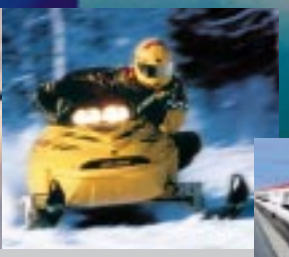
ANNUAL REPORT

Year ended January 31, 1999

BOMBARDIER

STRENGTH



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All amounts mentioned in this report are in Canadian dollars, unless otherwise stated.

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Bombardier Inc.
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Canada H3B 1Y8

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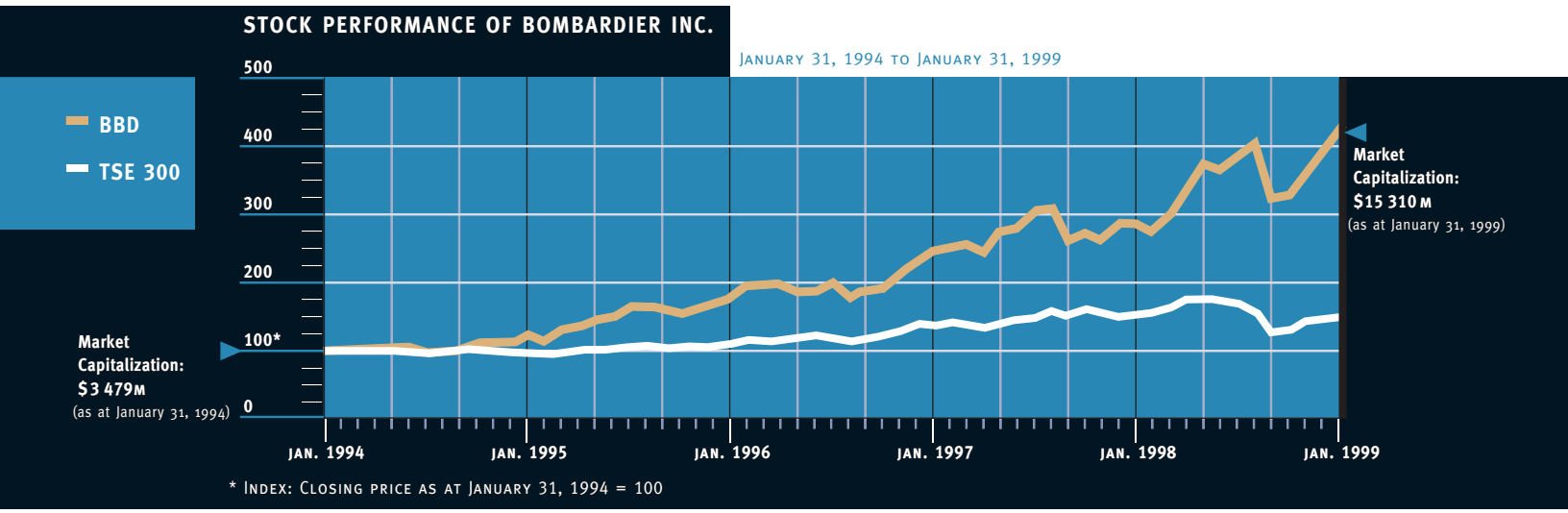
Highlights

Bombardier Inc.

(millions of Canadian dollars, except per share amounts)

For the years ended January 31	**1999**	1998
Revenues	**$ 11 500.1**	$ 8 508.9
Income before income taxes	**$ 826.9**	$ 627.2
Income taxes	**$ 272.9**	$ 207.0
Net income	**$ 554.0**	$ 420.2
Earnings per share – basic	**$ 0.77**	$ 0.59
Dividend per common share:		
Class A	**$ 0.170000**	$ 0.150000
Class B	**$ 0.173125**	$ 0.153125

As at January 31	**1999**	1998
Total assets	**$ 14 272.2**	$ 10 575.2
Shareholders' equity	**$ 3 488.5**	$ 2 889.3
Additions to fixed assets	**$ 364.2**	$ 262.6
Total Backlog	**$ 25 510.9**	$ 18 104.1
Book value per common share	**$ 4.40**	$ 3.57
Number of common shares	**683 172 995**	678 918 448
Shareholders of record	**10 097**	10 781



Activities

Bombardier Aerospace

Headquarters: Dorval (Québec)

Management offices: Dorval (Québec), Wichita (Kansas), Downsview (Ontario), Belfast (Northern Ireland)

Products and services:

- Regional aircraft: complete families of Dash 8* Q Series turboprop and Canadair Regional Jet* airliners;
- Business aircraft: wide range of business jets, from light, super light and midsize Learjet* series to widebody Challenger* and ultra long-range Global Express* jets along with Special Edition* and Corporate Jetliner*, two corporate variants of the Regional Jet;
- Business aircraft: Flexjet* fractional ownership program;
- Amphibious aircraft: firefighting/maritime mission Canadair 415* aircraft;
- Technical services, aircraft maintenance and pilot training for business, regional airline and military customers;
- Airframe components and aircraft engine nacelles.

Canada

- Production facilities:
  Dorval and Saint-Laurent (Québec), Downsview and North Bay (Ontario)
- Other offices/facilities:
  Mirabel (Québec)
  Portage la Prairie (Manitoba)

United States

- Production facilities:
  Wichita (Kansas), Tucson (Arizona)
- Maintenance service centres:
  Bridgeport (West Virginia), Indianapolis (Indiana), Fort Lauderdale (Florida), Denver (Colorado), Tucson (Arizona), Wichita (Kansas), Hartford (Connecticut)
- Other offices:
  Dallas (Texas), Hartford (Connecticut), Chicago (Illinois), Washington (District of Columbia)

Germany

- Maintenance service centre:
  Berlin

United Kingdom

- Production facilities:
  Belfast (Northern Ireland)
- Other offices/facilities:
  Christchurch (Dorset), Belfast (Northern Ireland)

Other locations

- Offices:
  Beijing (People's Republic of China), Kuala Lumpur (Malaysia), Hong Kong (People's Republic of China)

Bombardier Recreational Products

Headquarters: Montréal (Québec)

Management offices: Valcourt (Québec), Melbourne (Florida), Gunskirchen (Austria), Rovaniemi (Finland)

Products and services:

- Ski-Doo* and Lynx* snowmobiles;
- Sea-Doo* watercraft;
- Sea-Doo sport boats;
- Bombardier all-terrain vehicles (ATV);
- Engines: Rotax* engines for Bombardier's snowmobiles, watercraft, sport boats and all-terrain vehicles; engines for other manufacturers' motorcycles, scooters and small and ultra-light aircraft;
- Bombardier *NV** neighborhood vehicles: electric vehicles;
- Utility vehicles: tracked vehicles for the maintenance of alpine ski hills and snowmobile and cross-country ski trails; tracked vehicles for municipal work; tracked vehicles for specialized utility work and transportation on difficult terrain;
- Technical and support services for utility vehicles.

Canada

- Production facilities:
  Valcourt, Sherbrooke and Granby (Québec)
- Distribution centre:
  Sherbrooke (Québec)

United States

- Production facilities:
  Benton (Illinois)

Finland

- Production facilities:
  Rovaniemi

Austria

- Production facilities:
  Gunskirchen

BOMBARDIER

BOMBARDIER

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Telephone: 1 (514) 861-9481
Fax: 1 (514) 861-7053
Internet: www.bombardier.com

Main business locations can be found on pages 70 and 71.

Bombardier Transportation

Headquarters: Saint-Bruno (Québec)

Management offices: Kingston (Ontario), Mexico City (Mexico), Brussels (Belgium), Crespin (France), Berlin (Germany), Beijing (People's Republic of China)

Products and services:

- Urban vehicles: rapid transit cars, trams, trams on tires GLT*;
- Suburban vehicles: self-propelled diesel and electric multiple units, single and bi-level vehicles, tram-trains;
- Intercity/high-speed vehicles: single and bi-level vehicles, vehicles with tilting system, turbotrains, LRC*, TGV† equipment;
- Integrated transit systems for turnkey projects: automatic metros, monorails, automated systems;
- Locomotives for passenger trains;
- Operations and maintenance of rolling stock;
- Refurbishment of rolling stock;
- Freight cars.

Canada

- Production facilities: La Pocatière (Québec), Kingston and Thunder Bay (Ontario), Vancouver (British Columbia)
- Maintenance service centre: Toronto (Ontario)

United States

- Production facilities: Auburn and Plattsburgh (New York), Barre (Vermont)
- Other offices: New York (New York), Bensalem (Pennsylvania), Washington (District of Columbia), Sacramento (California), Orlando (Florida)
- Maintenance service centres: Los Angeles (California), Washington (District of Columbia), Boston (Massachusetts), New York (New York)

Mexico

- Production facilities: Sahagún (Hidalgo)

Austria

- Production facilities: Vienna

Belgium

- Production facilities: Brugge, Manage

Czech Republic

- Production facilities: Ceská Lípa

France

- Production facilities: Crespin

Germany

- Production facilities: Aachen, Bautzen, Berlin, Görlitz, Halle-Ammendorf, Niesky, Vetschau

United Kingdom

- Production facilities: Wakefield (England)
- Maintenance service centres: Croydon, Derby and Birmingham (England)

Switzerland

- Production facilities: Villeneuve

People's Republic of China

- Manufacturing joint venture: Quingdao

Other locations

- Offices: Jakarta (Indonesia), Kuala Lumpur (Malaysia), Taipei (Taiwan), Bangkok (Thailand)
- Maintenance service centre: Kuala Lumpur (Malaysia)

† *Registered trademark of the Société Nationale des Chemins de fer Français*

Bombardier Capital

Headquarters: Jacksonville (Florida)

Services:

- Secured inventory financing/servicing in a broad range of industries;
- Financing and leasing for aircraft, as well as commercial and industrial equipment;
- Railcar financing and servicing;
- Technology management, leasing and financing for users of computer and telecommunications equipment;
- Retail financing and servicing of recreational products and manufactured housing accounts;
- Development of Bombardier real estate interests earmarked for new uses.

Canada

- Management offices: Valcourt, Brossard and Saint-Laurent (Québec), Calgary (Alberta)
- Sales office: Toronto (Ontario)

United States

- Management offices: Colchester (Vermont), Colorado Springs (Colorado), Maple Grove (Minnesota)
- Sales offices: Atlanta (Georgia), Garden City (New York), Londonderry (New Hampshire), Fort Lauderdale (Florida), Scottsdale (Arizona), Brandon (Mississippi), Butler (Pennsylvania), Chicago (Illinois), Philadelphia (Pennsylvania), Kansas City (Missouri)

Finland

- Management office: Rovaniemi

France

- Management office: Paris

Bombardier International

Headquarters: Montréal (Québec)

Mission:

To accelerate Bombardier's expansion into geographic markets where its presence is currently limited, outside of North America and Western Europe.

Canada

- Management office: Montréal (Québec)

People's Republic of China

- Management office: Beijing

Markets

- On the five continents, with high concentration in North America and Europe
- More than 90% of revenues generated in markets outside Canada

* *Trademark of Bombardier Inc. and/or its subsidiaries*

Production Facilities

Austria
Belgium
Canada
Czech Republic
Finland
France
Germany
Mexico
People's Republic of China
Switzerland
United Kingdom
United States

Number of Employees

53,000

A Banner Year in Many Ways

Revenues in fiscal 1998-99 increased by a full third to over $11.5 billion. Net income also improved substantially to a record $554.0 million, up 32% over 1997-98. This upward trend was again reflected in earnings per share of $0.77, an increase of 31%, while the Corporation's Class B share price rose over 60% on the stock market from February 1, 1998 to January 31, 1999.

This improved performance is the result of our carefully planned diversification efforts into business segments providing a range of market and investment cycles.

Laurent Beaudoin, Chairman of the Board and of the Executive Committee
Robert E. Brown, President and Chief Executive Officer

Bombardier Aerospace led the way in terms of revenues and profits. Revenues surpassed the $6.4 billion mark while income before income taxes surged to $681.9 million, which can be attributed mainly to a substantial increase in aircraft deliveries. The group's pre-tax profit margin increased to 10.6% of sales, up from 9.8% the year before.

Last fiscal year was also a record one for Bombardier Transportation. The acquisition of Deutsche Waggonbau AG (DWA) at the end of 1997-98, plus increased deliveries on major contracts in North America, boosted revenues by 76% to almost $3.0 billion. Income before income taxes hit $147.9 million, an improvement of 75% over the year before.

Revenues for Bombardier Recreational Products amounted to $1.6 billion, compared with $1.7 billion for 1997-98. For the second year in a row, late snowfalls in North America adversely affected results, as did an appreciable drop in watercraft sales. Major investments of some $50 million in new product and market development also had a significant impact on results for the year.

Revenues improved at Bombardier Capital, but income before income taxes declined owing mainly to investments made to support the continued development of new business sectors and in setting up the management and control infrastructures necessary to handle forecasted growth in the years ahead.

Unprecedented Backlog

The increase in backlog during the year was one of the high points in our performance. Confirmed order backlog stood at $25.5 billion as of January 31, 1999, the highest ever, an increase of 41% over last year and up more than 145% from 1996-97.

Record new orders for regional jet aircraft lifted the aerospace backlog to $16.2 billion. In transportation, the backlog went up from $6.5 billion to $9.3 billion. The record $2.6 billion Virgin Rail contract largely contributed to this increase.

Significant progress was also made in developing new products and expanding into new markets.

The Learjet 45 and Bombardier Global Express programs passed important milestones with first deliveries of these all-new business jets. As final assembly of the 70-seat Canadair Regional Jet, Series 700, started, substantial orders received during the year confirmed market acceptance of this new aircraft.

Bombardier Transportation was successful in its efforts to expand into new markets with the finalization of a joint venture to manufacture passenger railcars in China.

The Traxter*, an all-terrain vehicle launched by Bombardier Recreational Products, was received with critical acclaim by the trade press and was described as "the best ATV on the market" by *Popular Mechanics* magazine.

Major advances were also made towards our goal of developing services related to our products and other competencies. Bombardier Services developed and successfully launched new activities in commercial aircraft maintenance for regional airlines. Another major achievement for the group was concluding the $1.3 billion contract to manage the NFTC Program for training NATO pilots in Canada.

To build on these achievements and to better capture all the synergies between services and manufacturing operations, the activities of the Services group were integrated at the end of the year into Bombardier Aerospace and Bombardier Recreational Products.

Victory at the WTO

Finally, last year was decisive in our longstanding claim against Brazil's ProEx program and its unfair subsidization of Embraer's regional jet aircraft. After two years of discussions and negotiations which had failed to resolve the issue, the Government of Canada effectively challenged the ProEx subsidy as used by our Brazilian competitor before the World Trade Organization (WTO). In a decision released in March 1999, the WTO panel concluded that the ProEx program was a prohibited subsidy that Brazil had to withdraw without delay.

The WTO process includes the possibility of an appeal. If Brazil pursues this option, a final judgment should be reached by August 1999.

New Avenues for Growth

Bombardier's spectacular growth is a good example of how success can come to companies that focus on markets where they achieve a leadership position. Our aim is to continue on the path of double-digit growth through new products, new services and new businesses and expansion into non-traditional markets. We have again set for the Corporation, a target of doubling current revenues over the next five-year period and increasing our pre-tax profit margin to 10%.

At Bombardier Aerospace, growth will come from increased deliveries of new products, including the large backlog of orders for the recently certified Learjet 45 and Global Express business aircraft. This year we will also see our first deliveries of the all-new Dash 8 Q400 70-seater turboprop.

Next year certification and deliveries will start for the new CRJ-700 regional jet, and the following year the new Bombardier Continental super-midsize business jet, which we began offering for sale in the fall of 1998. We also expect continued strong growth in new businesses and services such as Flexjet, our successful business jet fractional ownership program and the new interior completion service for the Challenger 604 and Global Express business aircraft.

In addition to increased deliveries of passenger railcars at Bombardier Transportation, we will also see growth in railcar maintenance, which accounts for a growing percentage of revenues, and from freight car manufacturing, a new market for us in Europe and North America.

At Bombardier Recreational Products, new offerings include our first all-terrain vehicle, the Traxter, as well as new sport boats and engines being developed for motorcycles and light aircraft. We are also continuing market tests on consumer acceptance of our neighborhood electric vehicle.

Bombardier Capital continues to grow successfully in its chosen niche, financing commercial and industrial products as well as consumer financing for manufactured housing and recreational products.

New Markets to Grow In

Bombardier International was set up during fiscal 1998-99 to accelerate the Corporation's expansion into geographic markets outside North America and Western Europe. The group is responsible for identifying opportunities in non-traditional markets for the Corporation's products, technologies and core competencies and to develop appropriate and integrated strategies. While many countries in Asia, Latin America and Central Europe are experiencing economic turmoil, we believe the time is right to pursue prudent, balanced investments in emerging, non-traditional markets.

The Six Sigma Program

The Six Sigma program will be a key contributor in our aim to reach our new five-year pre-tax target profit margin of 10%. After its successful introduction at Bombardier Aerospace in 1997, the Six Sigma quality and productivity improvement program is now being implemented company-wide.

Six Sigma will enhance our ability to meet bottom-line targets regardless of changing business conditions. Experience has proven that the higher the quality level we achieve, the more we can reduce costs. In today's global economy, the highest quality producer is ultimately the lowest cost producer and the most effective competitor.

Company-wide measures to improve quality and productivity will apply equally to design, production, marketing, service, support and administration. By lowering costs and eliminating waste, Six Sigma will help us protect margins even in a context of declining prices. The program will also improve our reaction time to changing market conditions by enhancing our appreciation of customer satisfaction and by improving the speed of internal processes, including new product development.

To ensure that the Six Sigma initiative is successfully implemented, a vice president at the corporate level, reporting directly to the President and CEO, has been appointed to oversee the program.

Orderly Change of Command

In the past three decades, Bombardier has gone from a family business operating in rural Québec to become Canada's most respected company, according to a recent survey of business executives and of the general public carried in *The Globe and Mail's Report on Business* magazine.

To ensure a smooth and orderly succession in an environment of such accelerated growth, the Board of Directors appointed Robert E. Brown as President and CEO of the Corporation as of February 1, 1999. Mr. Brown was given immediate, direct responsibility for all business groups except for Bombardier Capital, which reports to Yvan Allaire in order to facilitate the transition.

Dr. Allaire remains Executive Vice President of Bombardier, reporting directly to Laurent Beaudoin, who will continue to oversee the long-term orientation of the Corporation as Chairman of the Board and of the Executive Committee.

Bombardier Core Beliefs

Bombardier activities are governed by core beliefs. These include:

- a drive for profitable growth through the development of new products and services;
- fostering an entrepreneurial spirit in all our businesses through setting up autonomous business units but within a tight strategic governance process;
- maintaining a balanced diversification of our businesses;
- aiming to become the lead player in all sectors we participate in;
- controlling our destiny by keeping key technologies and value-added functions, including product design and development, final assembly, marketing and servicing.

By adhering to these core beliefs, we have every confidence that we will make the most of the opportunities we are now well-positioned to take advantage of in the years ahead.

We would like to thank all 53,000 of our employees around the world for their dedication and commitment to these principles and for their important contributions to our growing success.

We would also like to extend our gratitude to our Board of Directors for their counsel and their support, and especially two members of the Board, William I. M. Turner, and the Hon. Peter Lougheed. Because they have reached the mandatory retirement age, their terms as directors will not be renewed. Both have contributed so much to our development over the years, that their absence will be deeply felt.

On behalf of the Board of Directors,

Signed

Laurent Beaudoin, FCA
Chairman of the Board and of the Executive Committee

Signed

Robert E. Brown
President and Chief Executive Officer

Montréal, Canada
May 19, 1999

To ensure an orderly succession at the helm of Bombardier, the Board of Directors appointed Robert E. Brown (left) as President and Chief Executive Officer of the Corporation as of February 1, 1999. Yvan Allaire (right), Executive Vice President, also assumes the chairmanship of the Board of Bombardier Capital. Laurent Beaudoin continues to oversee the long-term orientations of the Corporation.

Social Responsibility

Social responsibility is an integral part of Bombardier's mission. Applied through various means according to the specific needs of target communities, and through initiatives developed by the J. Armand Bombardier Foundation and the Corporation's employees, this commitment demonstrates Bombardier's desire to be an active participant in the economic, cultural and social development of the communities in which it operates.

J. Armand Bombardier Foundation

Every year, Bombardier allocates approximately 3% of its income before income taxes to the J. Armand Bombardier Foundation, a charitable organization overseen by a board of governors. Part of this amount is contributed to regional and national organizations in Canada, active in health, education, culture and social services. The Foundation's contribution totalled over $5 million this year.

The health sector received substantial support from the Foundation, in the form of major donations to the Montréal Heart Institute Research Fund and the Clinical Research Institute of Montréal. A donation was also made to the St. Joseph's Foundation in Thunder Bay, Ontario. The Foundation lent its support to the Montréal Cancer Institute for the creation of the Robert Bourassa Fund for Cancer Research.

The J. Armand Bombardier Foundation reiterated its commitment to education by renewing its contribution to several Canadian universities through multi-year grants. Bishop's University in Québec was added to the list of sponsored institutions as well as the University of Alberta through the creation of a "Bilingual Bombardier Professorship in Entrepreneurship".

In the cultural arena, the Foundation continues to support the J. Armand Bombardier Museum and the Centre culturel Yvonne L. Bombardier. In addition, the Montréal Museum of Fine Arts received a substantial contribution from the Foundation during its annual fund-raising campaign.

The Foundation's many social/community contributions included a donation to help with the reconstruction of the Accueil Bonneau shelter for the homeless in Montréal.

Contribution of Bombardier Companies and Employees

While most J. Armand Bombardier Foundation funding is earmarked for regional and national organizations, the involvement of Bombardier employees and business units is focused to a greater extent on their respective communities.

Bombardier employees in the Montréal area collected nearly $325,000 during the annual Centraide of Greater Montréal fund-raising campaign. The Foundation, along with the members of the Bombardier family, acknowledged this exceptional level of participation by jointly contributing an equivalent amount to Centraide.

Through their staff charity fund, employees of Bombardier Aerospace in the Montréal area donated more than $300,000 to charitable organizations whose missions include the acquisition of hospital equipment. For the fifth consecutive year, a group of employees from de Havilland in Ontario made the largest single donation to the Heart and Stroke Foundation's annual Ride for Heart cycling event.

In addition to its ongoing scholarship program at Wichita State University's College of Engineering, Learjet made a substantial donation to Newman University in Wichita. Employees at Learjet also contributed record amounts to the United Way of the Plains and the Kansas Food Bank.

The Bombardier Aerospace – Shorts Foundation pursued its initiatives in Northern Ireland and elsewhere in the United Kingdom by contributing to the development of educational programs. At Short Brothers, employees and apprentices participated in a number of community projects, an integral part of the apprentice training program. One of these initiatives involved renovation of the gymnasium and construction of a playground for the Longstone Special School for children with learning disabilities in Dunload.

For the past several years, Bombardier has been actively involved in various campaigns advocating the safe use of recreational vehicles. Sea-Doo personal watercraft and boats, for example, were made available to law enforcement services and some Canadian and American organizations providing user training. This year, contributions were also made to several environmental and wildlife protection groups.

As part of its ongoing efforts to support the Foundation for Research into Children's Diseases, Bombardier Recreational Products organized a snowmobile excursion throughout the Mauricie region of Québec, raising nearly $120,000.

In Germany, Bombardier Transportation contributed to the Christiane Herzog Foundation for research into neurological disorders and supported Olympic athletes. Bombardier-Concarril donated some $60,000 to charitable organizations, a large portion of which was destined for the victims of hurricane Mitch in Central America.

Employees at Bombardier Capital in Jacksonville, Florida, were involved in an awareness campaign for childhood vaccination, while their colleagues in Burlington, Vermont, organized clothing, food and personal care item drives for local organizations.

Environment

Environmental protection is a priority for Bombardier since it protects the health and ensures the safety and welfare of its employees, as well as the quality of life of the population at large. In this context, in 1998-99, the Corporation pursued implementation of its environmental policy, developed in 1993.

The policy, which is being communicated to employees and suppliers, is part of an extensive awareness campaign aimed at providing employees with ongoing training, tailored to their respective needs.

Manufacturing Facilities and the Environment

Continuing the implementation of its environmental management system, the Corporation obtained ISO 14001 certification at 11 plants in 1998-99, thereby reaching the objective it had established in April 1998.

At the time this report was going to press, 17 out of the 40 manufacturing facilities had obtained certification and 13 others were in the process of doing so. The remaining are expected to be certified by the end of the year 2000.

Thirty-three employees are assigned full-time to environmental issues at Bombardier. This team of professionals also relies on the support of many employees involved in the development or implementation of a number of projects in recycling, energy conservation, waste reduction and the elimination of hazardous substances or metals.

Through collaboration between management teams and employees, Bombardier succeeded in eliminating the use of cadmium in nearly all of its facilities. Specific projects have been initiated to fulfill the specific needs of certain operations, such as a pilot project for the automation of lighting at Bombardier Recreational Products. Infrared and ultrasound detectors control lighting in certain rooms thus reducing the length of time during which light fixtures are in use. This has resulted in recurring savings estimated at more than $150,000 annually for the Valcourt plant alone.

A group of employees in the Mirabel facility of Bombardier Aerospace came up with a project to control and monitor air emissions from paint shops. Through careful management of paint and solvent consumption, the team was awarded the Environmental Award from Aéroports de Montréal.

Bombardier now offers two Sea-Doo watercraft models equipped with Rotax Fuel Injection system, which reduces fuel consumption by approximately 15% while reducing hydrocarbon emissions.

Products and the Environment

Long-term environmental protection involves more than manufacturing facilities. Bombardier constantly improves its products to ensure they are environmentally sound.

The Bombardier *NV* neighborhood vehicle, launched in 1996, was developed with that objective in mind. This electrically powered vehicle, which is still undergoing market tests with targeted consumers in the southern United States, does not directly emit any greenhouse gases as it is not powered by an internal combustion engine.

In 1997-98, Bombardier launched the world's first fuel injection system developed especially for personal watercraft. In 1998-99, the Rotax RFI system was installed on a second model, thereby reducing fuel consumption by approximately 15% compared to traditional two-stroke engines. The RFI system also ensures better combustion, while reducing hydrocarbon emissions by approximately 25%.

In addition to pursuing research initiatives to develop new four-stroke engines, the Corporation is also evaluating innovative technologies which could give the two-stroke engines it currently produces the benefits of a four-stroke engine.

Bombardier has developed the D-Sea-Bel* system, another innovative technology which reduces noise levels by approximately 50% when applied to its personal watercraft. Most 1999 personal watercraft models are equipped with this system.

