BOMBARDIER LIMITED

ANNUAL REPORT

year ended
January 31, 1973

TRUSTEE AND REGISTRAR FOR SERIES A DEBENTURE HOLDERS
The Royal Trust Company,
Montreal, Que.
The registers are kept at the offices in Halifax, Quebec, Montreal, Toronto, Winnipeg and Vancouver.

REGISTRAR, TRANSFER AGENT AND DIVIDEND DISBURSING AGENT
Montreal Trust Company—Halifax, Quebec, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

STOCK EXCHANGE LISTINGS
Montreal, Toronto

Copie française sur demande au Secrétariat, Bombardier Limitée, Valcourt, Québec, Canada.

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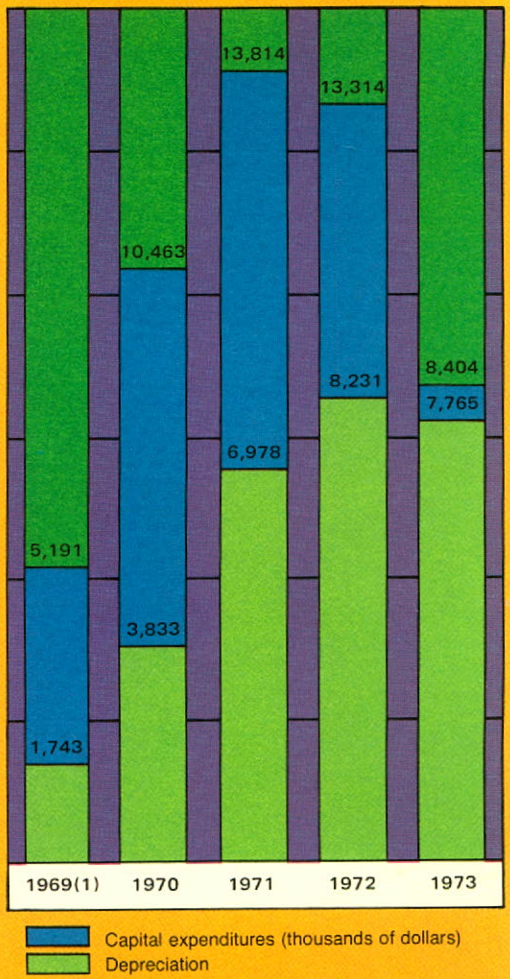
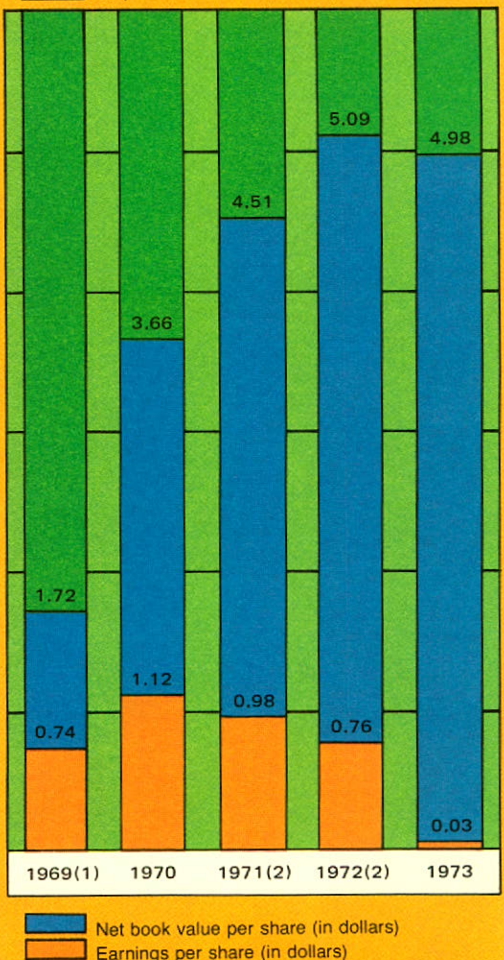
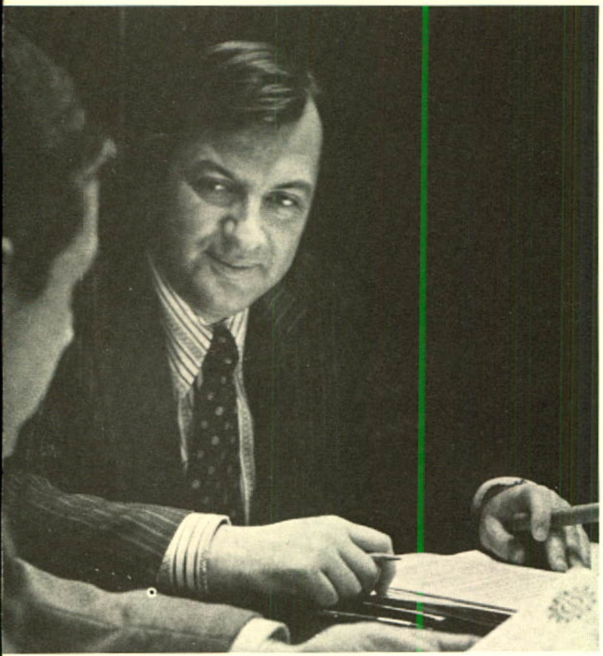
Highlights

