



BOMBARDIER

Annual Information Form

1998

May 19, 1998

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NOTES:

- (1) In this Annual Information Form, all dollar figures are in Canadian dollars, unless indicated otherwise.
- (2) In this Annual Information Form, the asterisk (*) refers to a trade-mark of Bombardier Inc. or one of its subsidiaries.

Item 1 Incorporation

1.1 Incorporation of the Issuer

Bombardier Inc. (the “Corporation”) was incorporated by letters patent under the laws of Canada in 1902 and was continued under the Canada Business Corporations Act by a certificate of continuance dated June 23, 1978, which was subsequently the subject of certain amendments.

On August 5, 1988, the Corporation amalgamated with Bombardier Aero Inc. and Canadair Inc., two wholly-owned subsidiaries. The amalgamation was evidenced by a certificate of amalgamation dated August 5, 1988, and by articles of amalgamation which were amended twice to reflect stock splits in January 1992 and July 1995. On February 1, 1997, the Corporation amalgamated with Bombardier Real Estate Ltd., Bois-Franc Real Estate Ltd. and Club Challenger-Aero Inc., three wholly-owned subsidiaries. On February 2, 1998, the Corporation amalgamated with de Havilland Inc. and de Havilland Holdings Inc., two wholly-owned subsidiaries.

The articles of the Corporation authorize it to issue shares consisting of (i) an unlimited number of preferred shares without nominal or par value issuable in series (the “Preferred Shares”), of which the following have been authorized (a) one series consisting of 1,235,900 Series 1 Cumulative Redeemable Preferred Shares (the “Series 1 Preferred Shares”) (all of which have been redeemed by the Corporation on June 30, 1997), (b) one series consisting of 12,000,000 Series 2 Cumulative Redeemable Preferred Shares (the “Series 2 Preferred Shares”) and (c) one series consisting of 12,000,000 Series 3 Cumulative Redeemable Preferred Shares (the “Series 3 Preferred Shares”); (ii) 448,000,000 Class A Shares (Multiple Voting) (the “Class A Shares”) and (iii) 448,000,000 Class B Shares (Subordinate Voting) (the “Class B Subordinate Voting Shares”).

The Class A Shares and the Class B Subordinate Voting Shares are special shares (within the meaning of the relevant Canadian regulations respecting securities) in that they do not carry equal voting rights. In the event of a ballot, each Class A Share carries ten votes and each Class B Subordinate Voting Share carries one vote.

Each Class B Subordinate Voting Share carries a non-cumulative preferential dividend at the rate of \$0.00625 per annum.

Each Class A Share is convertible, at any time, at the option of the holder, into one Class B Subordinate Voting Share. Each Class B Subordinate Voting Share shall become convertible into one Class A Share in the event that an offer to purchase Class A Shares is accepted by the majority shareholder, namely the Bombardier family, or in the event that the majority shareholder ceases to hold over 50% of the outstanding Class A Shares of the Corporation.

Each Series 2 Preferred Share is convertible at the option of the holder, subject to certain conditions, into a Series 3 Preferred Share on August 1, 2002 and on August 1 every fifth year thereafter. In addition, on August 1, 2007 and on August 1 every fifth year thereafter, each Series 3 Preferred Share may be reconverted at the option of the holder, into a Series 2 Preferred Share, subject to certain conditions.

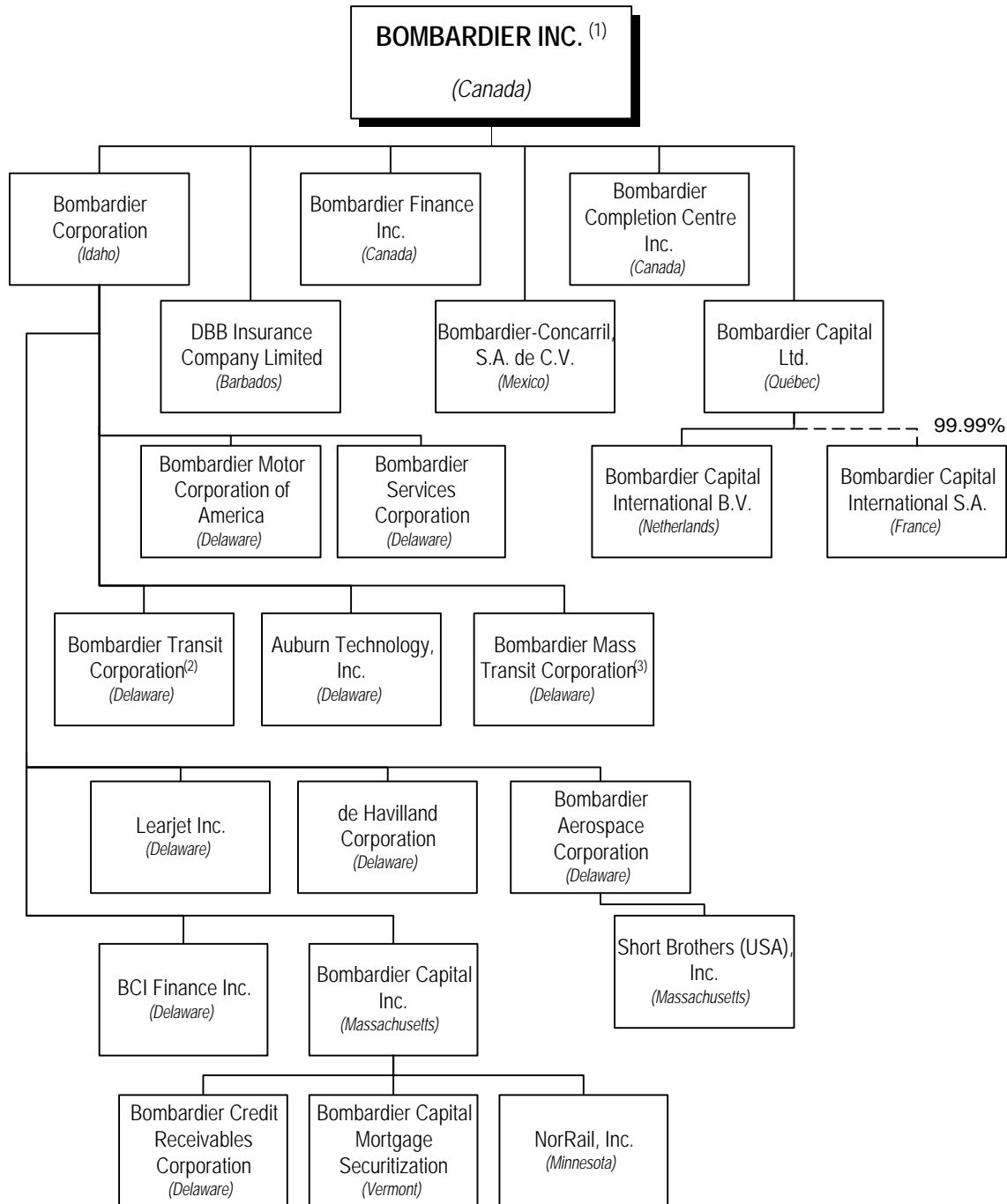
The registered office of the Corporation is located at 800 René-Lévesque Boulevard West, Montréal, Québec H3B 1Y8.

In this Annual Information Form, the term “Bombardier” means, as required by the context, the Corporation and its subsidiaries collectively or the Corporation or one or more of its subsidiaries.

1.2 Subsidiaries

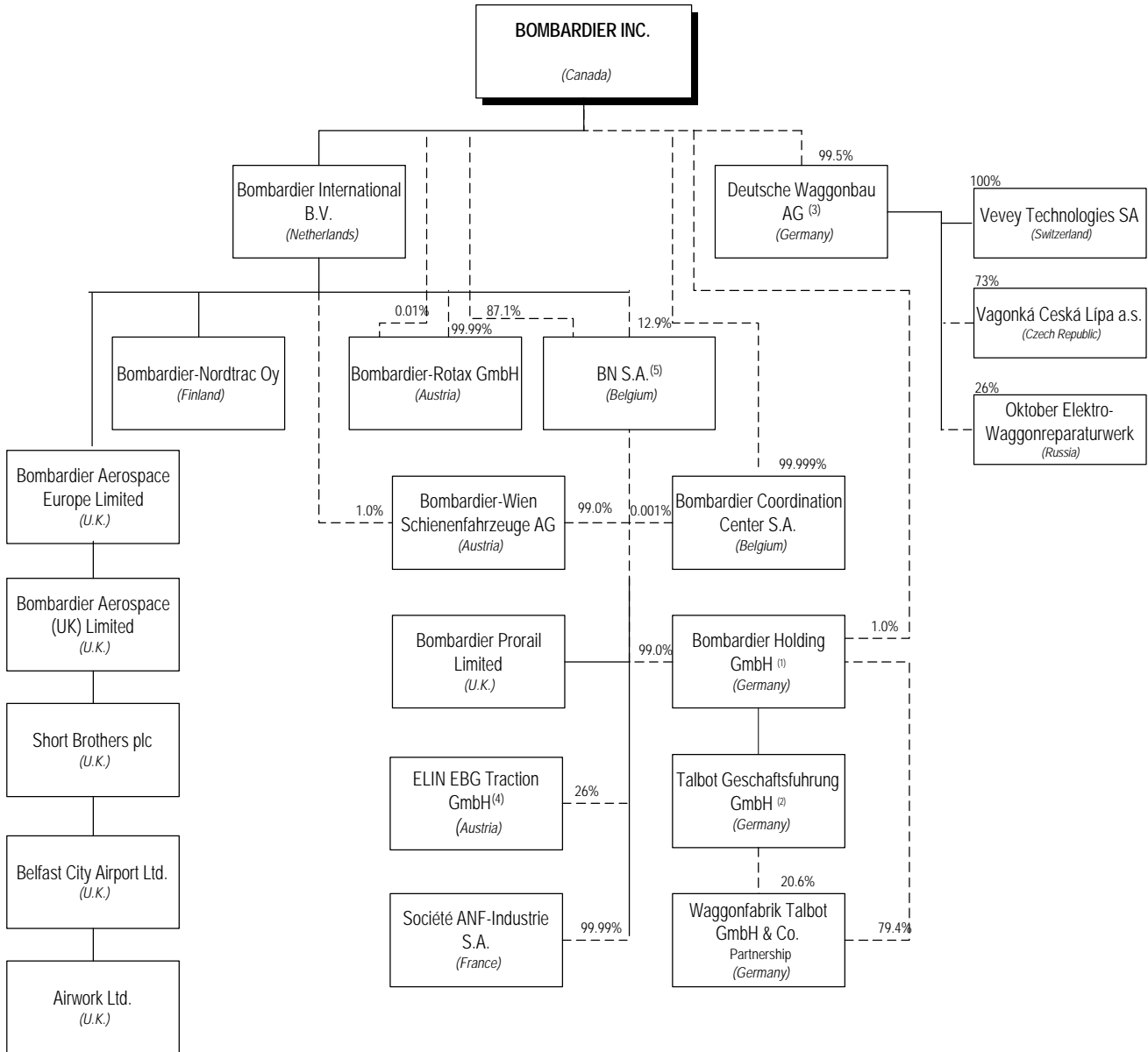
The following charts provide the name and jurisdiction of incorporation of the active, direct or indirect subsidiaries of the Corporation as at January 31, 1998. Bombardier holds 100% of the voting shares of such companies, unless otherwise indicated. There are no other classes of securities of such companies outstanding.

Active Subsidiaries – North America



- (1) On February 2, 1998, the Corporation and its two wholly-owned subsidiaries de Havilland Inc. and de Havilland Holdings Inc. were amalgamated.
- (2) Bombardier Transit Corporation was incorporated on February 24, 1998.
- (3) Prior to February 19, 1998, Bombardier Mass Transit Corporation was known as Bombardier Transit Corporation.

Active Subsidiaries – Europe and elsewhere



- (1) Limited Partner of Waggonfabrik Talbot GmbH & Co.
- (2) General Partner of Waggonfabrik Talbot GmbH & Co.
- (3) The transaction pursuant to which the Corporation acquired its interest in Deutsche Waggonbau AG was completed at the end of the 1997-98 fiscal year.
- (4) The transaction pursuant to which the Corporation acquired its interest in ELIN EBG Traction GmbH was completed on March 4, 1998.
- (5) Prior to March 6, 1998, BN S.A. was known as Bombardier Eurorail S.A.

Item 2 General Development of the Business

2.1 General

Bombardier is engaged in design, development, manufacture and marketing activities in the aerospace, recreational product and transportation equipment industries. In addition, Bombardier offers support, maintenance and training services, as well as operations management in the public and private sectors. Through various subsidiaries, the Corporation is engaged in financial services and one division of the Corporation offers real estate services. Bombardier operates plants in Canada, the United States, Mexico, Austria, Belgium, the Czech Republic, Finland, France, Germany, Switzerland and the United Kingdom. Over eighty-eight percent of its revenues are generated outside Canada.

2.2 History

Until 1973, Bombardier's operations consisted mainly of the manufacture and distribution of snowmobiles, a vehicle invented by the founder, Joseph-Armand Bombardier, in 1959. In the early 1970s, as part of a program of vertical integration, Bombardier acquired the Rotax company, which today manufactures two-stroke and four-stroke engines in Gunskirchen, Austria.