The Canadair 415 amphibious aircraft, which contributes to environmental protection by helping control forest fires, could be adapted to numerous other missions. Product research has shown that it could eventually land at sea and collect water samples from the wakes of oil tankers suspected of polluting.

Since the Canadair Regional Jet was commissioned in 1992, its performance has exceeded expectations, especially in terms of fuel consumption. The General Electric engines installed in the 50-seat Series 200 models being produced since 1995 reduce fuel consumption by approximately 4%, at maximum cruising speed, compared to the motors powering the previous Series 100. The CRJ-700 will be equipped with an even newer generation, which will increase fuel efficiency by nearly 6%.

Over the years, Bombardier Transportation has benefited from technological improvements which have a direct impact on the overall energy efficiency of its products. The use of new control systems, such as microprocessors, has made it possible to enhance the precision and execution of commands on air conditioning units and auxiliary power systems, as well as vehicle traction. New materials and assembly techniques have also contributed to the improvement of design parameters, such as weight and thermal insulation factors.

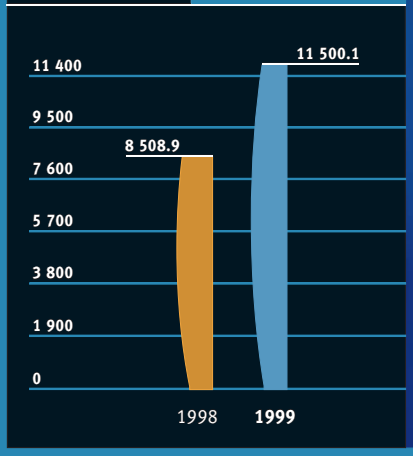
Operations

The accounting methods used for Bombardier's activities are explained in the Summary of Significant Accounting Policies that accompanies the consolidated financial statements.

The consolidated financial statements of Bombardier Inc. include the detailed effects of adding the accounts of the financial and real estate services activities to those of the Corporation's industrial operations. In order to provide a better understanding of the various data presented in the annual report, the Summary of Significant Accounting Policies contains definitions of the terms used to designate the overall operations of Bombardier Inc. (Bombardier Inc. consolidated), the industrial operations (Bombardier), as well as the financial and real estate services that fall under Bombardier Capital (BC). The application of this consolidation method has no impact on net income and shareholders' equity.

CONSOLIDATED REVENUES

(MILLIONS OF CANADIAN DOLLARS)
YEARS ENDED JANUARY 31



The revenues of Bombardier, excluding BC, for the year ended January 31, 1999 totalled $11.0 billion, compared with revenues of $8.3 billion for the year ended January 31, 1998. This 33% increase mainly results from substantially higher deliveries in the aerospace industry segment as well as a more intense level of activity in the transportation industry segment, which benefits from the addition of the accounts of DWA, acquired at the end of 1997-98.

Income before income taxes reached $826.9 million, for a 32% increase over the $627.2 million income before income taxes recorded the previous year. This progression reflects the excellent performance achieved in the aerospace and transportation industry segments.

At the end of 1998-99, the activities of Bombardier Services were integrated into other manufacturing groups in order to capture all synergies between services and manufacturing operations. Defence Services and Commercial Aviation Services are now part of the aerospace segment, while Utility Vehicles activities are part of the recreational products segment.

Reflecting this new structure, the analysis of operating results that follows covers the activities of the Corporation's five groups: Bombardier Aerospace, Bombardier Recreational Products, Bombardier Transportation, Bombardier Capital and Bombardier International.

BOMBARDIER
AEROSPACE

The Global Express business jet received Type certification from Transport Canada in July 1998, and the U.S. Federal Aviation Administration certification in November. A total of 10 Global Express aircraft had been delivered by January 31, 1999, for interior completion.

During the financial year, SAS Commuter ordered two 70-seat Q400 turboprop aircraft, increasing its firm orders to 17. Equipped with the revolutionary new NVS system that reduces sound and vibration, the Q Series aircraft have the quietest cabin of any propeller-driven aircraft.

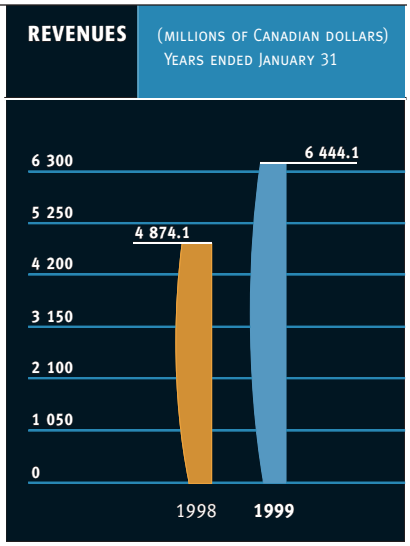
The Bombardier Continental Jet, an all-new transcontinental business jet, will carry eight passengers and their baggage non-stop across North America. (photomontage by electronic imaging)

The operating results of Bombardier Aerospace derive from the activities described on page 2 of this report.

Bombardier Aerospace's revenues before intersegment eliminations were $6.4 billion in 1998-99, compared with $4.9 billion in 1997-98. This 32% rise in revenues is mainly due to a substantial increase in aircraft deliveries.

Reflecting the revenue growth, income before income taxes reached $681.9 million, for a 42% increase over the $479.6 million recorded in 1997-98. Bombardier Aerospace's pre-tax profit margin reached 10.6% in 1998-99 compared with 9.8% the previous year.

As of January 31, 1999, Bombardier Aerospace's order backlog totalled $16.2 billion, compared with $11.6 billion as of January 31, 1998. This substantial increase is mainly attributable to the receipt of a record number of orders for Canadair Regional Jet aircraft during the year.



Business Aircraft

The line of business jets sold by Bombardier Aerospace through its Business Aircraft division includes the light Learjet 31A, the super light Learjet 45, the midsize Learjet 60, the widebody Challenger 604 and the ultra long-range Bombardier Global Express, along with the Corporate Jetliner and the Canadair Special Edition, which are corporate variants of the Canadair Regional Jet.

Deliveries

Learjet aircraft deliveries totalled 64 units in 1998-99, compared with 50 in 1997-98, an increase of 28%. This includes 13 initial deliveries of the Learjet 45 model. Learjet 31A and Learjet 60 deliveries went respectively from 25 to 21 units and from 25 to 30 units. Thirty-nine Learjet aircraft were delivered to customers in the United States, while the remainder went to customers in 14 countries worldwide.

Bombardier Aerospace delivered a total of 39 Challenger 604 aircraft, compared with 33 units in 1997-98. The United States remained the most important market with the delivery of 20 aircraft. The remaining deliveries were made to customers from various countries.

The ultra long-range Global Express received type certification from Transport Canada in July 1998, followed by the United States Federal Aviation Administration certification in November. As of January 31, 1999, a total of 10 Global Express aircraft had been delivered for interior completion.

Bombardier Aerospace which markets and operates Challenger and Learjet aircraft for the Flexjet fractional ownership program, which increased its activity to a fleet of 59 aircraft by January 31, 1999, compared with 41 aircraft at the end of the previous year. For the second consecutive year, the number of customers owning a fraction of a business jet with a yearly flight time entitlement rose by more than 100. As of January 31, 1999, 330 customers were part of the Flexjet program compared with 206 as of January 31, 1998.

Market Shares

Assessment of market shares in the business jet industry is based on delivery data provided for the calendar year and therefore does not correspond to the number of deliveries recorded during Bombardier's financial year. The deliveries mentioned below include those for the fractional ownership program.

Michael S. Graff,
President and Chief Operating Officer
of Bombardier Aerospace

As of January 31, 1999, 330 clients were sharing flight time on the 59 Learjet 31A, Learjet 60 and Challenger 604 business aircraft that make up Bombardier Aerospace's Flexjet program.

For the 1998 calendar year, the Learjet 31A market share in the light business jet segment increased to 16% of total industry deliveries of 140 units from 15% of total industry deliveries of 139 units last year. The new Learjet 45 obtained 32% of a 22-unit market in the super-light segment. The Learjet 60 market share in the midsize business jet segment reached 31% of a 105-unit market, compared with 34% of a 71-unit market the previous year. The Learjet aircraft market share in the combined light, super-light and midsize categories rose to 23% as against 21% the previous year.

In 1998, the Challenger share of the large aircraft segment was 37% within a 104-unit market, as against 38% of a 102-unit market in 1997. November 1998 marked the 20th anniversary of the inaugural flight made by the first-generation Challenger, and for the eighth consecutive year Canadair was voted number one for product support by *Professional Pilot* magazine.

For the 1998 calendar year, the new Global Express obtained 8% of a 39-unit market in the ultra long-range segment.

Development Programs

Recognizing the significant growth expected in the super midsize segment, in October 1998 Bombardier Aerospace unveiled plans for the development of the Bombardier Continental Jet, a transcontinental business aircraft to be built in cooperation with risk-sharing partners. The initial number of letters of intent to purchase this aircraft has far exceeded expectations and the joint conceptual definition phase of the aircraft is well underway.

Aircraft Completion Facilities

Capacity for completion of Challenger aircraft was increased during the year at the Tucson, Arizona facility; the next phase calls for further expansion in order to also support Global Express completions. At the new Bombardier Aerospace Completion Centre in Dorval, which is entirely dedicated to the interior completion of the Global Express, work began on the initial units, and the first customer delivery of a completed aircraft is expected during the first half of 1999.

Market and Prospects

Excluding airliners used for business travel, the world fleet of business jet aircraft stood at 9,216 units as of January 31, 1999. With the addition of the Learjet 45 and Global Express, Bombardier now offers the widest range of business jets available, with a presence in almost all segments: light (4,449), super light (35), midsize (2,299), large (1,550) and ultra long-range (65).

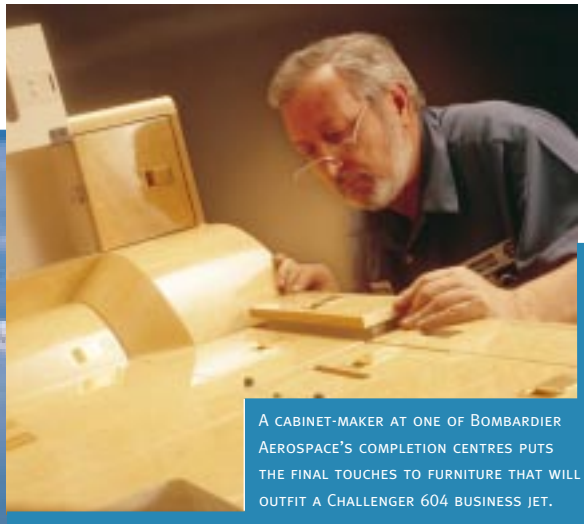
Seven aircraft manufacturers compete for market share in the business jet industry. Although the overall market remains essentially mature, it is expected to continue to experience strong growth over the next 10 years. This is primarily due to the increased popularity of fractional ownership, along with the replacement of aging aircraft in the fleet. Bombardier Aerospace is benefitting from an increasing presence in the market for high-value services such as interior completions and pilot and maintenance training. In just over three years, Flexjet has risen to the number two position among the three major fractional ownership programs currently available. Bombardier Aerospace is well-placed to accelerate its penetration of this fast-growing market, which accounted for slightly more than 9% of industry deliveries in 1998 compared with only 1% in 1993.

DELIVERIES
Business Aircraft

FOR THE YEARS ENDED JANUARY 31

	Number of aircraft deliveries	
Type of aircraft	**1999**	1998
Learjet 31A	**21**	25
Learjet 45	**13**	—
Learjet 60	**30**	25
Challenger 604	**39**	33
Global Express	**10**	—

The newest addition to the Learjet family of business aircraft, the Learjet 45, has a maximum range of over 4,000 km non-stop. The aircraft entered service during the second quarter of 1998-99.



A cabinet-maker at one of Bombardier Aerospace's completion centres puts the final touches to furniture that will outfit a Challenger 604 business jet.

Regional Aircraft

The Bombardier Aerospace line of regional aircraft includes the 50-passenger Canadair Regional Jet Series 100 and 200, the 70-passenger Canadair Regional Jet Series 700 and the de Havilland Dash 8 Q Series family of turboprops. Building on the positive market response to the Noise and Vibration Suppression system since it was introduced on the Dash 8 aircraft in 1997, Bombardier Aerospace now refers to the Dash 8 family as the Q Series (Q for "quiet"): the 37-passenger Series Q100 and Q200 aircraft, the 50-passenger Series Q300 aircraft and the 70-passenger Series Q400 aircraft.

Deliveries

In 1998-99, Bombardier Aerospace delivered 72 Canadair Regional Jet aircraft, compared with 64 in 1997-98. Comair of the United States took the largest volume of deliveries, with 17 Series 100 units. The remaining deliveries for Series 100 aircraft were made as follows: two each to Brit Air of France and Lufthansa CityLine of Germany, and one to Air Littoral of France. Atlantic Southeast of the United States took delivery of 11 Series 200 aircraft, while other Series 200 aircraft were shipped as follows: nine aircraft each to Atlantic Coast Airlines, Mesa Air Group and Midway Airlines, all of the United States; four to Maersk Air of the United Kingdom; three to Air Wisconsin of the United States; two each to Air Nostrum of Spain and South African Express of South Africa; and one to Adria Air of Slovenia.

Thirty Q Series aircraft were shipped to customers, the same number as last year. Horizon Air of the United States took delivery of the majority, with 11 Series Q200 aircraft. Another Q200 aircraft was shipped to Sunstate Airlines of Australia. Deliveries of Q300 aircraft were as follows: eight to Brymon Airways of England; three to Widerøe of Norway; two each to Augsburg Airways of Germany, BWIA of Trinidad and Tobago, and Tyrolean Airways of Austria; and one to Rheintalflug of Austria.

Orders and Backlog

Orders for the Canadair Regional Jet Series 100, 200 and 700 totalled a record 223 aircraft in 1998-99, compared with 151 in 1997-98. Comair was one of the year's major customers with an order for 30 CRJ aircraft Series 100, and 20 Series 700 aircraft. Other Series 100 aircraft were ordered by Lufthansa (13) and Brit Air (6). Orders for Series 200 aircraft were received as follows: Atlantic Coast Airlines (25), SkyWest Airlines of the United States (25), Atlantic Southeast Airlines (15), Midway Airlines (13), Kendell Airlines of Australia (12), Air Wisconsin (9), Maersk Air (3), Southern Winds of Argentina (2), and Adria Airways (1). The new 70-seat CRJ Series 700 rapidly gained momentum during the financial year resulting in the following order intake in addition to the Comair order previously mentioned: Horizon Air (25), Atlantic Southeast Airlines (12), Lufthansa CityLine (10), and Brit Air (2).

During the first quarter of 1999-2000, Bombardier Aerospace was awarded its largest single sales contract of Canadair Regional Jet aircraft by Northwest Airlines of the United States, which placed a firm order for 54 Series 200 aircraft and secured options for up to 70 additional 50-seat CRJ aircraft. With this announcement, the CRJ orderbook surpassed the 1,000-unit mark, including firm orders and options.

In 1998-99, orders for Q Series aircraft totalled 21 units, excluding cancellations, compared with 46 units, excluding cancellations, in 1997-98. Orders for the Q100 Series aircraft were booked by Amakusa Airlines (1) and Ryukyu (1), both of Japan. One Q200 Series aircraft was purchased by Sunstate Airlines. The following operators placed orders for Q300 Series aircraft: Brymon Airways (8), Widerøe (4), Augsburg Airways (2), and BWIA (2). Two Q400 Series aircraft were purchased by SAS Commuter of Sweden. By mutual consent of Bombardier and its customers, orders for a total of 13 aircraft were cancelled during the year.

As of January 31, 1999, Bombardier's order backlog for regional aircraft consisted of firm orders for 188 Canadair Regional Jet Series 100 and 200, with options for another 170, and 96 firm orders for Series 700 aircraft, with options for 138 more. Firm orders for Dash 8 aircraft Series Q100, Q200 and Q300 stood at 9 units, with options for another 38. There were also 30 firm orders and 33 options for Series Q400 aircraft.

The Bombardier Global Express interior completion is done at Bombardier Aerospace's completion centres in Tucson, Arizona and in Dorval, Québec.

The largest order for CRJ aircraft obtained during 1998-99 was placed by Comair which purchased 30 50-seat Series 100 and 20 70-seat Series 700 aircraft. (photomontage by electronic imaging)

Market Shares

In conformity with the method used throughout the industry, the market share for Bombardier's regional aircraft is assessed on the basis of order intake during the calendar year. This does not correspond to Bombardier's financial year order intake.

In 1998, the Canadair Regional Jet market share was 46% of the jet segment of the 20- to 90-seat market, accounting for 192 of the 414 units ordered. This compares with 47%, or 160 of the 337 units ordered in 1997.

In 1998, the turboprop segment of the 20- to 90-seat market experienced a slowdown, with 82 units ordered, as against 154 units in 1997. The Q Series market share increased to 30% of the turboprop segment, accounting for 25 of the units ordered. This compares with 29%, or 44 of the units ordered in 1997.

The combined order intake for Canadair Regional Jet and Q Series aircraft earned Bombardier a 44% share of the overall 20- to 90-seat segment of the regional airliner market in 1998 accounting for 217 of the 496 units ordered as compared with 42% the previous year.

Product Development

During 1998, five Series Q400 aircraft participated in an intensive flight test program at Bombardier's Wichita, Kansas facilities. This aircraft is expected to obtain certification during the second quarter of 1999-2000; this will be closely followed by initial customer deliveries.

The development program for the 70-passenger CRJ-700 aircraft, which was launched in January 1997, proceeded on schedule during the year and assembly of the first aircraft commenced in September 1998. The roll-out and first flight of the aircraft are planned for the second quarter of 1999-2000. Certification is expected in the last quarter of 2000-2001, with deliveries starting shortly thereafter.

Since market forecasts indicate a strong demand for regional jet aircraft in the 90-seat range in the upcoming years, Bombardier decided to set up an Airline Advisory Council in order to clearly identify customers' requirements. Accordingly, the concept definition phase has been initiated for a 90-seat aircraft called the Bombardier BRJ-X*, which is a logical addition to Bombardier's current 50- and 70-seat family of regional jet aircraft. A decision on the official launch of the program is expected before the end of 1999-2000.

Market and Prospects

Calendar year 1998 was another banner year for regional airlines. Through the first three quarters of the year, as measured by U.S. regional airlines statistics, revenue-passenger-mile growth was 12%; this is substantially larger than the major airlines. Load factors also approached record levels in the United States. European regional airlines experienced comparable growth figures.

This translated into another strong year for aircraft orders in calendar 1998. Gross orders approached 500 aircraft for the 20- to 90-seat regional aircraft industry, for the second year in a row, with minimal cancellations. Over the next five years, prospects for the regional airlines continue to bode well; many regional airlines have placed major aircraft orders in the past years, driving the industry backlog to all-time highs. Order growth may slow as this backlog is consumed.

Four manufacturers now compete in the 20- to 90-seat segment of the regional jet aircraft market. Bombardier continues to hold a solid position in the highly competitive regional jet segment, being the only manufacturer to offer a family of aircraft in the largest segments by revenue, the 50- and 70-seat markets. CRJ delivery backlog growth has been substantial, and the CRJ-700 program has gained rapid momentum during the second half of 1998.

Employees are at work around the very first CRJ-700 at the final assembly line of Bombardier Aerospace's Dorval facility. The roll-out and first flight of the aircraft are planned for the second quarter of 1999-2000.

With the award by Northwest Airlines, during the first quarter of 1999-2000, of the largest single sales contract to date, the CRJ orderbook crossed the 1,000-unit mark including firm orders and options.

Four manufacturers also compete in the 20- to 90-seat segment of the turboprop aircraft market. With the exit of competitors from this market segment, and with the Q Series as the only family of aircraft to offer three different sizes in this segment, Bombardier is well-positioned to consolidate its leadership position in the turboprop market. As a new product entering the market, the Q400 will continue to stimulate interest in the product line.

DELIVERIES
Regional Aircraft

FOR THE YEARS ENDED JANUARY 31

	Number of aircraft deliveries	
Type of aircraft	**1999**	1998
Regional Jet 100	**22**	21
Regional Jet 200	**50**	43
Dash 8 Q100	**—**	1
Dash 8 Q200	**12**	21
Dash 8 Q300	**18**	8

Amphibious Aircraft

Bombardier Aerospace manufactures and markets the new-generation Canadair 415 turboprop amphibious aircraft which is designed for firefighting, but can also be adapted to a variety of specialized missions such as search and rescue, coastal patrol and transport. The Canadair 415 fills a unique niche as the only aircraft designed specifically for fire-fighting and the only new-production amphibious turboprop in the world today. At the end of the financial year, 139 amphibious aircraft (models CL-215*, CL-215T* and Canadair 415) were in service on three continents.

Deliveries and Backlog

Bombardier Aerospace delivered a total of 12 Canadair 415 amphibious aircraft in 1998-99, compared with only one the previous year. Seven of these aircraft were delivered to the Ministry of Natural Resources of the Government of Ontario, four others went to the Civil Protection Agency of Italy, and one was shipped to the Ministry of Defence of the Hellenic Republic, as part of a 10-aircraft order placed at the end of 1998-99. As of January 31, 1999, the order backlog stood at 12 aircraft, with two aircraft to be delivered to the Government of Ontario, nine to the Government of the Hellenic Republic, and one aircraft to Croatia.

Market and Prospects

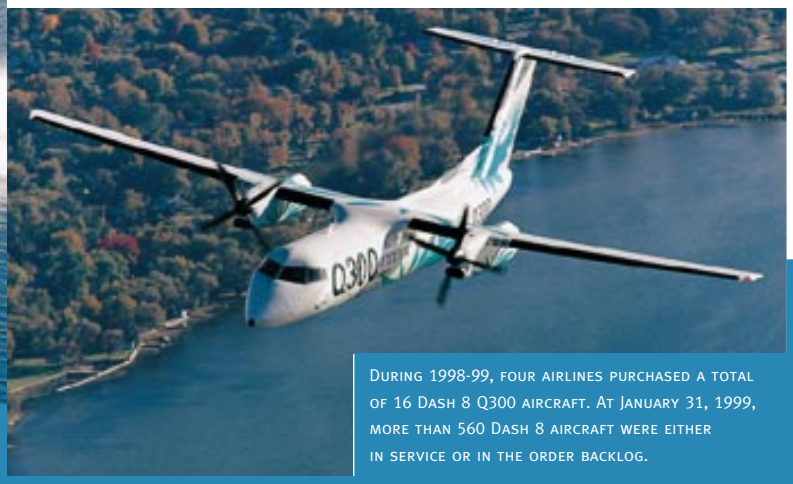
The technology of the Canadair 415 is becoming recognized in the field of civil protection. Governments are beginning to acknowledge the utility of the amphibious aircraft for protecting forest resources and residential areas from the threat of wild fire, for in-shore search and rescue or deploying oil containment booms for in-shore maritime disasters. The market outlook is encouraging with new prospects and continued re-order potential.

During the year, Bombardier Aerospace moved the final assembly line of the Canadair 415 aircraft to North Bay, Ontario, freeing factory space required for the new Canadair Regional Jet Series 700 aircraft assembly lines at the Dorval site.

Component Manufacturing

Most of the design, development and manufacture of major airframe structures carried out by Bombardier Aerospace takes place at the Canadair facilities in Saint-Laurent, Québec, and at the Shorts facilities in Belfast, Northern Ireland, which is also the production site for engine nacelles and nacelle components.

In January 1999, the Ministry of Defence of the Hellenic Republic purchased 10 Canadair 415 amphibious aircraft. In an average mission, the firefighting aircraft can complete 10 drops within an hour, unloading 61,400 litres of water or foam fire suppressant.



During 1998-99, four airlines purchased a total of 16 Dash 8 Q300 aircraft. At January 31, 1999, more than 560 Dash 8 aircraft were either in service or in the order backlog.

Production and Deliveries (Airframes)

In 1998-99, Bombardier Aerospace responded to increased demand on most of its major subcontract programs for the supply of airframe components for the Airbus A330/A340 airliners and most of the current Boeing civil airliners.

At the Canadair facilities, manufacturing work on fuselage components for the Airbus program continued to proceed at a higher pace than previously, as a result of increased requirements from Aerospatiale of France. There were more deliveries of airframe components for the next-generation Boeing 737 airliner, and the centre wing section of the Boeing 747 airliner. Deliveries decreased for the MD-11 floor beams for Boeing due to the termination of the aircraft program in June 1999.

Deliveries of rudders for the Boeing 737-700 from the Shorts facilities were significantly higher than in the previous year. There were also more deliveries for inboard trailing edge flaps for the Boeing 757, nose landing gear doors for the Boeing 777 and metal-bonded components for a range of Boeing aircraft. Deliveries were also higher for components produced for the Apache helicopter built by GKN Westland Helicopters Ltd., of Great Britain, for the United Kingdom's Ministry of Defence.

Production and Deliveries (Nacelles)

There was also a substantial rise in deliveries of engine nacelles and components for many programs, including the Rolls-Royce RB211 engines on Boeing aircraft, the International Aero Engines V2500 on Airbus aircraft and the BMW Rolls-Royce BR710 engines selected for ultra long-range aircraft such as the Global Express. The increase in deliveries in these programs more than offset program reductions on other nacelles contracts.

Market and Prospects

The medium- and long-term outlooks remain positive in the global market for aircraft components. While competition is still fierce among suppliers, Bombardier Aerospace remains well-positioned to take advantage of subcontract opportunities.

Commercial Aviation Services

Bombardier Aerospace markets and provides a variety of technical and maintenance services for commercial aircraft mainly aimed at regional airlines.

During 1998-99, Commercial Aviation Services carried out heavy maintenance work for Atlantic Coast Airlines, Atlantic Southeast Airlines, Comair and Midway Airlines' fleets.

Market and Prospects

With regional fleets growing both in size and age, the market for aviation services is developing at a fast pace. Commercial Aviation Services is positioned to take advantage of the potential offered in this new market due to the experience gained in service support for Bombardier aircraft and the good relationship established with regional airlines as an aircraft supplier.

Belfast City Airport

Belfast City Airport had another successful year, some 1.31 million passengers using the airport representing approximately 45% of Northern Ireland's domestic scheduled traffic, compared with 1.28 million passengers, or 41% of traffic in 1997. Due to its success since opening in 1983, the airport has outgrown its current facilities. With demand for air travel between Northern Ireland and Great Britain expected to remain strong, Bombardier announced proposals in February 1999 for a $74 million development of the airport including a new terminal and other facilities scheduled to be completed during 2000.

Defence Services

Bombardier Aerospace currently markets and provides a variety of training, technical support and operations management services for military aviation and defence customers.

