



**BOMBARDIER**

# First quarterly report

Three months ended April 30, 1999

Report to shareholders

For the first quarter ended April 30, 1999, consolidated revenues of Bombardier Inc. reached \$2.9 billion, compared with \$2.3 billion for the quarter ended April 30, 1998. Net income for the first quarter was \$144.5 million, or \$0.20 per share, as against a net income of \$112.1 million, or \$0.16 per share, for the same period last year. Revenues increased by 21% while net income rose by 29% over the same quarter in 1998.

Improved revenues and net income are mainly attributable to a good performance in the aerospace and transportation sectors, combined with a reduced effective taxation rate from 35% to 33%. Despite a decrease in revenues in the recreational products sector, the restructuring plan put in place has kept income before income taxes at a break-even position. Bombardier Capital has continued to grow its revenues. The decrease in income before income taxes reflects the decision to recognize profits from its manufactured housing mortgage business on an as-earned basis instead of gain-on-sale.

Bombardier's order backlog at April 30, 1999 reached \$25.5 billion, a 40% increase over the \$18.2 billion backlog at the end of the first quarter last year. In aerospace, the backlog at April 30, 1999 was \$17.6 billion and in transportation, it reached \$7.9 billion.

During the first quarter Bombardier Aerospace received firm orders for 73 Canadair Regional Jet\* Series 200 aircraft, including the sale of 54 aircraft to Northwest Airlines. Firm orders were also received for 35 Dash 8\* turboprops. Of this total, 13 are Series Q200, 10 are Series Q300 and 12 are Series Q400.

On March 9, 1999, Bombardier Aerospace signed a contract with the United Kingdom's Royal Air Force to provide aircraft and services in support of flying training. The value of the contract is \$252 million over a 10-year period.

At the beginning of May, the Bombardier Global Express\* aircraft obtained type certification from the European Joint Aviation Authorities (JAA) making it the first ultra long-range business jet to receive this approval. The Global Express had been awarded type certification by Transport Canada on July 31, 1998, and by the United States Federal Aviation Administration (FAA) in November 1998.

During the first quarter, Bombardier Transportation received orders for the supply of 88 tramways and trailers for the cities of Schwerin, Leipzig and Rostock, in Germany, for a total value of approximately \$80 million.

Bombardier Recreational Products announced, on April 15, 1999, the merger of some administrative functions related to its snowmobile and watercraft product lines, thereby reducing its administrative costs. This reorganization takes into account slowdowns in the snowmobile and watercraft markets.

The impact of these organizational changes on the workforce were somewhat eased by the production start-up of the Traxter\* model, the Corporation's first all-terrain vehicle (ATV). Received with critical acclaim by the specialized press, the Traxter\* was voted ATV of the year by *ATV Magazine* in March 1999.

On March 12, 1999, Bombardier welcomed the ruling of the World Trade Organization (WTO) panel that Brazil's ProEx program is a prohibited subsidy and must be withdrawn without delay. Brazil has appealed the decision and a final judgment is expected in August 1999.

On April 13, the Board of Directors has approved an increase of the dividend on the common shares of the Corporation, which rises from \$0.0425 to \$0.055 per share. The dividend is payable on May 31, 1999 to the shareholders of record at the close of business on May 17, 1999.



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



Robert E. Brown  
President and Chief Executive Officer

May 20, 1999

---

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

\*Trademark of Bombardier Inc. or its subsidiaries

Bombardier Inc., 800 René-Lévesque Blvd. West, Montréal, Québec, Canada H3B 1Y8  
Telephone : (514) 861-9481, Fax : (514) 861-2420, Internet : [www.bombardier.com](http://www.bombardier.com)  
Un exemplaire en français sera expédié sur demande auprès du Service des relations publiques.