In the 1970s and 1980s, Bombardier began diversifying its operations. Starting in the mass transit industry, the Corporation signed licence agreements with European, Japanese and U.S. manufacturers, integrated its operations with those of MLW-Worthington Limited and acquired certain other companies in the industry, such as Alco Power, Inc. (now Auburn Technology, Inc.) and BN Constructions Ferroviaires et Métalliques (now BN S.A.). Then, in December 1986, the Corporation began to diversify into the aerospace industry by acquiring Canadair Limited, a large Québec-based aerospace corporation, which became Canadair Inc. in 1987 and amalgamated with the Corporation on August 5, 1988.

In October 1989, Bombardier purchased Short Brothers plc of Belfast, in Northern Ireland, from the British Government. The latter company is a major manufacturer of aerospace components and defence systems and the most important manufacturing company in Northern Ireland.

In December 1989, Bombardier purchased Société ANF-Industrie S.A., France's second largest manufacturer of railway equipment. The manufacturing facilities of the latter company are located in Crespin, near Valenciennes, and Quievrechain, in the north of France, and its executive offices are located in Crespin. This subsidiary offers a full range of rail passenger products, including the turbotrain.

In March 1990, the Corporation formed a subsidiary, Bombardier Real Estate Ltd., whose operations consisted in developing properties owned by Bombardier that were earmarked for new uses and in meeting the real estate needs of the Corporation's groups and subsidiaries. Bombardier Real Estate Ltd. amalgamated with the Corporation on February 1, 1997.

In June 1990, Bombardier purchased Learjet Corporation, which manufactures a line of small business jets. In addition, this subsidiary is a subcontractor for both commercial and government programs. Its headquarters and aircraft manufacturing operations are located in Wichita, Kansas.

On February 7, 1992, the Corporation purchased the Canadian mass transit equipment assets of UTDC Inc.

On March 9, 1992, the Corporation completed the purchase of the assets of the de Havilland division of The Boeing Company of Seattle, Washington. The purchase was made through de Havilland Inc., a company with equity of \$100 million, 51% of which was initially owned by Bombardier and 49% by the Province of Ontario. On January 28, 1997, Bombardier acquired the 49% interest of the Province of Ontario in this company. On February 2, 1998, de Havilland Inc. and de Havilland Holdings Inc. amalgamated with the Corporation. The de Havilland facilities, which are located in Downsview, Ontario, are engaged in the

manufacture of the Dash* 8 turboprop regional aircraft, the final assembly of the Bombardier Global Express* ultra-long range business jet and the assembly of wings for the Learjet 45.

On May 6, 1992, through Bombardier S.A. de C.V. (now Bombardier-Concarril, S.A. de C.V.), Bombardier completed the purchase of the net assets of Constructora Nacional de Carros de Ferrocarril, S.A., of Mexico. This subsidiary is the leading manufacturer of rail transportation equipment in Mexico. Its facilities are equipped to produce a full range of rail transportation equipment, including rubber-tired and steel-wheeled subway cars, light rail vehicles, passenger coaches and freight cars.

On November 3, 1993, Bombardier, through its subsidiary Short Brothers plc, completed the acquisition of Airwork Ltd., an international aviation support company in the United Kingdom. The latter company, headquartered in Christchurch (Dorset), England, provides a wide range of military and civil technical support services.

On November 7, 1994, the Corporation, Power Corporation of Canada and China National Railway Locomotive and Rolling Stock Industry Corporation (LORIC) of the People's Republic of China announced their intention to form a joint venture to manufacture rail passenger cars in China at the plant of Sifang, a LORIC subsidiary, located in Jihongtan, Shandong Province. The joint venture will use Bombardier technology to manufacture deluxe intercity rail passenger cars.

On November 29, 1994, the Corporation acquired a 25% interest in the share capital of Nova Bus Corporation, a North American manufacturer of city buses. The Corporation also invested in an 8%, five-year debenture of the latter company that is convertible into an additional 14% interest. In January 1997, the Corporation and the other shareholders announced their intention to divest of their interest in Nova Bus Corporation. In December 1997, Prévost Car Inc., a subsidiary of AB Volvo of Sweden, signed an agreement to acquire Nova Bus Corporation and the transaction was subsequently completed.

On April 3, 1995, Bombardier acquired all of the share capital of transportation equipment manufacturer Waggonfabrik Talbot GmbH & Co. KG of Aachen, Germany.

On December 6, 1996, through Bombardier Completion Centre Inc., the Corporation acquired the business aircraft completion division of Innotech Aviation Ltd.

On February 4, 1997, through Bombardier Capital Inc., Bombardier acquired NorRail, Inc., a railcar leasing and asset management firm based in Buffalo, Minnesota, and servicing customers in Canada, the United States and Mexico.

On December 11, 1997, Short Brothers plc acquired the shares of Specialist Aviation Services Limited, a U.K. based company specialized in the supply of helicopter services to police forces and emergency medical services.

On December 15, 1997, Bombardier, through its subsidiary Bombardier Aerospace Corporation, agreed to acquire AMR Combs BJS Inc.'s interest in Jet Solutions L.L.C., a limited liability company owned by Bombardier and AMR Combs BJS Inc. that manages aircraft for the FlexJet* program, a fractional ownership program which permits individuals or companies to purchase a share of a Bombardier business jet. The FlexJet program is offered through the Bombardier Aerospace Business JetSolutions unit. Transfer of AMR Combs BJS Inc.'s interest is to occur on a date selected by Bombardier Aerospace Corporation.

At the end of the 1997-98 fiscal year, the Corporation acquired Deutsche Waggonbau AG of Berlin, Germany, a producer of a wide range of railway equipment and products, including subway cars, urban and regional railway cars, diesel or electrical multiple-unit trains and special purpose freight wagons.

On March 4, 1998, Bombardier Transportation formed a strategic alliance with, and concluded an agreement to acquire a 26% interest in the share capital of, Vienna-based ELIN EBG Traction GmbH. The alliance with ELIN EBG Traction gives Bombardier Transportation the opportunity to extend its knowledge of propulsion technologies.

On March 27, 1998, the Corporation announced the creation of Bombardier International, a new business group whose mandate will be to pursue growth opportunities in emerging markets and accelerate the

Corporation's growth in targeted regions of the world in countries of Asia such as China, in Eastern Europe and in Latin America.

Item 3 Narrative Description of the Business

3.1 Structure and Management

Bombardier's operations are organized into three manufacturing groups and two service groups. The recently created business group, Bombardier International, is not discussed in this Annual Information Form.

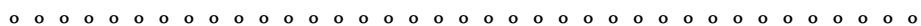
Bombardier Aerospace is responsible for all aerospace operations. Bombardier Recreational Products is engaged in the recreational products segment. Bombardier Transportation includes all the operations in the transportation equipment segment. Bombardier Services carries on its activities in the support, maintenance and training services segment and the private and public sector operations management segment. Bombardier Capital oversees operations in the financial services and real estate segments.

The three industrial groups and the two services groups are constituted as follows:

<i>Bombardier Aerospace</i>	Aerospace Segment	<ul style="list-style-type: none"> • Business Aircraft • Regional Aircraft • Amphibious Aircraft • Canadair • de Havilland • Learjet Inc. • Short Brothers plc • Shorts Missile Systems Limited (50%)
<i>Bombardier Recreational Products</i>	Recreational Products Segment	<ul style="list-style-type: none"> • Snowmobiles and ATV • Marine Products • Bombardier Rotax GmbH • Neighborhood Vehicles
<i>Bombardier Transportation</i>	Transportation Equipment Segment	<ul style="list-style-type: none"> • Mass Transit – North America • Transit Systems • Bombardier-Concarril, S.A. de C.V. • BN S.A. • Société ANF-Industrie S.A. • Bombardier-Wien Schienenfahrzeuge AG • Bombardier Prorail Limited • Waggonfabrik Talbot GmbH & Co. KG • Deutsche Waggonbau AG
<i>Bombardier Services</i>	Aviation Services Segment	<ul style="list-style-type: none"> • Defence Services • Commercial Aviation Services
	Utility Vehicles Segment	<ul style="list-style-type: none"> • Utility Vehicles
<i>Bombardier Capital</i>	Financial Services Segment	<ul style="list-style-type: none"> • Inventory Finance • Commercial and Industrial Finance • Consumer Finance • Technology Management and Finance • Mortgage Finance
	Real Estate Segment	<ul style="list-style-type: none"> • Real Estate Services

The operations of each of these groups are described hereafter under separate headings.

BOMBARDIER AEROSPACE



Bombardier Aerospace includes the operations of the Business Aircraft, Regional Aircraft and Amphibious Aircraft divisions, as well as the operations of Canadair, de Havilland, Learjet Inc., Short Brothers plc and Shorts Missile Systems Limited.

The administrative centre of Bombardier Aerospace is located in Dorval, Québec, Canada.

The following tables show the principal operation centres owned by the Corporation or one of its subsidiaries, as the case may be, unless indicated otherwise, and forming part of Bombardier Aerospace. The tables also list the type of operations conducted or products manufactured at these facilities.

Manufacturing Facilities	Area (square metres)	Products
Dorval, Québec, Canada ⁽¹⁾	53,745	Assembly of Challenger*, Canadair Regional Jet and Canadair 415* aircraft
Dorval, Québec, Canada ⁽²⁾	10,839	Final assembly and final test of Canadair 415, Challenger and storage of Canadair 415 finished aircraft
Saint-Laurent, Québec, Canada	210,792	Parts, components and spare parts for various aircraft, including Challenger, Canadair Regional Jet, Global Express and Canadair 415 aircraft; structural components for other aircraft builders such as Boeing (including the former McDonnell Douglas) and Aerospatiale
Downsview, Ontario, Canada	156,388	Manufacture and final assembly of Dash 8 aircraft, including spare parts and components for Dash 8 aircraft, manufacture of components and final assembly of Global Express aircraft and assembly of wings for the Learjet 45
Wichita, Kansas, United States	112,922	Manufacture of the Learjet line of aircraft and flight test centre for aircraft manufactured by Bombardier Aerospace
Castlereagh and Crossgar, Northern Ireland, United Kingdom ⁽³⁾	30,199	Components for guided missile systems
Dunmurry and Newtownabbey, Belfast, Northern Ireland, United Kingdom ⁽³⁾	37,211	Composite components and contracts with Boeing and Lockheed
Newtownards, Co. Down, Northern Ireland, United Kingdom ⁽³⁾	15,157	Sheet metal components
Queen's Island, Belfast, Northern Ireland, United Kingdom ⁽³⁾	148,371	Aircraft components, engine nacelles and nacelle components and spare parts either for Bombardier Aerospace or under contracts with Boeing, BMW Rolls-Royce GmbH, British Aerospace plc, Rohr Inc., Rolls-Royce plc, AlliedSignal, International Aero Engines and Gamesa

Manufacturing Facilities	Area	Products
	(square metres)	
Sydenham, Belfast, Northern Ireland, United Kingdom ⁽³⁾	12,842	Stores

- (1) The Corporation owns the buildings built on land leased to the Corporation under a lease with Aéroports de Montréal. The lease is for a 49-year term from August 1, 1992; the buildings erected on the leased land will become the property of Aéroports de Montréal upon expiration of the lease.
- (2) Facilities occupied under a lease from Air Canada expiring on October 31, 2001.
- (3) Short Brothers plc or its subsidiaries own all the buildings they occupy, except for those at Crossgar, storage facilities at Newtownards and an approximately 4,650 square metre section of the buildings located at Dunmurry which are on 21-year renewable leases. Lands at Queen's Island and Sydenham are owned by the Belfast Harbour Commissioner with whom a 125-year lease was negotiated with effect as of October 4, 1989. Lands at Castlereagh, Newtownards and Dunmurry are owned by the Industrial Development Board of Northern Ireland and are leased to Short Brothers plc on a 999-year term.

The following service centres are part of a service network called Bombardier Aviation Services. There is also a worldwide network of authorized Challenger and Learjet aircraft service facilities that are independently owned.

