



**BOMBARDIER**

# Third quarterly report

Nine months ended  
October 31, 1999

## Report to shareholders

For the third quarter ended October 31, 1999, consolidated revenues of Bombardier Inc. totalled \$3.2 billion compared with \$2.6 billion for the quarter ended October 31, 1998. Net income, before restructuring charges, for this third quarter was \$167.4 million, or \$0.24 per share, as against \$125.5 million, or \$0.17 per share, for the same period last year. This excludes restructuring charges of \$33.7 million (\$16.3 million after taxes), mostly related to severance payments for the adjustment in Bombardier Transportation's operations and workforce in Germany. After restructuring charges, net income totalled \$151.1 million, or \$0.21 per share.

Consolidated revenues for the third quarter increased by 21% while net income, excluding restructuring charges, rose by 33% compared to the same period last year.

For the nine months ended October 31, 1999, consolidated revenues of Bombardier Inc. amounted to \$9.2 billion compared with \$7.5 billion for the nine months ended October 31, 1998. Net income before restructuring charges for the nine-month period reached \$481.0 million, or \$0.68 per share, as against \$360.3 million, or \$0.50 per share, for the same period last year. Restructuring charges in the third quarter reduced net income for the nine months to \$464.7 million, or \$0.65 per share.

Improved revenues and net income in the third quarter are mostly attributable to increased aircraft deliveries in the aerospace sector, mainly for Global Express\* and Learjet\* 45 aircraft. Revenues and income before restructuring charges and income taxes of Bombardier Transportation are approximately at the same level as for the corresponding period last year. Income before income taxes of Bombardier Recreational Products were slightly positive during the third quarter and revenues increased by 12%. Bombardier Capital has experienced continuous growth in revenues and in assets under management. As mentioned in the previous quarters this year, the income before income taxes of Bombardier Capital reflects the decision to recognize profits from the manufactured housing mortgage business on an as-earned basis instead of gain-on-sale.

During the third quarter ended October 31, 1999, convertible notes were redeemed for an amount of US \$165.0 million or Cdn \$243.2 million.

Bombardier's order backlog at October 31, 1999 reached \$26.7 billion, a 25% increase over the \$21.4 billion backlog at the end of the third quarter last year. In aerospace, the backlog increased from \$14.6 billion to \$18.4 billion at October 31, 1999 and in transportation, it increased from \$6.8 billion to \$8.3 billion.

During the third quarter, Bombardier Aerospace received firm orders for 30 Canadair Regional Jet\* Series 200 aircraft and for five Dash\* 8 Series Q300, two Series Q200 and two Series Q400 aircraft. Firm orders were also received for three Canadair 415 aircraft.

Since the end of the quarter, firm orders were received for seven Canadair Regional Jet Series 200 aircraft. This includes a breakthrough sale for five aircraft to Shandong Airlines which becomes the first regional airline in China to operate a CRJ regional jet. At the Dubai 2000 Air Show held from November 14-18, 1999, Bombardier Aerospace announced the sale of 14 business aircraft including five Learjet 45, four Continental\*, two Challenger\* 604, two Learjet 60 and one Special Edition\* aircraft.

On September 30, 1999, the Corporation announced its intention to study the market for the CRJ 900, a 90-seat stretched version of its successful family of 50- and 70-seat Canadair Regional Jet while it continues to assess the opportunity of launching an all-new commercial aircraft in the 100-seat category.

During the quarter, Bombardier Transportation was awarded a number of contracts in North America and Europe for a total value of approximately \$720 million. This includes a \$205 million contract for Vancouver SkyTrain's new line and a \$103 million contract for the supply of commuter rail cars for the Metropolitan Transportation Authority/Long Island Rail Road.

Since the end of the third quarter, Bombardier Transportation was awarded contracts for a total value of \$142 million. This includes the group's \$87 million share of a \$345 million contract awarded to Bombardier Transportation and its joint venture partners, Power Pacific Corporation Ltd. and Sifang, by the Ministry of Railways of the People's Republic of China, for the supply of 300 intercity passenger vehicles. These vehicles will be built in the manufacturing facilities being established in Qingdao, China by the joint venture partners.

