



**BOMBARDIER**

# Second quarterly report

Six months ended  
July 31, 1999

## Report to shareholders

For the second quarter ended July 31, 1999, consolidated revenues of Bombardier Inc. totalled \$3.2 billion, compared with \$2.5 billion for the quarter ended July 31, 1998. Net income for this second quarter was \$169.1 million, or \$0.24 per share, as against \$122.7 million, or \$0.17 per share, for the same period last year.

Consolidated revenues for the second quarter increased by 28% while net income rose by 38% compared to the same period last year.

For the six months ended July 31, 1999, consolidated revenues totalled \$6.0 billion compared with \$4.8 billion for the same period last year. Net income for the six-month period rose to \$313.6 million or \$0.44 per share, as against \$234.8 million or \$0.33 per share, for the same period last year.

Improved revenues and net income in the second quarter are mainly attributable to a good performance in the aerospace and transportation sectors. Aircraft deliveries increased in the aerospace sector while Bombardier Transportation benefited from an increase in activities in North America and Europe. The income before income taxes of Bombardier Recreational Products became slightly positive although the revenues decreased by 18%. Bombardier Capital has continued to experience a strong growth in revenues and in assets under management and, as mentioned in the previous quarter, the income before income taxes reflects the decision to recognize profits from the manufactured housing mortgage business on an as-earned basis instead of gain-on-sale.

Bombardier's order backlog at July 31, 1999 reached \$26.0 billion, a 40% increase over the \$18.6 billion backlog at the end of the second quarter last year. In aerospace, the backlog increased from \$11.8 billion last year to \$17.6 billion at July 31, 1999 and in transportation, it went from \$6.8 billion to \$8.4 billion.

During the second quarter Bombardier Aerospace received firm orders for three Canadair Regional Jet\* Series 700 and for two Series 200 aircraft. Firm orders were also received for 17 Dash 8\* Series Q400 turboprops and for one Canadair 415.

Since the end of the quarter, firm orders were received for 23 Canadair Regional Jet Series 200 aircraft.

On May 28, the first new-generation 70-passenger regional jet, the CRJ700 Series aircraft, made its public debut at the Dorval plant, one day after its first flight. On June 13, the new Bombardier Continental\* business jet was launched at the Paris Air Show. Also in June, the Dash 8 Q400 was awarded type certification from Transport Canada and the Global Express\* business jet was selected as the preferred bidder for the United Kingdom's Airborne Stand-Off Radar (ASTOR) program. At the beginning of July, Bombardier delivered its first completed Global Express aircraft.

On August 16, Bombardier Aerospace announced an increase in the production rate for the 50-passenger CRJ100 and 200 Series from 7.5 aircraft per month to 9.5, an increase of more than 25%. This rate increase will bring aircraft production to 100 units in the fiscal year 2000/01 and to 112 units in the fiscal year 2001/02.

During the quarter, Bombardier Transportation was awarded contracts for a total value of over \$1 billion including a \$655 million order from the Metropolitan Transportation Authority/Long Island Rail Road and a \$159 million order from the Belgium National Railways.

Since the end of the quarter, Bombardier Transportation was awarded a \$205 million contract for Vancouver Skytrain's new line while in France and in Germany, it received orders totalling \$135 million.

During the quarter, Bombardier Recreational Products launched its second all-terrain vehicle (ATV) model, the DS 650\* which will be introduced in the fall of 1999 and announced a \$13 million investment in its Valcourt facilities for the production of ATVs.

On August 2, 1999, the Appellate Body of the World Trade Organization confirmed the earlier ruling of a WTO Panel requesting Brazil to withdraw its ProEx subsidy program in support of Embraer aircraft sales.

Year 2000

The Corporation employs information systems throughout its operations and has put everything in place to ensure a smooth transition to the Year 2000.

All necessary conversions, replacements or alternative ways of working to meet Year 2000 operational requirements are being implemented to ensure that each business segment will meet its targets.

The evolution of the compliance issue is reviewed periodically by the management teams and no material impact on operations is anticipated, although there can be no assurance that all these modifications will be successful. However, contingency and remediation plans are being developed in order to minimise the impact of unforeseen events.

The costs incurred to date and anticipated in connection with these modifications have not had and will not have a material impact on the financial position of the Corporation.

Detailed information on the Corporation's Year 2000 project is available on the Bombardier web site at : [www.bombardier.com/Y2000/0000.html](http://www.bombardier.com/Y2000/0000.html) and has been updated as of August 24, 1999.