Service Centres	Operations
Dorval, Québec, Canada ⁽¹⁾	Interior completion and painting of Global Express and Challenger aircraft ^{(1(a))} Business aircraft maintenance activities ^{(1(b))}
Tucson, Arizona, United States ⁽²⁾	Interior completion, maintenance and refurbishment of Global Express, Challenger, Learjet and other aircraft
Denver, Colorado, United States ⁽³⁾	Maintenance of Challenger and Learjet aircraft
Windsor Locks, Connecticut, United States ⁽³⁾⁽⁴⁾	Maintenance of Challenger and Learjet aircraft
Fort Lauderdale, Florida, United States ⁽³⁾	Maintenance of Challenger and Learjet aircraft
Indianapolis, Indiana, United States ⁽³⁾	Maintenance of Challenger and Learjet aircraft
Wichita, Kansas, United States ⁽⁵⁾	Maintenance of Challenger and Learjet aircraft and refurbishment of Learjet aircraft
Berlin, Germany ⁽⁶⁾	Maintenance of Challenger and Learjet aircraft

- (1)(a) The interior completion activities are carried on in a 38,591 square metre facility opened in January 1998 and operated by Bombardier Completion Centre Inc., a subsidiary of the Corporation. This new facility will be leased from Aéroports de Montréal. Such lease is currently being negotiated for an initial term of 44 years from January 1998.
- (b) The Business Aircraft division's maintenance activities are carried on by the Corporation in a facility on Stuart Graham Road leased from Aéroports de Montréal pursuant to a lease expiring at the end of May 1998. Such lease is currently under discussion for renewal.
- (2) These facilities belong to the Tucson Airport Authority, Learjet Inc. being the lessee under the terms of a lease expiring on July 1, 2006. Learjet Inc. has the option of extending the lease at favourable rates until July 1, 2048.
- (3) In November 1994, Learjet Inc. acquired from AMR Combs, Inc. four aircraft maintenance centres which are located on leased premises with leases expiring as follows: (i) Denver on February 28, 2025; (ii) Windsor Locks on December 31, 2018; (iii) Fort Lauderdale on November 30, 2000; and (iv) Indianapolis on October 31, 2002.
- (4) A portion of the facilities at Windsor Locks, Connecticut, belongs to the State of Connecticut; since February 1, 1994, Learjet Inc., as the assignee of Canadair Challenger Inc. (now Bombardier Aerospace Corporation), has been the lessee under the terms of a lease concluded for an initial term of 35 years ending on September 30, 2014; however, Learjet Inc. is entitled to reduce such term to 30 or 25 years by giving an advance notice of six months. Also see footnote (3) above.
- (5) These facilities belong to the Wichita Airport Authority, Learjet Inc. being the lessee under the terms of a lease expiring on July 1, 2000. Learjet Inc. has an option to renew for three additional periods of ten years.
- (6) Joint venture with Lufthansa Technik AG with facilities leased from Lufthansa Technik AG.

Airport	Area (square metres)	Operations
Downsview, Ontario, Canada	802,409	Airport used to support Bombardier's manufacturing activities
Other Facilities	Area (square metres)	Operations
Dorval, Québec, Canada ⁽¹⁾	38,455	Offices for Bombardier Aerospace administrative centre
Dorval, Québec, Canada ⁽²⁾	5,857	Bombardier Aerospace Training Centre: flight and maintenance training for the Canadair Regional Jet and Challenger 604 aircraft and maintenance training for the Canadair 415 amphibious aircraft
St-Laurent, Québec, Canada ⁽³⁾	5,016	Receiving, storage and distribution of spare parts for the Canadair Regional Jet, Challenger and Canadair 415 aircraft
Downsview, Ontario, Canada ⁽⁴⁾	450	Storage of firefighting vehicles
Mississauga, Ontario, Canada ⁽⁵⁾	6,134	Storage of used production tooling and equipment
Mississauga, Ontario, Canada ⁽⁶⁾	8,204	Receiving, storage and distribution of spare parts for the de Havilland Dash 8 family of aircraft and for the Canadair Regional Jet aircraft
Taylor, Michigan, United States ⁽⁷⁾	1,579	Receiving, storage and distribution of spare parts for the Canadair Regional Jet aircraft and for the de Havilland Dash 8 family of aircraft and Short Brothers plc
Belfast City Airport, Sydenham, Belfast, Northern Ireland, United Kingdom	11,017	Operation of commercial services for Northern Belfast Airport
Interpoint, Belfast, Northern Ireland, United Kingdom ⁽⁸⁾	7,388	Training and management development

- (1) The administrative centre of Bombardier Aerospace is built on land leased to the Corporation under a lease with Aéroports de Montréal. The lease is for a 49-year term from August 1, 1992; the administrative centre erected on the leased land will become the property of Aéroports de Montréal upon expiration of the lease.
- (2) Facilities occupied pursuant to a contract with CAE Electronics Ltd. for a term of 20 years from October 1, 1995. The term may be extended by mutual agreement unless CAE notifies the Corporation of its intention not to renew at least 24 months prior to the expiration of the contract.
- (3) Facilities occupied under a lease from 142229 Canada Inc. expiring on February 28, 2002.
- (4) Various facilities occupied on short-term leases or licenses of less than one year.
- (5) Facilities occupied under a lease from Slough Estates Canada Limited expiring on January 31, 1999.
- (6) Facilities occupied under a lease from 175694 Canada Inc. expiring on July 31, 2011.
- (7) Facilities occupied under a lease for an initial term of five years from March 1, 1992, which has been extended to February 28, 1999.
- (8) The Interpoint facility is owned by Short Brothers Flax Trust Limited, a joint venture whose share capital is owned 50% by Short Brothers plc and 50% by Flax Trust. Short Brothers plc is leasing approximately 5,580 square metres from Short Brothers Flax Trust Limited on a 21-year commercial lease ending on February 1, 2015.

Marketing of the products of Bombardier Aerospace is provided by marketing or sales offices. In North America, these marketing or sales offices are located in Canada (in Montréal and Toronto) and the United States (in the states of Arizona, California, Connecticut, Georgia, Illinois, Pennsylvania, Texas and Virginia

and in Washington, D.C.). In Europe, marketing is effected through offices in Germany and the United Kingdom. In Asia, such offices are maintained in Dubai, the United Arab Emirates; Hong Kong; Malaysia; the People's Republic of China and Singapore. Finally, Bombardier Aerospace maintains a marketing office in Australia.

As at January 31, 1998, Bombardier Aerospace's order backlog amounted to \$10.1 billion, compared with \$6.2 billion as at January 31, 1997.

Business Aircraft

The Business Aircraft division is responsible for all operations related to marketing, sales and customer support for the Challenger 604 large intercontinental business jet, the Canadair Special Edition and Corporate Jetliner aircraft (two corporate variants of the Canadair Regional Jet), the Bombardier Global Express ultra long-range aircraft, as well as the Learjet family of light, super-light and mid-size jets (Learjet 31A, 45 and 60, respectively).

Aircraft ordered by customers are manufactured on behalf of the Business Aircraft division by the manufacturing facilities of Bombardier Aerospace. The raw materials and the various components and systems required to manufacture the aircraft are sourced around the world and this sourcing varies from product to product; however, most such materials, components and systems are provided by Canadian and U.S. suppliers with which Bombardier generally has long-term contracts.

Reference is made to the headings "Deliveries", "Market Shares", "Development Programs" and "Market and Prospects" in the section "Business Aircraft" under the item "Management's Discussion and Analysis" on pages 11 and 12 of the Corporation's Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

● **Challenger 604 Aircraft**

The Challenger 604 aircraft is a large, twin-engine intercontinental business jet capable of non-stop flights of over 4,000 nautical miles. The Challenger 604 aircraft is the fifth generation of the proven widebody Challenger design, the previous models being the Challenger 600, 601, 601-3A and 601-3R.

Main competitors of the Challenger 604 aircraft vary from transaction to transaction based on specific customer needs and brand loyalty, but they often include the Falcon 2000 and Falcon 900B manufactured by Dassault, as well as the Gulfstream IV-SP.

● **Canadair Special Edition and Corporate Jetliner Aircraft**

The Canadair Special Edition and the Canadair Corporate Jetliner aircraft are derived from the same platform as the Canadair Regional Jet aircraft. The Canadair Special Edition aircraft offers a large executive cabin and a transcontinental range of about 3,000 nautical miles, sufficient to fly non-stop between key city pairs such as New York and Los Angeles. No other business jet manufacturer offers an aircraft similar in price, range and cabin size to the Canadair Special Edition aircraft.

The Canadair Corporate Jetliner aircraft was launched to cater to the needs of large corporations and governments for a high-density shuttle jet. While it has the same exterior dimensions as the Canadair Special Edition aircraft (and the Canadair Regional Jet aircraft), the Canadair Corporate Jetliner aircraft is typically delivered with a 20-40 seat configuration, as opposed to 19 or less for the Canadair Special Edition aircraft. With 30 passengers on board, the Canadair Corporate Jetliner aircraft offers a range of about 2,500 nautical miles. No other business jet manufacturer offers an aircraft similar in price, seating capacity and range to the Canadair Corporate Jetliner aircraft. However, some customers may consider shuttle variants of regional turboprop aircraft such as the de Havilland Dash 8 or Saab 2000 as alternatives.

- **Bombardier Global Express Aircraft**

The Bombardier Global Express aircraft is the world's fastest ultra long-range business jet, and the only one that will cover distances of up to 6,700 nautical miles at Mach 0.80 without a stop. Designed as a completely new aircraft to meet the increasing travel needs of global organizations, the Global Express aircraft is setting new industry standards for "top-of-the-line" business jets.

Analysts have estimated total demand for ultra long-range business jets at 500 to 800 units. The Global Express aircraft is competing in this new segment against the Gulfstream V and, to a much lesser extent, the Boeing Business Jet and the Airbus A319CJ. First deliveries of the Gulfstream V took place in December 1996 while those of the Boeing Business Jet are planned for late 1998. Flight testing of the Global Express is currently under way and certification is expected for June 1998 and customer deliveries are scheduled to begin in the second half of 1998. The initial customer aircraft are already in the completion centre. The Global Express backlog increased to 73 units by the end of fiscal 1997-98. Actual market share figures are not meaningful at this stage due to differences in program timing. However, it is Bombardier's objective to be the market share leader once all four aircraft models are in production.

- **Learjet Products**

The Business Aircraft division is also responsible for all operations related to sales, marketing and customer support for the Learjet line of light, super-light and mid-size business jets. The main competitors for the Learjet 31A, Learjet 45 and Learjet 60 aircraft are the models manufactured by Cessna and Raytheon Aircraft.

The Learjet 31A light jet is a derivative of the renowned Learjet 35A model. The Learjet 60 mid-size jet, the first new Learjet product launched since Learjet Inc. became a subsidiary of Bombardier, is a derivative of the Learjet 55 aircraft. Finally, the new Learjet 45 super-light jet is positioned between the 31A and 60 models in terms of price and range capability. The aircraft received FAA type certification in September 1997. The first deliveries of the Learjet 45 aircraft are expected to begin in the spring of 1998 following a program of post-certification improvements.

- **Bombardier Business JetSolutions**

Bombardier Business JetSolutions is one of three organizations pioneering the concept of fractional ownership of new business aircraft in North America with its FlexJet program. This concept lowers the entry cost of business jet ownership by allowing customers to purchase a fraction of an aircraft, typically in multiples of 1/8. It also eliminates the "hassle factor" of operating a highly technical aircraft. The vast majority of Bombardier Business JetSolutions customers have never owned a business jet before. Hence, this concept has in fact stimulated demand for business jets. In 1997 fractional ownership accounted for slightly more than 13% of industry deliveries, up from only 1% in 1993. The largest player in this segment is Executive Jet, founded in 1986 and operating through two different subsidiaries respectively called EJA (Executive Jet Aviation) and EJI (Executive Jet International). As an independent organization, Executive Jet has typically purchased new aircraft from different manufacturers, such as Gulfstream, Cessna and Raytheon, on a case-by-case basis. Business JetSolutions, launched in May 1995 as a joint venture with AMR Corporation, is by far the second largest firm in this segment. Bombardier has recently agreed to acquire AMR Combs' interest in the FlexJet program, thus strengthening its commitment to fractional ownership. The third largest player, Travel Air, was launched by Raytheon Aircraft in June 1997. A handful of small organizations have also been launched over the last year to apply the concept of fractional ownership to used aircraft or non-jet aircraft. The fast rate of growth experienced by this segment is expected to continue for some time, as more and more businesses become familiar with the concept of fractional ownership and realize how affordable it is.

● Aviation Services

Beyond full and fractional ownership, the Business Aircraft division provides the industry's most comprehensive range of aviation services, including worldwide charter operations, aircraft maintenance, top-rated customer support, pilot training and interior completions through several of its organizations.

Bombardier is moving rapidly toward seamless worldwide business charter service through a network of strategic alliances. In North America, Business JetSolutions offers one of the largest and most diverse charter fleets in the world through the Alliance Plus program. Asian charter capabilities began in early 1996 when the Corporation formed a strategic alliance with Global Aviation Ltd., a subsidiary of the Winfair Group, with operations in Seletar, Singapore and at Guangzhou, People's Republic of China.

Aviation maintenance capabilities include a network of seven factory service facilities in six U.S. locations and in Berlin, Germany. Lufthansa Bombardier Aviation Services GbmH, the joint venture between Lufthansa Technik and Bombardier Aerospace, began operations in November 1997.

Business Aircraft Customer Support provides technical and total product support for operators of all Bombardier business aircraft, including fractional owners. A modern training facility in Montréal has recently added a full-motion Global Express simulator alongside the Challenger 604 simulator for comprehensive pilot training program. This marks the first time in the industry that a simulator has been in place before customers take delivery of their aircraft. This will allow pilots to be fully proficient with their aircraft at delivery.

Bombardier has established a network of completion facilities to provide operators with superior quality, cost-effective service. The Bombardier Completion Center located in Tucson specializes in delivering customized interiors and conducting interior refurbishment for Learjet 31A, Learjet 60 and Challenger 604 aircraft. The new Bombardier Completion Centre located in Montréal provides added capacity, capability and flexibility to meet growing market demand, particularly for the new Global Express aircraft in which this facility specializes. Learjet 45 factory completions are being conducted on-site, in another new facility, at Bombardier's Wichita Learjet site.

Regional Aircraft

The Regional Aircraft division markets and supports the Canadair Regional Jet aircraft family and the de Havilland Dash 8 turboprop aircraft family.