Shorts is responsible for the detailed design and manufacture of a variety of components for the CRJ-700, including the centre and forward fuselage as well as the engine nacelles.

Military Aircraft Servicing

Due to the customer's budget constraints, work continued at a reduced level on a renewal contract awarded by the Canadian Department of National Defence for the integrated engineering support of its fleet of CF-18 fighter jets. Additional work was carried out on various contracts calling for logistic support, aircraft and equipment servicing for the United Kingdom's Ministry of Defence, the United States Army National Guard and various customers in the Middle East.

Pilot Training

Major developments took place in the NATO Flying Training in Canada (NFTC) program in 1998-99. The official launch of the program was announced in May 1998 after the related financing and major subcontracts for the aircraft were finalized. Denmark then joined Canada as the first international customer in the program, which is a cooperative endeavour between government and industry to train air force pilots. The United Kingdom confirmed its participation during the first quarter of 1999-2000. This program is carried out pursuant to a 20-year service contract which calls for a Bombardier-led team to provide fully serviced aircraft, training material, flight simulators, and airfield and site support services. Construction of the multi-purpose training facilities in Moose Jaw, Saskatchewan, has started and training of the first students is expected to begin in early 2000.

There was a stable rate of activity on the two other main aviation training contracts for the Canadian Forces at the Canadian Aviation Training Centre at Portage la Prairie, Manitoba, and for the Royal Air Force (RAF) in the United Kingdom.

During the last quarter of 1998-99, Bombardier signed a contract with the United Kingdom's RAF to provide aircraft and related services in support of primary flying training at 13 locations throughout the United Kingdom over a 10-year period.

Unmanned Aerial Vehicles (UAV)

After having completed an extensive 50-hour test program with the United States Navy vertical take-off and landing program (VTOL), the CL-327* Guardian* UAV was selected to participate in two additional series of demonstrations in the United States.

Prospects

Continued reduction of defence budgets is creating opportunities for service suppliers in the private sectors as governments are increasingly relying upon public/private partnerships for technical support and maintenance services. Bombardier intends to build on its expertise and product knowledge by extending its services to new countries. Pilot training will also present excellent opportunities as other countries join in the NFTC program.

Close-air Defence Systems

Close-air defence systems are marketed, developed and manufactured by Shorts Missile Systems Limited (SMS), which is a joint venture between Bombardier subsidiary Short Brothers plc of Northern Ireland and Thomson-CSF of France in the area of very-short-range air defence systems.

Deliveries and Orders

In 1998-99, deliveries of Starstreak* missiles to the Ministry of Defence of the United Kingdom continued and further orders for Starstreak-related equipment were placed.

Market and Prospects

Despite increasing competition and the reduction in defence budgets, the close-air defence system market remains active. The recent success of the joint United Kingdom/United States program of testing Starstreak in an air-to-air role, along with the decision of the United Kingdom's Government to clear the new-generation ground-based system for export, are indications of continuing good prospects for this product.

A Regional Jet from Comair's fleet is being inspected by an employee of Commercial Aviation Services.

BOMBARDIER
RECREATIONAL PRODUCTS

The two-passenger GSX RFI watercraft is the second Sea-Doo model to be equipped with the Rotax Fuel Injection (RFI) system for an easy start, low emissions and fuel economy.

The 16-foot Sea-Doo Speedster SK sport boat is an affordable alternative to a more traditional boat. It was built with the water skier in mind.

All Ski-Doo MX Z models offered by Bombardier for the 2000 season are equipped with the ZX platform, which undisputedly offers the best power to weight ratio within the industry.

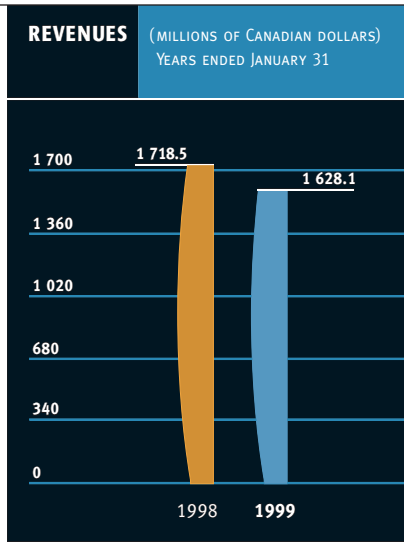
In 1998, the Corporation introduced its first all-terrain vehicle, the Bombardier Traxter, which was named "ATV of the Year" by *ATV Magazine*.

The operating results of Bombardier Recreational Products are generated by the activities described on page 2 of this report.

For the year ended January 31, 1999, the revenues of Bombardier Recreational Products before intersegment eliminations amounted to $1.6 billion, compared with $1.7 billion for the year ended January 31, 1998. The loss before income taxes for 1998-99 amounted to $45.5 million, compared with $1.1 million for 1997-98.

The substantial decrease in profitability was due in part to the drop in watercraft sales and to the cost of special sales programs launched to stimulate the snowmobile retail market which was affected by late snowfalls in most regions in North America during the fourth quarter.

Furthermore, major investments in market and product development for the all-terrain vehicles (ATV), the neighborhood vehicle Bombardier *NV* and the sport boat line of products also contributed to a weaker performance.



Snowmobiles

The activities of Bombardier Recreational Products in the snowmobile industry comprise the development, design, manufacture and marketing of the Ski-Doo product line and of the Lynx line which is designed specifically for the European market.

Sales and Market (Canada and United States)

For a second consecutive year, late snowfalls in Canada and the United States led to a downturn in the snowmobile market in 1998-99, with industry retail sales totalling 207,600 units for the selling season ended March 31, 1999, compared with 231,000 units for the season ended March 31, 1998.

While Ski-Doo snowmobile unit sales were affected by this downward trend, Ski-Doo maintained a market share of 30% in Canada and the United States.

Sales and Market (Europe)

Snowmobile industry retail sales in Europe were estimated at approximately 19,500 units in 1998-99, compared with 20,000 units in 1997-98.

Product Development

To mark the 40th anniversary of the Ski-Doo snowmobile, for the 1998-99 winter season Bombardier introduced a new lighter weight ZX platform which, combined with the new generation two-cylinder reed valve induction Rotax engines, offers the best power to weight ratio in the industry. Used in two 1999 models, the Summit* 600 in the mountain segment and the MX* Z 600 in the cross-country segment, this new design will be extended to most Ski-Doo two-cylinder products for the 2000 model year. The innovative ZX platform, which makes the MX Z 600 the undisputed lightest vehicle in its class, was acclaimed by the industry and the Summit 600 was named "Snowmobile of the Year" by *SnoWest* magazine.

As a way to capitalize on a growing trend towards consumer individuality, in January 1999, Bombardier introduced its Ski-Doo Millennium Series, consisting of one top-of-the-line model in four popular segments.

Prospects

The North American snowmobile industry is experiencing a significant slowdown largely due to two consecutive winters of unfavorable climatic conditions. In addition, demand may be returning to normal growth levels after four straight years of unusually high growth. Overall, the market should stabilize once excess inventories have been reduced.

Pierre Beaudoin, President and Chief Operating Officer of Bombardier Recreational Products

The Ski-Doo Millennium Series offers a top-of-the-line model such as the Formula Deluxe 700, in four of the most popular segments.

The European snowmobile market is likely to remain flat for another season. As Europe's only fully integrated manufacturer and distributor of snowmobiles, Bombardier retains its leadership in this market which is becoming more leisure- than utility-oriented.

Watercraft

The activities of Bombardier Recreational Products in the watercraft industry encompass the development, design, manufacture and marketing of the Sea-Doo watercraft.

Financial Year Sales

Bombardier's unit sales for the 1998-99 financial year were lower than in 1997-98 mostly as a result of reduced demand for watercraft both in the United States and in the international market.

For comparison purposes, financial year unit sales figures include 1998 models sold between February 1, 1998 and the end of the selling season on September 30, 1998, as well as 1999 and prior years models sold between October 1, 1998 and January 31, 1999.

Market

After a decade of constant growth, the North American watercraft market is now going through the type of stabilization that is commonly experienced by cyclical consumer products. Accordingly, North American industry retail sales for 1998 totalled 136,000 units for the selling season ended September 30, 1998, a 26.5% decrease from the 185,000 units sold during the season ended September 30, 1997. The international market, which was affected by the Asian crisis, posted estimated retail sales of 24,800 units for the selling season ended September 30, 1998, a 20.3% drop compared with 31,100 units for the season ended September 30, 1997. The industry is also being affected by environmental regulations requiring manufacturers to accelerate their transition to clean technologies.

For the 1998 season, Bombardier's world market share remains at 45%.

Product Development

With regards to the regulatory requirements, Bombardier has taken a leadership role in introducing environmentally friendly technology in advance of the legislation. Bombardier strives to reduce emissions by applying cleaner, quieter and innovative technology to its watercraft. Following the success of the GTX† RFI model last year, Bombardier extended the Rotax Fuel Injection technology, which eliminates carburetors, to a second model, the GSX* RFI. Bombardier is now the only manufacturer to propose two models equipped with such technology, which reduces exhaust emissions to levels well within current U.S. environmental requirements. All the 1999 Sea-Doo watercraft, except one, offer the D-Sea-Bel sound reduction system, which cuts engine noise by approximately 50%.

With its new hourglass-shaped hull design, the Sea-Doo XP* Limited, which offers enhanced agility and acceleration while providing the stable platform of a wider hull, won a Silver Medal at the 1998 Business Week / Industrial Design Excellence Awards. The GTX RFI model was the innovation award winner in such publications as *Popular Science*, *Motor Boating and Sailing*, and *Splash*.

Prospects

Bombardier expects the watercraft market to experience further tightening in the 1999 season and the production and organizational structures have been adjusted accordingly.

In addition to its continued dedication to the development of high quality watercraft, Bombardier Recreational Products is actively promoting safety on water through such activities as the *Ride Smart from the Start* campaign. Bombardier welcomes new legislation pertaining to the safe usage of watercraft, such as the one announced in January 1999 by the Government of Canada which introduced a minimum age for driving this type of recreational vehicle. Bombardier also supports model legislation and other safety programs initiated by the Personal Watercraft Industry Association.

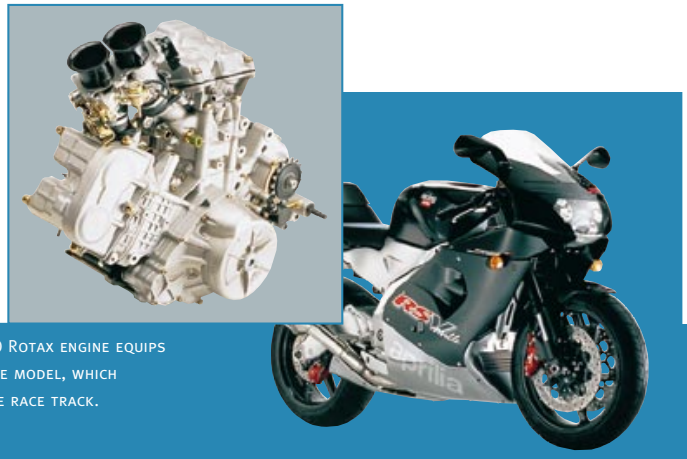
The new technologies to reduce emissions combined with innovative, family-oriented Sea-Doo watercraft product line appeals to consumers and will allow Bombardier to maintain its industry leadership, in the context of more stringent environmental regulations.

Engines

Rotax engines are designed and built by the Austrian subsidiary Bombardier-Rotax GmbH. They are used in Bombardier's Ski-Doo and Lynx snowmobiles, in Sea-Doo watercraft and sport boats, in the Bombardier ATV and in other manufacturers' motorcycles, scooters and small and ultra-light aircraft.

† *Registered trademark of Castrol Limited, used under licence*

†† *Trademark of Aprilia*



The high-performance V-990 Rotax engine equips the Aprilia RSV†† motorcycle model, which is built for the road or the race track.

Sales

In 1998-99, reduced sales of Bombardier's snowmobiles and watercraft led to a decrease in deliveries of Rotax engines for these products. However, substantial growth was achieved again in the supply of scooter engines. Production and delivery of the 990-cc high performance engine for one of Aprilia's motorcycles started in 1998. Serial production of the 500-cc four-stroke engine for the Corporation's ATV also started during the year.

Product Development

In its pursuit of environmentally friendly products, Bombardier-Rotax is intensifying its efforts to further develop two-stroke direct-injection engines for watercraft, as well as working on expanding its line of high output four-stroke engines for several applications. For its first dedicated ATV application, Bombardier-Rotax has engineered a unique four-stroke engine which maximizes power output by providing a cleaner, more efficient burn. The engine transmission features an innovative hydraulic gearshift and clutching activation operated by a simple handlebar-mounted pushbutton.

Prospects

Growth in the Rotax engine market is expected to continue to come from Bombardier products, particularly from the ATV, and from the high performance motorcycle engine segment.

Sport Boats

Following the repositioning strategy undertaken last year, Sea-Doo sport boats with jet-propulsion technology are now offered in the well-established 14- to-20-foot fiberglass pleasure powerboat market. The 16-foot Speedster* SK model, which is especially adapted to pull towables, was very successful with customers and was described by *Watercraft World* magazine as "a fun, affordable alternative to a more traditional ski boat". In 1998, Bombardier was awarded the Business Week/Industrial Design Excellence Awards Gold Medal for its Challenger* 1800 sport boat in a first-place tie with the Volkswagen New Beetle.

The Sea-Doo sport boats bring innovation to mainstream recreational boating and Bombardier is well-positioned to earn a good part of this market.

All-Terrain Vehicle

Production and delivery of the Corporation's first ATV, the Bombardier Traxter all-wheel-drive vehicle, started during the year. Described as the best ATV on the market by *Popular Mechanics*, the Traxter all-terrain vehicle was also named "ATV of the Year" by *ATV Magazine*. With the development over the next few years of a line of models complementary to the Traxter, the ATV will contribute to the future growth of Bombardier Recreational Products. The ATV market, currently larger than the watercraft and the snowmobile markets combined, is expected to grow for a few years.

Neighborhood Vehicle

The Bombardier *NV* vehicle was designed as a clean and economical vehicle for use in communities and on certain public roads, notably in the sun-belt states of the United States for short-range trips where it is still undergoing market tests with targeted consumers. As a pioneer in the market, Bombardier welcomed the creation in 1998, by the National Highway Traffic Safety Administration of the United States, of a new category of motor vehicles: low speed vehicles (LSV). The new regulation allows states to use the LSV rule as a basis for developing state and local legislation for these vehicles.

Utility Vehicles

Bombardier Recreational Products designs, manufactures, sells and services specialized tracked vehicles used for grooming alpine ski hills and snowmobile and cross-country ski trails.

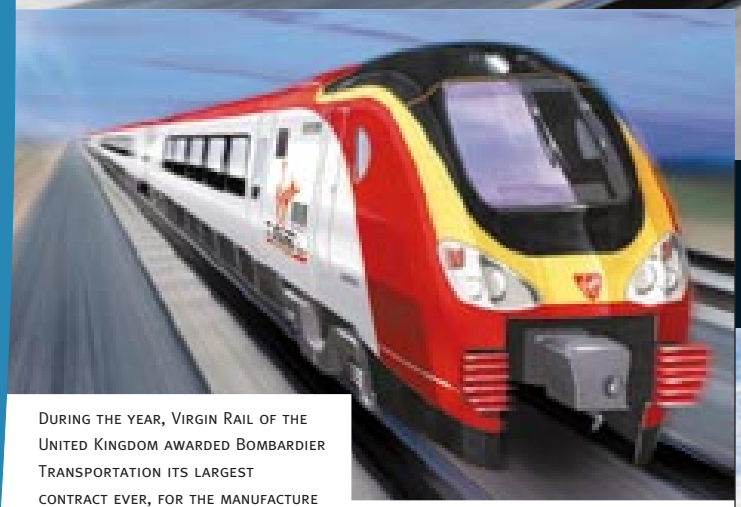
Within a mature and relatively stable replacement market, Bombardier's introduction in 1999-2000 of the BR 2000* snowgroomer, which incorporates new technologies for improved productivity, reliability and serviceability, is aimed at enhancing Bombardier's market position in North America and Europe. In 1998-99, Bombardier's world market share reached 37% compared with 34% the previous year.

In a market that remains highly competitive and price-sensitive, Bombardier continues to hold a strong position due to its wide range of vehicles and its ability to provide such services as technical training and advice on grooming practices.

For the new millennium, Bombardier created the BR 2000 vehicle which meets the demand for effective and quick snow management. Its ergonomic design facilitates the work of the operator.

BOMBARDIER
TRANSPORTATION

Amtrak expects to put the Acela high-speed train in service at the end of 1999, to link New York, Boston and Washington.



During the year, Virgin Rail of the United Kingdom awarded Bombardier Transportation its largest contract ever, for the manufacture and maintenance of cars for the CrossCountry service.

Sixty new-generation ART MK II vehicles were ordered in 1998-99 by Vancouver's Rapid Transit Project 2000 Ltd. for the expansion of the SkyTrain system. The new cars will serve the municipalities of Vancouver-Burnaby-Coquitlam and New Westminster.

Commuter Transportation (Deliveries and Work in Process)

Bombardier Transportation was very active in regional transit systems serving large North American and European cities. Two bi-level commuter car orders were completed during the year, with delivery of the last vehicles to the Southern California Regional Rail Authority and the North San Diego County Transit District. In February 1999, the MTA Metro-North Railroad in New York also received the first vehicles of an option for 50 push-pull commuter cars.

In Europe, Bombardier Transportation delivered 96 TALENT self-propelled cars to the NEVAG of Germany and to DB, which also received 161 bi-level commuter cars. The Société Nationale des Chemins de fer Français (SNCF) and the Régie Autonome des Transports Parisiens (RATP) took joint delivery of 81 bi-level commuter cars. Forward Trust in the United Kingdom, formerly Eversholt Leasing, received 191 refurbished train coaches, as part of a contract awarded in 1996.

Work in process comprised several orders from DB, including the manufacture of 225 TALENT self-propelled cars. Approximately 50 additional TALENT cars are being manufactured for various customers, including a tilting train version ordered by Norges Statsbaner of Norway. Work also continued on two other DB orders for 310 self-propelled electric cars and 100 VT 612 self-propelled diesel tilting cars.

Commuter Transportation (Orders)

In 1998-99, two North American transportation agencies, Central Puget Sound Regional Transit in Seattle and Southeastern Pennsylvania Transportation Authority, ordered 38 bi-level commuter cars and 10 push-pull commuter cars, respectively.

Other orders obtained in Europe totalled 302 diesel commuter cars: 208 VT 612 tilting cars for DB, and 94 self-propelled GTW cars as well as 33 TALENT cars for various customers. DB also added 98 more units to its initial order for bi-level commuter cars, awarded in 1996.

Intercity Transportation (Deliveries and Work in Process)

Work completed for large intercity transportation agencies by Bombardier Transportation included the delivery, as a member of a consortium, of 26 cars for the ICT high-speed tilting train to DB. Bombardier Transportation also began delivery of passenger cars for the ICE high-speed intercity train.

The Corporation continued the execution of an order for self-propelled cars from the Société Nationale des Chemins de fer Belges (SNCB), by delivering 96 vehicles this year. SNCB also took delivery of 19 passenger cars, as part of a contract awarded in 1992. An SNCF order for assembly and finishing of 90 bi-level TGV high-speed cars was also filled, with the delivery of the last 24 units. Other deliveries of intercity vehicles totalled 26 passenger cars for China, Uzbekistan and Turkmenistan.

In addition, engineering and pre-production work was continued on the Amtrak American Flyer† high-speed trainsets, recently renamed Acela††, as well as on 40 high-speed diesel VT 605 tilting train cars for DB.

Intercity Transportation (Orders)

Amtrak placed an additional order for 64 cars for the Acela train during the year.

Bombardier Transportation was also awarded its largest contract ever by Virgin Rail of the United Kingdom. The order calls for the delivery of 352 diesel-electric cars for the United Kingdom's CrossCountry service, and includes a maintenance component.

Bombardier Transportation also received an order to supply 25 rail-passenger cars to Uzbekistan.

Bogies

Deliveries of bogies totalled 403 units during the year, 270 of which were supplied to the RATP and SNCF. Orders for some 625 bogies, including 385 for French customers, were added to the backlog.

Market and Prospects

Given the cyclical nature of the rail transit equipment market, Bombardier determines its market share as an average based on the total number of vehicles ordered within the industry over the past three calendar years. In 1998, Bombardier's market share in Canada and the United States was 52%, compared to 48% in 1997. In Europe, the Corporation's market share rose to 22%, compared to 8% in the previous year. This increase was mainly due to the acquisition of DWA.

† *Registered trademark of Lionel Trains Inc., used under licence*
†† *Registered trademark of Amtrak, used under licence*

In December 1998, the Communauté Urbaine du Grand Nancy awarded Bombardier a contract for 25 GLT tramways on tires. The first cars are planned to enter revenue service at the end of year 2000.

As part of a contract awarded to the AirRail Transit consortium, Bombardier is responsible for the design and construction of a fully automated rapid transit system for New York's JFK airport.

According to Bombardier Transportation estimates, its markets should continue to offer good growth potential for the next five years. In Canada and the United States, demand is expected to exceed the average recorded in recent years, due to major fleet replacement programs and system modernizations.

In January 1999, the Government of the State of Florida terminated the FOX project, thus cancelling the preliminary engineering work for a TGV link between Miami, Orlando and Tampa. However, the Acela trainsets expected to come into revenue service at the end of this financial year in the New York-Boston-Washington corridor could help accelerate development of other similar North American corridors, where authorities seem more inclined to support projects using high-speed rather than very-high-speed technologies. In this context, Bombardier signed a cooperative agreement with the U.S. Federal Railroad Administration to develop a non-electric, high-speed locomotive prototype.

In a relatively stable European market, Germany, France and the United Kingdom continue to offer good prospects for new orders. Bombardier is already involved in several large, ongoing projects in these countries.

Privatization of the national railways in Mexico and South America should unlock pent-up demand for rolling stock over the next five years.

When Chinese government officials approved the creation of a joint venture for the manufacture of passenger rail transit vehicles, Bombardier reached an important milestone in penetrating the Asian market. Bombardier and its partner, Power Corporation of Canada, jointly own 50% of the new company. The remaining 50% is held by Sifang Locomotive & Rolling Stock Works, a Chinese company. This alliance will enable Bombardier to access the Chinese market, one of the largest in the world.

Transportation Systems

Deliveries and Work in Process

Installation and commissioning for the first phase of the automated rapid transit system for the city of Kuala Lumpur in Malaysia were completed, and revenue service was started in time for the 1998 Commonwealth Games.

Orders

The New York and New Jersey Port Authority awarded a major order to the AirRail Transit consortium, of which Bombardier Transportation is a member. The contract calls for the design and construction of a fully automated rapid transit system for New York's John F. Kennedy (JFK) airport, as well as the operation and maintenance of the system for a five-year period. The order includes the supply of 32 ART MK II vehicles, a second generation of the technology used for the Vancouver SkyTrain system.

Sixty ART MK II vehicles have also been ordered by Rapid Transit Project 2000 Ltd., for the expansion of the SkyTrain system that has operated in the city of Vancouver since 1986. The new-generation vehicles will serve the municipalities of Vancouver-Burnaby-Coquitlam and New Westminster. Other elements of the contract still remain to be finalized.

An additional order was received from the Jacksonville Transportation Authority in Florida, for an extension of approximately three kilometers of the transportation system ordered in 1994.

During the first quarter of 1999-2000, Bombardier Transportation, as a member of a consortium, received an order from the city of Thessaloniki in Greece for the supply of an automated rapid transit system including 36 vehicles. Work is planned to begin in 1999, subject to financing.

Market and Prospects

Bombardier Transportation continues to closely track the long-term market for integrated transit systems and has identified a number of projects that are expected to materialize over the next five years.

In Canada, the market appears to have revived after several years of inactivity. There are a number of potential opportunities in the United States particularly with regards to new projects at major airports. In Europe, systems supply has maintained a constant rate of growth during the last five years, and the market should continue to offer excellent opportunities.

Although the recent crisis in Asia has delayed and, in some cases, resulted in the cancellation of projects, the overall market remains promising.

Work continued on a 12-unit low-floor tramway contract awarded by the city of Kassel in Germany, which ordered 10 additional vehicles during the year.

During the year, the Stadtbahn Saar of Saarbrücken, Germany, awarded two additional contracts for a total of 13 low-floor tram-trains. This city operates 15 similar vehicles since 1997.

Operations and Maintenance Services

Work in Process and Orders

As part of a five-year contract signed in 1996, Bombardier Transportation continued to provide maintenance services for the commuter train fleet of Ontario's GO Transit throughout 1998-99.

Bombardier Transportation strengthened its position in the maintenance services market by obtaining several major contracts. The order received from Virgin Rail includes a 12-year maintenance contract for both the existing fleet, as well as the new vehicles supplied to the CrossCountry service. The maintenance portion of the $2.6-billion contract is approximately $1.6 billion.

As part of a contract for the manufacture of 24 light rail vehicles for the South London Croydon Tramlink in the United Kingdom, awarded to Bombardier Transportation in 1996, the Corporation will be responsible for rolling stock maintenance for a 15-year period. This transportation system will begin operation at the end of 1999.

In addition to supplying the rail cars for the automated rapid transit system for JFK Airport in New York, Bombardier Transportation will be responsible for system operation and maintenance for an initial period of five years.

During the year, Amtrak added a 10-year maintenance services component to the Acela train contract.

The Southern California Regional Rail Authority placed an initial order with Bombardier for the maintenance of its fleet for the next three years.

Market and Prospects

In Europe, the maintenance services market offers excellent development potential due to recent privatization programs. Many future orders for rolling stock should include new vehicle maintenance contracts, and operators may also choose to subcontract for the maintenance of their existing fleets. The U.K. market seems especially promising in this regard.

The trend towards privatization and the use of subcontractors for operations and maintenance is also apparent in North America. Recent contracts obtained by Bombardier Transportation through its excellent reputation and expertise in the field of passenger rail equipment have strengthened its position in this market.

As of January 31, 1999, the overall value of operations and maintenance contracts totalled 26% of the group's order backlog, compared to 9% the previous year.

Freight Cars

Through the acquisition of DWA at the end of 1997-98, Bombardier became a leading manufacturer of specialized freight cars in Europe. In addition, the creation, in September 1998, of a 50-50 joint venture with The Greenbrier Companies, an American manufacturer, allows Bombardier to participate in the manufacture of freight cars for the North American market. The manufacturing activities of the new joint venture, called Gunderson-Concarril S.A. de C.V., are located at Bombardier Transportation's plant in Mexico.