Robert E. Brown  
President and Chief Executive Officer

August 24, 1999

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

\*Trademark of Bombardier Inc. or its subsidiaries

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## Consolidated Balance Sheets

(unaudited)

(millions of Canadian dollars)

	<b>Bombardier Inc.</b>					
	<b>consolidated</b>		<b>Bombardier</b>		<b>BC</b>	
	<b>July 31</b>	January 31	<b>July 31</b>	January 31	<b>July 31</b>	January 31
	<b>1999</b>	1999	<b>1999</b>	1999	<b>1999</b>	1999
<b>Assets</b>						
Cash and cash equivalents	\$ 677.4	\$ 1,738.7	\$ 662.2	\$ 1,706.3	\$ 15.2	\$ 32.4
Accounts receivable	752.2	670.3	752.2	670.3	---	---
Loans and finance receivables	5,132.1	4,629.2	40.2	32.1	5,091.9	4,597.1
Inventories	5,655.5	4,576.2	5,655.5	4,576.2	---	---
Assets under operating leases	737.7	608.5	105.4	89.0	632.3	519.5
Fixed assets	1,818.3	1,842.7	1,717.0	1,747.9	101.3	94.8
Investment in BC	---	---	1,505.2	1,285.2	---	---
Other assets	233.1	206.6	156.0	148.3	97.8	64.0
	\$ 15,006.3	\$ 14,272.2	\$ 10,593.7	\$ 10,255.3	\$ 5,938.5	\$ 5,307.8
<b>Liabilities</b>						
Short-term borrowings	\$ 2,894.0	\$ 2,363.5	\$ 108.6	\$ 49.3	\$ 2,785.4	\$ 2,314.2
Accounts payable and accrued liabilities	3,212.1	3,099.7	2,938.7	2,845.5	273.4	254.2
Advances and progress billings in excess of related costs	2,175.5	2,328.6	2,175.5	2,328.6	---	---
Long-term debt	2,471.4	2,575.9	1,099.8	1,121.7	1,371.6	1,454.2
Other liabilities	544.2	416.0	562.0	421.7	2.9	---
	11,297.2	10,783.7	6,884.6	6,766.8	4,433.3	4,022.6
<b>Shareholders' equity</b>						
<b>(Investment in BC)</b>	<b>3,709.1</b>	<b>3,488.5</b>	<b>3,709.1</b>	<b>3,488.5</b>	<b>1,505.2</b>	<b>1,285.2</b>
	\$ 15,006.3	\$ 14,272.2	\$ 10,593.7	\$ 10,255.3	\$ 5,938.5	\$ 5,307.8

Notes to these consolidated financial statements provide information on the financial statement presentation.

## Consolidated Statements of Income

(unaudited)

(millions of Canadian dollars except per share amounts)

	Three months ended		Six months ended	
	July 31		July 31	
	1999	1998	1999	1998
<b>Revenues</b>				
Aerospace	\$ 1,846.7	\$ 1,378.8	\$ 3,417.7	\$ 2,632.9
Recreational Products	239.3	291.5	555.3	694.0
Transportation	959.2	711.1	1,800.6	1,314.5
BC	173.9	136.6	329.7	254.6
Intersegment eliminations	(38.3)	(29.7)	(71.9)	(60.1)
<b>External revenues</b>	<b>\$ 3,180.8</b>	<b>\$ 2,488.3</b>	<b>\$ 6,031.4</b>	<b>\$ 4,835.9</b>
<b>Income before income taxes</b>				
Aerospace	\$ 194.8	\$ 128.0	\$ 361.3	\$ 239.5
Recreational Products	1.1	7.9	1.1	23.5
Transportation	50.4	33.3	94.2	60.5
BC	6.1	19.6	11.5	37.7
	252.4	188.8	468.1	361.2
<b>Income taxes</b>	<b>83.3</b>	<b>66.1</b>	<b>154.5</b>	<b>126.4</b>
<b>Net income</b>	<b>\$ 169.1</b>	<b>\$ 122.7</b>	<b>\$ 313.6</b>	<b>\$ 234.8</b>
<b>Earnings per share:</b>				
Basic	\$ 0.24	\$ 0.17	\$ 0.44	\$ 0.33
Fully diluted	\$ 0.23	\$ 0.16	\$ 0.43	\$ 0.32
Average number of common shares outstanding during the period (millions)			683.6	679.6
<b>Net Segmented Assets</b>				
			July 31	January 31
			1999	1999
Aerospace			\$ 3,921.8	\$ 3,114.0
Recreational Products			331.4	220.9
Transportation			(941.1)	(1,245.2)
BC			1,505.2	1,285.2
			4,817.3	3,374.9
Accounts payable and accrued liabilities			2,938.7	2,845.5
Advances and progress billings in excess of related costs			2,175.5	2,328.6
Cash and cash equivalents			662.2	1,706.3
<b>Total assets - Bombardier</b>			<b>10,593.7</b>	<b>10,255.3</b>
Investment in BC			(1,505.2)	(1,285.2)
Deferred income taxes			(20.7)	(5.7)
Total assets - BC			5,938.5	5,307.8
<b>Total assets - Bombardier Inc. consolidated</b>			<b>\$ 15,006.3</b>	<b>\$ 14,272.2</b>

Notes to these consolidated financial statements provide information on the financial statement presentation.