The Canadair Regional Jet aircraft, the Canadair Corporate Jetliner Shuttle and the Canadair Special Edition aircraft, which are modified versions of the Canadair Regional Jet aircraft, are manufactured at the Canadair facilities. Raw materials and equipment are procured from suppliers in Canada, the United States and Europe with which the Corporation generally has long-term contracts.

The Canadair Regional Jet family consists of the 50-passenger Series 100 and Series 200 aircraft and the 70-passenger Series 700 aircraft. The Canadair Regional Jet Series 100 and Series 200 aircraft are currently in service with some 26 operators in 14 countries. The Canadair Regional Jet Series 700 aircraft program was launched in January 1997. Certification of this new aircraft is planned before the end of the year 2000 with first deliveries shortly thereafter.

The de Havilland Dash 8 family of turboprops manufactured at the de Havilland facilities consists of the 37-passenger Series 100 and Series 200 aircraft, the 50-passenger Series 300 aircraft and the 70-passenger Series 400 aircraft. The Dash 8 Series 100, 200 and 300 are currently in service with some 75 operators in 34 countries. The Dash 8 Series 400 program was launched in June 1995 and first flew on January 31, 1998. Certification is scheduled for the first quarter of 1999 and will be closely followed by the initial customer deliveries.

The Canadair Regional Jet aircraft family faces two competitors: Embraer Empresa Brasileira De Aeronautica S.A. ("Embraer") of Brazil, which produces the EMB-145, a 50-passenger jet, and has recently launched the 30-passenger jet EMB-135, while Aero International (Regional) ("AI(R)") (a consortium

consisting of Aerospatiale of France, Alenia of Italy and British Aerospace of the United Kingdom) markets a family of large regional jets, namely the BAe RJ85 (85 passengers) and the BAe RJ100 (100 passengers). In addition, Fairchild-Dornier of the United States has recently entered the market with a 30-passenger jet, the DO-328J.

The main products in competition with the de Havilland Dash 8 aircraft family come from the following companies: AI(R), Saab Aircraft of Sweden, Embraer of Brazil, and Fairchild-Dornier of the United States. The Dash 8 Series 100 and 200 aircraft face competition from the Fairchild-Dornier 328, Embraer 120 and the Saab 340. The Dash 8 Series 300 aircraft faces competition from the AI(R) ATR 42 and the Saab 2000. The Dash 8 Series 400 faces competition from the AI(R) ATR 72. Saab has announced that its commercial aircraft products will cease production during 1998.

Reference is made to the headings “Deliveries”, “Orders and Backlog”, “Market Shares”, “Product Development” and “Market and Prospects” in the section “Regional Aircraft” under the item “Management’s Discussion and Analysis” on pages 13 and 14 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

Amphibious Aircraft

The Amphibious Aircraft division is currently marketing the Canadair 415 turboprop amphibious aircraft. This aircraft is in service in Canada, Croatia, France and Italy. In addition to its traditional role of aerial firefighting, the Canadair 415 can be configured for other specialized missions, including maritime surveillance, search and rescue and utility transport.

Reference is made to the headings “Deliveries” and “Market and Prospects” in the section “Amphibious Aircraft” under the item “Management’s Discussion and Analysis” on page 14 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

Canadair

At the Canadair facilities, Bombardier Aerospace produces the Challenger and Canadair Regional Jet aircraft and the Canadair 415 turboprop amphibious aircraft. In addition, it manufactures major airframe components for aircraft designed and built by other North American and European aircraft manufacturers.

Reference is made to the headings “Production and Deliveries (Airframes)” and “Market and Prospects” in the section “Component Manufacturing” under the item “Management’s Discussion and Analysis” on page 15 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

de Havilland

The principal activity at the de Havilland facilities is the manufacture of the Dash 8 family of aircraft which allows the Regional Aircraft division to offer, together with the Canadair Regional Jet family of aircraft, a full range of jet and turboprop regional aircraft to airline companies. In addition, the de Havilland facilities carry out the final assembly of the Global Express aircraft. It also provides the wings for the Learjet 45 aircraft.

Reference is made to the headings “Deliveries”, “Orders and Backlog”, “Market Shares”, “Product Development” and “Market and Prospects” in the section “Regional Aircraft” under the item “Management’s Discussion and Analysis” on pages 13 and 14 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

Learjet Inc.

The principal activity of Learjet Inc. is to manufacture the light Learjet 31A aircraft, the super-light Learjet 45 aircraft and the mid-size Learjet 60 aircraft. The Business Aircraft division is responsible for the marketing, sales and product support for these three aircraft models.

Reference is made to the headings “Deliveries”, “Market Shares”, “Development Programs” and “Market and Prospects” in the section “Business Aircraft” under the item “Management’s Discussion and Analysis” on pages 11 and 12 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

Flight test centre: Learjet Inc. operates the flight test centre in Wichita, Kansas, which is used for certification flight test programs for the aircraft manufactured by Bombardier Aerospace. The Canadair Regional Jet, Challenger 604, Dash 8 Series 400 and Canadair 415 aircraft were flight-tested at the centre. The flight test programs for the Learjet 45 aircraft and the Global Express aircraft are in progress at the centre.

Short Brothers plc

The activities of Short Brothers plc involve the design, development, manufacture, supply and support of airframe components, aircraft engine nacelles and nacelle components.

This company supplies various airframe components for the Canadair Regional Jet, the Learjet 45 and the Global Express aircraft. It also produces engine nacelles for the Canadair Regional Jet, the Global Express, the Challenger and the Dash 8 Series 400 aircraft. It is participating in the design of the new Canadair Regional Jet Series 700 aircraft and will manufacture components and engine nacelles for the aircraft.

This subsidiary also produces airframe components for certain current Boeing airliners as well as for the Lockheed C-130 aircraft and the Apache helicopter selected by the United Kingdom Ministry of Defence. This company also has particular expertise in the innovative use of composite materials to produce lightweight nacelle components. In addition, it manufactures components or complete nacelle sets for the General Electric CF34, BMW Rolls-Royce BR710, International Aero Engines V2500, Rolls-Royce RB211 Trent, Pratt & Whitney 150A, AlliedSignal LF507 and Allison 3007 engines.

Reference is made to the headings “Production and Deliveries (Airframes)”, “Production and Deliveries (Nacelles)” and “Market and Prospects” in the section “Component Manufacturing” under the item “Management’s Discussion and Analysis” on page 15 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

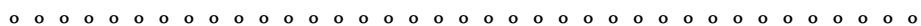
Shorts Missile Systems Limited

Shorts Missile Systems Limited is part of a 50-50 joint venture company between Short Brothers plc and Thomson-CSF of France in the field of very-short-range air defence systems. The current products are the Starburst* and Starstreak* missile systems, the Aspic* vehicle-based automatic firing post and the Samantha* and Clara* early-warning and command and control systems.

Reference is made to the headings “Deliveries and Orders”, “Product Development” and “Market and Prospects” in the section “Close-air Defence Systems” under the item “Management’s Discussion and Analysis” on page 15 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

BOMBARDIER

RECREATIONAL PRODUCTS



The operations of Bombardier Recreational Products are conducted through three divisions, namely, Snowmobiles and ATV, Marine Products, Neighborhood Vehicles, and also through the subsidiary Bombardier-Rotax GmbH in Austria.

The following tables show the principal operation centres owned by the Corporation or one of its subsidiaries, as the case may be, unless indicated otherwise, and forming part of Bombardier Recreational Products. The tables also show products manufactured or operations conducted at such facilities, as the case may be.

Manufacturing Facilities	Area (square metres)	Products
Sherbrooke, Québec, Canada	35,302	Design, development and assembly of the Bombardier's neighborhood vehicle
Valcourt, Québec, Canada	86,917	Assembly of Ski-Doo snowmobiles and Sea-Doo watercraft and manufacture of related components
Benton, Illinois, United States	32,515	Manufacture of Sea-Doo boats
Gunskirchen, Austria	52,953	Manufacture of engines and engine components for Ski-Doo and Lynx snowmobiles, Sea-Doo watercraft and boats, small and ultra-light aircraft, motorcycles and scooters, as well as engines for special applications
Rovaniemi, Finland	5,574	Assembly of Lynx and Ski-Doo Skandic* Wide Track snowmobiles and manufacture of snowmobile components
<hr/>		
Distribution Centres	Operations	
Sherbrooke, Québec, Canada	Distribution of parts, clothing and accessories for Ski-Doo snowmobiles and Sea-Doo watercraft and boats	
Benton, Illinois, United States	Distribution of Sea-Doo boats and spare parts	
Wausau, Wisconsin, United States ⁽¹⁾	Distribution of Ski-Doo snowmobiles, Sea-Doo watercraft and their parts, clothing and accessories	
Rovaniemi, Finland	Distribution of Ski-Doo and Lynx vehicles, parts, clothing and accessories for Ski-Doo and Lynx snowmobiles	

(1) This distribution centre is leased.

Marketing of the products manufactured by Bombardier Recreational Products is carried out through its divisions' and subsidiaries' marketing or sales offices located in Canada, the United States, Austria, Finland, France, Russia and Singapore and through a network of authorized distributors and dealers.

Snowmobiles and ATV

● Snowmobiles

Bombardier Recreational Products develops, manufactures and markets a complete line of snowmobiles which are distributed worldwide under the trade-names Ski-Doo and Lynx. The subsidiary Bombardier-Nordtrac Oy, of Rovaniemi, Finland, is part of Snowmobiles and ATV. Bombardier is one of the world's largest manufacturers of snowmobiles. The engines for Bombardier's snowmobiles are manufactured by its subsidiary Bombardier-Rotax GmbH. Since snowmobiles were developed and introduced by Bombardier in 1959, they have undergone major technical improvements. Their use is specifically regulated in most Canadian provinces and American states as well as in Europe and Scandinavia. Snowmobile replacement sales represent a substantial proportion of total sales.

The line of snowmobiles offered by Bombardier in 1997-98 consists of 35 Ski-Doo models in seven different categories and 16 Lynx models in six different categories.

The table below sets forth the estimated total number of units sold on retail markets in North America during the last six 12-month periods ended March 31, according to figures published by the International Snowmobile Industry Association until March 31, 1997 and by the International Snowmobile Manufacturers Association as of March 31, 1998:

<u>Periods ended March 31</u>	<u>Number of units sold (North America)</u>
1993	141,000
1994	161,000
1995	193,000
1996	235,000
1997	239,000
1998	231,000

Ski-Doo snowmobiles are sold in North America through a network of some 820 authorized dealers with which Bombardier deals either directly or through authorized distributors. In Europe, Ski-Doo and Lynx snowmobiles are sold through authorized distributors and agents, except in Sweden and Norway, where Bombardier started selling to authorized dealers during 1994-95 in Sweden and during 1995-96 in Norway.

Bombardier competes in various snowmobile markets with U.S. and Japanese manufacturers, namely, Arctic Cat, Polaris and Yamaha.

Reference is made to the headings "Sales and Market (North America)", "Sales and Market (Europe)", "Product Development" and "Prospects" in the section "Snowmobiles" under the item "Management's Discussion and Analysis" on pages 17 and 18 of the Corporation's Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

● ATV

Bombardier Recreational Products has decided to enter the ATV market. Accordingly, in February 1998, the Bombardier ATV Traxter* model was introduced to the dealers and the public. The breakthrough innovations on the Traxter include a new Rotax engine built specifically for ATVs, and the industry's first "Step-through" design for easy mounting and dismounting.

The first Bombardier ATV, the Traxter model, will go on sale in the fall of 1998. It has a future full of promise, in a market that just keeps growing. In North America, retail sales of ATVs hit 400,000 units in 1997, up 13% over 1996 with 354,000 sold.

Six manufacturers compete with Bombardier in the ATV market, namely, Honda, Polaris, Yamaha, Suzuki, Arctic Cat and Kawasaki.

Reference is made to the heading “New Products” under the item “Management’s Discussion and Analysis” on page 19 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

Marine Products

Under the Sea-Doo brand name, Bombardier develops, manufactures, markets and sells a full product line of personal watercraft of the “sit-down” type, as well as five models of boats.

The product line of “sit-down” personal watercraft offered by Bombardier in 1998 consists of eight Sea-Doo models.

Some 16% of Sea-Doo watercraft sales were made outside North America during the selling season ended September 30, 1997. This is an increase of 3% over the preceding year and shows the growing importance of international markets for the Marine Products division. With a distribution network now covering approximately 90 countries, Bombardier is well positioned to take advantage of the international potential while consolidating and enhancing its leadership position in North America, where there are nearly 900 authorized Sea-Doo watercraft dealers. Bombardier continues to explore opportunities for extending this network to other regions of the world where there are emerging markets.

Four manufacturers currently compete with Bombardier in the personal watercraft industry, namely, Arctic Cat, Kawasaki, Polaris and Yamaha.

With a product line of five boats in 1998, Bombardier is the market leader in this relatively new segment which offers interesting growth potential. Bombardier’s main competitors are Brunswick and Yamaha.

Reference is made to the headings “Fiscal Year Sales”, “Market (Personal Watercraft)”, “Product Development (Personal Watercraft)”, “Prospects (Personal Watercraft)”, “Market (Boats)”, “Product Development (Boats)” and “Prospects (Boats)” in the section “Marine Products” under the item “Management’s Discussion and Analysis” on pages 18 and 19 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

Bombardier-Rotax GmbH

The subsidiary Bombardier-Rotax GmbH develops, manufactures, markets and sells two-stroke and four-stroke engines under the Rotax* brand name at its plant in Günskirchen, Austria. The engines are used in Ski-Doo and Lynx snowmobiles, in Sea-Doo personal watercraft and boats and in the new Bombardier ATV. It also supplies motorcycle and scooter engines to European vehicle manufacturers as well as engines which are distributed worldwide for small and ultra-light aircraft.