Deliveries and Work in Process

Bombardier delivered more than 1,000 freight cars to various European customers during the year, while Gunderson-Concarril delivered 140 railcars to its North American customers.

Orders

Bombardier Transportation received orders for close to 1,000 freight cars from European companies in 1998. At the end of the financial year, Gunderson-Concarril had orders for nearly 1,600 railcars, obtained during the second half of the year.

Related Activities

Following an agreement signed in March 1998 with General Motors, Electro-Motive Division in the United States, Bombardier Transportation undertook the assembly of diesel-electric locomotives for freight trains at its plant in Mexico. This alliance responds to growing demand for this type of equipment within the North American market. At the end of 1998-99, 77 locomotives had been delivered, with 243 units remaining in the backlog.

Market and Prospects

Bombardier Transportation considers the freight car market a very promising sector. In North America alone, projected demand for the next five years is for some 290,000 cars. In Europe, the implementation at the beginning of 1998 of a railway system exclusively reserved to freight cars should present new opportunities for suppliers of leading-edge technologies.

The new subway cars ordered by the Toronto Transit Commission will be manufactured at the Thunder Bay, Ontario facilities. Deliveries are expected to begin in September 1999.

During the fall of 1998, Bombardier delivered the first metro trainsets to the city of Rotterdam, in the Netherlands. Each of the 225-passenger cars features a special area for strollers, wheelchairs and bicycles.

BOMBARDIER *CAPITAL*

Pierre-André Roy,
President and Chief Operating Officer of Bombardier Capital

Results of Bombardier Capital (BC) are generated by the activities described on page 3 of this report.

Average assets under management for Bombardier Capital for 1998-99 were $5.6 billion, increasing from $2.9 billion the previous year. Revenues before inter-segment eliminations for 1998-99 were $570.6 million, as compared with $352.4 million for 1997-98. Income before income taxes reached $42.6 million, down from $64.1 million the year before.

Profitability was impacted by the decision in the third quarter to adopt a higher discount rate for the full year – an action that reduced the gain on sales resulting from the securitization of manufactured housing mortgage loan portfolios. In addition, Bombardier Capital made substantial investments in management and control infrastructures required to support its growth as well as investments for continued development of new business sectors.

Bombardier Capital's core businesses include secured inventory financing for dealers and distributors of recreational and consumer products, as well as commercial lending, leasing and asset management services for railcars, information technology, commercial and industrial products, and business aircraft. Bombardier Capital also provides consumer financing services to retailers in the recreational products and manufactured housing industries. Other financial services, such as factoring of accounts receivable, are provided to Bombardier Inc. and its affiliated companies.

Financial Services

In 1998-99, Bombardier Capital continued its pursuit of long-term, managed growth across an increasingly diversified set of businesses, markets and asset classes.

Commercial and Industrial Finance

Bombardier Capital's Commercial and Industrial Finance business offers asset-backed lending, leasing and management services to commercial customers for business aircraft and commercial and industrial equipment. It also provides railcar leasing and management services to customers in the United States and Canada.

Commercial and Industrial Finance operations experienced solid growth across all business sectors in 1998-99, reflecting controlled growth strategies focused on expanding BC's market presence and providing new services to existing markets. Average assets under management doubled in 1998-99 compared with 1997-98. This growth was due in part to positive market trends and an expanded business origination capacity.

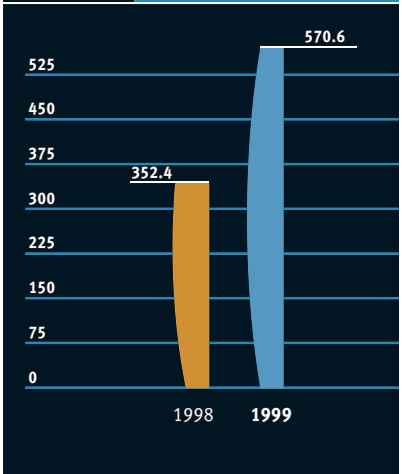
In business aircraft financing, Bombardier Capital achieved solid growth in industry segments for both new and pre-owned aircraft. A similar increase prevailed in railcar leasing and management. Railcar fleet expansion achieved during the year will support future business development with Class I and short-line railroads in North American markets.

Inventory Finance

Bombardier Capital provides Inventory Finance services on a secured basis to retailers in Canada, the United States and Europe. Its primary business activities consist of captive financing for Bombardier-affiliated businesses, and financial services provided to retailers purchasing product inventories from other specified distributors and manufacturers. Inventory Finance teams conduct business with more than 4,300 retailers across North America and a growing number of distributors and manufacturers in Europe. Primary markets include marine products, recreational vehicles, manufactured housing, power sports products and Bombardier-manufactured recreational products.

In 1998-99, Inventory Finance activities in the United States and Canada focused on achieving solid business growth in the face of rising competition and slowing growth trends across mature traditional markets. Market characteristics highlighted price positioning, customer service and gains in operating efficiencies as key strategies for maintaining market share and profitability levels. Bombardier Capital also purchased a US $195 million loan portfolio from NationsCredit Manufactured Housing Corporation during the year, further strengthening its position in the floor plan financing market for manufactured homes in the United States. The transaction increases Bombardier Capital's share of the market to approximately 14%, doubling its previous position.

REVENUES (millions of Canadian dollars)
Years ended January 31



In Europe, Bombardier Capital introduced floor plan financing services to distributors and manufacturers in France and the United Kingdom, adding to existing business activities in Sweden, Norway and Finland. The Inventory Finance, International division also began offering export finance services to Canadian manufacturers shipping products abroad, bringing to market years of captive export finance experience developed with Bombardier business operations around the world.

Mortgage Finance

Bombardier Capital's Mortgage Finance business unit offers a variety of retail financing services to purchasers of manufactured homes.

Expanding its activities from its initial territory in the southeastern United States, Mortgage Finance entered new markets in 19 additional states during 1998-99 – primarily in the western and mid-western regions of the country. Bombardier Capital now conducts business with nearly 1,700 retailers in 31 states and holds an estimated 5% share of the U.S. consumer financing market for manufactured housing. Bombardier Capital also opened a new service centre in Colorado Springs, Colorado, in May 1998 to support continued development of business opportunities in western U.S. markets.

Consumer Finance

In Canada and the United States, Bombardier Capital provides retailers in the recreational products industries with financing for consumer transactions through its Consumer Finance business unit. Financing programs include revolving credit and installment loans for Bombardier recreational products, as well as for marine products, recreational vehicles and power sports products from other manufacturers. Consumer Finance also provides financing in smaller volumes for trailers, lawn equipment, yachts and motors.

In 1998-99, the Consumer Finance business unit achieved significant increases in its Canadian and American customer base and now conducts business with more than 3,000 retailers across the continental United States alone. Critical systems improvements are being implemented to support projected expansion of the private-label revolving credit business in both Canada and the United States.

Technology Management and Finance

Bombardier Capital's Technology Management and Finance business provides leasing, technology management and related services to corporate clients, primarily in Canada and the United States. Areas of focus include telecommunications systems, computer systems and components, and supporting equipment.

Funding Highlights

Bombardier Capital broadened its funding base in 1998-99 to accommodate projected business growth and achieve greater diversification across funding sources. Highlights include the launch of a $250 million Canadian public debt issue in February 1998, the first public debt offering of its kind in Bombardier Capital's history. In July, Bombardier Capital established an inaugural Canadian commercial paper program valued at $400 million, followed by a U.S. 144-A bond offering in January 1999 totalling US $500 million. The year also marked the completion of three asset-backed securities transactions totalling more than US $600 million.

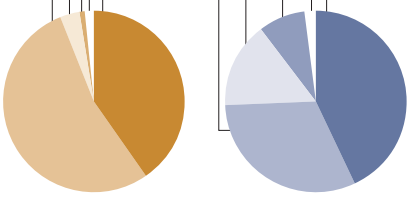
Real Estate Services

Through Bombardier Inc.'s Real Estate Services, Bombardier Capital derives revenues from the development of Bombardier real estate assets that are earmarked for new uses and from activities aimed at meeting the real estate needs of the other Bombardier businesses.

Other revenues are generated from the sale of land to real estate developers in the Bois-Franc project which involves the establishment of an urban residential community with integrated commercial and service infrastructures on land adjacent to the Bombardier Aerospace facilities in Saint-Laurent, Québec.

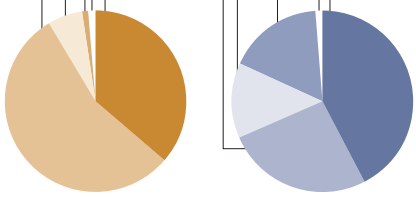
Average Managed Assets (millions of Canadian dollars)

Years ended January 31	1998		1999	
Inventory Finance	54%	1 550.6	32%	1 784.1
Mortgage Finance	3%	101.2	15%	836.8
Consumer Finance	1%	27.0	8%	453.1
Technology Management and Finance	2%	46.8	2%	114.3
Commercial and Industrial Finance	40%	1 169.7	43%	2 412.1

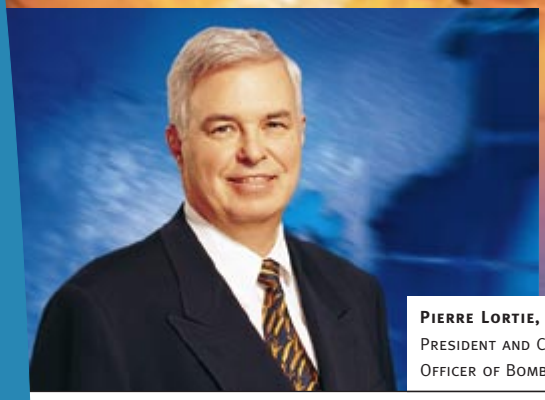


Revenues (millions of Canadian dollars)

Years ended January 31	1998		1999	
Inventory Finance	56%	194.6	27%	149.6
Mortgage Finance	6%	21.8	13%	76.3
Consumer Finance	1%	3.8	17%	96.4
Technology Management and Finance	1%	4.6	1%	7.1
Commercial and Industrial Finance	36%	127.6	42%	241.2



BOMBARDIER *INTERNATIONAL*



Pierre Lortie,
President and Chief Operating Officer of Bombardier International

Bombardier International was set up during the year to accelerate Bombardier's expansion into geographic markets where its presence is currently limited, outside of North America and Western Europe. The creation of this new group reflects the Corporation's decision to make geographic expansion a priority and to devote additional efforts to it.

Mandate

Bombardier International's mandate is to identify opportunities in non-traditional markets for Bombardier's products, technologies and competencies; to develop appropriate and integrated country strategies in close collaboration with the other groups; to explore opportunities for acquisitions and strategic alliances and pursue them when deemed appropriate; and to act as the key interface with government authorities, potential partners and decision-makers in targeted countries. Progress has been achieved on all four dimensions during the year in several markets, particularly in Asia.

Value Creation

Shareholder value will be created by Bombardier International through the implementation of four main strategies. Firstly, its efforts should accelerate the Corporation's penetration of non-traditional markets. The establishment of a joint venture by Bombardier Transportation for the manufacture of high-quality passenger cars in China in association with Power Corporation of Canada and Sifang of China constitutes a good illustration of this value-creating mechanism at work.

Secondly, the rigorous search for opportunities in new markets should lead to the identification of partners with capabilities and technologies that can strengthen the Corporation's competitiveness or widen its product offering. Under these conditions, joint ventures and alliances constitute an efficient way to accelerate growth. Such potential opportunities have been identified in 1998-99 and are being actively examined.

Thirdly, that same rigorous search process is likely to identify areas where operations would result in cost advantages. Here again, the experience of 1998-99 has shown that there is potential for this avenue.

Finally, there is potential for leveraging Bombardier's capabilities and technologies to enhance its profitability through increased volumes or additional sources of income.

Bombardier International has its own dedicated resources to pursue these strategies and achieve these objectives. The business opportunities resulting from the new group's actions will be integrated within the existing operating groups right from inception, except in certain transitional circumstances.

Activities

During the year, a limited number of countries in Asia, South America and Eastern Europe have been determined as priorities. Potential business opportunities have also been identified and, in close cooperation with the relevant operating group, are or will be pursued as appropriate. In China, the Corporation's representative office located in Beijing has been brought under the Bombardier International umbrella in order to maximize impact and efficiency.

Prospects

The tumult in world financial markets and its impact on emerging economies have created widespread hesitancy with respect to the desirability of investing in these parts of the world. The Corporation recognizes that there are risks in investing in many countries of Asia, Latin America, and Eastern Europe. However, in time, these countries will experience renewed growth to the benefit of their citizens and foreign investors alike.

Rather than being discouraged by the recent economic upheavals, the Corporation believes that, on the contrary, this is precisely the time to pursue a prudent, balanced and deliberate investment strategy in these non-traditional Bombardier markets.

Six Sigma

Bombardier's goal is to produce better products at a lower cost and to constantly improve at a faster pace than its competitors.

Six Sigma, a major initiative, was embraced at Bombardier two years ago after having produced exceptional results in other leading edge companies. The purpose is to systematically eliminate defects in products and services in addition to the processes that produce them.

Bombardier's Six Sigma mission is to:

- reduce costs and improve margins in a context of ever declining prices;
- meet and surpass customer expectations; and
- grow a new generation of leaders within the organization.

Progress to Date at Bombardier Aerospace

Six Sigma was first introduced at Bombardier Aerospace in March 1997 and the essential infrastructure is now in place. A critical mass of close to 3,000 employees have been trained using training material developed internally by a team of Six Sigma master agents. A databank keeps track of all Six Sigma projects for financial savings and sharing of best practices. Close to 350 projects have been completed, yielding expected savings of more than $100 million over five years following an initial investment of some $20 million. With these concrete results, Bombardier Aerospace is ready to build on the momentum by linking Six Sigma further into key business priorities.

Six Sigma Projects

Bombardier Aerospace has demonstrated that Six Sigma projects can produce quantum improvements in virtually any area of the organization. Here are a few examples:

Rollout to Other Business Segments

Each business segment is making its own special contribution to the Six Sigma initiative to ensure a successful return.

Building on the foundation blocks of the aerospace business segment, Bombardier Recreational Products has adapted the training material and has successfully deployed Six Sigma in 1998 by launching clustered projects around strategic priorities. They have also tailored the Six Sigma workshops developed by Bombardier Aerospace, Commercial Aviation Services to quickly tackle specific issues.

Finally, Bombardier Recreational Products is developing Design for Six Sigma (DFSS) for motorized consumer products to ensure process capabilities and engineering design requirements are fully harmonized.

Due to its geographical diversity, Bombardier Transportation has the unique opportunity to introduce the Six Sigma initiative across different cultures. They have a dedicated team in place that has thoroughly planned and benchmarked with other groups to prepare the ground for a full-steam approach in 1999.

Knowing the potential for applying Six Sigma in financial services, Bombardier Capital is in the process of determining a Six Sigma strategy for 1999.

To ensure that knowledge and best practices from the Six Sigma initiative are shared across the Corporation, several efforts have been made to facilitate communication, such as: a common project database, a Six Sigma intranet, a master agents' symposium in 1999, and inter-group transfers of Six Sigma coordinators, master agents and agents.

Six Sigma is the most ambitious quality and productivity improvement initiative ever undertaken by Bombardier. It will contribute to Bombardier's success by increasing both its operating margins and the quality of its products.

Project Objective	Results
To reduce the variety of standard hardware (e.g. bolts, nuts, washers) on existing and new contracts.	In the first phase of this project, 75 material codes have been eliminated, 82 are in the process of being removed and a further 700 have been identified for action. A target of up to 60% hardware commonality is expected on new contracts.
To standardize the installation of a wing to the fuselage fairing on an aircraft.	Cycle time has been reduced in half by receiving most of the fairing panels in finished rather than semi-finished form, by modifying the installation method, and by redesigning the work flow.
To improve the human resources department's ability to hire the appropriate person in a timely manner.	The new résumé process will cut recruitment and advertising costs by 25%. Other recruitment costs will also decrease by 20%.
To reduce the rejection of manually installed rivets on two aircraft models.	Improvements to the rivets (by a supplier) and to the installation process led to a 94% time saving.

Year 2000

Bombardier has put everything in place to ensure a smooth transition to the Year 2000. A full-scale plan has been developed to prepare our systems to recognize the date change on January 1, 2000.

Within each of Bombardier's business segments, groups have been at work since 1996 to assess and implement Year 2000 compliance programs with the objective of maintaining operational sustainability at millennium change.

For Bombardier, operational sustainability has been achieved when all the necessary conversions, replacements or alternative ways of working to Year 2000 operational problems, allow the business segments to meet their business targets. This implies that some Year 2000 problems could be accepted until resolved through normal maintenance replacement or a lower level of conversion activity. Contingency and remediation plans are developed to reduce the impact of unplanned events.

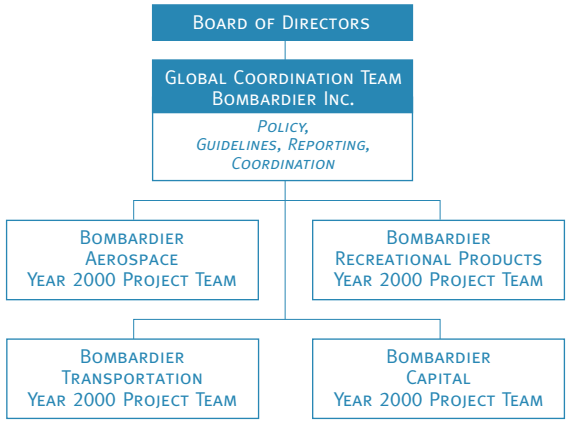
It is however not possible to ensure that all aspects of the Year 2000 issue that may affect Bombardier, including those related to the efforts of customers, suppliers or other third parties with whom the Corporation conducts business, will not have an impact on the operations of the business segments.

The evolution of the compliance issue is reviewed periodically by the management teams and no material impact is anticipated on the operations, although there can be no assurance that all these modifications will be successful. However, costs incurred to date and anticipated to be incurred in connection with these modifications have not had, and will not have, a material impact on the financial position of Bombardier.

Senior Management Involvement

The Year 2000 Project is being given attention and support from the highest levels of Bombardier management, starting with the President and Chief Executive Officer and the Board of Directors. Senior management is involved in several ways:

- The Board of Directors and the President and Chief Executive Officer have made the Year 2000 Project a priority for the Corporation.
- The Year 2000 Global Coordination team plays an active ongoing role. It is made up of senior executives representing the areas of finance, legal services, communication, internal auditing, and risk management and insurance.
- Internal Auditing reports are presented monthly to the senior management team and quarterly to the Audit Committee of the Board of Directors.
- Each core business also has its own Year 2000 Project Management Team in place. Policies and procedures have been formulated to provide consistency of approach and reporting. Due to the international nature of Bombardier, Year 2000 activities are coordinated by functional area as well as by geographical and individual site locations.



Detailed information on each business segment's Year 2000 readiness project is available on the Corporation's web site at the following address:

www.bombardier.com

The site also has a detailed section on product compliance and a list of frequently asked questions on this issue.

The project status for each business segment and for the Corporation as a whole is updated quarterly on this web site, on the following topics:

Management
Project Management
Reporting

Inventory
Applications/Software
Technology/Hardware
Operations

Risk Assessment
Risk/Impact Analysis
Remediation Planning
Resources Planning
Contingency Planning

Readiness Plan

Applications and Technology
- Remediation including testing

Operations
- Testing
- Implementation

External Suppliers
- Risk Assessment
- Contingency Plans

Consolidated Results

Consolidated Statements of Income

As mentioned at the beginning of this analysis, increased revenues and the excellent performance in the aerospace and transportation segments resulted in income before income taxes for Bombardier Inc. and its subsidiaries of $826.9 million for the year ended January 31, 1999, compared with $627.2 million for the preceding year.

Measurement of Segment Profit or Loss and Segment Assets

At the end of the year, the activities of Bombardier Services were integrated with two other segments to unlock synergies between services and manufacturing activities. Thus, defence services as well as commercial aviation services are now part of the aerospace segment and utility vehicles are part of the recreational products segment. The 1997-98 figures have been reclassified to conform with this new presentation.

The Corporation evaluates performance based on income or loss before income taxes. Intersegment services are accounted for as if the services were provided to third parties, at current market prices. Interest costs are allocated to the segments based on the net assets of each segment. Corporate office charges are allocated based on revenues of each segment.

The net assets by segment are used to assess the resources employed by each segment. For all manufacturing segments, net segmented assets include accounts receivable, loans and finance receivables, inventories, assets under operating leases, fixed assets and a portion of other assets, less accounts payable and accrued liabilities and advances and progress billings in excess of related costs.

For Bombardier Capital (BC), the measure used to evaluate resources employed is the amount of investment in BC, and consequently this amount is shown as a segment asset for BC.

Analysis of the Results by Industry Segment

As indicated in note 23 to the Consolidated Financial Statements, the Corporation's various industry segments made differing contributions to the $826.9 million posted as income before income taxes for the year ended January 31, 1999.

In the aerospace segment, income before income taxes amounted to $681.9 million compared with $479.6 million in 1997-98, an increase due to substantially greater aircraft deliveries. During 1998-99, the profit margin reached 10.6%, compared with 9.8% the previous year, largely because of lower interest costs allocated to this sector.

In the recreational products segment, the loss before income taxes for 1998-99 amounted to $45.5 million as against $1.1 million for 1997-98. This substantial decrease was attributed in part to the cost of special sales programs launched to stimulate the retail snowmobile market which was weak as a result of late snowfalls in the fourth quarter in North America, and to the drop in watercraft sales. Results were also affected by major investments in market and product development for the all-terrain vehicles (ATV), the Bombardier *NV* neighborhood vehicle and the line of sport boats.

In the transportation segment, income before income taxes amounted to $147.9 million, compared with $84.6 million the previous year, due to the consolidation of the results of DWA acquired at the end of 1997-98, as well as the good performance of the North American facilities.

In the BC segment, income before income taxes decreased from $64.1 million for the year ended January 31, 1998 to $42.6 million for the year ended January 31, 1999. Profitability was influenced by the decision in the third quarter to adopt a higher discount rate for the full year, an action which reduced the gain on sales from the securitization of portfolios for manufactured housing mortgage loans. In addition, BC made substantial investments in management and control infrastructures required to support its growth as well as investments for continued development of new business sectors.

Income Taxes

In fiscal 1998-99, the Corporation's income taxes totalled $272.9 million, as against $207.0 million in 1997-98, with similar effective taxation rates of 33%. The income tax expense is explained in note 16 to the Consolidated Financial Statements.

Earnings per Share

On July 10, 1998, the share capital of the Corporation was modified by the subdivision of the Class A shares (multiple voting) and the Class B Subordinate Voting Shares on a two-for-one basis and a change of the non-cumulative preferential dividend rate on the Class B Subordinate Voting Shares from $0.00625 per share to $0.003125 per share per annum. The information recorded in the Consolidated Financial Statements and the Management's Discussion and Analysis has been adjusted to give effect to the stock split.

Net income reached $554.0 million, or $0.77 per share on an average of 680.4 million shares outstanding, for the year ended January 31, 1999, compared with a net income of $420.2 million, or $0.59 per share on an average of 676.5 million shares outstanding, for the year ended January 31, 1998. Basic earnings per share include the increase in the carrying amount of the equity component of the convertible notes. Fully diluted earnings per share take into account all dilutive elements including convertible notes. For both periods, the difference of $0.01 between the basic earnings per share and the fully diluted earnings per share is explained by the market value of the shares and the rate of interest used for this calculation.

Consolidated Balance Sheets and Consolidated Statements of Cash Flows

In 1998-99, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the presentation of cash flow information. Cash flow information for the prior year has been restated to conform with the new recommendations. The adoption of these new recommendations had no material effect on the Statement of Changes in Financial Position as presented last year.

Presentation and Operating Cycle

The Consolidated Balance Sheets and Consolidated Statements of Cash Flows of Bombardier and BC differ to such an extent that they cannot be simply added or combined; this is particularly manifest with respect to assets, liabilities and changes in cash flows resulting from operating, investing and financing activities. These basic differences between the Corporation's industrial and financial operations, which are highlighted in the ensuing analysis of consolidated results, are well understood and taken into account in financial analysis methods commonly used by investors, credit rating agencies and financial analysts.

Furthermore, the balance sheets are unclassified since the Corporation carries out operations in four distinct segments, each one characterized by a specific business and operating cycle.

The operating cycle in the aerospace segment is based on the length of each program. The cycle of each program is variable, but usually extends over many years. The operating cycle for the recreational products segment is seasonal and based on cycles of less than one year. In the transportation segment, most manufacturing work performed relates to long-term contracts which extend for periods of one to three years. The operating cycle for BC depends on the underlying operations. This segment includes the real estate operations for which the operating cycle extends over many years, and the financing subsidiaries operations which, as is the case for most financial institutions, have operating cycles as short as a few months for short-term lending activities, and as long as several years for long-term financing and assets leasing activities.

Bombardier Balance Sheets

At the end of 1997-98, Bombardier acquired Deutsche Waggonbau AG (DWA) and posted its accounts in the Balance Sheet as of January 31, 1998 without including its results for the year ending at the same date.

As of January 31, 1999, Bombardier's total assets amounted to $10.3 billion, compared with $8.2 billion on January 31, 1998. Cash and cash equivalents moved from $1 090.2 million as of January 31, 1998 to $1 706.3 million on January 31, 1999. The analysis of the Statement of Cash Flows provides explanations for this increase.

Loans and finance receivables amounted to $32.1 million as of January 31, 1999 compared with $360.6 million as of January 31, 1998. The decrease relates mainly to the securitization of loans receivable amounting to $330.0 million granted to customers for aircraft sales. These loans were financed through borrowings of equivalent amounts which were shown in the liabilities under the caption "Short-term borrowings" on January 31, 1998.

Inventories, the most important asset on the Bombardier Balance Sheet, amounted to $4 576.2 million as of January 31, 1999, after deduction of advances received from customers and progress billings, compared with $3 790.9 million as of January 31, 1998. Note 4 to the Consolidated Financial Statements provides distribution per type. Inventories before deducting advances received from customers and progress billings in the aerospace segment represent 72% of the total amount, as compared to 76% the preceding year, while advances received from customers and progress billings in the same segment represent 48% of the total amount, as compared to 59% the preceding year. This increase in the absolute amount of inventories before deducting advances received from customers and progress billings in the aerospace segment is mainly attributable to increased rates of production and ongoing major investments in recurring and non-recurring costs pertaining to the Learjet 45, Global Express, Dash 8 Series Q400 and Canadair Regional Jet Series 700 programs. As mentioned in note 4 to the Consolidated Financial Statements, although Management periodically revises estimates for each program, inventory valuation in the aerospace segment comprises numerous estimates which may vary from amounts eventually realized. Thus, note 4 states the total amount of non-recurring costs, together with the total amount of excess over average costs planned to be recovered on future aircraft orders relative to programs for which the development phase is completed. Similar information relative to other aircraft programs under development will be provided as soon as the development phase has ended, as financial data pertaining to these calculations becomes available.

