordingly, the rights issue and the bond issuance have been reflected in the unaudited pro forma condensed combined balance sheet.

If the rights issue is not completed prior to the Completion Date or is completed but for less than the currently envisaged gross proceeds of € 2 billion, then the existing "bridge" loan will be drawn in an amount corresponding to the shortfall. Assuming the "bridge" loan is drawn for the entire € 2 billion, such a drawing would result in a € 6 million decrease in net profit compared to what has been reported in the Unaudited Pro Forma Condensed Combined Financial Information (corresponding to the additional interest expense over the 12-month period) for the 12-month period ended March 31, 2020, before tax.

Similarly, if the bond issuance is not completed prior to the Completion Date or is completed but for less than the currently envisaged gross proceeds of € 400 million, then the existing "bridge" loan will be drawn in an amount corresponding to the shortfall. Such a drawing would have no impact on the financial expense compared to what has been reported in the Unaudited Pro Forma Condensed Combined Financial Information, as the financial interests of the bonds and the "bridge" loan are similar.

Pro forma Adjustments

(a) The following table presents the preliminary purchase price allocation to the identifiable assets acquired and liabilities assumed of Bombardier Transportation, with the excess of the purchase price recorded as goodwill:

Amounts in m€	
Bombardier Transportation net assets before acquisition	655
Pro forma adjustments impacting Bombardier Transportation's net assets (see d) and e))	(1)
Elimination of Bombardier Transportation's pre-existing goodwill	(1 702)
Estimated preliminary fair value of net assets acquired	**(1 048)**
Estimated preliminary consideration transferred	5 114
Estimated preliminary goodwill	**6 162**
Elimination of Bombardier Transportation's pre-existing goodwill	(1 702)
Estimated preliminary goodwill adjustment	**4 460**

Upon completion of the contemplated Transaction, Alstom management expects that, amongst others, fair value adjustments will be made on property, plant and equipment and that the purchase price will also be allocated to newly identified intangible assets including technologies, customer relationships and backlog.

The final valuation of Bombardier Transportation's identifiable assets acquired and liabilities assumed at the Completion Date could cause material differences between the pro forma presentation and actual results.

(b) The following table presents the adjustment to Equity as a result of the business combination:

Amounts in m€	
Reversal of Bombardier Transportation Equity attributable to the equity holders of the parent	(655)
Consideration transferred financed through equity	4 944
Equity preliminary impact	**4 289**

(c) The following table presents the adjustments to the other balance sheet line items used for financing of the Transaction:

Amounts in m€	
Non-current borrowings	400
Cash and cash equivalents	230

The interest expense for the bond issuance of € 400 million has been reflected in the amount of € 1 million in the unaudited pro forma condensed combined statement of income.

(d) The adjustment represents the estimated remaining transaction costs relating to Bombardier Transportation's divestitures (see section 4.3 below) to be incurred by Bombardier Transportation until the closing of the Transaction, which amount to € 2 million.

The adjustment has been reflected as part of the liabilities assumed in the line “Other current operating liabilities”.

(e) The tax related adjustment in the line “Other current operating assets” represents the tax effect of the pro forma adjustments using a 24% tax rate corresponding to Bombardier Transportation’s forecasted 2020 effective tax rate.

4.3 Divestitures

The European Commission cleared the Transaction on July 31, 2020, subject to certain conditions, including the sale of certain assets (the "Divestitures" or the “Divested Businesses”). The Divestitures will be subject to the Completion of the Transaction.

The Divested Businesses include the following:

- Bombardier Transportation’s contribution to the V300 ZEFIRO very high-speed train
- Alstom Coradia Polyvalent and the Reichshoffen production site in France
- Bombardier TALENT 3 platform and dedicated production facilities located within the Hennigsdorf site in Germany

In addition, Alstom will provide access to certain interfaces and products for some of Bombardier Transportation’s Signalling On-Board Units and Train Control Management Systems (TCMS).

The estimated assets and liabilities of the Divested Businesses have been respectively reclassified on the lines “Assets held for sale” and “Liabilities related to assets held for sale” of the unaudited pro forma condensed combined statement of financial position.

The unaudited pro forma adjustments are based upon information available as of the date of issuance of the Unaudited Pro Forma Condensed Combined Financial Information and certain preliminary estimates and assumptions which are believed to be reasonable. Potential additional divestments or other decisions that could occur after the Completion Date of the Transaction are not reflected in the Unaudited Pro Forma Condensed Combined Financial Information.