Reference is made to the headings “Sales”, “Product Development” and “Prospects” in the section “Engines” under the item “Management’s Discussion and Analysis” on page 19 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

Neighborhood Vehicles

The Neighborhood Vehicles division designs, manufactures, markets and sells the Bombardier NV* which was launched in Arizona in 1996. This two-passenger electric neighborhood vehicle is designed and marketed for low-speed and short-distance use in closed communities and in other areas where its use is allowed by law. The first units were delivered to customers in January 1997. The Bombardier NV is expected to be the first large-scale production vehicle in its category.

Reference is made to the heading “The NV: a neighborhood vehicle” under the item “Management’s Discussion and Analysis” on page 19 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

BOMBARDIER

TRANSPORTATION



Bombardier Transportation has the technology and know-how to produce a range of vehicles that meet most of the needs and requirements of mass transit markets while pursuing research and development activities to create new products for future market needs. In the past, one of Bombardier’s principal strategies in the transportation equipment segment was to acquire proven technologies in order to minimize the risks and investments involved in research. Bombardier developed and adapted such technologies to the specific needs of its customers.

By acquiring Pullman Technology Inc. in December 1986, Bombardier became the owner of technologies for all Pullman rolling stock and of the design of many of the mass transit vehicles used in North America, including the design and technology for Erie-Lackawanna commuter cars (previously manufactured by Bombardier under licence) and Superliner[†] transcontinental rail passenger cars. Similarly, by acquiring Société ANF-Industrie S.A. in December 1989, Bombardier gained control over the technologies developed by the latter company, which include those pertaining to the turbotrain, a high-speed turbo-propulsion train. In addition, the acquisition by the Corporation of the Canadian assets of UTDC Inc. at the beginning of February 1992 gave Bombardier Transportation access to the SkyTrain* technology now used by its Transit Systems division. SkyTrain is a fully automated, driverless transit system. The acquisition of Waggonfabrik Talbot GmbH & Co. KG in April 1995 gave Bombardier access to a number of innovative technologies, including that for the Talent* self-propelled trainset, while the acquisition at the end of the fiscal year 1997-98 of Deutsche Waggonbau AG of Berlin, Germany, one of the most important suppliers of passenger railcars to Deutsche Bahn AG, provided Bombardier with access to the East and Central European markets. On March 4, 1998, Bombardier Transportation formed a strategic alliance with, and concluded an agreement to acquire a 26% interest in the share capital of, Vienna-based ELIN EBG Traction GmbH. This alliance provides a source of electrical equipment for Bombardier Transportation’s main products, including its Talent line. The Corporation is now well placed to enhance its expertise in traction technology and to initiate joint development projects with ELIN EBG.

The operations of Bombardier Transportation comprise, among other things, the design, manufacture, sale and maintenance of vehicles for urban, suburban and intercity rail-passenger transportation, as well as integrated rail transit systems for turnkey projects.

The administrative centre of Bombardier Transportation is located in Saint-Bruno-de-Montarville, Québec, Canada.

The following tables show the principal operation centres owned by the Corporation or one of its subsidiaries, as the case may be, unless indicated otherwise, and forming part of Bombardier Transportation. The tables also list the type of operations conducted or products manufactured at these facilities.

Manufacturing Facilities	Area	Products
La Pocatière, Québec, Canada	(square metres) 48,800	Mass transit vehicles
Millhaven (Kingston), Ontario, Canada	12,500	Mass transit vehicles
Thunder Bay, Ontario, Canada	53,300	Mass transit vehicles

[†] Registered trade-mark of the National Railroad Passenger Corporation.

Manufacturing Facilities	Area	Products
	(square metres)	
Auburn, New York, United States	22,200	Engine block machining Aerospace components
Plattsburgh, New York, United States ⁽¹⁾	5,853	Mass transit vehicles
Barre, Vermont, United States ⁽²⁾	10,000	Mass transit vehicles
Sahagún, Mexico	106,322	Mass transit vehicles and freight cars Refurbishment of rail passenger cars
Vienna, Austria	23,234	Mass transit vehicles
Brugge, Belgium	135,600	Mass transit vehicles Railway equipment
Manage, Belgium	40,800	Railway equipment
Ceská Lípa, Czech Republic	72,537	Railway equipment
Crespin, France	178,000	Mass transit vehicles Railway equipment Bogies
Quievrechain, France	12,350	Railway seats and fittings
Aachen, Germany	79,730	Mass transit vehicles Bogies Intermodal freight equipment
Bautzen, Germany	84,406	Mass transit vehicles
Berlin, Germany	14,027	Electrical components
Görlitz, Germany	96,172	Mass transit vehicles
Halle, Germany	107,277	Mass transit vehicles
Niesky, Germany	51,410	Freight cars
Vetschau, Germany	12,037	Bogies
Villeneuve, Switzerland	17,981	Mass transit vehicles
Wakefield, Yorkshire, England, United Kingdom	32,400	Mass transit vehicles Refurbishment of rail passenger cars Tank bodies for tank trailers

(1) Leased under an operating lease with Plattsburgh City LDC Inc. for a period of ten years commencing February 1995, with an option to renew for an additional five years.

(2) Leased under a capital lease.

Other Facilities	Area	Products
	(square metres)	
Saint-Bruno-de-Montarville, Québec, Canada	14,000	Offices for Bombardier Transportation administrative centre
Berlin, Germany	4,287	Administrative offices for Deutsche Waggonbau AG

Marketing of the products manufactured by Bombardier Transportation is carried out through marketing or sales offices. In North America, these marketing or sales offices are located in Canada (in Saint-Bruno-de-Montarville, Québec, and Millhaven (Kingston), Ontario), the United States (in the states of California, Florida, New York and Pennsylvania and in Washington, D.C.) and Mexico. In Europe, marketing is effected through offices in Austria, Belgium, France, Germany, Russia and the United Kingdom. Finally, in Asia, such offices are located in China, Hong Kong, Indonesia, Malaysia, Taiwan and Thailand. Bombardier

leases these marketing or sales offices, with the exception of the office in Saint-Bruno-de-Montarville, Québec, and those in Austria, Belgium, Germany and the United Kingdom, which it owns.

As at January 31, 1998, the order backlog of Bombardier Transportation totalled \$6.5 billion, compared with \$3.8 billion as at January 31, 1997. The increase results from a major car order for the New York City subway system and from the addition of the DWA order backlog. The backlog as at January 31, 1998 consisted of \$2.5 billion for the North American operations and \$4.0 billion for the European operations.

Reference is made to the headings “Deliveries and Work in Process (North America)”, “Deliveries and Work in Process (Europe)”, “Orders (North America)”, “Orders (Europe)”, “Market” and “Prospects” in the section “Bombardier Transportation” under the item “Management’s Discussion and Analysis” on pages 21 to 24 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

Mass Transit – North America

Mass Transit – North America includes the operations of the plants at La Pocatière, Québec, Millhaven (Kingston) and Thunder Bay, Ontario, Plattsburgh, New York and Barre, Vermont, where it manufactures a wide range of vehicles for urban, suburban and intercity rail-passenger transportation. The division also offers fleet maintenance services. Bombardier Transit Corporation, Bombardier Mass Transit Corporation and Auburn Technology, Inc. also report to Mass Transit – North America.

Transit Systems

The Transit Systems division is responsible for the marketing, engineering and project management of turnkey transportation systems. In connection with international contracts for transportation systems projects, the Transit Systems division is responsible for system integration, supply of the automatic train controls, system commissioning, trial running and start-up services.

Bombardier-Concarril, S.A. de C.V.

Located in Sahagún in the state of Hidalgo, 70 kilometres north-east of Mexico City, the facilities of Bombardier-Concarril, S.A. de C.V. are equipped to produce a full range of rail transportation equipment, including rubber-tired and steel-wheeled subway cars, light rail vehicles, passenger coaches and freight cars. These manufacturing facilities also perform vehicle refurbishment contracts.

BN S.A.

BN S.A., with manufacturing facilities at Manage and Brugge, in Belgium, is a manufacturer of railway equipment and urban and suburban transit equipment. Its range of products includes passenger rail cars, self-propelled vehicles, light and heavy subway cars, low-floor tramways and TGV (high-speed train) equipment.

Société ANF-Industrie S.A.

The operations of this subsidiary are located at its plant in Crespin, in the north of France. It has developed the ability to supply a whole range of railway products: tramways, subway cars, commuter cars, main line and TGV (high-speed train) coaches, double-deck self-propelled vehicles and turbotrains. It also offers a whole range of mechanically welded bogies.

Bombardier-Wien Schienenfahrzeuge AG

This company, whose plant is in Vienna, Austria, manufactures special-purpose and light rail vehicles and has developed expertise in the manufacture of train modules for the other European divisions of Bombardier Transportation.

- (2) Building subleased with Canadian Airlines from March 1, 1997 to December 31, 1998; the building erected on the leased land will become the property of Aéroports de Montréal upon expiration of the lease. Negotiations with Aéroports de Montréal are ongoing for future lease options.
- (3) The Corporation acquired the Air Canada combined services building on March 18, 1998. The land is leased through Aéroports de Montréal until September 30, 2005 with a ten-year renewal option.

Other Facilities	Area	Operations
	(square metres)	
Mirabel, Québec, Canada ⁽¹⁾	2,563	Storage facility
Mirabel, Québec, Canada ⁽²⁾	590	Technical publications centre
Southport, Manitoba, Canada ⁽³⁾	19,044	Canadian Forces pilot training and related aircraft and parts storage and maintenance
Fredericton, New Brunswick, Canada ⁽⁴⁾	321	Engineering Center and offices
Ottawa, Ontario, Canada ⁽⁵⁾	220	Offices
Bridgeport, West Virginia, United States ⁽⁶⁾	12,774	Aircraft heavy maintenance centre for regional aircraft and aircraft modifications
Bridgeport, West Virginia, United States ⁽⁷⁾	1,394	Logistic support operations and warehouse
Bridgeport, West Virginia, United States ⁽⁸⁾	669	Parts storage
Cheltenham, England, United Kingdom ⁽⁹⁾	1,115	Hangars and office accommodations
Cheltenham, England, United Kingdom ⁽¹⁰⁾	836	Hangars and office accommodations
Christchurch, Dorset, England, United Kingdom ⁽¹¹⁾	2,000	Office accommodations
Ferndown, England, United Kingdom	2,895	Logistics support and training
Ferndown, England, United Kingdom	290	Warehouse

- (1) The Corporation leases a storage facility from Aeroterm de Montréal Inc. for an initial term of five years from December 15, 1994, with an option to renew for additional periods of one, three or five years.
- (2) The Corporation leases office facilities used for technical publications on the 4th floor of the administration building owned by the administration of Aéroports de Montréal.
- (3) Facilities occupied pursuant to lease and use agreements with Southport Aerospace Center Inc. renewed for a period of ten years from September 1, 1997 through August 31, 2007.
- (4) Facility leased from Hardman Group Ltd. from November 1, 1997 through October 31, 2002.
- (5) Facility leased from Morguard Investments, from October 3, 1996 through November 30, 2001.
- (6) Facility leased from Harrison Aviation Services, Inc. The lease will expire on December 31, 1999.
- (7) Facility leased from Mark Shumacher. The lease will expire on March 30, 2000.
- (8) Facility leased from Vincent Concrete Inc., on a month-to-month basis.
- (9) Facilities leased from B. Walker & Co. Ltd. for a period of 40 years beginning in August 1990.
- (10) Facilities under license with B. Walker & Co. Ltd. for a period of 24 months beginning in October 1997.
- (11) The Christchurch office accommodation is leased from Stanbridge North-West Limited for a term of 25 years expiring on August 8, 2021.

Defence Services

The activities of the Defence Services division are conducted through Defence Services operations in Mirabel, Canada; in Bournemouth, United Kingdom; and in Bridgeport, in the United States.

Reference is made to the heading “Defence Services” under the item “Management’s Discussion and Analysis” on page 26 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which section is incorporated herein by reference.

- **Military Aircraft Support**

Bombardier Services continues to provide integrated engineering support for the Canadian Forces fleet of CF-18 fighter jets.

Work also progressed steadily on existing contracts to supply logistic support, aircraft and equipment servicing or maintenance for the United Kingdom’s Ministry of Defence, particularly in the area of aviation support services. These contracts include the provision of Tucano aircraft maintenance at RAF Linton-on-Ouse, and Tucano logistics support and maintenance support for the Royal Air Force elementary flying training programs. Bombardier Services also has contracts to provide technical and support staff to the Air Forces of Abu Dhabi, Kuwait and Oman. These activities include first to third line aircraft maintenance and also technical training of Royal Air Forces and Royal Army of Oman personnel. Bombardier Services also maintains communications equipment for the Royal Army of Oman and maintains other military equipment in Oman and Bahrain.

The subsidiary Bombardier Services Corporation continued to provide logistics support for the C-23 aircraft fleet of the United States Air Force and the United States Army National Guard. The contract with the United States Air Force ended in December 1997.