Other assets amounted to $148.3 million on January 31, 1999, compared with $182.2 million the previous year. This decrease is mainly explained by the sale of the investment in Eurotunnel share units. A gain of $11.7 million was realized on a book value of $50.0 million and included under interest income.

Advances and progress billings on contracts and programs are deducted from related costs in inventories, whereas advances and progress billings in excess of related costs are shown as liabilities. Advances and progress billings in excess of related costs amounted to $2 328.6 million as of January 31, 1999, compared with $851.6 million at the same date the previous year. This $1 477.0 million increase is explained by advances received on important orders obtained during the last quarter mainly in the transportation segment.

The ratio of debt, after deduction of cash and cash equivalents, to shareholders' equity was 13:87 as of January 31, 1998. Bombardier does not intend to exceed a ratio of 30:70 for this item. As of January 31, 1999, cash and cash equivalents exceeded debt by $535.3 million due to exceptional amounts cashed on orders obtained in the last quarter.

Deferred translation adjustments included in shareholders' equity amounted to $262.1 million as of January 31, 1999, as against $136.3 million at the end of the previous year, representing the cumulative variation of the Canadian dollar compared with the currencies of the main countries in which the Corporation maintains self-sustaining foreign operations. All Balance Sheet items of self-sustaining foreign operations are translated at exchange rates in effect at year-end, while revenues and expenses are translated at the average rates of exchange for the period. The resulting net gains or losses, including those related to debt denominated in a foreign currency and designated as a hedge on the net investment of the self-sustaining foreign operations, are shown under "Deferred Translation Adjustments" in shareholders' equity. The Corporation believes it to be efficient to present certain debts denominated in a foreign currency as a hedge of the self-sustaining foreign operations, because these debts are denominated in the same currency as the hedged self-sustaining investments. The Corporation also has the ability to refinance debts in the same currencies at maturity if it wishes to retain the hedge.

BC Balance Sheets

The portfolio of loans and finance receivables, which represents BC's most important asset, amounted to $4.6 billion as of January 31, 1999, compared with $2.3 billion as of January 31, 1998. This increase results mainly from the growth in BC's activities and particularly in inventory and commercial and industrial finance. Note 3 to the Consolidated Financial Statements explains this portfolio, which is as diversified and secured as possible to maintain its risk at a low level in a changing economic environment.

BC has concluded various US and Canadian securitization facilities, allowing for punctual or ongoing transfer of eligible loans and finance receivables, for which BC remains the servicer. The amount of loans and finance receivables sold was $2 704.5 million as of January 31, 1999, compared with $1 367.6 million as of January 31, 1998.

Assets under operating leases amounted to $519.5 million as of January 31, 1999, compared with $170.7 million at the same date the previous year. They consist of freight cars, aircraft and general equipment leased for a period up to 2008.

As is customary with financial companies, BC's financial leverage, that is the ratio of debt and off-balance sheet debt to shareholders' equity and advances from related parties, is higher than for Bombardier's industrial operations. BC's ratio for the year ended January 31, 1999 was 5:1, compared with 9.9:1 for the year ended January 31, 1998. A leverage level of 9:1 is considered satisfactory for this type of business. The low leverage level as of January 31, 1999 is explained by temporary advances invested by Bombardier. Notes 7 and 8 provide details of the short-term borrowings and long-term debt of the BC Balance Sheets.

Bombardier Statements of Cash Flows

Cash flows from operating activities amounted to $1 893.0 million for the year ended January 31, 1999, compared with $394.6 million for the preceding year. In this respect, the previously mentioned increase in inventories was more than compensated by the increase in accounts payable and accrued liabilities, advances from customers and net income for the year.

Cash flows used in investing activities amounted to $844.9 million for the year ended January 31, 1999, compared with $481.8 million the previous year.

Additions to fixed assets totalled $335.8 million, as against $247.4 million in 1997-98 and note 23 to the Consolidated Financial Statements provides the distribution by industry segment. In the aerospace segment, additions to fixed assets were $192.5 million in 1998-99, compared with $167.3 million the previous year. The largest investments were allocated to the completion centre in Tucson, the finalization of the completion centre in Dorval, the expansion and reorganization of the Belfast plants, as well as the development and initial implementation of an integrated management system for aircraft maintenance. In the recreational products segment, additions to fixed assets amounted to $27.0 million in 1998-99, compared with $39.3 million the previous year. Investments were essentially allocated to usual investment programs. In the transportation segment, additions to fixed assets amounted to $116.3 million in 1998-99, as against $40.8 million the previous year. The main investments were allocated to the expansion of the Plattsburgh plant, refurbishing of the La Pocatière and Kingston plants and the modernization of various DWA plants such as Ammendorf, Bautzen and Görlitz.

The $328.5 million decrease shown for the year under the caption "Loans and finance receivables", compared with an increase of $339.9 million for the previous year, was explained in the Balance Sheet analysis.

In addition, an amount of $894.5 million was invested in BC to support growth across an increasingly diversified set of businesses compared with $11.4 million the previous year.

Cash flows used in financing activities reached $521.7 million in 1998-99, compared with positive cash flows of $211.6 million in 1997-98. Long-term debt decreased by $106.1 million, essentially the result of repayments during the year. Furthermore, issuance of shares under the share option plans and to employees for cash totalled $49.3 million in 1998-99, compared with $33.0 million the previous year.

Unrealized gains and losses arising from changes in foreign currency exchange rates are now reported under "Effect of exchange rate changes on cash and cash equivalents". This caption was for an amount of $89.7 million as of January 31, 1999, against $76.7 million the previous year. The gain incurred during the year results from the decrease in value of the Canadian dollar against currencies of countries where the Corporation maintains activities.

In 1998-99, the combined sources and uses of funds related to operating, investing and financing activities produced an increase in cash and cash equivalents from $1 090.2 million at the beginning of the year to $1 706.3 million at year-end.

BC Statements of Cash Flows

Cash flows from operating activities amounted to $151.7 million for the year ended January 31, 1999, as against $22.2 million the previous year.

Cash flows used in investing activities, amounting to $1 667.1 million for the year ended January 31, 1999, compared with $811.9 million the previous year, were employed in support of BC's investments in loans and finance receivables.

Cash flows from financing activities amounted to $1 419.8 million for the year ended January 31, 1999, compared with $884.9 million the previous year, and includes the amounts of short-term borrowings and long-term debt directed towards enhancing the future growth and financial health of BC.

In 1998-99, the combination of cash flows related to operating, investing and financing activities decreased cash and cash equivalents from $137.5 million at the beginning of the year to $32.4 million at year-end.

Year 2000

The Corporation has examined the risks associated with the Year 2000, as regards computer systems and applications using a two-digit code to designate a year. At the turn of the century, date sensitive systems could recognize code 00 as the year 1900, or not at all, thereby causing incorrect processing of financial and operational information.

In each industry segment, working groups have been assessing and implementing Year 2000 compliance programs, modifications to information systems by internal or external resources, installation of new systems and supplier monitoring since 1996.

Management periodically revises the evolution of compliance issues and to date, does not anticipate any material impact on its operations, although there can be no assurance that all these modifications will be successful. However, the costs of modifications were not budgeted specifically but incurred in conjunction with recurring information technology expenses. Resolution of all compliance issues will not reduce recurring information technology expenses as redeployment of these expenses to the Year 2000 effort have not had, and will not have, a material impact on the financial position of the Corporation.

Adoption of the Euro

The advent of a single currency in Europe in 2001 is an important development for Bombardier in light of its significant presence on the continent and in Finland. In preparation for this event, a working group, comprised of senior European managers from all business functions, is planning and monitoring the conversion to the new currency. A detailed plan was elaborated during the year and its implementation should be completed before the end of the transition period. Following the introduction of the euro, Management does not anticipate any material increase in costs or material impact on operations and financial position of the Corporation.

Future Prospects

Bombardier's policy regarding additions to fixed assets calls for reinvesting an amount equivalent to the sum of the depreciation of fixed assets plus 50% of consolidated net income.

Dividends paid on common shares and Series 2 Preferred Shares totalled $133.8 million in fiscal year 1998-99. Based on the rate of the quarterly dividend payable on May 31, 1999 for common shares and on the current annual dividend declared for Series 2 Preferred Shares, dividend payments are expected to be $168.4 million in 1999-2000, representing 30% of net income.

In view of the foregoing, the Corporation considers that its present cash resources, the expected cash flows and its other sources of financing will enable the Corporation to implement its investment program, develop new aircraft models, support the vigorous growth of the business, pay dividends and meet all of its financial obligations.

Risk and Uncertainties

The Corporation operates in different industry segments that involve various risk factors and uncertainties which are carefully considered in the Corporation's management policies.

The risks associated with the aerospace industry segment comprise, among others, risks related to developing new products in keeping with planned budget, the approval of new products by regulatory authorities and compliance with the contractual commitments for delivery, risks associated with product performance, the settling of disputes concerning collective agreements and their renewal, as well as risks related to the performance of certain key suppliers operating in Canada or abroad. The Corporation is also faced with a number of external risk factors, in particular, government policies related to import and export restrictions imposed by certain countries on its products as well as other conditions which could affect demand for some of its products, such as fuel prices, political instability and economic growth.

The recreational products industry segment essentially bears risks associated with volatile demand for consumer products, weather conditions as well as legislation and policies on issues of safety and the environment.

In addition to the above-mentioned risks, the transportation industry segment bears risks related to changing priorities and possible spending cuts by certain government agencies.

Issues of currency fluctuations permeate the daily decisions of the Corporation, which presents its financial statements in Canadian dollars while generating more than 90% of its sales outside Canada in various foreign currencies. The Corporation protects itself against such currency fluctuations in a number of ways, including borrowing in foreign currencies and hedging against fluctuations on long-term contracts signed in foreign currencies. However, its motorized consumer goods, transportation equipment and aircraft produced in Canada and sold in export markets remain vulnerable to these fluctuations. Thus, in the normal course of business, the Corporation has entered into foreign exchange contracts with maturities spread mainly until the year 2001, to manage its currency risk. Note 18 to the Consolidated Financial Statements provides details on these contracts.

An increasing proportion of the Corporation's worldwide revenues are denominated in US dollars. The Corporation estimates that a one cent change in the value of the Canadian dollar would have impacted income before income taxes by an approximate amount of $10.6 million before taking into account any effect of derivative instruments. For the year ended January 31, 1999, the US dollar traded at an average of $1.4900 Canadian, compared with $1.3923 Canadian during 1997-98, for an average appreciation of 7.02%.

While low interest rates in Canada are favorable to investments, they do not provide the Corporation with any international competitive advantage as its key competitors are located in countries where low interest rates also prevail.

A potential North American economic slowdown might create some difficulties for BC's clients and, consequently, have a negative impact on the BC portfolio. However, the diversity of BC's portfolio offers reasonable protection as discussed in note 3 to the Consolidated Financial Statements.

Commitments and Contingencies

As described in note 20 to the Consolidated Financial Statements, in connection with the sale of aircraft, the Corporation occasionally provides financial support to its customers in various ways. The risks related to these guarantees depend on many factors such as the financial health of its customers and the leasing and resale value of aircraft and the existing market conditions for each aircraft model. The Corporation's officers regularly conduct an in-depth review of the current economic conditions respecting each of these risks and carefully monitor any changes.

The Corporation is occasionally involved in legal litigation, claims, investigations and other legal matters in connection with its products and contracts. It is the Corporation's opinion that the costs incurred to date and those it anticipates incurring in connection with these contingencies have not had, and will not have, a material impact on its financial position.

Financial Section

Bombardier Inc.

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BOMBARDIER

BOMBARDIER

Historical Financial Summary

Operations Summary
(millions of Canadian dollars, except per share amounts)

For the years ended January 31	1999	1998	1997
Revenues by industry segment			
Aerospace	**$ 6 444.1**	$ 4 874.1	$ 4 283.8
Recreational Products	**1 628.1**	1 718.5	1 959.0
Transportation	**2 966.3**	1 688.1	1 599.4
BC	**570.6**	352.4	244.6
Intersegment eliminations	**(109.0)**	(124.2)	(111.1)
External revenues	**$ 11 500.1**	$ 8 508.9	$ 7 975.7
Income (loss) before income taxes by industry segment			
Aerospace	**$ 681.9**	$ 479.6	$ 287.3
Recreational Products	**(45.5)**	(1.1)	209.2
Transportation	**147.9**	84.6	62.9
BC	**42.6**	64.1	46.9
Total	**826.9**	627.2	606.3
Write-down of investment in Eurotunnel share units	**–**	–	–
Income before income taxes	**826.9**	627.2	606.3
Income taxes	**272.9**	207.0	200.1
Net income	**$ 554.0**	$ 420.2	$ 406.2
Per common share	**$ 0.77**	$ 0.59	$ 0.59

General Information
(millions of Canadian dollars, except per share amounts)

Export revenues from Canada	**$ 6 021.7**	$ 4 642.2	$ 4 532.7
Additions to fixed assets	**$ 364.2**	$ 262.6	$ 232.4
Depreciation and amortization	**$ 232.6**	$ 180.1	$ 165.8
Dividend per common share			
Class A	**$ 0.170000**	$ 0.150000	$ 0.100000
Class B	**$ 0.173125**	$ 0.153125	$ 0.103125
Number of common shares (millions)	**683.2**	678.9	675.3
Book value per common share	**$ 4.40**	$ 3.57	$ 3.01
Shareholders of record	**10 097**	10 781	11 541

Market Price Range
(Canadian dollars)

Class A			
High	**$ 23.55**	$ 16.98	$ 13.30
Low	**14.05**	12.50	8.88
Close	**22.15**	14.13	13.05
Class B			
High	**$ 23.75**	$ 17.00	$ 13.20
Low	**14.05**	12.40	8.75
Close	**22.50**	14.05	13.00

(1) The effect of the write-down of investment in Eurotunnel share units on the net income amounts to $155.0 million ($0.24 per common share). Exclusive of this write-down, the net income would then be $313.0 million ($0.46 per common share).

1996	1995	1994	1993	1992	1991	1990
$ 3 766.9	$ 3 409.6	$ 2 579.0	$ 2 602.9	$ 1 899.8	$ 1 755.4	$ 1 068.8
1 641.8	1 112.1	792.3	556.9	392.2	389.0	385.5
1 574.7	1 309.6	1 311.5	1 237.6	725.6	697.1	639.5
220.0	166.0	133.5	77.5	63.3	63.2	60.0
(80.0)	(54.3)	(47.5)	(26.9)	(22.3)	(12.4)	(10.5)
$ 7 123.4	$ 5 943.0	$ 4 768.8	$ 4 448.0	$ 3 058.6	$ 2 892.3	$ 2 143.3
$ 162.7	$ 158.2	$ 151.7	$ 192.0	$ 141.7	$ 138.5	$ 88.0
175.9	118.0	77.3	28.8	(8.8)	(24.1)	11.0
99.9	66.0	(24.0)	(71.4)	4.2	20.7	17.0
28.7	11.5	4.8	2.9	(15.7)	(14.6)	1.2
467.2	353.7	209.8	152.3	121.4	120.5	117.2
231.4	–	–	–	–	–	–
235.8	353.7	209.8	152.3	121.4	120.5	117.2
77.8	106.4	32.5	18.6	13.7	20.4	25.7
$ 158.0 [1]	$ 247.3	$ 177.3	$ 133.7	$ 107.7	$ 100.1	$ 91.5
$ 0.22 [1]	$ 0.36	$ 0.28	$ 0.21	$ 0.18	$ 0.17	$ 0.17
$ 3 537.8	$ 2 960.3	$ 2 252.1	$ 1 950.8	$ 1 084.5	$ 975.8	$ 1 245.3
$ 297.8	$ 176.0	$ 169.8	$ 227.8	$ 161.5	$ 162.2	$ 93.1
$ 158.3	$ 131.6	$ 124.6	$ 101.3	$ 75.3	$ 76.8	$ 43.6
$ 0.100000	$ 0.075000	$ 0.050000	$ 0.050000	$ 0.040000	$ 0.040000	$ 0.031250
$ 0.103125	$ 0.078125	$ 0.053125	$ 0.053125	$ 0.043125	$ 0.043125	$ 0.034375
670.1	662.9	659.9	617.1	609.3	565.6	525.6
$ 2.46	$ 2.42	$ 2.02	$ 1.52	$ 1.40	$ 1.15	$ 0.88
9 873	8 776	9 108	9 534	8 735	9 315	10 025
$ 10.19	$ 6.25	$ 5.50	$ 4.35	$ 4.38	$ 2.58	$ 2.25
5.72	4.50	2.41	2.66	2.10	1.82	1.39
10.19	5.72	5.25	2.97	4.29	2.11	1.96
$ 10.07	$ 6.32	$ 5.47	$ 4.32	$ 4.32	$ 2.58	$ 2.25
5.66	4.44	2.41	2.60	1.94	1.61	1.39
9.94	5.69	5.29	2.91	4.29	1.97	1.91

Historical Financial Summary (cont'd)

Consolidated Balance Sheets

(millions of Canadian dollars)

As at January 31	1999	1998	1997
BOMBARDIER INC. CONSOLIDATED			
Cash and cash equivalents	**$ 1 738.7**	$ 1 227.7	$ 895.7
Accounts receivable	**670.3**	693.2	358.4
Loans and finance receivables	**4 629.2**	2 683.0	1 461.0
Inventories	**4 576.2**	3 790.9	3 455.2
Assets under operating leases	**608.5**	306.4	350.4
Fixed assets	**1 842.7**	1 646.7	1 200.0
Other assets	**206.6**	227.3	229.6
Total assets	**$ 14 272.2**	$ 10 575.2	$ 7 950.3
Short-term borrowings	**$ 2 363.5**	$ 2 174.7	$ 1 233.1
Accounts payable and accrued liabilities	**3 099.7**	2 663.0	2 124.6
Advances and progress billings in excess of related costs	**2 328.6**	851.6	591.4
Long-term debt	**2 575.9**	1 639.6	1 524.2
Other liabilities	**416.0**	357.0	264.4
Convertible notes – equity component	**180.5**	165.8	152.3
Preferred shares	**300.0**	300.0	30.9
Common shareholders' equity	**3 008.0**	2 423.5	2 029.4
Total liabilities and shareholders' equity	**$ 14 272.2**	$ 10 575.2	$ 7 950.3
BOMBARDIER			
Cash and cash equivalents	**$ 1 706.3**	$ 1 090.2	$ 889.1
Accounts receivable	**670.3**	693.2	358.4
Loans and finance receivables	**32.1**	360.6	20.7
Inventories	**4 576.2**	3 790.9	3 455.2
Assets under operating leases	**89.0**	135.7	116.6
Fixed assets	**1 747.9**	1 574.1	1 138.8
Investment in BC	**1 285.2**	353.3	288.7
Other assets	**148.3**	182.2	183.6
Total assets	**$ 10 255.3**	$ 8 180.2	$ 6 451.1
Short-term borrowings	**$ 49.3**	$ 330.0	$ –
Accounts payable and accrued liabilities	**2 845.5**	2 543.7	1 993.0
Advances and progress billings in excess of related costs	**2 328.6**	851.6	591.4
Long-term debt	**1 121.7**	1 204.8	1 400.7
Other liabilities	**421.7**	360.8	253.4
Convertible notes – equity component	**180.5**	165.8	152.3
Preferred shares	**300.0**	300.0	30.9
Common shareholders' equity	**3 008.0**	2 423.5	2 029.4
Total liabilities and shareholders' equity	**$ 10 255.3**	$ 8 180.2	$ 6 451.1
BC			
Cash and cash equivalents	**$ 32.4**	$ 137.5	$ 6.6
Loans and finance receivables	**4 597.1**	2 322.4	1 440.3
Assets under operating leases	**519.5**	170.7	233.8
Fixed assets	**94.8**	72.6	61.2
Other assets	**64.0**	58.9	46.0
Total assets	**$ 5 307.8**	$ 2 762.1	$ 1 787.9
Short-term borrowings	**$ 2 314.2**	$ 1 844.7	$ 1 233.1
Accounts payable and accrued liabilities	**254.2**	119.3	131.6
Long-term debt	**1 454.2**	434.8	123.5
Other liabilities	**–**	10.0	11.0
Preferred shares	**–**	–	–
Investment in BC	**1 285.2**	353.3	288.7
Total liabilities and shareholders' equity	**$ 5 307.8**	$ 2 762.1	$ 1 787.9

	1996	1995	1994	1993	1992	1991	1990
	$ 536.6	$ 425.1	$ 633.1	$ 235.1	$ 179.2	$ 87.5	$ 84.0
	449.0	667.4	320.8	380.4	360.1	413.7	428.8
	1 260.7	873.0	585.7	854.7	578.8	491.3	458.0
	2 594.9	1 914.4	1 738.1	1 782.9	1 200.7	984.2	579.7
	195.5	248.2	190.9	87.4	62.0	–	–
	1 142.0	932.1	842.0	813.3	626.8	533.5	335.7
	213.9	401.6	144.1	86.4	47.1	45.0	46.8
	$ 6 392.6	$ 5 461.8	$ 4 454.7	$ 4 240.2	$ 3 054.7	$ 2 555.2	$ 1 933.0
	$ 812.2	$ 622.0	$ 358.6	$ 828.5	$ 620.8	$ 537.4	$ 346.8
	1 875.0	1 508.8	1 299.8	1 318.2	894.8	832.3	684.7
	295.7	195.0	–	–	–	–	–
	1 311.4	1 185.5	1 184.1	845.8	493.5	365.4	205.3
	279.4	184.1	125.6	168.2	56.6	64.7	54.0
	139.9	128.6	118.1	108.5	99.7	66.8	21.9
	30.9	31.5	33.1	34.1	35.7	37.4	157.7
	1 648.1	1 606.3	1 335.4	936.9	853.6	651.2	462.6
	$ 6 392.6	$ 5 461.8	$ 4 454.7	$ 4 240.2	$ 3 054.7	$ 2 555.2	$ 1 933.0
	$ 532.0	$ 419.7	$ 606.3	$ 233.2	$ 177.6	$ 87.2	$ 79.7
	449.0	667.4	320.8	380.4	366.0	413.6	428.8
	13.3	–	–	–	–	–	–
	2 594.9	1 914.4	1 738.1	1 782.9	1 200.7	984.2	579.7
	33.9	–	11.7	–	–	–	–
	1 079.1	868.2	775.3	774.2	603.8	514.7	327.5
	307.0	239.5	222.5	106.5	87.0	68.5	60.4
	169.1	357.8	97.1	63.2	47.1	45.0	46.8
	$ 5 178.3	$ 4 467.0	$ 3 771.8	$ 3 340.4	$ 2 482.2	$ 2 113.2	$ 1 522.9
	$ 11.7	$ 12.7	$ 22.9	$ 232.8	$ 85.8	$ 114.8	$ 104.4
	1 746.7	1 401.8	1 217.9	1 248.3	857.8	813.4	635.6
	295.7	195.0	–	–	–	–	–
	1 047.5	914.8	924.1	612.3	493.5	365.4	205.3
	257.8	176.3	120.3	167.5	56.1	64.2	54.0
	139.9	128.6	118.1	108.5	99.7	66.8	21.9
	30.9	31.5	33.1	34.1	35.7	37.4	39.1
	1 648.1	1 606.3	1 335.4	936.9	853.6	651.2	462.6
	$ 5 178.3	$ 4 467.0	$ 3 771.8	$ 3 340.4	$ 2 482.2	$ 2 113.2	$ 1 522.9
	$ 4.6	$ 5.4	$ 26.8	$ 1.9	$ 1.6	$ 0.3	$ 4.3
	1 247.4	873.0	585.7	854.7	578.8	491.4	458.0
	161.6	248.2	179.2	87.4	62.0	–	–
	62.9	63.9	66.7	39.1	4.1	5.0	8.2
	50.1	47.1	47.0	23.2	18.9	13.8	–
	$ 1 526.6	$ 1 237.6	$ 905.4	$ 1 006.3	$ 665.4	$ 510.5	$ 470.5
	$ 800.5	$ 609.3	$ 335.7	$ 595.7	$ 535.0	$ 422.6	$ 242.4
	128.3	107.0	81.9	69.9	42.9	18.9	49.1
	263.9	270.7	260.0	233.5	–	–	–
	26.9	11.1	5.3	0.7	0.5	0.5	–
	–	–	–	–	–	–	118.6
	307.0	239.5	222.5	106.5	87.0	68.5	60.4
	$ 1 526.6	$ 1 237.6	$ 905.4	$ 1 006.3	$ 665.4	$ 510.5	$ 470.5

Historical Financial Summary (cont'd)

Quarterly Data

(unaudited)
(millions of Canadian dollars, except per share amounts)

For the years ended January 31	1999 Total	1998 Total
Revenues		
Aerospace	**$ 6 444.1**	$ 4 874.1
Recreational Products	**1 628.1**	1 718.5
Transportation	**2 966.3**	1 688.1
BC	**570.6**	352.4
Intersegment eliminations	**(109.0)**	(124.2)
External revenues	**$ 11 500.1**	$ 8 508.9
Income (loss) before income taxes		
Aerospace	**$ 681.9**	$ 479.6
Recreational Products	**(45.5)**	(1.1)
Transportation	**147.9**	84.6
BC	**42.6**	64.1
Total	**826.9**	627.2
Income taxes	**272.9**	207.0
Net income	**$ 554.0**	$ 420.2
Per common share		
Net income	**$ 0.77**	$ 0.59
Dividend – Class B Share	**0.173125**	0.153125
Market price range of Class B Share		
High	**23.75**	17.00
Low	**14.05**	12.40
Net segmented assets		
Aerospace		
Recreational Products		
Transportation		
BC		
Accounts payable and accrued liabilities		
Advances and progress billings in excess of related costs		
Cash and cash equivalents		
Other assets		
Total assets – Bombardier		
Investment in BC		
Deferred income taxes		
Total assets – BC		
Total assets – Bombardier Inc. consolidated		

1999 First Quarter	1998 First Quarter	**1999 Second Quarter**	1998 Second Quarter	**1999 Third Quarter**	1998 Third Quarter	**1999 Fourth Quarter**	1998 Fourth Quarter
$ 1 254.1	$ 785.3	**$ 1 378.8**	$ 997.2	**$ 1 362.1**	$ 1 273.9	**$ 2 449.1**	$ 1 817.7
402.5	418.9	**291.5**	455.6	**361.4**	444.7	**572.7**	399.3
603.4	407.7	**711.1**	444.6	**778.5**	345.0	**873.3**	490.8
118.0	75.5	**136.6**	85.2	**151.2**	92.6	**164.8**	99.1
(30.4)	(26.0)	**(29.7)**	(23.1)	**(33.2)**	(29.7)	**(15.7)**	(45.4)
$ 2 347.6	$ 1 661.4	**$ 2 488.3**	$ 1 959.5	**$ 2 620.0**	$ 2 126.5	**$ 4 044.2**	$ 2 761.5
$ 111.5	$ 55.4	**$ 128.0**	$ 92.3	**$ 151.3**	$ 108.4	**$ 291.1**	$ 223.5
15.6	40.1	**7.9**	3.8	**–**	6.0	**(69.0)**	(51.0)
27.2	16.3	**33.3**	20.7	**31.6**	18.5	**55.8**	29.1
18.1	12.8	**19.6**	14.2	**10.2**	13.9	**(5.3)**	23.2
172.4	124.6	**188.8**	131.0	**193.1**	146.8	**272.6**	224.8
60.3	41.1	**66.1**	43.2	**67.6**	48.5	**78.9**	74.2
$ 112.1	$ 83.5	**$ 122.7**	$ 87.8	**$ 125.5**	$ 98.3	**$ 193.7**	$ 150.6
$ 0.16	$ 0.12	**$ 0.17**	$ 0.12	**$ 0.17**	$ 0.14	**$ 0.27**	$ 0.21
0.045625	0.040625	**0.042500**	0.037500	**0.042500**	0.037500	**0.042500**	0.037500
19.30	14.30	**22.45**	17.00	**21.00**	16.85	**23.75**	15.18
14.05	12.40	**18.25**	13.68	**15.55**	12.63	**17.85**	13.15
$ 3 453.6	$ 3 376.4	**$ 3 863.4**	$ 3 704.0	**$ 4 292.5**	$ 3 770.5	**$ 3 114.0**	$ 3 607.0
370.6	329.0	**471.8**	401.5	**484.5**	392.0	**220.9**	370.3
(688.5)	(398.1)	**(664.9)**	(308.2)	**(508.0)**	(412.5)	**(1 245.2)**	(688.7)
405.3	306.7	**645.2**	297.3	**905.2**	301.4	**1 285.2**	353.3
3 541.0	3 614.0	**4 315.5**	4 094.6	**5 174.2**	4 051.4	**3 374.9**	3 641.9
2 564.4	1 945.8	**2 412.0**	1 692.3	**2 571.6**	1 846.6	**2 845.5**	2 543.7
918.0	551.8	**924.6**	525.3	**941.9**	535.7	**2 328.6**	851.6
1 067.2	466.6	**718.1**	404.8	**256.4**	511.4	**1 706.3**	1 090.2
54.9	55.5	**4.9**	54.1	**–**	53.6	**–**	52.8
8 145.5	6 633.7	**8 375.1**	6 771.1	**8 944.1**	6 998.7	**10 255.3**	8 180.2
(405.3)	(306.7)	**(645.2)**	(297.3)	**(905.2)**	(301.4)	**(1 285.2)**	(353.3)
(14.3)	–	**(12.2)**	(2.6)	**(14.2)**	(10.2)	**(5.7)**	(13.8)
3 044.3	2 053.4	**3 846.0**	2 022.4	**4 250.7**	2 488.2	**5 307.8**	2 762.1
$ 10 770.2	$ 8 380.4	**$ 11 563.7**	$ 8 493.6	**$ 12 275.4**	$ 9 175.3	**$ 14 272.2**	$ 10 575.2

Management's Responsibility for Financial Reporting

The accompanying financial statements of **Bombardier Inc.** and all the information in this Annual Report are the responsibility of Management and have been approved by the Board of Directors.