During the quarter, Bombardier Recreational Products unveiled its new Sea-Doo\* 2000 watercraft models all equipped with the D-Sea-Bel\* sound reduction system which reduces noise by 50% compared to traditional systems. Two new models are also equipped with technology that provides for a reduction in emissions of up to 75% and fuel economies of up to 30%.

On November 19, 1999 Bombardier Recreational Products, as the maker of Sea-Doo personal watercraft, was awarded the Designs of the Decade award. This award, sponsored by the Industrial Designers Society of America and *Business Week* magazine, is regarded as the world's most prestigious recognition for design.

## Year 2000

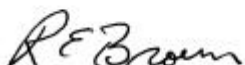
The Corporation employs information systems throughout its operations and has put everything in place to ensure a smooth transition to the Year 2000.

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, work and testing on remediation plans to minimize the impact of unforeseen events are, for the most part, completed or in the final stages of being completed. Contingency plans are going through the final stages of testing. Diligent efforts have been made to reach an appropriate level of assurance relating to the Year 2000 readiness of customers, suppliers or other third parties with whom the Corporation conducts business.

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 November 23, 1999.



Robert E. Brown  
President and Chief Executive Officer

November 23, 1999

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

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**BOMBARDIER INC.****Consolidated Balance Sheets***(unaudited)**(millions of Canadian dollars)*

	<i>Bombardier Inc.</i>		<i>Bombardier</i>		<i>BC</i>	
	<b>October 31</b>	<b>January 31</b>	<b>October 31</b>	<b>January 31</b>	<b>October 31</b>	<b>January 31</b>
	<b>1999</b>	<b>1999</b>	<b>1999</b>	<b>1999</b>	<b>1999</b>	<b>1999</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 1,117.2	\$ 1,738.7	\$ 1,089.1	\$ 1,706.3	\$ 28.1	\$ 32.4
Accounts receivable	841.5	670.3	841.5	670.3	---	---
Loans and finance receivables	6,039.2	4,629.2	40.5	32.1	5,998.7	4,597.1
Inventories	5,722.4	4,576.2	5,722.4	4,576.2	---	---
Assets under operating leases	750.2	608.5	13.5	89.0	736.7	519.5
Fixed assets	1,830.6	1,842.7	1,723.6	1,747.9	107.0	94.8
Investment in BC	---	---	1,271.2	1,285.2	---	---
Other assets	215.4	206.6	141.5	148.3	96.3	64.0
	<b>\$ 16,516.5</b>	<b>\$ 14,272.2</b>	<b>\$ 10,843.3</b>	<b>\$ 10,255.3</b>	<b>\$ 6,966.8</b>	<b>\$ 5,307.8</b>
<b>Liabilities</b>						
Short-term borrowings	\$ 3,243.5	\$ 2,363.5	\$ 250.4	\$ 49.3	\$ 2,993.1	\$ 2,314.2
Accounts payable and accrued liabilities	3,132.6	3,099.7	2,915.5	2,845.5	217.1	254.2
Advances and progress billings in excess of related costs	2,393.5	2,328.6	2,393.5	2,328.6	---	---
Long-term debt	3,564.5	2,575.9	1,079.8	1,121.7	2,484.7	1,454.2
Other liabilities	645.7	416.0	667.4	421.7	0.7	---
	<b>12,979.8</b>	<b>10,783.7</b>	<b>7,306.6</b>	<b>6,766.8</b>	<b>5,695.6</b>	<b>4,022.6</b>
<b>Shareholders' equity</b>						
<i>(Investment in BC)</i>	3,536.7	3,488.5	3,536.7	3,488.5	1,271.2	1,285.2
	<b>\$ 16,516.5</b>	<b>\$ 14,272.2</b>	<b>\$ 10,843.3</b>	<b>\$ 10,255.3</b>	<b>\$ 6,966.8</b>	<b>\$ 5,307.8</b>

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

**BOMBARDIER INC.****Consolidated Statements of Income***(unaudited)**(millions of Canadian dollars except per share amounts)*