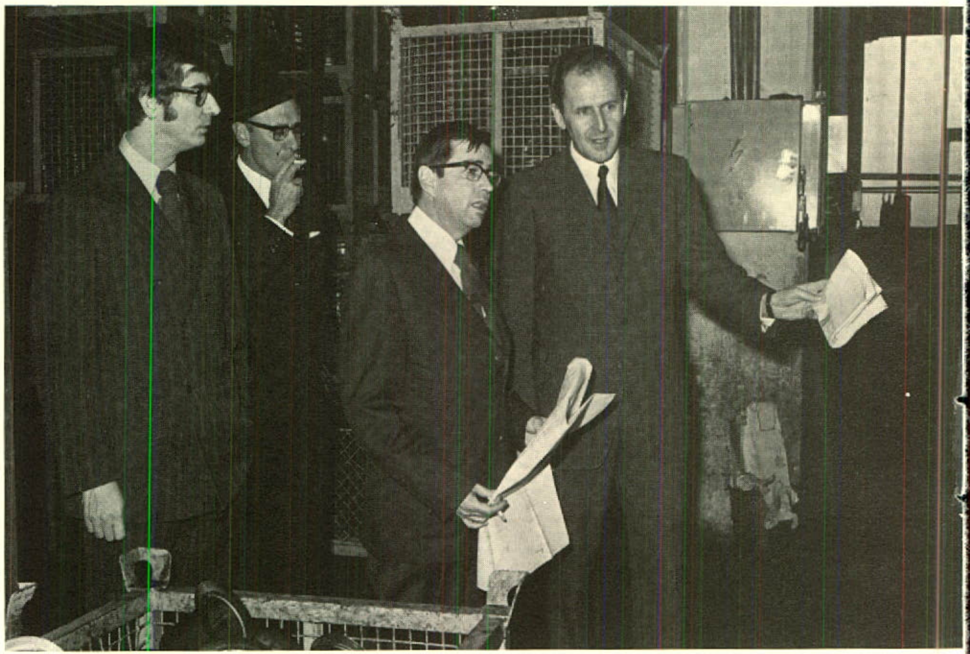
FINANCIAL HIGHLIGHTS	Financial year ended January 31, 1973	Financial year ended January 31, 1972
Net sales	$150,785,591	$182,974,808
Net earnings	547,897	12,077,204
Additions to fixed assets and patents, net of disposals	7,764,632	13,313,975
Taxes on income	2,855,217	14,063,444
Depreciation of fixed assets, amortization of patents and long term debt financing expense	8,403,733	8,230,615
Net earnings per common share	$0.03	$0.76
Number of common shares outstanding	15,900,000	15,900,000
Shareholders of record	5,305	5,111
Dividends per class "A" common share	$0.60	$0.60
Dividends per class "B" common share	$0.05	$0.10
Working capital	$ 39,365,242	$ 40,905,275
Net book value of fixed assets	34,869,138	35,152,564