Bombardier Services extended its aviation service activities to other sectors with the December 1997 acquisition of Specialist Aviation Services Limited, a United Kingdom company incorporating Police Aviation Services (PAS) and Medical Aviation Services (MAS). There are currently 23 PAS and MAS contracts in support of regional police and ambulance airborne operations in the United Kingdom.

- **Flying Training**

Bombardier Services manages the Canadian Aviation Training Centre (“CATC”) in Southport, Manitoba. The Canadian Forces flying training and support contract was awarded to the Corporation in 1991. In 1997-98, 231 students graduated from the CATC in primary, helicopter and multi-engine pilot training for the Canadian Forces. Since the start of the CATC, a total of 1,318 students have undergone training.

On November 4, 1997, the Government of Canada awarded Bombardier a 20-year contract to provide fully serviced aircraft, training material, flight simulators, airfield and site support services for the training of military jet pilots of the Canadian Armed Forces and the Air Forces of other NATO members. This contract was awarded in the context of the NATO Flying Training in Canada Program, a co-operative government-industry initiative which includes the privatization of support for military undergraduate flying training at Moose Jaw, Saskatchewan, and follow-up tactical jet flying training at Cold Lake, Alberta.

Bombardier Services, through its Defence Services operation in the United Kingdom provides maintenance support for the Royal Air Force elementary flying training programs and flying grading for the Royal Navy.

- **Aircraft Conversion and Modifications**

Bombardier Services Corporation, as a sub-contractor of Shorts Brothers plc, continued the conversion of Shorts SD-360 airliners into C-23B+ military transport aircraft for the United States Army National Guard. Other ongoing activities include fatigue modifications on trainer aircraft for the United Kingdom’s Ministry of Defence and mission conversion of Challenger aircraft for the Canadian Forces.

● **UAV Systems**

Bombardier Services is involved in the design, development, manufacturing and marketing of airborne unmanned surveillance systems. Although delivery of the final CL-289 system to Germany was completed in 1994, Bombardier Services continues to provide technical and engineering support to Germany and France during the utilization phase of the system.

In response to growing market demand for an off-the-shelf Unmanned Aerial Vehicle (“UAV”), the Bombardier Services division has introduced the CL-327 Guardian* Vertical Take-Off and Landing UAV. As an upgraded version of the CL-227 Sentinel*, it includes a new 125 HP engine, a new integrated avionics computer with a GPS navigational system, an improved transmission, larger rotor blades and a larger payload bay, allowing the CL-327 to carry over 100 kg of payload, compared with 25 kg for the CL-227. Flight testing of the CL-327 began in September 1997, and the first production unit successfully completed its first flight on November 30, 1997. In December 1997, the CL-327 Guardian was selected to participate in the United States Navy VTOL UAV trials program.

● **Small Arms Training**

Bombardier Services also markets and produces, through its Defence Services unit in the United Kingdom, aerial targets for missile and gunnery practice and small arms simulation equipment. In particular, it markets the Stiletto aerial target system, the S1 small arms training system and the Bristol Aerospace of Canada range of land, sea and aerial targets.

Commercial Aviation Services

The activities of the Commercial Aviation Services division are conducted through Bombardier Services Corporation, a wholly-owned subsidiary in the United States. It provides and markets a variety of technical and maintenance services for commercial aircraft. Commercial Aviation Services was created to foster the growth of this activity and to promote complete life cycle technical operations services to regional airlines.

Reference is made to the heading “Commercial Aviation Services” under the item “Management’s Discussion and Analysis” on page 27 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which section is incorporated herein by reference.

Utility Vehicles

Bombardier Services designs, manufactures, sells and services snowgrooming equipment and utility vehicles for municipal use and specialized utility work.

Reference is made to the heading “Utility Vehicles” under the item “Management’s Discussion and Analysis” on page 27 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which section is incorporated herein by reference.

The following tables show the principal operation centres owned by the Corporation or one of its subsidiaries, as the case may be, unless indicated otherwise, and related to Utility Vehicles. The tables also show products manufactured or operations conducted at such facilities, as the case may be.

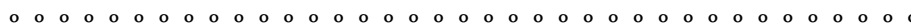
Manufacturing Facility	Area	Products
	(square metres)	
Granby, Québec, Canada	12,978	Manufacture of snowgroomers, utility/municipal tracked vehicles and related spare parts

Distribution Centres⁽¹⁾	Operations
Granby, Québec, Canada	Distribution of industrial and military parts
Calgary, Alberta, Canada	Distribution of alpine ski groomers, trail groomers, utility vehicles and their components
Grand Junction, Colorado, United States	Distribution of alpine ski groomers, trail groomers, utility vehicles and their components
Sparks, Nevada, United States	Distribution of alpine ski groomers, trail groomers and their components
Salt Lake City, Utah, United States	Distribution of alpine ski groomers, trail groomers and their components
Jenbach, Austria	Distribution of alpine ski groomers, trail groomers and their components
Crolles, France	Distribution of alpine ski groomers, trail groomers and their components
Martigny, Switzerland	Distribution of alpine ski groomers, trail groomers and their components

(1) These distribution centres are leased.

BOMBARDIER

CAPITAL



Financial Services

Bombardier Capital's traditional core businesses are (i) to originate and manage secured purchase money inventory financing for dealers and distributors of recreational and consumer products, (ii) to provide domestic and international lending, leasing and asset management services to businesses in connection with a range of business aircraft and other commercial and industrial products and (iii) to provide factoring of accounts receivable and other financial services to Bombardier. These activities are conducted by two divisions of Bombardier Capital, namely, Inventory Finance, and Commercial and Industrial Finance.

To further its product offering, Bombardier Capital entered new market segments in 1997 by launching its own consumer financing operations in both the recreational products and manufactured housing markets. In that same year, Bombardier Capital expanded its commercial leasing activities to new products such as computer and telecommunications hardware and software and to railcar leasing through the acquisition of NorRail, Inc. This resulted in the creation of three new divisions: Consumer Finance, Technology Management and Finance, and Mortgage Finance.

Bombardier Capital's core mission is to provide sales financing and services support to Bombardier. Although Bombardier Capital has progressively diversified its financing activities outside of the Bombardier group of companies, financing of captive Bombardier products remains an integral part of its strategy and will continue to represent an important part of its business. Accordingly, Bombardier Capital continues to provide innovative financing solutions for Bombardier, while concurrently benefiting from its financing expertise to pursue and grow in non-Bombardier niche markets.

Reference is made to the heading “Financial Services ” under the item “Management’s Discussion and Analysis” on pages 29 and 30 of the Corporation’s Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

● **Inventory Finance**

The Inventory Finance division provides inventory financing, on a secured basis, principally to dealers located in the United States and Canada for the purchase of recreational, consumer and commercial products from specified manufacturers and distributors. The principal market segments for which Bombardier Capital currently provides inventory financing include (i) Bombardier recreational products, (ii) marine products, other than Bombardier products, (iii) manufactured housing, (iv) recreational vehicles, and (v) consumer electronics and appliances, business products, lawn and garden products and auto rentals.

As at January 31, 1998, Bombardier Capital was providing inventory financing to approximately 4,600 dealers located throughout the United States and in Canada. It also had financing arrangements with approximately 600 manufacturers and distributors.

In addition, Bombardier Capital International B.V., a wholly-owned subsidiary of Bombardier Capital Ltd. operating in Finland, provides inventory financing to Scandinavian dealers of Bombardier’s recreational products. During the current fiscal year, Bombardier Capital has expanded its international operations to several additional European countries.

The Inventory Finance division operates from offices located in Colchester, Vermont and Valcourt, Québec.

● **Commercial and Industrial Finance**

The Commercial and Industrial Finance division provides asset-based financing to commercial customers chiefly in the United States and Canada. This includes (i) financing provided to third parties with respect to various commercial and industrial equipment, (ii) loan and lease financing provided to third party customers of Bombardier with respect to new business aircraft manufactured by Bombardier, (iii) financing open account and trade receivables of Bombardier, principally associated with the supply of parts and services for Bombardier manufactured aircraft, (iv) loan and lease financing made on an interim basis to customers purchasing commercial aircraft manufactured by Bombardier and (v) inventory financing for Bombardier with respect to trade-in business aircraft held in the inventory of Bombardier.

The principal office of the Commercial and Industrial Finance division is located in Colchester, Vermont. It also operates sales offices in Brossard, Québec, Atlanta, Georgia, Garden City, New York and Fort Lauderdale, Florida.

In February 1997, Bombardier Capital acquired NorRail, a railcar leasing and management firm servicing customers in the United States and Canada. The operations of NorRail are located in Buffalo, Minnesota, and its sales offices in Kimley Park, Illinois, and Bala Cynwyd, Pennsylvania.

● **Consumer Finance**

The Consumer Finance division offers financial products that enable consumers to acquire recreational products and services. It has until today focused on financing products manufactured by Bombardier, including Ski-Doo snowmobiles, Sea-Doo personal watercraft and boats, and on products sold by the existing dealers of the Inventory Finance division. In order to serve the needs of the target market segments, the Consumer Finance division offers a diverse line of financial products.

The Consumer Finance division operates from offices in Jacksonville, Florida, and Brossard, Québec.

● **Technology Management and Finance**

The Technology Management and Finance division provides leasing and technology management services to investment grade businesses for computer and telecommunications equipment. The Technology Management and Finance division provides operating leases, capital leases and sale and leaseback arrangements for personal computers, mini and mainframe computers, networks, software and telecommunications and audiovisual equipment.

The Technology Management and Finance division operates from offices in Jacksonville, Florida, Colchester, Vermont, and Brossard, Québec.

● **Mortgage Finance**

The Mortgage Finance division is a consumer lender in the manufactured housing market. Mortgage Finance offers a variety of retail financing services to purchasers of manufactured homes. The mortgage loans originated or purchased by this division are exclusively U.S.-based, although entry into the Canadian market is planned.

The Mortgage Finance division generates manufactured housing financings through a network of dealers. The dealers are retailers who sell manufactured homes to consumers, most often under retail instalment sale contracts.

The Mortgage Finance division operates from offices in Jacksonville, Florida.

Real Estate Services

The Real Estate Services division's activities consist of developing real estate assets owned by Bombardier that are earmarked for new uses and in meeting the real estate needs of the Corporation's groups and subsidiaries. The Real Estate Services division's other activity is the Bois-Franc project, which involves the development of an urban residential community with integrated commercial and service infrastructures on land adjacent to the Canadair facilities in Saint-Laurent, Québec. During the year, the Real Estate Services division continued the development of phase 1 of the Bois-Franc project, which was launched in 1993 and calls for approximately 1,200 residential units, through the sale of land to real estate developers.

Reference is made to the heading "Real Estate Services" under the item "Management's Discussion and Analysis" on page 30 of the Corporation's Annual Report for the 1997-98 fiscal year, the text of which headings is incorporated herein by reference.

3.2 Segmented Disclosures

For information respecting Bombardier's sales by industry and geographic segments, reference is made to note 22 of the notes to the consolidated financial statements for the fiscal years ended January 31, 1998 and 1997, which consolidated financial statements and accompanying notes, appearing on pages 44 to 69 of the Corporation's Annual Report for the 1997-98 fiscal year, are incorporated herein by reference.

3.3 Agreements Relating to the Use of Certain Technologies

Some operations of Bombardier are conducted under agreements which allow it to use certain technical data and information relating to products or technologies developed by others. The most important of such agreements are summarized below.

GEC-Alstom/TGV

Under a framework agreement renewed in August 1995 with the Franco-British company GEC-Alstom, Bombardier has the exclusive right to use the high-speed train technology generally known as TGV for

purposes of marketing and manufacture in Canada, the United States and Mexico. The agreement is for five years commencing on July 1, 1995; however, each of the parties has reserved the right to terminate it after a period of four years, should certain specified events occur. Unless the parties terminate the agreement, it will be renewed automatically for an additional period of five years. The agreement provides that Bombardier will pay GEC-Alsthom a royalty equal to 4% of the sales price of the transportation equipment manufactured and delivered by Bombardier as part of TGV projects in North America.

Cartierville Financial Corporation Inc./Challenger Aircraft

Under an agreement signed on December 22, 1986 with Cartierville Financial Corporation Inc. ("CFC") (a wholly-owned subsidiary of Canada Development Investment Corporation, in turn wholly owned by the Canadian federal government), Canadair Limited obtained a licence granting it the exclusive and absolute right to use and exploit all the technology relating to the design of the Challenger aircraft and to use and incorporate that technology in the manufacture, development, testing, sale, distribution and maintenance of Challenger aircraft and any other related product worldwide. The initial term of the agreement is 21 years; however, the Corporation (as successor in interest to Canadair Limited) has an option to renew this agreement for three additional consecutive periods of 21 years each. In consideration for the rights thus granted to it, the Corporation paid CFC a lump sum of \$20 million in 1988, less an amount equal to certain royalties already paid, in lieu of the royalties provided for under the agreement.

William P. Lear Sr./LearStar 600 Program

Pursuant to an agreement signed in 1976, and amended in 1977 and 1978, with Mr. William P. Lear Sr. (who died on May 14, 1978) Canadair Limited became the exclusive owner of the LearStar 600 Program, with the exclusive right to develop, design, manufacture, sell and distribute the LearStar 600 jet aircraft, or any derivative thereof in return for the payment of certain royalties. Following a submission to arbitration as to which models of aircraft were subject to the royalty obligation, the Corporation reached, in July 1996, a settlement agreement with representatives of the successors and assigns of William P. Lear Sr. That agreement settled any and all such past, present and future royalty obligations.