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>October 31</i>		<i>October 31</i>	
	<b>1999</b>	1998	<b>1999</b>	1998
<b>Revenues</b>				
Aerospace	\$ 1,879.4	\$ 1,362.3	\$ 5,297.1	\$ 3,995.2
Recreational Products	406.2	361.2	961.5	1,055.2
Transportation	788.5	778.5	2,589.1	2,093.0
BC	176.8	151.2	506.5	405.8
Intersegment eliminations	(67.7)	(33.2)	(139.6)	(93.3)
<b>External revenues</b>	<b>\$ 3,183.2</b>	<b>\$ 2,620.0</b>	<b>\$ 9,214.6</b>	<b>\$ 7,455.9</b>
<b>Income before restructuring charges and income taxes</b>				
Aerospace	\$ 201.2	\$ 151.3	\$ 562.5	\$ 390.8
Recreational Products	4.7	---	5.8	23.5
Transportation	39.6	31.6	133.8	92.1
BC	13.7	10.2	25.2	47.9
	259.2	193.1	727.3	554.3
Restructuring charges - Transportation	(33.7)	---	(33.7)	---
Income before income taxes	225.5	193.1	693.6	554.3
Income taxes	74.4	67.6	228.9	194.0
<b>Net income</b>	<b>\$ 151.1</b>	<b>\$ 125.5</b>	<b>\$ 464.7</b>	<b>\$ 360.3</b>
<b>Earnings per share:</b>				
Basic	\$ 0.21	\$ 0.17	\$ 0.65	\$ 0.50
Fully diluted	\$ 0.21	\$ 0.17	\$ 0.64	\$ 0.49
Average number of common shares outstanding during the period (millions)			683.7	679.8

# BOMBARDIER INC.

## Consolidated Statements of Cash Flows

(unaudited)

For the nine months ended October 31 (millions of Canadian dollars)

	<i>Bombardier Inc.</i>		<i>Bombardier</i>		<i>BC</i>	
	<i>consolidated</i>					
	1999	1998	1999	1998	1999	1998
<b>Operating activities</b>						
Net income	\$ 464.7	\$ 360.3	\$ 464.7	\$ 360.3	\$ 14.9	\$ 28.0
Non-cash items:						
Depreciation and amortization	170.6	178.4	164.4	173.9	6.2	4.5
Net income from BC	---	---	(14.9)	(28.0)	---	---
Provision for credit losses - BC	12.3	4.3	---	---	12.3	4.3
Deferred income taxes	269.6	98.8	270.5	94.2	(0.9)	4.6
Restructuring charges	33.7	---	33.7	---	---	---
Net changes in non-cash balances related to operations	(1,283.0)	(1,030.2)	(1,231.2)	(1,100.0)	(51.8)	69.8
Cash flows from (used in) operating activities	(332.1)	(388.4)	(312.8)	(499.6)	(19.3)	111.2
<b>Investing activities</b>						
Additions to fixed assets	(215.8)	(228.6)	(196.9)	(204.8)	(18.9)	(23.8)
Net investment in loans and finance receivables	(1,534.3)	(945.9)	(8.4)	266.4	(1,525.9)	(1,212.3)
Net investment in assets under operating leases	(155.8)	(190.6)	75.5	27.8	(231.3)	(218.4)
Investment in BC	---	---	12.1	(499.3)	(12.1)	499.3
Other	1.4	11.4	4.6	17.1	(3.2)	(5.7)
Cash flows used in investing activities	(1,904.5)	(1,353.7)	(113.1)	(392.8)	(1,791.4)	(960.9)
<b>Financing activities</b>						
Net variation in short-term borrowings	931.0	662.7	204.4	165.4	726.6	497.3
Net variation in long-term debt	1,022.8	181.2	(34.5)	(63.2)	1,057.3	244.4
Pension obligations	(1.8)	(10.5)	(1.8)	(10.5)	---	---
Redemption of convertible notes	(243.2)	---	(243.2)	---	---	---
Issuance of shares, net of related costs	4.4	5.7	4.4	5.7	---	---
Dividends paid	(126.3)	(100.9)	(126.3)	(100.9)	---	---
Cash flows from (used in) financing activities	1,586.9	738.2	(197.0)	(3.5)	1,783.9	741.7
Effect of exchange rate changes on cash and cash equivalents	28.2	44.9	5.7	62.1	22.5	(17.2)
<b>Net decrease in cash and cash equivalents</b>	<b>(621.5)</b>	<b>(959.0)</b>	<b>(617.2)</b>	<b>(833.8)</b>	<b>(4.3)</b>	<b>(125.2)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,738.7</b>	<b>1,227.7</b>	<b>1,706.3</b>	<b>1,090.2</b>	<b>32.4</b>	<b>137.5</b>
<b>Cash and cash equivalents as at October 31</b>	<b>\$ 1,117.2</b>	<b>\$ 268.7</b>	<b>\$ 1,089.1</b>	<b>\$ 256.4</b>	<b>\$ 28.1</b>	<b>\$ 12.3</b>