The financial statements have been prepared by Management in accordance with generally accepted accounting principles. The financial statements include some amounts that are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

Bombardier Inc.'s policy is to maintain systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, accurate and reliable and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that Management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board and is comprised of a majority of outside Directors. The committee meets periodically with Management, as well as the internal auditors and the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the financial statements and the external auditors' report. The committee reports its findings to the Board for consideration by the Board when it approves the financial statements for issuance to the shareholders.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. The external auditors have full and free access to the Audit Committee.

Signed

Paul H. Larose, CA
Outgoing Vice President, Finance

April 13, 1999

Signed

Louis Morin, CA
Vice President, Finance

April 13, 1999

Auditors' Report

To the Shareholders of **Bombardier Inc.**

We have audited the consolidated balance sheets of **Bombardier Inc.** (a Canadian corporation) as of January 31, 1999 and 1998 and the consolidated statements of shareholders' equity, income and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of January 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Signed

Ernst & Young LLP
Chartered Accountants
Montréal, Canada
February 26, 1999

Consolidated Balance Sheets

As at January 31, 1999 and 1998
(millions of Canadian dollars)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**1999**	1998	**1999**	1998	**1999**	1998
Assets							
Cash and cash equivalents		**$ 1 738.7**	$ 1 227.7	**$ 1 706.3**	$ 1 090.2	**$ 32.4**	$ 137.5
Accounts receivable	2	**670.3**	693.2	**670.3**	693.2	**–**	–
Loans and finance receivables	3	**4 629.2**	2 683.0	**32.1**	360.6	**4 597.1**	2 322.4
Inventories	4	**4 576.2**	3 790.9	**4 576.2**	3 790.9	**–**	–
Assets under operating leases	5	**608.5**	306.4	**89.0**	135.7	**519.5**	170.7
Fixed assets	6	**1 842.7**	1 646.7	**1 747.9**	1 574.1	**94.8**	72.6
Investment in BC		**–**	–	**1 285.2**	353.3	**–**	–
Other assets		**206.6**	227.3	**148.3**	182.2	**64.0**	58.9
		$ 14 272.2	$ 10 575.2	**$ 10 255.3**	$ 8 180.2	**$ 5 307.8**	$ 2 762.1
Liabilities							
Short-term borrowings	7	**$ 2 363.5**	$ 2 174.7	**$ 49.3**	$ 330.0	**$ 2 314.2**	$ 1 844.7
Accounts payable and accrued liabilities		**3 099.7**	2 663.0	**2 845.5**	2 543.7	**254.2**	119.3
Advances and progress billings in excess of related costs		**2 328.6**	851.6	**2 328.6**	851.6	**–**	–
Long-term debt	8	**2 575.9**	1 639.6	**1 121.7**	1 204.8	**1 454.2**	434.8
Other liabilities	9	**416.0**	357.0	**421.7**	360.8	**–**	10.0
		10 783.7	7 685.9	**6 766.8**	5 290.9	**4 022.6**	2 408.8
Shareholders' equity (Investment in BC)		**3 488.5**	2 889.3	**3 488.5**	2 889.3	**1 285.2**	353.3
		$ 14 272.2	$ 10 575.2	**$ 10 255.3**	$ 8 180.2	**$ 5 307.8**	$ 2 762.1

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements and provide information on the financial statement presentation.

On behalf of the Board of Directors,

Signed

Laurent Beaudoin
Director

Signed

Pierre Legrand
Director

Consolidated Statements of Shareholders' Equity

For the years ended January 31, 1999 and 1998
(millions of Canadian dollars)

	Notes	1999 Number	1999 Amount	1998 Number	1998 Amount
Share capital	11				
Preferred shares					
Series 1					
Balance at beginning of year		**–**	**$ –**	1 235 900	$ 30.9
Purchased for cancellation		**–**	**–**	(1 000)	–
Redeemed		**–**	**–**	(1 234 900)	(30.9)
Balance at end of year		**–**	**–**	–	–
Series 2					
Balance at beginning of year		**12 000 000**	**300.0**	–	–
Issued for cash		**–**	**–**	12 000 000	300.0
Balance at end of year		**12 000 000**	**300.0**	12 000 000	300.0
Balance at end of year – preferred shares		**12 000 000**	**300.0**	12 000 000	300.0
Common shares					
Class A Shares (multiple voting)					
Balance at beginning of year		**177 265 658**	**49.3**	177 292 498	49.3
Converted from Class A to Class B		**(557 982)**	**(0.2)**	(26 840)	–
Balance at end of year		**176 707 676**	**49.1**	177 265 658	49.3
Class B Subordinate Voting Shares					
Balance at beginning of year		**501 652 790**	**746.9**	497 983 576	713.9
Issued under the share option plans	12	**1 871 250**	**7.4**	1 588 328	5.5
Issued to employees for cash		**2 383 297**	**41.9**	2 054 046	27.5
Converted from Class A to Class B		**557 982**	**0.2**	26 840	–
Balance at end of year		**506 465 319**	**796.4**	501 652 790	746.9
Balance at end of year – common shares		**683 172 995**	**845.5**	678 918 448	796.2
Total – share capital			**1 145.5**		1 096.2
Retained earnings					
Balance at beginning of year			**1 491.0**		1 201.1
Net income			**554.0**		420.2
Interest on convertible notes – equity component			**(9.7)**		(8.5)
Dividends:					
Preferred shares			**(16.5)**		(12.4)
Common shares			**(117.3)**		(103.1)
Other			**(1.1)**		(6.3)
Balance at end of year			**1 900.4**		1 491.0
Convertible notes – equity component	10		**180.5**		165.8
Deferred translation adjustments	13		**262.1**		136.3
Total – shareholders' equity			**$ 3 488.5**		$ 2 889.3

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

For the years ended January 31, 1999 and 1998
(millions of Canadian dollars except per share amounts)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**1999**	1998	**1999**	1998	**1999**	1998
Revenues		**$ 11 500.1**	$ 8 508.9	**$ 11 024.0**	$ 8 264.1	**$ 570.6**	$ 352.4
Expenses							
Cost of sales and operating expenses	14, 15	**10 398.8**	7 599.4	**9 995.8**	7 439.0	**497.5**	268.0
Depreciation and amortization		**232.6**	180.1	**225.9**	175.3	**6.7**	4.8
Interest expense	15	**41.8**	102.2	**18.0**	86.7	**23.8**	15.5
Income from BC		**–**	–	**(42.6)**	(64.1)	**–**	–
		10 673.2	7 881.7	**10 197.1**	7 636.9	**528.0**	288.3
Income before income taxes		**826.9**	627.2	**826.9**	627.2	**42.6**	64.1
Income taxes	16	**272.9**	207.0	**272.9**	207.0	**17.5**	26.6
Net income		**$ 554.0**	$ 420.2	**$ 554.0**	$ 420.2	**$ 25.1**	$ 37.5
Earnings per share	11						
Basic		**$ 0.77**	$ 0.59				
Fully diluted		**$ 0.76**	$ 0.58				
Average number of common shares outstanding during the year		**680 385 027**	676 541 006				

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements and provide information on the financial statement presentation.

Consolidated Statements of Cash Flows

For the years ended January 31, 1999 and 1998
(millions of Canadian dollars)

	Notes	Bombardier Inc. consolidated 1999	Bombardier Inc. consolidated 1998 (restated)	Bombardier 1999	Bombardier 1998 (restated)	BC 1999	BC 1998 (restated)
Operating Activities							
Net income		**$ 554.0**	$ 420.2	**$ 554.0**	$ 420.2	**$ 25.1**	$ 37.5
Non-cash items:							
Depreciation and amortization		**232.6**	180.1	**225.9**	175.3	**6.7**	4.8
Net income from BC		**–**	–	**(25.1)**	(37.5)	**–**	–
Provision for credit losses – BC		**(12.9)**	8.6	**–**	–	**(12.9)**	8.6
Deferred income taxes		**146.0**	144.2	**138.1**	158.8	**7.9**	(14.6)
Net changes in non-cash balances related to operations	17	**1 125.0**	(336.3)	**1 000.1**	(322.2)	**124.9**	(14.1)
Cash flows from operating activities		**2 044.7**	416.8	**1 893.0**	394.6	**151.7**	22.2
Investing Activities							
Additions to fixed assets		**(364.2)**	(262.6)	**(335.8)**	(247.4)	**(28.4)**	(15.2)
Net investment in loans and finance receivables		**(1 852.5)**	(1 217.4)	**328.5**	(339.9)	**(2 181.0)**	(877.5)
Net investment in assets under operating leases		**(292.5)**	44.1	**46.7**	(19.1)	**(339.2)**	63.2
Business acquisition, net of cash acquired	1	**–**	144.3	**–**	144.3	**–**	–
Investment in BC		**–**	–	**(894.5)**	(11.4)	**894.5**	11.4
Other		**(2.8)**	(2.1)	**10.2**	(8.3)	**(13.0)**	6.2
Cash flows used in investing activities		**(2 512.0)**	(1 293.7)	**(844.9)**	(481.8)	**(1 667.1)**	(811.9)
Financing Activities							
Net variation in short-term borrowings		**141.4**	924.1	**(280.7)**	330.0	**422.1**	594.1
Proceeds from issuance of long-term debt		**1 056.6**	310.0	**52.5**	7.2	**1 004.1**	302.8
Repayment of long-term debt		**(165.0)**	(252.6)	**(158.6)**	(240.6)	**(6.4)**	(12.0)
Pension obligations		**(50.4)**	(59.5)	**(50.4)**	(59.5)	**–**	–
Issuance of shares, net of related costs		**49.3**	325.4	**49.3**	325.4	**–**	–
Redemption of preferred shares		**–**	(30.9)	**–**	(30.9)	**–**	–
Dividends paid		**(133.8)**	(120.0)	**(133.8)**	(120.0)	**–**	–
Cash flows from (used in) financing activities		**898.1**	1 096.5	**(521.7)**	211.6	**1 419.8**	884.9
Effect of exchange rate changes on cash and cash equivalents		**80.2**	112.4	**89.7**	76.7	**(9.5)**	35.7
Net increase (decrease) in cash and cash equivalents		**511.0**	332.0	**616.1**	201.1	**(105.1)**	130.9
Cash and cash equivalents at beginning of year		**1 227.7**	895.7	**1 090.2**	889.1	**137.5**	6.6
Cash and cash equivalents at end of year		**$ 1 738.7**	$ 1 227.7	**$ 1 706.3**	$ 1 090.2	**$ 32.4**	$ 137.5
Supplemental information							
– Cash paid for interest		**$ 288.2**	$ 230.7				
– Cash paid for income taxes		**$ 54.0**	$ 32.2				

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements and provide information on the financial statement presentation.

Summary of Significant Accounting Policies

For the years ended January 31, 1999 and 1998

Consolidated financial statement presentation

The consolidated balance sheets are presented in an unclassified format because the activities of Bombardier Inc. and its subsidiaries (the "Corporation") are concentrated in four main segments, each having its own operating cycle. Financial services operations and real estate activities, being distinct from Bombardier's other activities, are shown in a separate column (BC) in the consolidated financial statements.

The descriptions of the columns shown in these financial statements are as follows:

Bombardier Inc. consolidated

This column represents all of the activities of the Corporation on a consolidated basis, after elimination of balances and transactions between Bombardier and BC.

Bombardier

This column represents the activities of the Corporation's three manufacturing segments (aerospace, recreational products and transportation). The investment of Bombardier in BC is accounted for on an equity basis. These segments are grouped and referred to as "Bombardier" and the intercompany transactions within this column have been eliminated.

BC

Bombardier Capital ("BC") represents the capital-intensive operations of the Corporation, namely the financial services operations and real estate activities. The intercompany transactions within BC have been eliminated. The balance sheet caption "Investment in BC" comprises of BC's shareholders' equity as well as advances from Bombardier.

Consolidated statements of cash flows

Effective February 1, 1998, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the presentation of cash flow information.

Under the new recommendations, non-cash transactions are excluded from the statement of cash flows and disclosed elsewhere in the financial statements. Cash equivalents are restricted to investments that are readily convertible into a known amount of cash, that are subject to minimal risk of changes in value and which have an original maturity of three months or less. As well, changes in short-term borrowings, other than overdrafts which are an integral part of the day-to-day cash management process, are treated as financing activities.

Cash flow information for the prior year has been restated to conform to the new recommendations. The effect of adopting the new recommendations was to decrease the cash flows from financing activities by $280.7 million for the year ended January 31, 1999 (increase by $330.0 million for the year ended January 31, 1998).

Bombardier Inc. Consolidated – Significant Accounting Policies

Basis of consolidation

The consolidated financial statements include the accounts of Bombardier Inc. and its subsidiaries, substantially all of which are wholly owned. They also include the Corporation's proportionate share of its joint ventures.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Translation of foreign currencies

Foreign operations are classified as integrated or self-sustaining. All significant foreign investees are classified as self-sustaining entities.

(a) Self-sustaining foreign operations

All assets and liabilities are translated at exchange rates in effect at year-end. Revenues and expenses are translated at the average rates of exchange for the period. The resulting net gains or losses are shown under "Deferred translation adjustments" in shareholders' equity.

(b) Accounts in foreign currencies

Accounts in foreign currencies, including integrated foreign investees, are translated using the temporal method. Under this method, monetary balance sheet items are translated at the rates of exchange in effect at year-end and non-monetary items are translated at historical exchange rates. Revenues and expenses (other than depreciation, which is translated at the same rates as the related fixed assets) are translated at the rates in effect on the transaction dates or at the average rates of exchange for the period. Translation gains or losses are included in the statement of income, except those related to the translation of debt, which are deferred and amortized to income over the remaining life of the related debt on a straight-line basis, and those related to debt hedging the Corporation's net investment in self-sustaining foreign operations which are shown under "Deferred translation adjustments" in shareholders' equity.

Bombardier Inc. Consolidated – Significant Accounting Policies (cont'd)

Fixed assets

Fixed assets are recorded at cost. Depreciation is computed under the straight-line method over the following estimated useful lives:

Buildings	10 to 40 years
Equipment	2 to 15 years
Other	3 to 20 years

Assets under operating leases

Assets under operating leases are recorded at the lower of cost and net realizable value. Depreciation is computed under the straight-line method over periods representing their estimated useful lives. Rental income from assets under operating leases is recognized over the life of the lease on a straight-line basis.

Income taxes

The Corporation follows the deferred income tax allocation method in providing for income taxes. Under this method, timing differences between income for accounting purposes and income for tax purposes give rise to deferred income taxes.

The undistributed earnings of foreign subsidiaries are considered to be permanently reinvested for their continuing operations; accordingly, no provision is made for taxes which would become payable upon the distribution of such earnings to the parent company.

Earnings per share

Basic and fully diluted earnings per share are calculated using the weighted average number of Class A Shares (multiple voting) and Class B Subordinate Voting Shares outstanding during the year. Fully diluted earnings per share give effect to the exercise of all dilutive elements.

Pension costs and obligations

The Corporation maintains pension plans for the benefit of substantially all employees.

The pension obligations of the defined benefit pension plans are valued using an accrued benefit actuarial method and Management's best estimate assumptions. The assets of these pension plans are valued on the basis of market-related values. Current service costs are determined using the projected benefit method pro-rated on services. Adjustments arising from past service benefits and experience gains and losses are amortized on a straight-line basis over the average remaining service lives of the employee groups covered by the plans.

Costs related to post-retirement benefits other than pension costs offered to certain employees are recognized when paid by the Corporation.

Provision for credit losses

The Corporation maintains a provision for credit losses at an amount Management believes to be sufficient to provide adequate protection against future losses in the portfolio of loans and finance receivables. The level of provision is based on Management's consideration of the risks associated with each of the Corporation's receivable portfolios, including past loss and recovery experience, industry performance and the impact of current and projected economic conditions.

Derivative financial products

The Corporation is party to a number of derivative financial instrument contracts, mainly foreign exchange contracts and interest-rate swap agreements used to manage currency and interest rate risks. Gains and losses on foreign exchange contracts entered into to hedge future transactions are deferred and included in the measurement of the related foreign currency transactions. Payments and receipts under interest-rate swap agreements are recognized as adjustments to interest expense.

Environmental obligations

Liabilities are recorded when environmental claims or remedial efforts are probable, and the costs can be reasonably estimated. Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed.

Bombardier Inc. Consolidated – Significant Accounting Policies (cont'd)

Goodwill

Goodwill is stated at cost and is amortized under the straight-line method over its useful life for periods not exceeding 10 years. At each reporting date, the Corporation evaluates whether there has been a permanent impairment in the value of unamortized goodwill. In doing so, the Corporation estimates the recoverability of goodwill based on an estimate of the undiscounted cash flows over its remaining period of amortization.

Convertible notes

The net present value of the principal of the convertible notes is recorded in shareholders' equity and increased to its nominal value as a result of periodic charges against retained earnings. The net present value of future interest payments of the convertible notes is recorded as long-term debt.

Bombardier – Significant Accounting Policies

Inventory valuation and revenue recognition

(a) Raw materials, work in process and finished products

Raw materials, work in process and finished products, other than those included in long-term contracts and aerospace programs, are valued at the lower of cost (specific cost, average cost or first-in, first-out depending on the segment) and replacement cost (raw materials) or net realizable value. The cost of work in process and finished products includes the cost of raw materials, direct labour and related overhead.

Revenues from finished products are recognized on a delivery basis.

(b) Long-term contracts and aerospace programs

A significant portion of the Corporation's revenues is related to long-term contracts and aerospace programs.

- Long-term contracts

  Revenues and income from long-term contracts are recognized in accordance with the percentage-of-completion method of accounting. The degree of completion is generally determined by comparing the costs incurred to date to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance. Estimated revenues from long-term contracts include future revenues from claims when it is reasonably assured that such claims, resulting from work performed for customers in addition to the work contemplated in the original contracts, will result in additional revenues in an amount that can be reliably estimated.

  The effect of changes to total estimated income for each contract is recognized in the period in which the determination is made and losses, if any, are fully recognized when anticipated.

- Aerospace programs

  Inventory costs include raw materials, direct labour and related overhead and comprise non-recurring costs (development, pre-production and tooling costs), production costs and excess over average production costs (production costs incurred, in the early stages of a program, in excess of the average estimated unit cost for the entire program).

  Non-recurring costs related to the early stages of the design of a modified or new aircraft are expensed until the results from the technical feasibility study and the market analysis of the program justify the deferral of these costs. Subsequent non-recurring costs are capitalized to the related program to the extent that their recovery can be regarded as reasonably assured.

  Sales of new commercial aircraft are recognized in relation to units delivered and sales of new business aircraft are recognized on deliveries of an aircraft prior to the completion of interiors. Cost of sales is determined under the program accounting method at the estimated average unit cost computed as a percentage of the sale price of the aircraft, except for aircraft sold after completion of a program for which cost of sales is determined under the unit cost method. The estimated average unit cost under program accounting is calculated by applying to the sale price of each aircraft the ratio of total estimated production costs for the entire program over the estimated sale price of all aircraft in the program, increased by the amortization of the non-recurring costs over a predetermined number of aircraft. In the early stages of a program, a constant gross margin before amortization of non-recurring costs is achieved by deferring a portion of the actual cost incurred for each unit delivered. This excess is being amortized against sales of aircraft anticipated to be produced later at lower-than-average costs, as a result of the learning curve concept, which anticipates a predictable decrease in unit costs as tasks and production techniques become more efficient through repetition and Management action.

  Commercial and business aircraft programs are based on long-term delivery forecasts, normally for quantities in excess of contractually firm orders. For new programs, the program quantity is initially based on an established number of units representing what Management believes is a conservative projection of the units to be sold.

Bombardier – Significant Accounting Policies (cont'd)

Estimates of revenues, cost of sales and delivery periods associated with forecasted orders are an integral component of program accounting, and Management's ability to reasonably estimate these amounts is a requirement for the use of program accounting. Revenues, costs and income are determined, in part, based on estimates. Adjustments of such estimates are accounted for prospectively with the exception of anticipated losses on specific programs which are recognized immediately in the period when losses are anticipated.

Management periodically reviews its assumptions as to the size of the various programs, the estimated period over which the units will be delivered, the estimated future costs and revenues associated with the programs and, when required, revises the gross margin for the remaining term of the programs.

- Advances and progress billings
  Advances and progress billings received on long-term contracts and aerospace programs, including proceeds received from the sale of rights arising from work performed under certain manufacturing contracts, are deducted from related costs in inventories. Advances and progress billings in excess of related costs are shown as liabilities.

BC – Significant Accounting Policies

Interest income

Interest income related to loans and finance receivables is recognized on an accrual basis computed on the average daily loans and finance receivables balance outstanding. Accrual of interest income is suspended when the account becomes 90 days overdue or may be suspended earlier if collection of an account becomes doubtful.

Sales of loans and finance receivables

The Corporation sells finance receivables, manufactured housing mortgage loans as well as recreational product loans to investors. The Corporation retains certain servicing rights and participates in certain excess cash flows resulting from such sales.

A sale of loans and finance receivables is recognized when the significant risks and rewards of ownership have been transferred to the purchaser. Gains and losses on the sale of loans and finance receivables are calculated using prepayment, default and interest rate assumptions which the Corporation believes market participants would use for similar instruments. They represent the expected cash flows from the securitized assets less normal servicing fees and are charged to income at the time of sale. Expected cash flows are determined using current market conditions. In subsequent periods, these estimates are revised as necessary for any reductions in expected future cash flows arising from adverse prepayment experience, by recording a charge to income. BC's interests in securitized loans and finance receivables are included in loans and finance receivables when the significant risks and rewards of ownership have not been transferred to the purchaser.

Net investment in direct financing leases

Assets leased under terms which transfer substantially all of the benefits and risks of ownership to customers are accounted for as direct financing leases. Income is recognized over the terms of the applicable leases in a manner that produces a constant rate of return on the lease investment.

Notes to Consolidated Financial Statements

For the years ended January 31, 1999 and 1998
(tabular figures in millions of Canadian dollars, except share capital and share option plans)

1. Business Acquisition

Deutsche Waggonbau AG

As of January 31, 1998, the Corporation acquired for a cash consideration of $517.8 million, including acquisition costs, substantially all of the share capital of Deutsche Waggonbau AG, a German manufacturer of transportation equipment. This acquisition has been accounted for by the purchase method and the accounts have been consolidated from January 31, 1998.

Net assets acquired at fair value

Cash and cash equivalents		$ 662.1
Accounts receivable		184.6
Inventories	$ 136.5	
Less: Advances and progress billings	(110.6)	25.9
Fixed assets		328.5
		1 201.1
Accounts payable and accrued liabilities		(440.4)
Advances and progress billings in excess of related costs		(211.5)
Pension obligations		(31.4)
		(683.3)
Net assets acquired		$ 517.8

2. Accounts Receivable

The accounts receivable are mainly concentrated in the transportation and aerospace segments (56% and 29%, respectively, as of January 31, 1999; 53% and 33%, respectively, as of January 31, 1998) and are mainly located in Europe and in North America (55% and 38%, respectively, as of January 31, 1999; 57% and 29%, respectively, as of January 31, 1998).