3.4 Research

Every year Bombardier commits a portion of its revenues to research. The total sums spent for this purpose appear in note 14 to the consolidated financial statements for the fiscal years ended January 31, 1998 and January 31, 1997 appearing on page 62 of the Corporation's Annual Report. These investments reinforce the skills and know-how of the engineers and technicians who currently make up Bombardier's design and engineering force.

3.5 Environment

During the 1997-98 fiscal year, the manufacturing operations of Bombardier continued to be in compliance with the applicable laws and regulations. Certain cases of non-compliance identified during environmental audits completed during the year were or are being corrected. In all such cases, corrective action measures were identified, brought to the attention of the government authorities and incorporated into an action plan for implementation. The cost of the corrective measures, taken singly or together, does not or will not have any material effect on the performance of Bombardier.

No proceedings or notices that could have an adverse effect on the Corporation's performance were, as the case may be, taken against or given to the Corporation or its subsidiaries regarding the environmental impact of their activities during the 1997-98 fiscal year.

In previous years, Bombardier had reported that it had been identified as potentially liable for the contamination of several sites in the United States. The resulting management and decontamination activities

continued during the 1997-98 fiscal year. The costs associated with these activities were not material during the period. The probable total costs associated with these activities are still not known, but for the time being they are not considered to be material for Bombardier. The anticipated costs of site decontamination are also not expected to be material.

As part of the acquisition process regarding Deutsche Waggonbau AG (“DWA”), Bombardier was informed or acquired knowledge of certain environmental conditions of the properties owned by DWA. Such conditions may result in remediation activities being continued or initiated at certain acquired DWA locations. Various levels of German Federal or State government have recognized and accepted responsibility for historical soil and groundwater contamination. The need to undertake new remediation work has not yet been clearly established. The costs related to such undertakings are not known. The costs associated with the continuation of ongoing remediation programs are not material to DWA.

3.6 Human Resources

The following table shows the number of employees of Bombardier as at January 31, 1998, compared with January 31, 1997:

	Number of employees as at January 31	
	1998	1997
Bombardier Aerospace.....	24,716	23,345
Bombardier Recreational Products	5,105	5,520
Bombardier Transportation ⁽¹⁾	12,799	7,605
Bombardier Services.....	4,294	4,203
Bombardier Capital	766	393
Corporate Office	98	84
Total	47,778	41,150

(1) The increase in the number of employees for the Transportation sector is due to the acquisition, at the end of the 1997-98 fiscal year, of Deutsche Waggonbau AG.

In North America, at the end of the 1997-98 fiscal year, 12,313 employees of Bombardier were represented by certified associations under 17 separate collective agreements. These agreements expire at various dates ranging from June 30, 1998 to September 20, 2002.

In Europe, there are more than 14 collective agreements in force. National unions represent employees in subsidiaries or divisions and national and sectoral bargaining generally takes place every one or two years depending on the country (Austria, Belgium, the Czech Republic, Finland, France, Germany, Switzerland and the United Kingdom). These agreements expire at various dates ranging from June 20, 1998 to December 31, 2001.

Bombardier considers that its relations with its employees are satisfactory.

Item 4 Selected Consolidated Financial Information

Consolidated financial information for the last five fiscal years ended January 31⁽¹⁾

(millions of Canadian dollars, except per share amounts)	1998	1997	1996 restated ⁽²⁾	1995 restated ⁽²⁾	1994 restated ⁽²⁾
Revenues	8,508.9	7,975.7	7,123.4	5,943.0	4,768.8
Net income	420.2	406.2	158.0 ⁽⁴⁾	247.3	177.3
Total assets	10,575.2	7,950.3	6,392.6	5,461.8	4,454.7
Long-term debt	1,548.7	1,354.9	1,282.7	1,043.2	1,119.1
Convertible notes – equity component.....	165.8	152.3	139.9	128.6	118.1
Series 1 Redeemable Preferred Shares ⁽⁵⁾	---	30.9	30.9	31.5	33.1
Series 2 Redeemable Preferred Shares ⁽⁶⁾	300.0	---	---	---	---
Earnings per share					
Basic.....	1.18	1.18	0.45 ⁽⁴⁾	0.73 ⁽³⁾	0.56 ⁽³⁾
Fully diluted	1.17	1.16	0.45	0.69 ⁽³⁾	0.52 ⁽³⁾
Dividends per share					
Series 1 Redeemable Preferred	0.77955	1.8750	1.8750	1.8750	1.8750
Series 2 Redeemable Preferred	0.95120	---	---	---	---
Class A.....	0.30000	0.20000	0.20000	0.15000 ⁽³⁾	0.10000 ⁽³⁾
Class B Subordinate.....	0.30625	0.20625	0.20625	0.15625 ⁽³⁾	0.10625 ⁽³⁾

- (1) As the end of fiscal year 1997-98, Bombardier acquired Deutsche Waggonbau AG and posted its accounts in the Balance Sheet as at January 31, 1998 without including its results for the year ending at the same date. The consolidated results for the fiscal year ended January 31, 1997 include the results of the business jet completion division of Innotech Aviation Ltd. for a period of two months. The consolidated results for the fiscal year ended January 31, 1996 include the results of Waggonfabrik Talbot GmbH & Co. KG for a period of nine months. The consolidated results for the fiscal year ended January 31, 1995 include the results of Nova Bus Corporation for a period of one month. The consolidated results for the fiscal year ended January 31, 1994 include the results of Airwork Ltd. for a period of three months and the results of Shorts Missile Systems Limited and Thomson Shorts Systèmes S.A., accounted for by the proportionate consolidation method, for a period of eleven months.
- (2) On February 1, 1996, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants concerning financial instruments. Accordingly, the Corporation retroactively changed its accounting policy regarding the presentation of the convertible notes. Under this new accounting policy, the present value of interest payments on the convertible notes is recorded as long-term debt whereas the present value of the principal is recorded in shareholders' equity. The equity component of the convertible notes increases until October 1999 as a result of charges against retained earnings to reach an amount equal to the nominal value of the convertible notes. The interest on the debt component of the convertible notes is included in inventories in accordance with the Corporation's accounting policies.
- (3) The figures have been adjusted to reflect the two-for-one stock splits which took place on July 7, 1995.
- (4) The effect of the write-down of investment in Eurotunnel share units on the net income amounts to \$155.0 million (\$0.47 per common share). Exclusive of this write-down, the net income would then be \$313.0 million (\$0.92 per common share).
- (5) Series 1 Preferred Shares were redeemed and cancelled on June 30, 1997.
- (6) Series 2 Preferred Shares were issued on May 22, 1997.

Quarterly consolidated financial information (unaudited) ⁽¹⁾

(millions of Canadian dollars, except per share amounts)	1997-98			
	<u>4th qtr.</u>	<u>3rd qtr.</u>	<u>2nd qtr.</u>	<u>1st qtr.</u>
Revenues	2,761.5	2,126.5	1,959.5	1,661.4
Net income	150.6	98.3	87.8	83.5
Earnings per share				
Basic	0.43	0.27	0.24	0.24
Fully diluted	0.42	0.27	0.24	0.24
Dividends per share				
Series 1 Redeemable Preferred ⁽²⁾	---	---	0.31080	0.46875
Series 2 Redeemable Preferred ⁽³⁾	0.34375	0.34375	0.26370	---
Class A	0.07500	0.07500	0.07500	0.07500
Class B Subordinate	0.07500	0.07500	0.07500	0.08125
(millions of Canadian dollars, except per share amounts)	1996-97			
	<u>4th qtr.</u>	<u>3rd qtr.</u>	<u>2nd qtr.</u>	<u>1st qtr.</u>
Revenues	2,510.4	1,946.3	1,915.2	1,603.8
Net income	147.3	91.8	90.3	76.8
Earnings per share				
Basic	0.43	0.27	0.26	0.22
Fully diluted	0.42	0.27	0.25	0.22
Dividends per share				
Series 1 Redeemable Preferred	0.46875	0.46875	0.46875	0.46875
Class A	0.05000	0.05000	0.05000	0.05000
Class B Subordinate	0.05000	0.05000	0.05000	0.05625

(1) The consolidated results for the fiscal year ended January 31, 1997 include the results of the business jet completion division of Innotech Aviation Ltd. for a period of two months.

(2) Series 1 Preferred Shares were redeemed and cancelled on June 30, 1997.

(3) Series 2 Preferred Shares were issued on May 22, 1997.

Pursuant to various financing agreements to which they are parties, Bombardier Capital Ltd., Bombardier Capital Inc. and Learjet Inc. are subject to certain restrictions as to payment of dividends. The Corporation, as intervenor, is also subject to certain restrictions as to the receipt of dividends from these subsidiaries. These subsidiaries have undertaken to maintain certain financial ratios or a minimum level of net worth, which may have the indirect effect of restricting payment of dividends by these subsidiaries.

Item 5 Management's Discussion and Analysis

A discussion and analysis by management of the financial condition and results of operations for the fiscal years ended January 31, 1998 and January 31, 1997 is presented under the item "Management's Discussion and Analysis" on pages 9 to 36 of the Corporation's Annual Report for the 1997-98 fiscal year, which item is incorporated herein by reference. To complement the financial discussion and analysis, reference is made to the consolidated financial statements for the fiscal years ended January 31, 1998 and January 31, 1997, the summary of significant accounting policies and the notes to the consolidated financial statements on pages 44 to 69 of the Corporation's Annual Report for the 1997-98 fiscal year, which consolidated financial statements, summary and notes are incorporated herein by reference.

Item 6 Market for the Securities of the Issuer

The Class A Shares, the Class B Subordinate Voting Shares and the Series 2 Preferred Shares of the Corporation are listed for trading on the Montréal and Toronto stock exchanges. Since 1987, the Class B Subordinate Voting Shares have also been listed for trading on the Brussels and Antwerp stock exchanges in Belgium.

Item 7 Dividends

The Corporation declared the dividends indicated below on its outstanding shares during the fiscal years ended January 31, 1998 and January 31, 1997.

(millions of dollars, except per share amounts)	Fiscal years ended January 31			
	1998		1997	
	Total	Per share	Total	Per share
Series 1 Redeemable Preferred Shares	1.0	0.77955 ⁽¹⁾	2.3	1.875
Series 2 Redeemable Preferred Shares	11.4	0.9512 ⁽²⁾	–	–
Class A Shares	26.6	0.30	17.7	0.20
Class B Subordinate Voting Shares	76.5	0.30625	51.1	0.20625

- (1) The Series 1 Preferred Shares were redeemed on June 30, 1997. The dividend amount indicated represents the dividend paid on such shares for the period from February 1, 1997 to June 30, 1997.
- (2) The Series 2 Preferred Shares were issued by the Corporation on May 22, 1997. The dividend amount indicated above represents the dividends declared by the Board of Directors on such shares for the period from May 22, 1997 to January 31, 1998 prior to gross-up for tax purposes.

The articles of the Corporation stipulate that no dividends may be paid on the Class A Shares or the Class B Subordinate Voting Shares unless all accrued and unpaid dividends on the Series 2 Preferred Shares have been declared and paid or set aside for payment, or all the outstanding Series 2 Preferred Shares have been called for redemption and the redemption price of such shares has been deposited in the manner set out in the articles of the Corporation.

The holders of Class B Subordinate Voting Shares are entitled, in preference to the holders of Class A Shares, to a non-cumulative dividend at the rate of \$0.00625 per share per annum; when a dividend on the Class B Subordinate Voting Shares at the rate of \$0.00625 per share per annum is declared and paid or set aside for payment in any fiscal year, the Class A Shares and the Class B Subordinate Voting Shares participate equally, share for share, with respect to any additional dividend which may be declared, paid or set aside for payment during said fiscal year.

In general, the Corporation's policy is to set the total amount of its dividends for a fiscal year at approximately 30% of the consolidated net income for the previous fiscal year. The Board of Directors of the Corporation reserves the right to modify this policy at any time.