### Supplemental Information

- Cash paid for interest	\$ 216.1	\$ 204.5
- Cash paid for income taxes	\$ 34.2	\$ 46.8

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

# **BOMBARDIER INC.**

## **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 caption "Investment in BC" is accounted for under the equity method and comprises the advances from Bombardier.

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.

### **Restructuring charges**

On September 30, 1999, the Corporation announced its plan to adjust the Bombardier Transportation's German operations and workforce to market demand. A reduction of approximately 25% of total employment of these operations is expected to take place during fiscal year 2001. A pre-tax charge of \$33.7 million (\$16.3 million after tax), mostly related to severance costs, has been recorded in the third quarter of fiscal year 2000 in connection with this restructuring.

### **Redemption of convertible notes**

During the third quarter of fiscal year 2000, the Corporation exercised its option to redeem, at its nominal value, US \$165.0 million convertible notes for an amount of \$243.2 million. The excess amount of \$51.5 million over the principal amount of the convertible notes recorded at historical exchange rates in equity, has been recorded as an adjustment to retained earnings.

### **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 are comprised of the net assets of each segment except for advances to BC and cash and cash equivalent. For BC, the measure used to evaluate the resources employed is its targeted amount of equity based on a leverage ratio of 9 to 1 and consequently this targeted amount is shown as a net segmented asset for BC.

During the third quarter of fiscal year 2000, the Corporation modified its method of allocation of interest charges to the BC segment, with retroactive effect to February 1, 1999. The new allocation basis is now used by management in evaluating performance and making operating decisions for each segment. The cumulative effect of this modification is a decrease of interest expense allocated to the BC segment for the third quarter of approximately \$7.1 million of which \$5.1 million relates to the previous two quarters. The corresponding increased in the allocation of interest expense for the other segments has been mostly borne by the aerospace segment.



**BOMBARDIER INC.****Net Segmented Assets***(unaudited)**(millions of Canadian dollars )*

	October 31 1999	January 31 1999
Aerospace	\$ 3,862.0	\$ 3,114.0
Recreational Products	277.2	220.9
Transportation	(965.2)	(1,245.2)
BC	1,021.3	826.7
	<b>4,195.3</b>	2,916.4
Accounts payable and accrued liabilities	2,915.5	2,845.5
Advances and progress billings in excess of related costs	2,393.5	2,328.6
Advances to BC	249.9	458.5
Cash and cash equivalents	1,089.1	1,706.3
<b>Total assets - Bombardier</b>	<b>10,843.3</b>	10,255.3
Investment in BC	(1,271.2)	(1,285.2)
Deferred income taxes	(22.4)	(5.7)
Total assets - BC	6,966.8	5,307.8
<b>Total assets - Bombardier Inc. consolidated</b>	<b>\$ 16,516.5</b>	<b>\$ 14,272.2</b>

**Additional Information***(unaudited)**(millions of Canadian dollars )*

	<i>Three months ended</i>		<i>Nine months ended</i>	
	October 31		October 31	
	1999	1998	1999	1998
<b>Depreciation and amortization</b>				
Aerospace	\$ 29.2	\$ 28.0	\$ 81.8	\$ 82.3
Recreational Products	10.4	10.3	26.8	28.2
Transportation	18.9	22.7	55.8	63.4
BC	2.2	1.8	6.2	4.5
	<b>\$ 60.7</b>	<b>\$ 62.8</b>	<b>\$ 170.6</b>	<b>\$ 178.4</b>
<b>Interest expense</b>				
Aerospace	\$ 63.1	\$ 32.2	\$ 133.1	\$ 83.0
Recreational Products	6.1	5.3	14.8	13.9
Transportation	(49.6)	(27.5)	(134.7)	(73.3)
BC	3.8	5.6	23.7	17.2
	<b>\$ 23.4</b>	<b>\$ 15.6</b>	<b>\$ 36.9</b>	<b>\$ 40.8</b>