3. Loans and Finance Receivables

	1999	1998
Bombardier		
Commercial loans	**$ 38.3**	$ 370.3
Provision for credit losses	**(6.2)**	(9.7)
	32.1	360.6
BC		
Finance receivables	**1 436.4**	977.5
Manufactured housing mortgage loans	**346.6**	77.9
Commercial loans	**1 540.6**	746.4
Recreational product loans	**370.2**	104.7
Net investment in direct financing leases	**821.0**	384.6
Other	**107.1**	69.0
Provision for credit losses	**(24.8)**	(37.7)
	4 597.1	2 322.4
Total	**$ 4 629.2**	$ 2 683.0

Sales of loans and finance receivables

Periodically, BC transfers finance receivables, manufactured housing mortgage loans and recreational product loans to third party trusts and other entities (the "Trusts"), pursuant to receivable purchase agreements (the "Agreements"). The Trusts then issue various securities representing an interest in the receivables transferred. BC records servicing fee income on loans and finance receivables sold to the Trusts.

3. Loans and Finance Receivables (cont'd)

The details of loans and finance receivables sold under these Agreements are as follows:

	Maximum that can be sold as at January 31		Transferred as at January 31		Sold as at January 31	
	1999	1998	**1999**	1998	**1999**	1998
Finance receivables						
United States agreements	**$ 1 096.0**	$ 913.1	**$ 1 276.2**	$ 1 080.2	**$ 1 065.9**	$ 898.7
Canadian agreements	**200.0**	150.0	**258.1**	161.2	**200.0**	140.0
Manufactured housing						
US mortgage loans	**1 472.0**	647.0	**1 333.7**	341.6	**1 156.7**	328.9
Recreational product						
US loans	**527.6**	–	**320.0**	–	**281.9**	–
Total	**$ 3 295.6**	$ 1 710.1	**$ 3 188.0**	$ 1 583.0	**$ 2 704.5**	$ 1 367.6

The excess of amounts transferred over the amounts sold represents BC's retained interest and the amount of overcollateralization in the loans and finance receivables transferred and is included in loans and finance receivables.

BC remains exposed to certain risks of default on the amount of loans and finance receivables under securitization. It has provided various credit enhancements in the form of cash reserve funds, overcollateralization and subordination of its retained interests. Such credit enhancements amount to $335.0 million as of January 31, 1999 ($131.4 million as of January 31, 1998).

Finance receivables

Finance receivables arise mainly from the financing of sales of products by manufacturers and distributors to dealers and are collateralized by the related inventory as well as generally secured by repurchase agreements. Under such agreements, BC may repossess the products from a dealer within a time period specified in the agreement and may require the distributors or manufacturers to repurchase them for a cash consideration equal to the unpaid balance.

The financing terms of the finance receivables under management generally range from 3 to 20 months. BC has outstanding lines of credit with its customers totalling $1 176.4 million and US $1 976.5 million as of January 31, 1999 ($1 004.3 million and US $1 666.5 million as of January 31, 1998), related to the finance receivables under management, which may be reduced or revoked at any time depending on the dealers' and manufacturers' credit status. The portfolio bears interest at a weighted average floating rate of 9.5% as of January 31, 1999 (11.0% as of January 31, 1998).

Manufactured housing mortgage loans

Manufactured housing mortgage loans consist of contractual promises by the buyers of manufactured housing units in the United States to pay amounts owed under retail installment sales contracts, which also provide BC with a security interest in the housing units purchased. They bear interest at a weighted average rate of 10.1% as of January 31, 1999 (10.5% as of January 31, 1998) and mature in different periods up to 2029.

Commercial loans

Commercial loans are collateralized by the related assets and represent the progress payments and other amounts advanced to third parties mainly to finance the sale and leasing of aircraft and other products manufactured by Bombardier.

Bombardier's commercial loans as of January 31, 1998 included an amount of $330.0 million (US $226.6 million) of commercial loans which have been sold in 1999 for net proceeds approximating their carrying amount.

BC commercial loans are as follows:

	1999			1998		
	$	**Weighted average rate**	**Maturity**	$	Weighted average rate	Maturity
Canada	**193.2**	**7.9%**	**2006**	162.9	7.6%	2006
United States	**1 035.0**	**7.7%**	**2009**	583.5	9.8%	2003
Other	**312.4**	**9.1%**	**2006**	–	–	–
Total	**1 540.6**			746.4		

Recreational product loans

Recreational product loans relate mainly to the financing of recreational products to consumers, who in turn provide BC with a security interest in the products being financed. The average financing terms of such loans is 60 months and the portfolio bears interest at a weighted average rate of 14.5% as of January 31, 1999 (13.9% as of January 31, 1998).

3. Loans and Finance Receivables (cont'd)

Net investment in direct financing leases

Net investment in direct financing leases consists of the following:

	1999	1998
Total minimum lease payments receivable	**$ 962.3**	$ 445.2
Unearned income	**(141.3)**	(60.6)
Total	**$ 821.0**	$ 384.6

The minimum lease payments to be received for the next five years are as follows: 2000 – $296.4 million; 2001 – $228.2 million; 2002 – $182.5 million; 2003 – $120.4 million and 2004 – $65.7 million.

The financing terms of the net investment in direct financing leases generally range from 2 to 10 years. The portfolio bears interest at a weighted average rate of 9.2% as of January 31, 1999 (8.8% as of January 31, 1998).

Credit risk of loans and finance receivables

The portfolio of loans and finance receivables under management, **including those sold under receivable purchase agreements,** is concentrated as follows:

	1999							
	Canada		**United States**		**Other**		**Total**	
	$	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Inventory finance	**393.2**	**35**	**1 997.3**	**34**	**25.5**	**6**	**2 416.0**	**33**
Commercial and industrial finance	**615.2**	**55**	**1 569.3**	**27**	**394.6**	**94**	**2 579.1**	**35**
Consumer finance	**40.5**	**4**	**626.8**	**11**	**–**	**–**	**667.3**	**9**
Mortgage finance	**–**	**–**	**1 503.3**	**26**	**–**	**–**	**1 503.3**	**21**
Technology management and finance	**64.7**	**6**	**103.3**	**2**	**–**	**–**	**168.0**	**2**
Total	**1 113.6**	**100**	**5 800.0**	**100**	**420.1**	**100**	**7 333.7**	**100**

	1998							
	Canada		United States		Other		Total	
	$	%	$	%	$	%	$	%
Inventory finance	247.3	31	1 437.1	49	61.6	18	1 746.0	43
Commercial and industrial finance	516.2	64	958.1	33	273.2	82	1 747.5	43
Consumer finance	6.3	1	98.4	3	–	–	104.7	3
Mortgage finance	–	–	406.8	14	–	–	406.8	10
Technology management and finance	35.0	4	10.6	1	–	–	45.6	1
Total	804.8	100	2 911.0	100	334.8	100	4 050.6	100

No single customer represents more than 10% of loans and finance receivables as of January 31, 1999 and 1998.

4. Inventories

	1999	1998
Raw materials and work in process	**$ 341.1**	$ 221.6
Long-term contracts and aerospace programs	**7 370.9**	5 748.9
Finished products	**782.6**	789.9
	8 494.6	6 760.4
Advances and progress billings	**(3 918.4)**	(2 969.5)
Total net	**$ 4 576.2**	$ 3 790.9

For programs under commercial production (Challenger 604, Canadair Regional Jet Series 100 and 200, Canadair 415, Learjet 60, Dash 8 Series Q300, Global Express and Learjet 45), non-recurring and excess over average production costs accumulated in programs of $1 640.0 million as of January 31, 1999 ($661.3 million as of January 31, 1998 for the Challenger 604, Canadair Regional Jet Series 100 and 200, Canadair 415, Learjet 60 and Dash 8 Series Q100, Q200 and Q300) have yet to be recovered from future customers' orders.

4. Inventories (cont'd)

For programs under development (Dash 8 Series Q400, Canadair Regional Jet Series 700 and Bombardier Continental business jet), non-recurring and excess over average production costs amount to $417.0 million as of January 31, 1999 ($1 053.8 million as of January 31, 1998 for the Global Express, Dash 8 Series Q400, Canadair Regional Jet Series 700 and Learjet 45). The total amount of non-recurring and excess over average production costs to be recovered from future customer orders will be determined only upon completion of the development phase of the programs.

Anticipated proceeds from future sales of aircraft for each program exceed the related costs in inventory as of January 31, 1999 and 1998, plus the estimated additional non-recurring and production costs still to be incurred for each program. However, substantial amounts of unrecoverable costs may eventually be charged to expense in subsequent years, if fewer than the program quantity of aircraft are sold, the proceeds from future sales of aircraft are lower than those currently estimated, or the costs to be incurred to complete the programs exceed current estimates.

Under various agreements in the aerospace segment, rights resulting from work performed under certain manufacturing contracts are sold, subject to certain conditions, on an ongoing basis to unrelated entities. The amounts received from the sale of rights, totalling $699.7 million as of January 31, 1999 ($650.8 million as of January 31, 1998), are accounted for as advances received and deducted from inventories until delivery of the underlying units. However, in accordance with industry practice, the Corporation remains liable to the purchasers of the rights for the usual contractor's obligations relating to contract completion in accordance with predetermined specifications, timely delivery and product performance. The Corporation has also provided recourse for certain losses that could arise from the sale of rights, for an amount of $34.8 million as of January 31, 1999 ($33.5 million as of January 31, 1998).

The Corporation entered into an agreement with a third party whereby the Corporation (i) as an agent for the third party, manufactures production line tooling and incurs engineering development expenditures, including related software development costs (the "Equipment") and (ii) will lease from this third party such Equipment under the terms of an operating lease agreement, for use in the future production of the Canadair Regional Jet Series 700 fuselage and nacelle. The Corporation remains liable for the usual contractor's obligations relating to contract completion in accordance with predetermined specifications and timely delivery in January 2001. As of January 31, 1999, interest-bearing advances totalling $165.0 million ($91.5 million as of January 31, 1998) have been received in connection with this agreement and have been deducted from the related accumulated construction costs.

Under certain contracts, title to inventories is vested in the customer as the work is performed in accordance with contractual arrangements and industry practice. In addition, in the normal conduct of its operations, the Corporation provides performance bonds, bank guarantees and other forms of guarantees to customers, mainly in the transportation segment, as security for advances received from customers pending performance under certain contracts.

5. Assets Under Operating Leases

	1999		1998	
	Bombardier	**BC**	Bombardier	BC
Aircraft	**$ 89.0**	**$ 389.1**	$ 135.7	$ 107.8
Freight cars	**–**	**96.3**	–	62.9
Equipment	**–**	**34.1**	–	–
Total	**$ 89.0**	**$ 519.5**	$ 135.7	$ 170.7

The assets under operating leases are leased for periods up to 2008.

6. Fixed Assets

	1999		
	Cost	**Accumulated depreciation**	**Net book value**
Bombardier			
Land	**$ 139.4**	**$ –**	**$ 139.4**
Buildings	**1 185.5**	**375.9**	**809.6**
Equipment	**1 715.0**	**1 023.0**	**692.0**
Other	**147.5**	**40.6**	**106.9**
	3 187.4	**1 439.5**	**1 747.9**
BC			
Office buildings leased to Bombardier	**82.6**	**10.4**	**72.2**
Equipment	**35.5**	**12.9**	**22.6**
	118.1	**23.3**	**94.8**
Total	**$ 3 305.5**	**$ 1 462.8**	**$ 1 842.7**

6. Fixed Assets (cont'd)

	1998		
	Cost	Accumulated depreciation	Net book value
Bombardier			
Land	$ 134.8	$ –	$ 134.8
Buildings	1 049.5	311.3	738.2
Equipment	1 468.3	848.8	619.5
Other	117.5	35.9	81.6
	2 770.1	1 196.0	1 574.1
BC			
Office buildings leased to Bombardier	71.3	8.1	63.2
Equipment	18.2	8.8	9.4
	89.5	16.9	72.6
Total	$ 2 859.6	$ 1 212.9	$ 1 646.7

7. Short-term Borrowings

	1999	1998
Bombardier	**$ 49.3**	$ 330.0
BC	**2 314.2**	1 844.7
Total	**$ 2 363.5**	$ 2 174.7

Under banking syndicate agreements, Bombardier Inc. and certain of its subsidiaries must maintain certain financial ratios which have been met as of January 31, 1999 and 1998.

Bombardier

Bombardier's credit facilities, weighted average rates and maturities for these credit facilities are as follows:

	1999					
	Credit facilities			**Weighted average rate**		**Maturity**
	Available	**Outstanding**				
		Cash	**Letters of credit**	**Year-end**	**For the year**	
Canadian agreement	**$ 1 000.0**	**$ 5.2**	**$ 717.0**	**6.8%**	**5.6%**	**2005**
United States agreement	**150.7**	**–**	**–**	**–**	**6.8%**	**2003**
European agreements	**2 685.3**	**44.1**	**1 299.1**	**4.7%**	**5.5%**	**2000-2003**
Total	**$ 3 836.0**	**$ 49.3**	**$ 2 016.1**			

	1998					
	Credit facilities			Weighted average rate		Maturity
	Available	Outstanding				
		Cash	Letters of credit	Year-end	For the year	
Canadian agreement	$ 1 000.0	$ –	$ 242.6	–	6.2%	2004
United States agreement	145.6	–	–	–	6.4%	2003
European agreements	2 120.1	–	403.2	–	5.7%	1999-2002
Notes payable	466.0	330.0	–	6.1%	6.1%	on demand
Total	$ 3 731.7	$ 330.0	$ 645.8			

7. Short-term Borrowings (cont'd)

Under the Canadian agreement, amounts may be drawn in Canadian or US dollars at variable rates based on the Canadian prime rate, US base rate, LIBOR or Bankers' Acceptance rates. Bombardier may also provide letters of credit or guarantee under this facility.

Under the US agreement, amounts may be drawn in US dollars at variable rates based on the US base rate, LIBOR or Certificate of Deposit rate.

The available amount for the European agreements is comprised of cash facilities of $444.7 million and $2 240.6 million for bank guarantees and letters of credit in various currencies ($398.7 million and $1 721.4 million respectively as of January 31, 1998). The Corporation is currently renegotiating and consolidating these agreements and has received a firm offer of financing for 1 700 million euros from a group of international banks.

The notes payable, reimbursed in 1999, were part of facility agreements specifically used to facilitate the financing of regional aircraft sales and related components. These notes payable were drawn in US dollars (US $226.6 million) at a variable rate based on LIBOR.

BC

BC's credit facilities, weighted average rates and maturities for these credit facilities are as follows:

	1999				
	Credit facilities		**Weighted average rate**		
	Available	**Outstanding (including US $ component)**	**Year-end**	**For the year**	**Maturity**
Revolving lines	**$ 2 082.8**	**$ 1 709.0 (US $991.7)**	**5.1%**	**5.7%**	**2000-2002**
Bank loans	**452.2**	**452.2 (US $300.0)**	**5.3%**	**6.0%**	**2000**
Other	**428.7**	**153.0 (US $ 84.9)**	**5.1%**	**6.0%**	**2000**
Total	**$ 2 963.7**	**$ 2 314.2**			

	1998				
	Credit facilities		Weighted average rate		
	Available	Outstanding (including US $ component)	Year-end	For the year	Maturity
Revolving lines	$ 1 419.4	$ 1 415.2 (US $751.2)	5.8%	5.3%	1999-2001
Bank loans	145.6	145.6 (US $100.0)	6.1%	6.0%	1999
Other	401.9	283.9 (US $177.2)	5.1%	4.8%	1999
Total	$ 1 966.9	$ 1 844.7			

Under the revolving lines, amounts may be drawn in Canadian dollars, US dollars or euros at variable rates based on the Canadian prime rate, US base rate, LIBOR or Bankers' Acceptance rates. BC may also use the facility as support for a liquidity back-up for issuing Commercial Paper.

The bank loans consist of an amount of US $200.0 million as of January 31, 1999 (nil as of January 31, 1998) bearing interest at LIBOR plus 40 basis points and an amount of US $100.0 million as of January 31, 1999 (US $100.0 million as of January 31, 1998) under a facility for which the rates and maturity dates are determined at the time of borrowing. The latter facility has an uncommitted term that may be terminated at any time, either by the lender or the Corporation without acceleration of the outstanding obligations at such time.

8. Long-term Debt

	1999	1998
Bombardier		
Debentures, 6.4%, maturing in December 2006	**$ 150.0**	$ 150.0
Debentures, 7.35%, maturing in December 2026	**150.0**	150.0
Promissory note, 7%, repayable with annual principal repayments of $4.9 million from 2003 to 2012	**49.0**	49.0
Notes, 6.58%, maturing in January 2006 (US $150.0 million)	**226.1**	218.4
Debentures, 8.3%, maturing in July 2003	**150.0**	150.0
Notes subject to a sinking fund, maturing in September 2003 (US $55.3 million as of January 31, 1999 and US $78.4 million as of January 31, 1998), bearing interest at a weighted average rate of 6.18%	**83.4**	114.2
Debentures, 11.1%, maturing in May 2001	**100.0**	100.0
Notes, 6.94%, maturing in June 2000 (US $50.0 million)	**75.4**	72.8
Other loans bearing interest at a weighted average rate of 4.05% as of January 31, 1999 (6.38% as of January 31, 1998), payable in various currencies, maturing from 2000 to 2029	**137.8**	200.4
Total Bombardier	**1 121.7**	1 204.8
BC		
Notes, 6%, maturing in January 2002 (US $500.0 million), swapped to a variable rate based on LIBOR (6.1% as of January 31, 1999)	**753.7**	–
Debentures, 6%, maturing in February 2003, swapped to a variable rate based on LIBOR (5.8% as of January 31, 1999)	**250.0**	–
Capital Trust Securities, maturing in June 2032 (US $200.0 million), bearing interest at LIBOR plus 0.55% (5.77% as of January 31, 1999 and 6.23% as of January 31, 1998) until 2003 and LIBOR plus 1.55% thereafter, unless remarketed as a Junior fixed rate Subordinated Security	**301.5**	291.3
Loan, 7.41%, maturing in July 2001 (US $50.0 million), US $27.5 million of which has been swapped to a variable rate based on LIBOR (5.59% as of January 31, 1999 and 6.05% as of January 31, 1998)	**75.4**	72.8
Mortgage bonds bearing interest at a weighted average rate of 10.1% as of January 31, 1999 (10.4% as of January 31, 1998), maturing from 2001 to 2017	**65.2**	61.7
Other loans bearing interest at a weighted average rate of 7.04% as of January 31, 1999 (8.9% as of January 31, 1998), maturing from 2003 to 2006	**8.4**	9.0
Total BC	**1 454.2**	434.8
Total	**$ 2 575.9**	$ 1 639.6

The repayment requirements on the long-term debt during the next five years are as follows:

	Bombardier Inc. consolidated	Bombardier	BC
2000	$ 42.9	$ 38.5	$ 4.4
2001	116.3	111.7	4.6
2002	961.9	129.1	832.8
2003	35.4	31.9	3.5
2004	433.2	180.3	252.9

As of January 31, 1999 and 1998, the Corporation complied with the restrictive convenants contained in its various financing agreements.

9. Other Liabilities

	1999	1998
Bombardier		
Income taxes payable	**$ 30.3**	$ 46.6
Pension obligations	**45.2**	82.8
Deferred income taxes	**346.2**	231.4
Total	**$ 421.7**	$ 360.8

10. Convertible Notes

The convertible notes amounting to US $165.0 million and maturing in October 2004 are unsecured and bear interest at LIBOR plus 0.85% (5.95% as of January 31, 1999 and 6.76% as of January 31, 1998) to October 1999 and thereafter at LIBOR plus 1.25%.

In October 1999, these notes are redeemable at their nominal value at the option of the Corporation or of the holders. The Corporation may, at its option, repay the convertible notes in 1999 and 2004 in cash or with Class B Subordinate Voting Shares of the Corporation at market value.

11. Share Capital

Subdivision of shares

On July 10, 1998, the share capital of the Corporation was modified by the subdivision of the Class A shares (multiple voting) and the Class B Subordinate Voting Shares on a two-for-one basis. The following information has been adjusted to give effect to the stock split.

The articles of Bombardier Inc. authorize it to issue shares consisting of:

Preferred shares

An unlimited number of preferred shares, without nominal or par value, issuable in series, of which the following series have been authorized:

Series 1 Cumulative Redeemable Preferred Shares without nominal or par value, non-voting, redeemable at the Corporation's option at $25.00 per share. The quarterly dividend rate was equal to the greater of (i) 1.875% and (ii) one-quarter of 75% of the average of the prime rates of three designated major Canadian banks for specified three-month periods. All the Series 1 shares were redeemed and cancelled on June 30, 1997;

12 000 000 Series 2 Cumulative Redeemable Preferred Shares, non-voting, redeemable at the Corporation's option at $25.00 per share on August 1, 2002 or at $25.50 per share thereafter, convertible on a one-for-one basis on August 1, 2002 and on August 1 of every fifth year thereafter into Series 3 Cumulative Redeemable Preferred Shares. On a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders that there would be less than 1 000 000 outstanding Series 2 Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 3 Preferred Shares. Additionally, if the Corporation determines that on any conversion date, there would be less than 1 000 000 outstanding Series 3 Preferred Shares, then no Series 2 Preferred Shares may be converted. Until July 31, 2002, the quarterly dividend rate is equal to $0.34375 per share. Thereafter, floating adjustable cumulative preferential cash dividends will be payable monthly, if declared, commencing on August 1, 2002, with the annual floating dividend rate equal to 80% of the Canadian prime rate. The dividend rate will float in relation to changes in the prime rate and will be adjusted upwards or downwards on a monthly basis to a monthly maximum of 4% if the trading price of the Series 2 Preferred Shares is less than $24.90 per share or more than $25.10 per share; and

12 000 000 Series 3 Cumulative Redeemable Preferred Shares, non-voting, redeemable at the Corporation's option at $25.00 per share on August 1, 2007 and on August 1 of every fifth year thereafter, convertible on a one-for-one basis at the option of the holder on August 1, 2007 and on August 1 of every fifth year thereafter into Series 2 Cumulative Redeemable Preferred Shares. On a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders that there would be less than 1 000 000 outstanding Series 3 Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 2 Preferred Shares. Additionally, if the Corporation determines that on any conversion date there would be less than 1 000 000 outstanding Series 2 Preferred Shares, then no Series 3 Preferred Shares may be converted. The initial dividend, if declared, will be payable on October 31, 2002 and the quarterly dividend rate will be fixed by the Corporation at least 45 days before the initial dividend, for the first five-year period. Each five-year fixed dividend rate selected by the Corporation shall not be less than 80% of the Government of Canada bond yield as defined in the Articles of Amendment creating the Series 3 Preferred Shares.

11. Share Capital (cont'd)

Common shares

896 000 000 Class A Shares (multiple voting), without nominal or par value, ten votes each, convertible at the option of the holder into one Class B Subordinate Voting Share; and

896 000 000 Class B Subordinate Voting Shares, without nominal or par value, one vote each, with an annual non-cumulative preferential dividend of $0.003125 per share, and convertible, at the option of the holder, into one Class A Share (multiple voting), after the occurrence of one of the following events: (i) an offer made to Class A Share (multiple voting) shareholders is accepted by the present controlling shareholder (the Bombardier family); (ii) such controlling shareholder ceases to hold more than 50% of all outstanding Class A Shares (multiple voting) of the Corporation.

12. Share Option Plans

Under share option plans, options are granted to key employees and directors to purchase Class B Subordinate Voting Shares. As of January 31, 1999, 67 891 344 Class B Subordinate Voting Shares were reserved for issuance under these share option plans. The exercise price is equal to the average of the closing prices on the stock exchanges during the five trading days preceding the date on which the option was granted. The right to exercise these options, which essentially vest at 25% per year during a period commencing two years following the date of granting, terminates no later than ten years after such date. As of January 31, 1999, 11 717 906 options are vested (10 652 170 options as of January 31, 1998). The number of options issued and outstanding at year-end is as follows:

Granting period	**Exercise price ($)**	**1999**	1998
1990	1.53 to 1.97	**4 520 000**	5 100 000
1991	1.77	**446 000**	476 000
1992	3.11 to 3.81	**–**	30 000
1993	2.79 to 4.13	**3 180 000**	3 330 000
1994	2.52 to 4.25	**925 000**	1 410 000
1995	5.12 to 6.15	**1 702 570**	2 251 174
1996	6.35 to 8.64	**442 000**	540 000
1997	9.36 to 10.27	**5 725 500**	6 052 000
1998	13.01 to 15.58	**2 676 500**	2 969 600
1999	14.86 to 20.37	**2 972 480**	–
Total		**22 590 050**	22 158 774

The number of options has varied as follows:

	1999	1998
Balance at beginning of year	**22 158 774**	21 170 586
Granted	**3 048 480**	3 025 000
Exercised	**(1 871 250)**	(1 588 328)
Cancelled	**(745 954)**	(448 484)
Balance at end of year	**22 590 050**	22 158 774

13. Deferred Translation Adjustments

	1999	1998
Balance at beginning of year	**$ 136.3**	$ 65.1
Translation adjustments	**134.1**	130.1
Translation adjustments on debt designated as a hedge of self-sustaining foreign operations	**(8.3)**	(58.9)
Balance at end of year	**$ 262.1**	$ 136.3

14. Cost of Sales and Operating Expenses

Bombardier's cost of sales and operating expenses include research expenses, excluding those incurred under contract, amounting to $127.0 million for the year ended January 31, 1999 ($115.2 million for the year ended January 31, 1998), net of various participative programs and related income tax credits.

15. Interest Expense

	1999		1998	
	Bombardier	**BC**	Bombardier	BC
Interest on long-term debt	**$ 82.3**	**$ 47.4**	$ 105.4	$ 22.8
Interest on short-term borrowings	**32.0**	**138.5**	25.2	89.4
Interest income	**(72.5)**	**–**	(28.4)	–
Total	**$ 41.8**	**$ 185.9**	$ 102.2	$ 112.2
Allocated to:				
Aerospace	**$ 108.4**		$ 130.6	
Recreational Products	**17.8**		15.3	
Transportation	**(108.2)**		(59.2)	
BC	**23.8**		15.5	
Total	**$ 41.8**		$ 102.2	

BC's interest expense of $185.9 million for the year ended January 31, 1999 ($112.2 million for the year ended January 31, 1998) is classified as cost of sales and operating expenses.