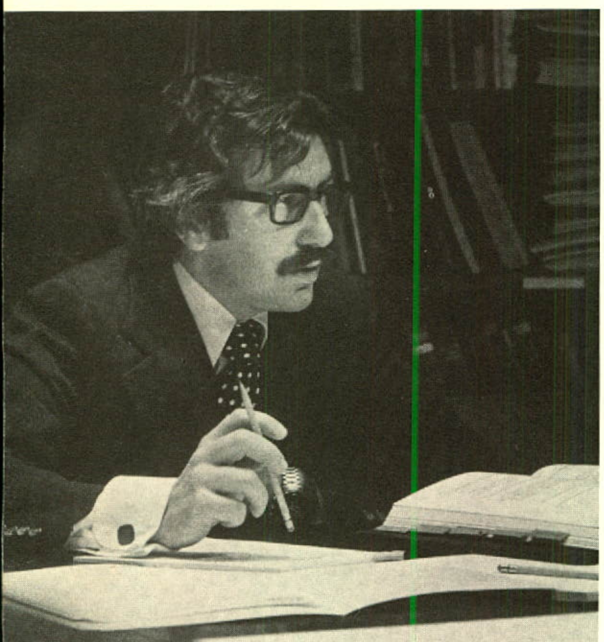




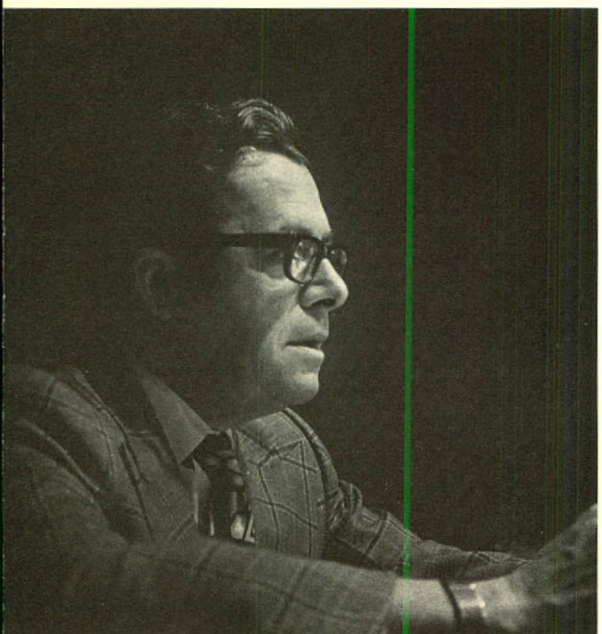
(1) 10 months (2) Restated figure


Laurent Beaudoin, President and Chief Executive Officer.


Charles Leblanc (2nd from right), Executive Vice-President.


André Bombardier, Assistant to the President.


Pierre Poitras (1st from left) Vice-President, Finance.


Jean-Paul Gagnon, President of the Moto-Ski Division.


Jean-Louis Fontaine (2nd from right) Vice-President, Manufacturing Subsidiaries.

PRESIDENT'S REPORT

The snowmobile industry

Among the various problems faced by the snowmobile industry, the principal concern is that of over-production. The number of manufacturers has increased considerably since 1968. Despite the difficulties of last year, major recreational product manufacturers vied for the snowmobile market, mainly because of the growth of the leisure industry and of encouraging forecasts for the years ahead.