## Consolidated Statements of Cash Flows

(unaudited)

For the six months ended July 31 (millions of Canadian dollars)

	<i>Bombardier Inc.</i>		<i>Bombardier</i>		<i>BC</i>			
	<i>consolidated</i>		1999	1998	1999	1998		
<b>Operating activities</b>								
Net income	\$	313.6	\$	234.8	\$	6.8	\$	28.9
Non-cash items:								
Depreciation and amortization		109.9		115.6		4.0		2.7
Net income from BC		---		---		(6.8)		(28.9)
Provision for credit losses - BC		10.9		7.1		---		---
Deferred income taxes		144.1		89.4		10.9		7.1
Net changes in non-cash balances related to operations		(1,215.4)		(607.5)		(0.8)		1.7
Cash flows provided by (used in) operating activities		(636.9)		(160.6)		8.0		33.8
<b>Investing activities</b>								
Additions to fixed assets		(118.3)		(119.7)		(10.4)		(16.2)
Net investment in loans and finance receivables		(527.5)		(532.6)		(8.1)		310.5
Net investment in assets under operating leases		(130.6)		(204.9)		(114.2)		(232.5)
Investment in BC		---		---		212.5		241.5
Other		(15.9)		4.5		(6.4)		(6.9)
Cash flows provided by (used in) investing activities		(792.3)		(852.7)		4.5		(437.9)
<b>Financing activities</b>								
Net variation in short-term borrowings		530.5		353.1		61.4		(72.2)
Net variation in long-term debt		(98.5)		214.6		(18.5)		(33.7)
Pension obligations		1.9		(2.2)		1.9		(2.2)
Issuance of shares, net of related costs		3.5		5.1		3.5		5.1
Dividends paid		(84.3)		(67.8)		(84.3)		(67.8)
Cash flows from (used in) financing activities		353.1		502.8		(36.0)		(170.8)
Effect of exchange rate changes on cash and cash equivalents		14.8		26.6		12.1		29.0
<b>Net decrease in cash and cash equivalents</b>		(1,061.3)		(483.9)		(1,044.1)		(372.1)
<b>Cash and cash equivalents at beginning of year</b>		1,738.7		1,227.7		1,706.3		1,090.2
<b>Cash and cash equivalents as at July 31</b>	\$	677.4	\$	743.8	\$	662.2	\$	718.1
<b>Supplemental Information</b>								
- Cash paid for interest	\$	155.4	\$	131.2				
- Cash paid for income taxes	\$	20.9	\$	36.3				

Notes to these consolidated financial statements provide information on the financial statement presentation.

## Notes to Consolidated Financial Statements

(unaudited)

The accompanying consolidated financial statements include the accounts of Bombardier Inc. and its subsidiaries (the "Corporation"), substantially all of which are wholly owned. They also include the Corporation's proportionate share of its joint ventures. 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 the elimination of balances and transactions between Bombardier and BC.

### Bombardier

This column represents the activities of the Corporation's three manufacturing segments. Each segment offers different products and uses different technology and marketing strategies and is headed by a president and chief operating officer. These segments are grouped and referred to as "Bombardier" and the intercompany transactions within this column have been eliminated. The investment of Bombardier in BC is accounted for on an equity basis.

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.

### BC

Bombardier Capital ("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 intercompany transactions within this column have been eliminated. The balance sheet caption "Investment in BC" comprises of BC's shareholders' equity as well as advances from Bombardier.

### Segment disclosures

The Corporation evaluates performance based on income or loss before income taxes. Intersegment services are accounted for as if the services were 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 investments in BC, and consequently this amount is shown as a segmented asset for BC.

### Additional Information

(millions of Canadian dollars)	For the three months ended		For the six months ended	
	July 31		July 31	
	1999	1998	1999	1998
<b>Depreciation and amortization</b>				
Aerospace	\$ 23.2	\$ 27.9	\$ 52.6	\$ 54.3
Recreational Products	8.7	9.2	16.4	17.9
Transportation	21.0	21.4	36.9	40.7
BC	2.2	1.5	4.0	2.7
	\$ 55.1	\$ 60.0	\$ 109.9	\$ 115.6
<b>Interest expense</b>				
Aerospace	\$ 36.2	\$ 19.8	\$ 70.0	\$ 50.8
Recreational Products	4.4	4.1	8.7	8.6
Transportation	(40.8)	(22.1)	(85.1)	(45.8)
BC	11.5	6.6	19.9	11.6
	\$ 11.3	\$ 8.4	\$ 13.5	\$ 25.2