The Divested Businesses’ contribution included in the unaudited pro forma condensed combined statement of income is as follows:

Amounts in m€	
Sales	464
Earnings Before Interest and Taxes	9

5. Other pro forma adjustments related to the unaudited pro forma condensed combined statement of financial position

The following pro forma adjustments have been reflected in the unaudited pro forma condensed combined statement of financial position:

(a) Alstom's acquisition-related costs primarily comprise legal, financial and advisory costs. By their nature, these costs are not expected to have a recurring impact on the performance of the Combined Group going forward.

For the purpose of Unaudited Pro Forma Condensed Combined Financial Information, a preliminary analysis has been performed to allocate the transaction costs between those related to the business combination and those related to its financing (in equity or debt).

For the transaction costs related to the business combination, the costs incurred by Alstom as of March 31, 2020 have already been reflected in Alstom's March 31, 2020 historical statement of income for an amount of € 15 million before tax. The adjustment represents the estimated remaining transaction costs for Alstom to be incurred after March 31, 2020 until the closing of the Transaction, which amount to € 100 million. It has been reflected as an increase of the "Other current liabilities", with a counterparty recognized in equity, as the costs should be incurred prior to the closing of the Transaction.

Additionally, transaction costs related to the financing and to be incurred prior to the closing of the Transaction have been estimated at € 40 million for the capital increases (both the rights issue and the capital increases reserved to CDP Investissements and Bombardier UK) and € 2 million for the bond issuance. Both adjustments have been recorded in the line "Other current liabilities". The costs that are directly attributable to the capital increases have been recognized as a deduction from equity, net of any related income tax benefit. Those that are incremental to the bond issuance have been deducted from the debt amount.

Other transaction costs linked to the structuring and securization of the financing of the Transaction have been estimated at € 5 million. An adjustment has been reflected as an increase of the "Other current liabilities", with a counterparty recognized in equity, as the costs should be incurred prior to the closing of the Transaction.

(b) Based on the preliminary assessment performed at this stage by both Alstom and Bombardier Transportation, no change of control provisions have been identified that are currently expected to have an impact on the Combined Group, except for:

- Bombardier Transportation's loan towards Bombardier Inc. of € 101 million, which will be reimbursed (as a contractual matter) before or at the Completion Date. Accordingly, an adjustment has been reflected in the Unaudited Pro Forma Condensed Combined Financial Information to reflect the reimbursement of this loan.
- Bombardier Transportation's revolving credit facility for which a change of control clause exists, and no waiver will be requested. The reimbursement is expected to be made after the completion of the Transaction. No adjustment has been reflected in the Unaudited Pro Forma Condensed Combined Financial Information, as the € 375 million revolving credit facility is already recorded as a current borrowing in Bombardier Transportation's March 31, 2020 historical statement of financial position.

(c) The tax related adjustment in the line "Other current operating assets" represents the tax effect of the pro forma adjustments using a 25% tax rate corresponding to Alstom's March 31, 2020 effective tax rate.

6. Bombardier Transportation figures

6.1. Twelve-month period statement of income

Bombardier Transportation's statement of income column for the 12-month period ended March 31, 2020 has been prepared by:

- considering the statement of income line items amounts appearing in Bombardier Transportation (Global Holding) UK Limited's audited annual financial statements as of and for the year ended December 31, 2019

- subtracting the amounts in its statement of income for the 3-month period ended March 31, 2019, and adding the amounts appearing in its statement of income for the 3-month period ended March 31, 2020, both appearing in Bombardier Transportation (Global Holding) UK Limited's interim financial statements as of and for the 3-month period ended March 31, 2020 (and including information for the 3-month period ended March 31, 2019).