## Consolidated Balance Sheets

(unaudited)

(millions of Canadian dollars)

	<b>Bombardier Inc.</b>					
	<b>consolidated</b>			<b>Bombardier</b>		<b>BC</b>
	<b>April 30</b>	<b>January 31</b>	<b>April 30</b>	<b>January 31</b>	<b>April 30</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	\$ 715.1	\$ 1,738.7	\$ 677.9	\$ 1,706.3	\$ 37.2	\$ 32.4
Accounts receivable	762.2	670.3	762.2	670.3	---	---
Loans and finance receivables	4,898.0	4,629.2	39.3	32.1	4,858.7	4,597.1
Inventories	5,179.4	4,576.2	5,179.4	4,576.2	---	---
Assets under operating leases	647.9	608.5	110.9	89.0	537.0	519.5
Fixed assets	1,763.3	1,842.7	1,668.1	1,747.9	95.2	94.8
Investment in BC	---	---	1,464.3	1,285.2	---	---
Other assets	200.0	206.6	142.4	148.3	67.4	64.0
	\$ 14,165.9	\$ 14,272.2	\$ 10,044.5	\$ 10,255.3	\$ 5,595.5	\$ 5,307.8
<b>Liabilities</b>						
Short-term borrowings	\$ 2,578.5	\$ 2,363.5	\$ 27.3	\$ 49.3	\$ 2,551.2	\$ 2,314.2
Accounts payable and accrued liabilities	3,152.9	3,099.7	2,912.6	2,845.5	240.3	254.2
Advances and progress billings						
in excess of related costs	2,044.5	2,328.6	2,044.5	2,328.6	---	---
Long-term debt	2,432.6	2,575.9	1,092.9	1,121.7	1,339.7	1,454.2
Other liabilities	474.2	416.0	484.0	421.7	---	---
	10,682.7	10,783.7	6,561.3	6,766.8	4,131.2	4,022.6
<b>Shareholders' equity (Investment in BC)</b>	<b>3,483.2</b>	<b>3,488.5</b>	<b>3,483.2</b>	<b>3,488.5</b>	<b>1,464.3</b>	<b>1,285.2</b>
	\$ 14,165.9	\$ 14,272.2	\$ 10,044.5	\$ 10,255.3	\$ 5,595.5	\$ 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)

	<i>Three months ended</i>	
	<i>April 30</i>	<i>1998</i>
	<b>1999</b>	<b>1998</b>
<b>Revenues</b>		
Aerospace	\$ 1,571.0	\$ 1,254.1
Recreational Products	316.0	402.5
Transportation	841.4	603.4
BC	155.8	118.0
Intersegment eliminations	(33.6)	(30.4)
<b>External revenues</b>	<b>\$ 2,850.6</b>	<b>\$ 2,347.6</b>
<b>Income before income taxes</b>		
Aerospace	\$ 166.5	\$ 111.5
Recreational Products	---	15.6
Transportation	43.8	27.2
BC	5.4	18.1
	215.7	172.4
Income taxes	71.2	60.3
<b>Net income</b>	<b>\$ 144.5</b>	<b>\$ 112.1</b>
<b>Earnings per share:</b>		
Basic	\$ 0.20	\$ 0.16
Fully diluted	\$ 0.20	\$ 0.16
Average number of common shares outstanding during the period (millions)	683.4	679.1
<b>Net Segmented Assets</b>		
	<b>April 30</b>	<b>January 31</b>
	<b>1999</b>	<b>1999</b>
Aerospace	\$ 3,591.3	\$ 3,114.0
Recreational Products	284.1	220.9
Transportation	(930.2)	(1,245.2)
BC	1,464.3	1,285.2
	4,409.5	3,374.9
Accounts payable and accrued liabilities	2,912.6	2,845.5
Advances and progress billings in excess of related costs	2,044.5	2,328.6
Cash and cash equivalents	677.9	1,706.3
<b>Total assets - Bombardier</b>	<b>10,044.5</b>	<b>10,255.3</b>
Investment in BC	(1,464.3)	(1,285.2)
Deferred income taxes	(9.8)	(5.7)
Total assets - BC	5,595.5	5,307.8
<b>Total assets - Bombardier Inc. consolidated</b>	<b>\$ 14,165.9</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 three months ended April 30 (millions of Canadian dollars)