16. Income Taxes

The effective income tax rate differs from the Canadian statutory rates for the following reasons:

	1999		1998	
	$	**%**	$	%
Income taxes calculated at statutory rates	**331.4**	**40.1**	244.0	38.9
Increase (decrease) resulting from:				
Manufacturing and processing credit	**(40.1)**	**(4.9)**	(28.0)	(4.5)
Non-recognition of tax benefits related to foreign investees' losses	**26.9**	**3.2**	15.4	2.5
Recovery of income taxes arising from the use of unrecorded tax benefits	**(45.7)**	**(5.5)**	(45.6)	(7.3)
Tax-exempt items	**(15.9)**	**(1.9)**	14.5	2.3
Other	**16.3**	**2.0**	6.7	1.1
Total	**272.9**	**33.0**	207.0	33.0
Current income taxes	**126.9**		62.8	
Deferred income taxes	**146.0**		144.2	
Total	**272.9**		207.0	

Losses carried forward and other deductions for which no tax benefits have been recorded in the accounts, which are available to reduce future taxable income of certain European subsidiaries, amount to $905.1 million as of January 31, 1999 ($921.0 million as of January 31, 1998), with no specified expiry date.

17. Net Changes in Non-cash Balances Related to Operations

The net changes in non-cash balances related to operations are as follows:

	1999	1998
Bombardier		
Accounts receivable	**$ 22.9**	$ (158.0)
Inventories	**(785.3)**	(323.2)
Accounts payable and accrued liabilities	**301.8**	119.5
Income taxes payable	**(16.3)**	(9.2)
Advances and progress billings in excess of related costs	**1 477.0**	48.7
	1 000.1	(322.2)
BC		
Accounts payable and accrued liabilities	**134.9**	(13.9)
Other liabilities	**(10.0)**	(0.2)
	124.9	(14.1)
Total	**$ 1 125.0**	$ (336.3)

18. Financial Instruments

(a) Derivative financial products

The Corporation uses derivative financial products to manage foreign exchange risk and interest rate fluctuations on certain financial instruments. The Corporation does not trade in derivatives for speculative purposes.

Foreign exchange contracts

The Corporation enters into foreign exchange contracts to hedge future cash flows in various currencies. Under these contracts, the Corporation is obliged to sell or to buy specific amounts of currencies at predetermined dates and exchange rates. These contracts are matched with anticipated operational cash flows in various currencies. The amounts of anticipated future cash flows in various currencies are projected in light of existing orders from customers, current conditions in the Corporation's markets and past experience.

The following table sets out, as of January 31, the amounts to be received or to be paid pursuant to the principal foreign exchange contracts, the average contractual exchange rates and the settlement periods of these sales and purchase contracts:

	1999		1998	
Sales contracts	**Less than one year**	**One to three years**	Less than one year	One to three years
(sell/buy)				
US $/CDN $				
Notional amount	**US $2 298.8**	**US $2 432.3**	US $2 139.1	US $1 888.2
Average rate	**$1.41**	**$1.42**	$1.34	$1.35
EURO/US $				
Notional amount	**EURO 111.8**	**EURO 115.1**	–	–
Average rate	**US $1.14**	**US $1.12**		
EURO/CDN $				
Notional amount	**EURO 152.7**	**–**	–	–
Average rate	**$1.76**			
US $/Pound sterling				
Notional amount	**US $42.5**	**US $7.5**	US $90.5	US $50.0
Average rate	**£ 0.66**	**£ 0.69**	£ 0.66	£ 0.67
US $/Austrian schilling				
Notional amount	**US $94.0**	**US $16.4**	US $134.9	–
Average rate	**ATS 12.43**	**ATS 12.32**	ATS 11.44	

	1999		1998	
Purchase contracts	**Less than one year**	**One to three years**	Less than one year	One to three years
(buy/sell)				
US $/CDN $				
Notional amount	**US $147.7**	**US $53.1**	US $71.6	–
Average rate	**$1.43**	**$1.43**	$1.38	
EURO/US $				
Notional amount	**EURO 96.8**	**EURO 45.1**	–	–
Average rate	**US $1.16**	**US $1.21**		
EURO/CDN $				
Notional amount	**EURO 181.7**	**EURO 90.0**	–	–
Average rate	**$1.76**	**$1.82**		
Pound sterling/CDN $				
Notional amount	**£ 51.9**	**£ 31.2**	–	–
Average rate	**$2.47**	**$2.52**		
Pound sterling/US $				
Notional amount	**£ 55.9**	**£ 34.0**	–	–
Average rate	**US $1.63**	**US $1.66**		

18. Financial Instruments (cont'd)

Interest-rate swap agreements

BC

BC entered into interest-rate swap agreements to convert fixed interest rates to variable interest rates on certain long-term debts and certain loans receivable and direct financing leases. As of January 31, 1999 and 1998, the interest-rate swap agreements are as follows:

	1999			
Purpose	**Notional amount (including US $ component)**	**Range of fixed rates**	**Variable rates**	**Maturity**
Asset hedge	**$ 1 531.3 (US $909.8)**	**4.7%-8.3%**	**LIBOR or Bankers' Acceptance**	**2000-2010**
Debt hedge	**$ 1 045.2 (US $527.5)**	**5.1%-7.0%**	**LIBOR or Bankers' Acceptance**	**2002-2004**

	1998			
Purpose	Notional amount (including US $ component)	Range of fixed rates	Variable rates	Maturity
Asset hedge	$ 414.2 (US $284.4)	5.3%-7.0%	LIBOR	2000-2010
Debt hedge	$ 40.0 (US $ 27.5)	7.0%	LIBOR	2002

(b) Fair value of financial instruments

The following methods and assumptions were used in estimating the fair value of financial instruments:

Cash and cash equivalents, accounts receivable, short-term borrowings and accounts payable and accrued liabilities: The carrying amounts reported in the balance sheet approximate the fair values of these items due to their short-term nature.

Loans and finance receivables: The fair values of floating rate loans and finance receivables that reprice frequently and have no significant change in credit risk approximate the carrying values. The fair values of fixed-rate loans and finance receivables are estimated using discounted cash flow analyses, using interest rates offered for loans with similar terms to borrowers of similar credit quality. As of January 31, 1999, the carrying amount of loans and finance receivables approximates the fair value of these items. As of January 31, 1998, the fair value of loans and finance receivables was $2 693.0 million compared to a carrying amount of $2 683.0 million.

Long-term debt: The fair values of long-term debt are estimated using public quotations or discounted cash flow analyses, based on current corresponding borrowing rates for similar types of borrowing arrangements. The fair value of long-term debt as of January 31, 1999 is $2 703.0 million compared to a carrying amount of $2 575.9 million ($1 723.6 million compared to $1 639.6 million as of January 31, 1998).

Foreign exchange contracts and interest-rate swap agreements: The fair values generally reflect the estimated amounts that the Corporation would receive on settlement of favourable contracts or be required to pay to terminate unfavourable contracts at the reporting dates, thereby taking into account the current unrealized gains or losses on open contracts. Investment dealers' quotes or quotes from the Corporation's bankers are available for substantially all of the Corporation's foreign exchange contracts and interest-rate swap agreements.

The fair values of favourable and unfavourable foreign exchange contracts are respectively $48.4 million and $463.8 million as of January 31, 1999 (respectively $17.5 million and $387.1 million as of January 31, 1998). The fair values of favourable and unfavourable interest-rate swap agreements are respectively $9.6 million and $32.4 million as of January 31, 1999 (respectively $2.0 million and $10.4 million as of January 31, 1998).

Credit support and guarantees: The determination of the fair values of bank guarantees and other forms of guarantees related to long-term contracts is not practicable within constraints of timeliness and cost but such guarantees usually decrease in value in relation to the percentage of completion of the related contracts and usually expire without being exercised. The fair values of credit support and guarantees provided to purchasers of manufactured products are not determinable due to a lack of reliable evidence.

18. Financial Instruments (cont'd)

(c) Credit risk

In addition to the credit risk described elsewhere in these consolidated financial statements, the Corporation is subject to risk related to the off-balance-sheet nature of derivative financial products, whereby counterparty failure would result in economic losses on favourable contracts. However, the counterparties to these derivative financial products are major financial institutions which the Corporation anticipates will satisfy their obligations under the contracts.

19. Pension Plans

The Corporation maintains defined benefit pension plans which provide pension benefits based on length of service and final pensionable earnings.

Pension assets consist principally of equity securities, government and corporate bonds and real estate of countries where the Corporation operates. Pension expense is based on Management's best estimate of the long-term rate of return on the pension asset portfolio (8.0% to 9.25%). Pension benefit obligations are determined based on Management's best estimate of long-term salary escalation rates (4.5% to 5.5%) and are discounted based on Management's best estimate of long-term interest rates (6.75% to 8.0%). Variances between such estimates and actual experience, which may be material, are amortized over the employee group's average remaining service life (11 to 22 years).

The Corporation bears the risk of experience loss against the above long-term assumptions. The maximum risk of loss is equal to the difference between the fair value of the pension benefit obligation and the amount of the pension benefit obligation accrued in the financial statements. Should actual experience differ from the experience assumed, future contributions will be adjusted to make up for any variances. Risk is managed by placing plan assets in trust and through the pension plan investment policy which defines the funds' allowable investments.

The present value of accrued pension benefits attributed to services rendered up to the balance sheet dates and the net assets available to provide for these benefits, at market-related values, are as follows:

	1999	1998
Pension fund assets	**$ 2 275.1**	$ 2 059.4
Accrued pension benefits	**1 919.4**	1 611.1

20. Commitments and Contingencies

In addition to the commitments and contingencies described elsewhere in these consolidated financial statements, the Corporation is subject to the following:

(a) In connection with the sale of aircraft, the Corporation may provide financial support to its customers in the form of guarantees of financing, lease payments as well as services related to the remarketing of aircraft. The off-balance-sheet risk from these guarantees related to aircraft sold, maturing in different periods up to 2016, is as follows as of January 31, 1999 and 1998:

	1999	1998
Maximum credit risk related to guarantees provided	**$ 534.4**	$ 499.8
Less: provisions recorded	**180.9**	198.1
Off-balance-sheet risk	**353.5**	301.7
Less: Corporation's share of estimated net resale value of aircraft	**252.1**	237.5
Net credit risk	**$ 101.4**	$ 64.2

The net credit risk represents the unrecorded portion of the Corporation's estimated exposure to losses from defaults of third-party purchasers to meet their financial obligations under legally binding agreements.

As of January 31, 1999, the Corporation is also committed in relation to guarantees on future sales of aircraft for an amount of $228.3 million net of the Corporation's share of the estimated net resale value of aircraft amounting to $78.0 million ($129.6 million net of the Corporation's share of the estimated net resale value of aircraft amounting to $38.1 million as of January 31, 1998). The provision in relation with these guarantees, if any, will be recorded at the delivery date of the corresponding aircraft.

Substantially all financial support involving potential credit risk is with commercial airline customers. No commercial airline customer is associated with more than 15% of all financial support relating to customer financing as of January 31, 1999 and 1998.

20. Commitments and Contingencies (cont'd)

At the expiry date of certain financing and lease agreements, the Corporation has provided guarantees of the residual value of aircraft. The guarantees can only be called upon if the above guarantees of financing and lease payments have not been exercised. However, in the event that residual value guarantees are exercised, it is Management's opinion that the net resale value of the underlying aircraft will be sufficient to cover the Corporation's exposure under these guarantees.

In addition, the Corporation concluded sale and leaseback transactions in respect of aircraft and freight cars under which it is obligated to pay annual rents, and most of this equipment was simultaneously leased to operators. Details of these transactions, including lease obligations assumed on trade-in aircraft, are as follows:

Minimum lease payments	**1999**	1998
1999	**$ –**	$ 148.6
2000	**169.0**	85.5
2001	**86.3**	38.3
2002	**76.0**	32.9
2003	**75.6**	49.8
2004	**74.3**	27.1
Thereafter	**635.6**	201.0
Total	**$ 1 116.8**	$ 583.2
Consisting of:		
Aircraft	**$ 469.6**	$ 388.7
Freight cars	**647.2**	194.5
Total	**$ 1 116.8**	$ 583.2
Expected receipts		
Aircraft	**$ 439.6**	$ 354.9
Freight cars	**647.2**	194.5
Provision	**30.0**	33.8
Total	**$ 1 116.8**	$ 583.2

Expected receipts include expected minimum sub-lease rentals from operators and the Corporation's share of the estimated net resale value of the equipment up to a maximum equivalent to the minimum lease payments. Expected minimum sub-lease rentals from operators include the amounts from contracted and anticipated sub-leases. The amounts for anticipated sub-leases ($606.6 million in 1999 and $298.7 million in 1998) have been calculated taking into account current and expected future market conditions for each type of equipment. The total amount of the Corporation's share of the estimated net resale value of the equipment included in the expected receipts is $346.5 million in 1999 and $156.2 million in 1998.

The Corporation's share of the estimated net resale value, used in the calculation of the net credit risk related to the guarantees provided on sales of aircraft and in the expected receipts in relation to sale and leaseback transactions of equipment, represents the anticipated fair values based upon analyses done by third parties.

(b) The Corporation leases buildings and equipment under long-term operating leases for which the total minimum lease payments amount to $344.7 million. The annual minimum lease payments for the next five years are as follows: 2000 – $65.8 million; 2001 – $51.8 million; 2002 – $42.0 million; 2003 – $30.9 million and 2004 – $24.7 million.

(c) The Corporation is the defendant in certain legal cases presently pending before various courts in relation to product liability. The Corporation is also party to several actions associated with waste disposal sites. These actions include possible obligations to remove wastes deposited at various sites or mitigate their negative effects on the environment. There are also some asbestos-related claims to compensate railway workers for various diseases which allegedly result from their workplace exposure to asbestos materials relating to past business involving locomotives.

The Corporation intends to vigorously defend its position in these matters. Management believes the Corporation has set up adequate provisions to cover potential losses and amounts not recoverable under insurance coverage, if any, in relation to these legal actions.

21. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

22. Reclassification

Certain of the 1998 figures have been reclassified to conform to the presentation adopted in 1999.

23. Segment Disclosures

In January 1999, the Corporation reorganized its segments by reallocating all the activities of the services segment to other segments. Accordingly, the commercial aviation services and the defence services were transferred to the aerospace segment, and the activities related to the design, manufacture, sale and maintenance of utility vehicles were transferred to the recreational products segment. The 1998 figures have been reclassified to reflect this new presentation.

As a result, the Corporation now operates in the four reportable segments described below. Each reportable segment offers different products and services, requires different technology and marketing strategies and is headed by a president and chief operating officer.

The aerospace segment is engaged in the design, manufacture and sale of business and regional aircraft for individuals, corporations as well as commercial airline customers. It is also engaged in the manufacture of major airframe components for aircraft designed and built by other American and European aircraft manufacturers. In addition, it provides commercial and military aviation services, including technical services, aircraft modification and pilot training.

The recreational products segment is responsible for developing, manufacturing and marketing snowmobiles, watercraft, boats, neighborhood vehicles, all-terrain vehicles, utility vehicles and engines.

The transportation segment is responsible for all operations in the field of rail transportation equipment. It offers a full range of vehicles for urban, suburban, intercity rail-passenger transportation, freight cars, as well as integrated rail transit systems for turnkey projects. In addition, the transportation segment provides operations and maintenance services.

The capital segment (BC) includes financial and real estate services. The financial activities are in five specific markets: inventory financing on a secured basis; asset-based financing to commercial customers with respect to various commercial and industrial equipment, new or trade-in aircraft and open accounts receivable; consumer finance operations; mortgage financing to purchasers of manufactured homes; and leasing and technology management services. The real estate activities of this segment consist of selling land to real estate developers and renting office buildings to Bombardier.

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies. The Corporation evaluates performance based on income or loss before income taxes. Intersegment services are accounted for as if the services were provided to third parties, at current market prices. The interest costs are allocated to the segments based on the net assets of each segment. Corporate Office charges are allocated based on the revenues of each segment.

The net segmented assets are used to assess the resources employed by each segment. For all manufacturing segments, net segmented assets include accounts receivable, loans and finance receivables, inventories, assets under operating leases, fixed assets and a portion of other assets, less accounts payable and accrued liabilities and advances and progress billings in excess of related costs.

For BC, the measure used to evaluate the resources employed is the amount of investment in BC, and consequently this amount is shown as a segmented asset for BC.

Segment Disclosures

(millions of Canadian dollars)

	Bombardier Inc. consolidated	
	1999	1998
INDUSTRY SEGMENTS		
External revenues	**$ 11 500.1**	$ 8 508.9
Intersegment eliminations	**–**	–
Revenues	**$ 11 500.1**	$ 8 508.9
Expenses		
Cost of sales and operating expenses	**$ 10 398.8**	$ 7 599.4
Depreciation and amortization	**232.6**	180.1
Interest expense	**41.8**	102.2
	10 673.2	7 881.7
Income (loss) before income taxes	**$ 826.9**	$ 627.2
Net segmented assets	**$ 3 374.9**	$ 3 641.9
Accounts payable and accrued liabilities	**2 845.5**	2 543.7
Advances and progress billings in excess of related costs	**2 328.6**	851.6
Cash and cash equivalents	**1 706.3**	1 090.2
Other assets	**–**	52.8
Total assets – Bombardier	**$ 10 255.3**	$ 8 180.2
Investment in BC	**(1 285.2)**	(353.3)
Deferred income taxes	**(5.7)**	(13.8)
Total assets – BC	**5 307.8**	2 762.1
Total assets – Bombardier Inc. consolidated	**$ 14 272.2**	$ 10 575.2
Additions to fixed assets and to goodwill	**$ 364.2**	$ 262.6

	Revenues	
	1999	1998
GEOGRAPHIC INFORMATION		
United States	**$ 5 497.0**	$ 3 964.2
Germany	**1 468.2**	286.0
Canada	**900.4**	961.8
United Kingdom	**723.1**	351.8
France	**523.8**	698.7
Belgium	**275.8**	299.7
Mexico	**230.9**	155.3
Italy	**219.5**	68.5
Switzerland	**151.9**	20.0
Malaysia	**120.5**	291.3
Austria	**97.4**	199.8
Other – Asia	**138.1**	468.7
Other – Europe	**588.9**	335.3
Other – South and Central America	**177.0**	215.3
Other	**387.6**	192.5
Total	**$ 11 500.1**	$ 8 508.9

	Aerospace		Recreational Products		Transportation		BC	
1999	1998	**1999**	1998	**1999**	1998	**1999**	1998
$ 6 444.1	$ 4 866.9	**$ 1 628.1**	$ 1 718.5	**$ 2 951.8**	$ 1 678.7	**$ 476.1**	$ 244.8
–	7.2	**–**	–	**14.5**	9.4	**94.5**	107.6
$ 6 444.1	$ 4 874.1	**$ 1 628.1**	$ 1 718.5	**$ 2 966.3**	$ 1 688.1	**$ 570.6**	$ 352.4
$ 5 543.8	$ 4 171.8	**$ 1 617.7**	$ 1 665.5	**$ 2 848.8**	$ 1 618.3	**$ 497.5**	$ 268.0
110.0	92.1	**38.1**	38.8	**77.8**	44.4	**6.7**	4.8
108.4	130.6	**17.8**	15.3	**(108.2)**	(59.2)	**23.8**	15.5
5 762.2	4 394.5	**1 673.6**	1 719.6	**2 818.4**	1 603.5	**528.0**	288.3
$ 681.9	$ 479.6	**$ (45.5)**	$ (1.1)	**$ 147.9**	$ 84.6	**$ 42.6**	$ 64.1
$ 3 114.0	$ 3 607.0	**$ 220.9**	$ 370.3	**$ (1 245.2)**	$ (688.7)	**$ 1 285.2**	$ 353.3
$ 192.5	$ 167.3	**$ 27.0**	$ 39.3	**$ 116.3**	$ 40.8	**$ 28.4**	$ 15.2

Fixed assets and goodwill	
1999	1998
$ 281.4	$ 206.6
396.7	364.3
787.4	739.8
198.3	181.3
48.1	48.6
29.4	28.6
14.5	14.2
–	–
27.6	26.0
–	–
74.7	70.0
–	–
33.8	20.9
–	–
–	–
$ 1 891.9	$ 1 700.3

Main Business Locations

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Board of Directors and Corporate Officers

Board of Directors

Yvan Allaire
Executive Vice President
Bombardier Inc.

Laurent Beaudoin, C.C., FCA
Chairman of the Board and of the Executive Committee
Bombardier Inc.

J.R. André Bombardier
Vice Chairman
Bombardier Inc.

Janine Bombardier
President and Governor
J. Armand Bombardier Foundation

Robert E. Brown [1]
President and Chief Executive Officer
Bombardier Inc.

André Desmarais
President and Co-Chief Executive Officer
Power Corporation of Canada

Jean-Louis Fontaine
Vice Chairman
Bombardier Inc.

Hon. Jean-Pierre Goyer, P.C., Q.C.
Lawyer and Corporate Director

Pierre Legrand, Q.C.
Senior Partner
Ogilvy Renault

Hon. Peter Lougheed, P.C., C.C., Q.C.
Counsel
Bennett Jones

Donald C. Lowe
Corporate Director
and Consultant

Jean C. Monty
President and Chief Executive Officer
BCE Inc.
Chairman and Chief Executive Officer
Bell Canada

Paul M. Tellier
President and Chief Executive Officer
Canadian National

William I.M. Turner, Jr., C.M.
Chairman and Chief
Executive Officer
Exsultate Inc.

Hugo Uyterhoeven
Timken Professor of Business
Administration Emeritus
Graduate School of
Business Administration
Harvard University

[1] Robert E. Brown was appointed Director of the Corporation on February 19, 1999.

Committees of the Board

Executive Committee
Laurent Beaudoin, C.C., FCA
J.R. André Bombardier
Pierre Legrand, Q.C.
Jean-Louis Fontaine
William I.M. Turner, Jr., C.M.

Compensation Committee
Laurent Beaudoin, C.C., FCA
J.R. André Bombardier
André Desmarais
Pierre Legrand, Q.C.
William I.M. Turner, Jr., C.M.

Audit Committee
Jean-Louis Fontaine
Hon. Jean-Pierre Goyer, P.C., Q.C.
Pierre Legrand, Q.C.
Donald C. Lowe

Pension Fund Committees
The Corporation has nine Pension Fund Committees. Directors who are members of some of these committees are:
Jean-Louis Fontaine
Hon. Jean-Pierre Goyer, P.C., Q.C.
Pierre Legrand, Q.C.

Corporate Officers

Corporate Office

Laurent Beaudoin
Chairman of the Board and of the Executive Committee

Robert E. Brown
President and Chief Executive Officer

J.R. André Bombardier
Vice Chairman

Jean-Louis Fontaine
Vice Chairman

Yvan Allaire
Executive Vice President and Chairman of Bombardier Capital

Yvon Beauregard
Vice President, Occupational Health/Safety and Environment

Richard C. Bradeen
Vice President, Acquisitions and Strategic Alliances

Roger Carle
Director, Legal Services and Corporate Secretary

Daniel Desjardins
Vice President, Legal Services and Assistant Secretary

Robert Greenhill
Vice President, Strategic Initiatives

Paul H. Larose [2]
Vice President, Finance

François Lemarchand
Vice President and Treasurer

Michel Lord
Vice President, Communications and Public Relations

Louis Morin
Vice President, Finance

Michael P. O'Bree
Vice President, Internal Audit

Barry J. Olivella
Vice President, Special Projects

Ingeborg Rittweiler
Vice President, Six Sigma

Jacques Savard
Vice President and Controller

Richard T. Sloan
Vice President and General Manager, Structured Finance

Michael P. Tinker
Vice President, Human Ressources and Organizational Development

Marie-Claire Simoneau
Executive Assistant to the Chairman

[2] Paul H. Larose, who retires on September 30, 1999, was Vice President, Finance until April 1, 1999 when he became advisor to Louis Morin.

Pierre Beaudoin
President and Chief Operating Officer
Bombardier Recreational Products

Michael S. Graff
President and Chief Operating Officer
Bombardier Aerospace

Jean-Yves Leblanc
President and Chief Operating Officer
Bombardier Transportation

Pierre Lortie
President and Chief Operating Officer
Bombardier International

Pierre-André Roy
President and Chief Operating Officer
Bombardier Capital

Shareholder Information

Bombardier Inc.

Share Capital Authorized and Issued as at January 31, 1999

	Authorized	Issued
Class A shares	896 000 000	176 707 676
Class B shares	896 000 000	506 465 319
Preferred shares, Series 2	12 000 000	12 000 000

Stock Exchange Listings

Class A and B shares	Montréal and Toronto (Canada)
Preferred shares, Series 2	Montréal and Toronto (Canada)
Class B shares	Brussels (Belgium) and Frankfurt (Germany)
Stock listing codes	BBD (Montréal, Toronto) BOM (Brussels) BBDd.F (Frankfurt)

Incorporation

The Corporation was incorporated in 1902 by letters patent and prorogated June 23, 1978 under the Canadian Business Corporations Act.

Transfer Agent and Registrar

Montréal Trust Company
Halifax, Saint John (N.B.), Montréal, Toronto, Winnipeg, Regina, Calgary, Vancouver

Auditors

Ernst & Young LLP
1 Place Ville-Marie
Montréal, Québec
Canada H3B 3M9

Corporate Secretary

Bombardier Inc.
800 René-Lévesque Blvd. West
Montréal, Québec
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Annual Meeting

The annual meeting of shareholders will be held at the Montréal Sheraton Centre, on Tuesday, June 22, 1999 at 11:00 a.m.

Duplication

Athough we strive to ensure that our registered shareholders only receive one copy of our corporate documents, more specifically the annual report, duplication is unavoidable if titles are registered under different names and addresses. If such is the case, please call the following number: (514) 861-9481, extension 390.

Shareholder and Investor Relations

Shareholders

Annual Report, Annual Information Form and other documents:
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Media Relations

For information on Bombardier, contact our Public Relations Department at (514) 861-9481, extension 245. Bombardier Inc.'s press releases are available on the Internet at the following address:
www.bombardier.com

Web Site

For more information on our products and services, visit our web site at www.bombardier.com

The cover page and the editorial section of this Annual Report are printed on acid-free and recyclable paper. The financial section is printed on 100% recycled paper containing 75% post-consumer fiber.

Hallé • Lachance & Doyon inc.

BOMBARDIER
AEROSPACE

BOMBARDIER
RECREATIONAL PRODUCTS

BOMBARDIER
TRANSPORTATION

BOMBARDIER
CAPITAL

BOMBARDIER
INTERNATIONAL

Strength in Diversity

BOMBARDIER

Printed in Canada – ISBN 2-921393-39-5
Legal Deposit, Bibliothèque nationale du Québec