	Year-end consolidated financial statements	Interim consolidated financial statements	Recalculated	Interim consolidated financial statements	Recalculated
	Year ended December 31, 2019	Quarter ended March 31, 2019	9-months period 1 April 2019 - 31 December 2019	Quarter ended March 31, 2020	12-months period 1 April 2019 - 31 March 2020
(in € million)					
Sales	**7 383**	**1 854**	**5 529**	**1 968**	**7 497**
Cost of sales	(6 884)	(1 666)	(5 218)	(1 811)	(7 029)
Research and development expenses	(121)	(22)	(99)	(21)	(120)
Selling and administrative expenses	(477)	(124)	(353)	(117)	(470)
Other income / (expense)	8	1	7	-	7
Share of income of joint ventures and associates	84	15	69	9	78
Special items	(43)	-	(43)	-	(43)
Earnings Before Interest and Taxes	**(50)**	**58**	**(108)**	**28**	**(80)**
Financial income	19	3	16	12	28
Financial expense	(67)	(15)	(52)	(22)	(74)
Pre-tax income	**(98)**	**46**	**(144)**	**18**	**(126)**
Income Tax Charge	(14)	(32)	18	(26)	(8)
Share of net income of equity-accounted investments	-	-	-	-	-
Net profit from continuing operations	**(112)**	**14**	**(126)**	**(8)**	**(134)**
Net profit from discontinued operations	-	-	-	-	-
Net Profit	**(112)**	**14**	**(126)**	**(8)**	**(134)**
Attribuable to:					
Group share	(118)	13	(131)	(9)	(140)
Minority interests	6	1	5	1	6

6.2. Reclassifications made to Bombardier Transportation (Global Holding) UK Limited's historical financial information

Certain reclassifications have been made of items in Bombardier Transportation (Global Holding) UK Limited's historical financial statements to conform their presentation to that of Alstom's statement of financial position and statement of income:

Statement of financial position

	Bombardier Transportation historical	Reclassifications		Bombardier Transportation under pro forma presentation
Assets				
(in € million)				
Goodwill	1 702	0		1 702
Intangible assets	-	170	*a)*	170
Property, plant and equipment	861	-		861
Investments in joint-venture and associates	476	-		476
Other non-current financial assets	97	(97)	*b)*	-
Non consolidated investments	-	5	*b)*	5
Other non-current assets	386	(142)	*a) b) c)*	244
Deferred Tax	275	0		275
Total non-current assets	**3 797**	**(64)**		**3 733**
Inventories	150	0		150
Contract assets	2 297	(147)	*d)*	2 150
Trade receivables	1 157	(62)	*e)*	1 095
Other current operating assets	-	715	*c) d) e) f)*	715
Other assets	279	(279)	*e)*	-
Other current financial assets	222	(171)	*f)*	51
Cash and cash equivalents	329	-		329
Total current assets	**4 434**	**56**		**4 490**
Assets held for sale				-
TOTAL ASSETS	**8 231**	**(8)**		**8 223**
Equity and Liabilities				
(in € million)				
Equity attributable to the equity holders of the parent	655	-		655
Non-controlling interests	10	-		10
Total equity	**665**	-		**665**
Non-current provisions	16	81	*g)*	97
Accrued pensions and other employee benefits	910	-		910
Non-current borrowings	-	103	*l)*	103
Non-current lease obligations	-	149	*h)*	149
Other financial liabilities	252	(252)	*h) l)*	-
Other liabilities	22	(22)		-
Deferred Tax	-	-		-
Total non-current liabilities	**1 200**	**59**		**1 259**
Current provisions	652	(81)	*g)*	571
Current borrowings	-	408	*i)*	408
Other financial liabilities	614	(614)	*h) i) j)*	-
Current lease obligations	-	49	*h)*	49
Contract liabilities	2 271	-		2 271
Trade payables	2 098	(25)	*k)*	2 073
Other current liabilities	731	196	*j) k)*	927
Total current liabilities	**6 366**	**(67)**		**6 299**
Liabilities related to assets held for sale				-
TOTAL EQUITY AND LIABILITIES	**8 231**	**(8)**		**8 223**

Main reclassifications performed are as follows:

(a) Intangible assets transferred from Other non-current assets to the dedicated balance-sheet line (€ 170 million)
(b) Other non-current financial assets reclassified to Non consolidated investments (€ 5 million)

and Other non-current assets (€ 92 million)

(c) Prepaid expenses transferred from Other non-current assets to Other current operating assets (€ 52 million)
(d) Downpayments paid to suppliers transferred from Contract assets to Other current operating assets (€ 147 million)
(e) Other receivables and other assets reclassified to Other current operating assets (respectively € 62 million and € 269 million)
(f) Commercial derivatives transferred from Other current financial assets to Other current operating assets (€ 177 million)
(g) Current restructuring provision reclassified in Non-current provisions (€ 81 million)
(h) Non-current and current lease obligations transferred from Other financial liabilities to the dedicated non-current and current balance-sheet line items (respectively for € 149 million and € 49 million)
(i) Short-term borrowings and financial derivatives reclassified from Other financial liabilities to Current borrowings (€ 408 million)
(j) Commercial derivatives transferred from Other financial liabilities to Other current liabilities (€ 157 million)
(k) Staff payables reclassified from Trade payables to Other current liabilities (€ 25 million)
(l) Non-current financial debt transferred to Non-current borrowings (€ 103 million)