	<b>Bombardier Inc.</b>		<b>Bombardier</b>		<b>BC</b>	
	<b>consolidated</b>					
	1999	1998	1999	1998	1999	1998
<b>Operating activities</b>						
Net income	\$ 144.5	\$ 112.1	\$ 144.5	\$ 112.1	\$ 3.2	\$ 10.6
Non-cash items:						
Depreciation and amortization	54.8	55.6	53.0	54.4	1.8	1.2
Net income from BC	---	---	(3.2)	(10.6)	---	---
Provision for credit losses - BC	6.7	4.3	---	---	6.7	4.3
Deferred income taxes	65.7	30.0	69.6	30.4	(3.9)	(0.4)
Net changes in non-cash balances						
related to operations	(970.6)	(186.2)	(956.8)	(222.3)	(13.8)	36.1
Cash flows provided by (used in)						
operating activities	(698.9)	15.8	(692.9)	(36.0)	(6.0)	51.8
<b>Investing activities</b>						
Additions to fixed assets	(48.9)	(43.8)	(46.0)	(39.0)	(2.9)	(4.8)
Net investment in loans and finance receivables	(405.4)	26.8	(7.1)	321.7	(398.3)	(294.9)
Net investment in assets under operating leases	(57.4)	(89.3)	(22.0)	18.6	(35.4)	(107.9)
Investment in BC	---	---	(195.6)	(45.2)	195.6	45.2
Other	2.6	(22.3)	2.2	(16.6)	0.4	(5.7)
Cash flows provided by (used in)						
investing activities	(509.1)	(128.6)	(268.5)	239.5	(240.6)	(368.1)
<b>Financing activities</b>						
Net variation in short-term borrowings	284.2	(237.6)	(18.6)	(209.7)	302.8	(27.9)
Net variation in long-term debt	(99.3)	240.6	(20.3)	(8.5)	(79.0)	249.1
Pension obligations	5.2	(1.8)	5.2	(1.8)	---	---
Issuance of shares, net of related costs	1.5	---	1.5	---	---	---
Dividends paid	(4.1)	(4.6)	(4.1)	(4.6)	---	---
Cash flows from (used in)						
financing activities	187.5	(3.4)	(36.3)	(224.6)	223.8	221.2
Effect of exchange rate changes on cash						
and cash equivalents	(3.1)	(0.8)	(30.7)	(1.9)	27.6	1.1
<b>Net increase (decrease) in cash</b>	<b>(1,023.6)</b>	<b>(117.0)</b>	<b>(1,028.4)</b>	<b>(23.0)</b>	<b>4.8</b>	<b>(94.0)</b>
<b>and cash equivalents</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 April 30</b>	<b>\$ 715.1</b>	<b>\$ 1,110.7</b>	<b>\$ 677.9</b>	<b>\$ 1,067.2</b>	<b>\$ 37.2</b>	<b>\$ 43.5</b>

### Supplemental Information

- Cash paid for interest	\$ 54.4	\$ 48.2
- Cash paid for income taxes	\$ 11.7	\$ 23.9

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)

	<b>Three months ended</b>	
	<b>April 30</b>	
	<b>1999</b>	<b>1998</b>
<b>Depreciation and amortization</b>		
Aerospace	\$ 29.4	\$ 26.4
Recreational Products	7.7	8.7
Transportation	15.9	19.3
BC	1.8	1.2
	\$ 54.8	55.6
<b>Interest expense</b>		
Aerospace	\$ 33.8	31.0
Recreational Products	4.3	4.5
Transportation	(44.3)	(23.7)
BC	8.4	5.0
	\$ 2.2	\$ 16.8