Item 8 Directors and Officers

The names of the directors and officers of the Corporation, their municipality of residence, the positions held by the directors and officers within the Corporation, the principal occupations of the directors, the period during which each director has exercised his mandate, as well as the number of Class A Shares, Class B Subordinate Voting Shares or Series 2 Preferred Shares, as the case may be, of the Corporation that the directors, as of April 15, 1998, owned beneficially or over which they exercised control or direction, are indicated below:

<i>Directors</i>	Period of service as a director	Approximate number of shares of the Corporation owned beneficially by a director or over which the director exercised control or direction as at April 15, 1998		
		Class A Shares	Class B Subordinate Shares	Series 2 Preferred Shares
PHILIPPE DE GASPÉ BEAUBIEN, O.C. Westmount, Québec Chairman, Société GASBEAU, holding and management corporation	1975 to date	17,056	—	—
LAURENT BEAUDOIN, C.C., FCA ^{(1)(a)(c)} Westmount, Québec President, Chairman and Chief Executive Officer of the Corporation	1975 to date	120,640	880,096	—
J.R. ANDRÉ BOMBARDIER ^{(a)(c)} Nuns' Island, Verdun, Québec Vice-Chairman of the Corporation	1975 to date	(2)	15,326	—
JANINE BOMBARDIER Westmount, Québec President and Governor, J. Armand Bombardier Foundation, charitable organization	1984 to date	(3)	—	—
ANDRÉ DESMARAIS ^(c) Westmount, Québec President and Co-Chief Executive Officer, Power Corporation of Canada, holding and management corporation	1985 to date	—	31,600	—
JEAN-LOUIS FONTAINE ^{(4)(a)(b)} Westmount, Québec Vice-Chairman of the Corporation	1975 to date	1,024,368	16,184	—
THE HON. JEAN-PIERRE GOYER, P.C., Q.C. ^(b) Nuns' Island, Verdun, Québec Lawyer and company director	1982 to date	—	6,900	—
PIERRE LEGRAND, Q.C. ^{(a)(b)(c)} Nuns' Island, Verdun, Québec Senior Partner, Ogilvy Renault, barristers and solicitors	1975 to date	1,792	—	—
THE HON. PETER LOUGHEED, P.C., C.C., Q.C. Calgary, Alberta Senior Partner, Bennett Jones Verchere, barristers and solicitors	1986 to date	—	1,600	—

<i>Directors</i>	Period of service as a director	Approximate number of shares of the Corporation owned beneficially by a director or over which the director exercised control or direction as at April 15, 1998		
		Class A Shares	Class B Subordinate Shares	Series 2 Preferred Shares
DONALD C. LOWE Toronto, Ontario Chairman, Sedgwick Limited, insurance broker	1987 to date	–	133,000	–
J. MICHAEL G. SCOTT ^(b) Toronto, Ontario President, JM Scott Investments Inc., financial consulting company	1976 to date	–	115,000	–
PAUL M. TELLIER Westmount, Québec President and Chief Executive Officer, Canadian National, transportation company	1997 to date	–	2,000	–
WILLIAM I.M. TURNER, JR., C.M. ^{(a)(c)} Westmount, Québec Chairman and Chief Executive Officer, Exsultate Inc., holding company	1976 to date	97,800	8,000	–
HUGO UYTERHOEVEN Boston, Massachusetts, U.S.A. Timken Professor of Business Administration, Graduate School of Business Administration, Harvard University	1983 to date	–	–	–

- (1) Mrs. Claire Bombardier Beaudoin, wife of Mr. Laurent Beaudoin, exercises, through holding corporations which she controls (either directly or in concert with J.R. André Bombardier, Janine Bombardier and Huguette Bombardier Fontaine), control or direction over 17,555,872 Class A Shares of the Corporation.
 - (2) Mr. J.R. André Bombardier exercises, through holding corporations which he controls (either directly or in concert with Claire Bombardier Beaudoin, Janine Bombardier and Huguette Bombardier Fontaine), control or direction over 18,271,872 Class A Shares of the Corporation.
 - (3) Mrs. Janine Bombardier exercises, through holding corporations which she controls (either directly or in concert with Claire Bombardier Beaudoin, J.R. André Bombardier and Huguette Bombardier Fontaine), control or direction over 17,555,872 Class A Shares of the Corporation.
 - (4) Mrs. Huguette Bombardier Fontaine, wife of Mr. Jean-Louis Fontaine, exercises, through holding corporations which she controls (either directly or in concert with Claire Bombardier Beaudoin, J.R. André Bombardier and Janine Bombardier), control or direction over 17,155,872 Class A Shares of the Corporation.
- (a) Member of the Executive Committee.
(b) Member of the Audit Committee.
(c) Member of the Compensation Committee.

Each director remains in office until the following annual shareholders' meeting or until the election of his successor, unless he resigns or his office becomes vacant as a result of his death, removal or any other cause.

Officers who are not Directors

Name and Municipality of Residence	Position held within the Corporation
Yvan Allaire Westmount, Québec	Executive Vice-President, Strategy and Corporate Affairs
Pierre Beaudoin Nuns' Island, Verdun, Québec	President and Chief Operating Officer, Bombardier Recreational Products

Name and Municipality of Residence	Position held within the Corporation
Yvon Beauregard Brossard, Québec	Vice-President, Environment
Richard Bradeen Westmount, Québec	Vice-President, Acquisitions
Robert E. Brown Beaconsfield, Québec	President and Chief Operating Officer, Bombardier Aerospace
Roger Carle Town of Mount Royal, Québec	Director, Legal Services and Corporate Secretary
Daniel Desjardins Nuns' Island, Verdun, Québec	Vice-President, Legal Services and Assistant Secretary
Robert Greenhill Montréal, Québec	Vice-President, Strategic Initiatives
Anthony I. Kalhok Westmount, Québec	President and Chief Operating Officer, Bombardier Services
Paul H. Larose Outremont, Québec	Vice-President, Finance
Jean-Yves Leblanc Outremont, Québec	President and Chief Operating Officer, Bombardier Transportation
François Lemarchand Montréal, Québec	Vice-President and Treasurer
Michel Lord Nuns' Island, Verdun, Québec	Vice-President, Communications and Public Relations
Pierre Lortie St-Lambert, Québec	President and Chief Operating Officer, Bombardier International
Michael O'Bree Beaconsfield, Québec	Vice-President, Internal Audit
Barry J. Olivella Franklin Centre, Québec	Vice-President, Acquisitions and Strategic Alliances
Pierre-André Roy Jacksonville, Florida	President and Chief Operating Officer, Bombardier Capital
Marie-Claire Simoneau Montréal, Québec	Executive Assistant to the Chief Executive Officer
Richard T. Sloan Williston, Vermont	Vice-President and General Manager, Structured Finance
Michael P. Tinker Nuns' Island, Verdun, Québec	Vice-President, Human Resources and Organizational Development

On April 15, 1998, the directors of the Corporation (other than Mrs. Janine Bombardier and Mr. J.R. André Bombardier) and the officers of the Corporation, as a group, owned beneficially, directly or indirectly, 1,292,566 Class A Shares and 1,843,556 Class B Subordinate Voting Shares, representing 1.46% and 0.73%, respectively, of the outstanding shares of each such class.

The directors and officers of the Corporation who have not occupied their current principal occupation for more than five years have had the following principal occupations during the last five years, except that where a director or officer has held more than one position in the same company or an affiliate of such company, only the date of his appointment to his current position is indicated:

- Yvan Allaire has been Executive Vice-President, Strategy and Corporate Affairs of the Corporation since May 1, 1996. As the co-founder of a Canadian strategic planning consulting firm, he has been an adviser to the executive management of several large Canadian corporations, including, since 1985, to the Chairman and Chief Executive Officer of the Corporation;
- Laurent Beaudoin has been President, Chairman and Chief Executive Officer of the Corporation since June 18, 1996; prior to that date, he had been Chairman and Chief Executive Officer since April 1978;
- Pierre Beaudoin has been President and Chief Operating Officer of Bombardier Recreational Products, formerly known as the Motorized Consumer Products Group, since May 15, 1996; prior to that date, he had been President of that group since April 1, 1996; he had previously been President of the Sea-Doo/Ski-Doo Division since February 1, 1994; prior to that date, he served as Executive Vice-President of the Sea-Doo/Ski-Doo Division from June 1992 to January 1994; and from October 1990 to June 1992, he was Vice-President, Product Development of the same division;
- Yvon Beauregard has been Vice-President, Environment of the Corporation since November 1, 1993; prior to that date, he was Vice-President, Environment, of Domtar Inc. from October 1989 to October 1993;
- Richard Bradeen has been Vice-President, Acquisitions of the Corporation since August 1, 1997. Prior to that date, he had been a partner of Ernst & Young since 1988;
- Robert Brown has been President and Chief Operating Officer of Bombardier Aerospace since May 15, 1996; prior to that date, he had been President of Bombardier Aerospace – North America since 1992;
- Roger Carle has been Director, Legal Services and Corporate Secretary of the Corporation since September 17, 1996; from June 1996 to September 1996, he was Director, Legal Services and Assistant Secretary of the Corporation; and from April 1, 1996 to June 18, 1996, he was Director, Legal Services of the Corporation. From July 1993 to April 1, 1996, he was Director, Legal Services of Bombardier Aerospace – North America; and prior to July 1993, he was Senior Counsel of Bombardier Canadair;
- Daniel Desjardins has been Vice-President, Legal Services and Assistant Secretary, of the Corporation since April 6, 1998; prior to that date, he had been, since February 1986, a partner of Hudon, Gendron, Harris, Thomas, where he was practising in the field of corporate, banking and real estate law;
- André Desmarais has been President and Co-Chief Executive Officer of Power Corporation of Canada since May 10, 1996; prior to that date, he had been President and Chief Operating Officer of the same corporation since May 1991;
- Robert Greenhill has been Vice-President, Strategic Initiatives of the Corporation since October 1, 1996; prior to that date, he had been Director, Strategic Planning since May 1995; prior to May 1995, he held a senior position with the consulting firm of McKinsey & Company;
- Anthony I. Kalhok has been President and Chief Operating Officer of Bombardier Services since May 15, 1996; prior to that date, he had been President of that group since April 1, 1996; and from April 1989 to March 1996, he was President of the Motorized Consumer Products Group, now known as Bombardier Recreational Products;
- Jean-Yves Leblanc has been President and Chief Operating Officer of Bombardier Transportation since May 15, 1996; prior to that date, he had been President, Transportation Equipment Group – North America since March 1992;
- François Lemarchand has been Vice-President and Treasurer of the Corporation since October 1, 1996; prior to that date, he was successively Manager and Senior Manager – Corporate Banking, at National Bank of Canada from May 1, 1993 to September 30, 1996; prior to that date, he had been Senior Account Manager – Commercial Banking at the same institution since March 1992;

- Michel Lord has been Vice-President, Communications and Public Relations of the Corporation since September 27, 1993; prior to that date, he had been President of the Economic Publications Division of Transcontinental Publications Inc. since 1989;
- Pierre Lortie has been President and Chief Operating Officer of Bombardier International since April 6, 1998; prior to that date, he had been President of the Regional Aircraft division since August 1993; previously, he was President of Bombardier Capital, from October 1990 to August 1993;
- Michael O’Bree has been Vice-President, Internal Audit of the Corporation since October 1, 1996; prior to that date, he had been Controller of the Bombardier Regional Aircraft Division from March 1, 1995 to September 30, 1996; and previously he had been Vice-President, Internal Audit since 1989;
- Pierre-André Roy has been President and Chief Operating Officer of Bombardier Capital since May 15, 1996; from February 1, 1995 to May 1996, he was Vice-President and Treasurer of the Corporation, in addition to being President of Bombardier Capital, which position he had held since November 15, 1993; prior to that date, from May 1992 to November 1993, he was President of the Amphibious Aircraft division;
- J. Michael G. Scott has been President of JM Scott Investments Inc. since April 1, 1994; prior to that date, he was Vice-Chairman of the Board of ScotiaMcLeod Inc.;
- Richard T. Sloan has been Vice-President and General Manager, Structured Finance of the Corporation since July 1, 1996; from January 1, 1994 to June 30, 1996, he was Vice-President and General Manager, Structured Finance Unit of Bombardier Capital Inc.; and from May 1993 to December 1993, Vice-President, Bombardier Capital. From April 1986 to May 1993, he was Vice-President, Chrysler Capital Corporation in Stamford, Connecticut;
- Paul M. Tellier has been President and Chief Executive Officer of Canadian National since October 1, 1992; previously, he had been clerk of the Privy Council and secretary to the Cabinet of the Government of Canada since August 1985; and
- Michael P. Tinker has been Vice-President, Human Resources and Organizational Development of the Corporation since April 1, 1997; prior to that date, he had been, since September 1980, a partner of Deloitte & Touche Consulting Group and its predecessor firms, where he directed the firm’s European Change leadership practice, a position which he had also held in Canada since September 1992.

Item 9 Additional Information

Additional information, including remuneration of directors and officers, loans to directors and officers, principal holders of the Corporation’s securities, as well as stock options and interest of insiders in material transactions is, where applicable, contained in the Corporation’s management proxy circular for its most recent annual meeting of shareholders at which directors were elected. Additional financial information, including comparative consolidated audited financial statements, is provided in the Corporation’s Annual Report to shareholders for the fiscal year ended January 31, 1998. Copies of these documents may be obtained free of charge upon request from the Public Relations Department, 800 René-Lévesque Boulevard West, Montréal, Québec H3B 1Y8.

In addition, when the securities of the Corporation are in the course of a distribution pursuant to a short form prospectus or when a preliminary short form prospectus has been filed, the following documents may be obtained free of charge from the Public Relations Department of the Corporation:

- (i) one copy of the Annual Information Form, together with one copy of any document or portion thereof incorporated by reference therein;
- (ii) one copy of the comparative financial statements of the Corporation for its most recently completed financial year together with the report of the auditors thereon and one copy of any interim financial

statements of the Corporation subsequent to the financial statements for its most recently completed financial year;

- (iii) one copy of the Corporation's management proxy circular for its most recent annual meeting of shareholders which involved the election of directors; and
- (iv) one copy of any other document that is incorporated by reference in the preliminary short form prospectus or the short form prospectus.

At any other time, one copy of the documents referred to in subparagraphs (i), (ii) and (iii) above will be provided free of charge upon request to the Public Relations Department.