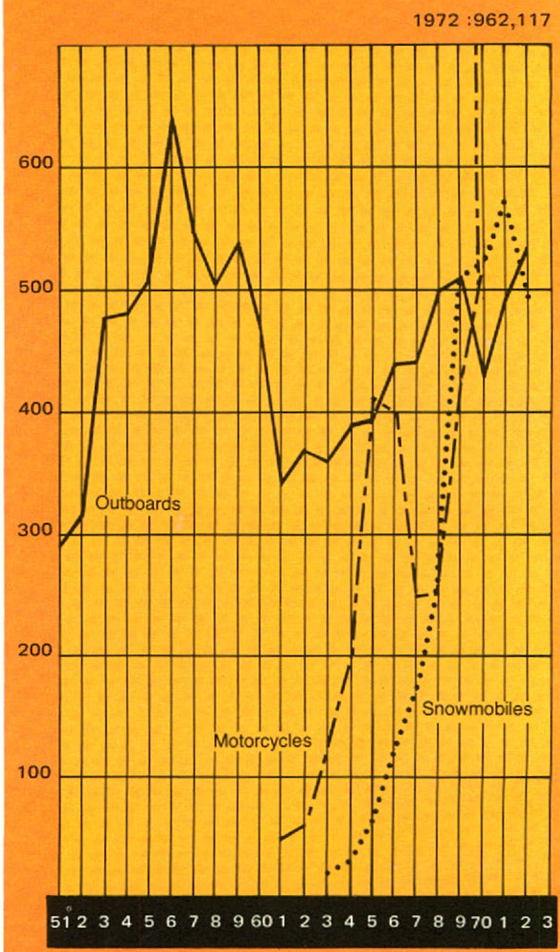
The increased number of manufacturers coupled with optimistic forecasting in the demand for new vehicles led to excessive stocks. Consequently, particularly in the last two years, the industry has had serious inventory problems, compounded this year by abnormal fluctuations in the retail prices due to stock liquidations. To reduce their inventory, several manufacturers, including those who have withdrawn from the industry, disposed of their products at a reduction, creating a serious price disruption.

The sale of second-hand vehicles has also contributed to the increase in inventories. According to our estimates, some 165,000 of these vehicles had been sold in 1971/72 and some 240,000 were sold in 1972/73. It is expected that a like number will be sold next year, however, the situation should improve by 1974.

These factors and others, such as the environmentalists' declarations against snowmobiles and publicity on the possibilities of pollution have had their impact on the sale of new vehicles. Sales have decreased this year and we can expect a similar situation next year. The industry estimates that some 450,000 new vehicles have been sold: however, total sales of new and used vehicles have been constant, an indication, in the face of the difficulties encountered, of continued interest in the product and in the sport.

It is now evident that the era of great expansion has passed. The growth of the snowmobile industry will depend henceforth on several factors, such as innovation, greater share of the rural market, increased sales in urban areas—a market more difficult to penetrate than had been forecast. The industry will also have to increase its education programmes for snowmobilers, develop more trails and encourage the organization of additional snowmobile clubs.

Success in these objectives, together with new sales techniques to decrease inventories and to compete successfully with sales of second-hand vehicles, should stabilize market prospects within the next two years. An increase in the demand for new vehicles and an annual growth rate for the industry equivalent to that of similar industries can be foreseen.



Comparative sales curves for recreational vehicles.

The Snoplan

Although the industry is passing through a difficult period, the sport of snowmobiling has been enhanced through the introduction, by Bombardier, of the Snoplan during the winter of 1971/72. The aim of this program is to promote the construction and maintenance of thousands of miles of safe, enjoyable trails. It also undertakes to ensure the protection of the environment and the respect of property and rights of others.

Studies have proven that, wherever clubs have used trails, damage to property and plant life has been minimal. Equally important is that Snoplan has contributed to the notable decrease in fatal accidents. In some states and provinces, the decrease is as high as 50 per cent despite the larger number of snowmobiles in use, as is the case in Quebec. Further, the risks having now decreased, in part because of our programme, the information media is more favourable in its comments on snowmobiling.