Statement of income

(in € million)	Bombardier Transportation historical	Reclassification		Bombardier Transportation under pro forma presentation
Sales	**7 497**	-		**7 497**
Cost of sales	(7 029)	(39)	*a)*	(7 068)
Research and development expenses	(120)	-		(120)
Selling and administrative expenses	(470)	39	*a)*	(431)
Other income / (expense)	7	(43)	*b)*	(36)
Share of income of joint ventures and associates	78	(78)	*c)*	-
Special items	(43)	43	*b)*	-
Earnings Before Interest and Taxes	**(80)**	**(78)**		**(158)**
Financial income	28	-		28
Financial expense	(74)	-		(74)
Pre-tax income	**(126)**	**(78)**		**(204)**
Income Tax Charge	(8)	-		(8)
Share of net income of equity-accounted investments	-	78	*c)*	78
Net profit from continuing operations	**(134)**	-		**(134)**
Net profit from discontinued operations	-	-		-
Net Profit	**(134)**	-		**(134)**
Attribuable to:				
Group share	(140)	-		(140)
Minority interests	6	-		6

(a) Parent Company Guarantee costs transferred from Selling and administrative expenses to Cost of sales (€ 39 million)
(b) Special items reclassified in Other income / (expense) (€ 43 million)
(c) Share of income of joint ventures and associates transferred on the dedicated line below Pre-tax income (€ 78 million)

B. Statutory auditors' report on the pro forma condensed combined financial information

PricewaterhouseCoopers Audit
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92208 Neuilly-sur-Seine Cedex

Mazars
61 rue Henri Regnault
92075 Paris La Défense

This is a free translation into English of the auditors' report issued in the French language and is provided solely for the convenience of English speaking readers.
This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

ALSTOM
Statutory auditors' report on the Pro Forma Financial Information for the year ended 31 March 2020

In our capacity as statutory auditors of your company and in accordance with Regulation (EU) n°2017/1129 supplemented by the Commission Delegated Regulation (EU) n°2019/980, we hereby report to you on the pro forma financial information of Alstom SA (the "Company") for the year ended 31 March 2020 set out in section 3. of the first amendment to the 2019/20 universal registration document (the "Pro Forma Financial Information").

The Pro Forma Financial Information has been prepared for the sole purpose of illustrating the impact that the acquisition of Bombardier Transportation might have had on the consolidated balance sheet at 31 March 2020 and the consolidated income statement of the Company for the 12-month period ended 31 March 2020, had it taken place with effect from 31 March 2020 for the balance sheet and 1 April 2019 for the income statement. By its very nature, this information is based on a hypothetical situation and does not represent the financial position or performance that would have been reported, had the operation or event taken place at an earlier date than the actual or contemplated date.

It is your responsibility to prepare the Pro Forma Financial Information in accordance with the provisions of Regulation (EU) n°2017/1129 and ESMA's recommendations on pro forma financial information.

It is our responsibility to express a conclusion, based on our work, in accordance with Annex 20, section 3 of Commission Delegated Regulation (EU) n°2019/980, as to the proper compilation of the Pro Forma Financial Information on the basis stated.

We performed those procedures that we deemed necessary according to the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagement. These procedures, which did not include an audit or a review of the financial information used as a basis to prepare the Pro Forma Financial Information, mainly consisted in ensuring that the information used to prepare the Pro Forma Financial Information was consistent with the underlying financial information, as described in the notes to the Pro Forma Financial Information, reviewing the evidence supporting the pro forma adjustments and

conducting interviews with the management of the Company to obtain the information and explanations that we deemed necessary.

In our opinion:

a) the Pro Forma Financial Information has been properly compiled on the basis stated;

b) that basis is consistent with the accounting policies of the Company.

This report has been issued solely for the purposes of:

- the filing of the first amendment to the 2019/20 universal registration document with the French financial markets authority (Autorité des marchés financiers or "AMF"),
- and, if applicable, the admission to trading on a regulated market, and/or a public offer, of securities of the Company in France and in other EU member states in which the prospectus approved by the AMF is notified;

and cannot be used for any other purpose.

Neuilly-sur-Seine and Paris La Défense, on 7 October 2020

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit	Mazars
Edouard DEMARCQ	Jean-Luc BARLET