To evaluate the impact of Snoplan on the development of snowmobiling in North America, we originally concentrated our efforts in Quebec, where results were very encouraging. Within the province, there are now more than 450 clubs, including 250 fully organized. The Quebec Ministry of Transport estimates that there are approximately 8,000 miles of trails in the Province. Of this number, 6,300 are marked trails built in accordance with safety standards and for which clubs have obtained legal rights of passage.

The team responsible for Snoplan has conducted a survey of 14 clubs which had joined the programme at its inception. Findings

The Skidozer trail groomer, designed, manufactured and distributed by the Industrial Division. During the past winter, there were 87 of these units in operation in Quebec alone.

indicate that over the last two years, the number of members has more than doubled and the same applies to the number of miles of developed trails.

This past winter, we have promoted the programme to a greater extent in the other Canadian provinces and in the United States. The team is compiling additional data and we are confident that the programme will be as successful as it is in Quebec.

All states and provinces now have snowmobile regulations. Some governments, including that of Quebec, provide clubs with grants for the maintenance of trails, trail signs, operators' schools and for other purposes.

This programme, which was initiated and financed by us, is now considered by several manufacturers and associations as the solution regarding the future of this sport. We look forward to a close and positive cooperation with them and with interested governments.

In addition to the Snoplan the Company continues to collaborate in youth education programmes concerning the handling and use of snowmobiles in cooperation with various youth associations such as the 4-H clubs.

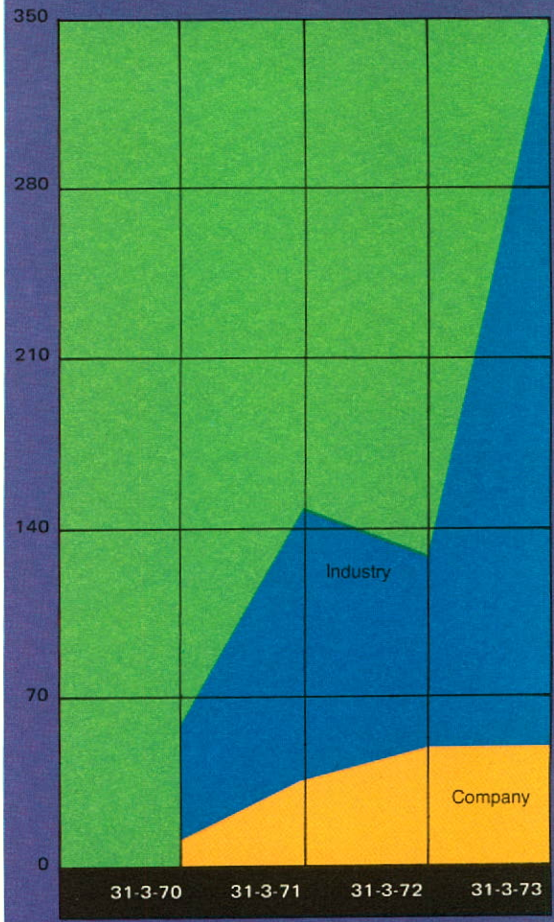
The Company

Unlike most of the other manufacturers, Bombardier had forecast a lower demand, thus our snowmobile divisions decreased production in 1972 while still taking into account the need to maintain their share of market. This was a sound decision for, unlike other manufacturers, our total inventory at manufacturer, distributor and dealer levels has not increased this year. It represents only 14 per cent of the total inventory for the industry. It should be pointed out here that the Ski-Doo Division has reached its objective of maintaining its share of the total market. The Company, like other snowmobile manufacturers, has had its difficulties this year.
Our net consolidated sales are lower than those of last year, that is \$150,785,591 compared to \$182,974,808; and net consolidated earnings are sharply lower, \$547,897 compared to \$12,077,204.

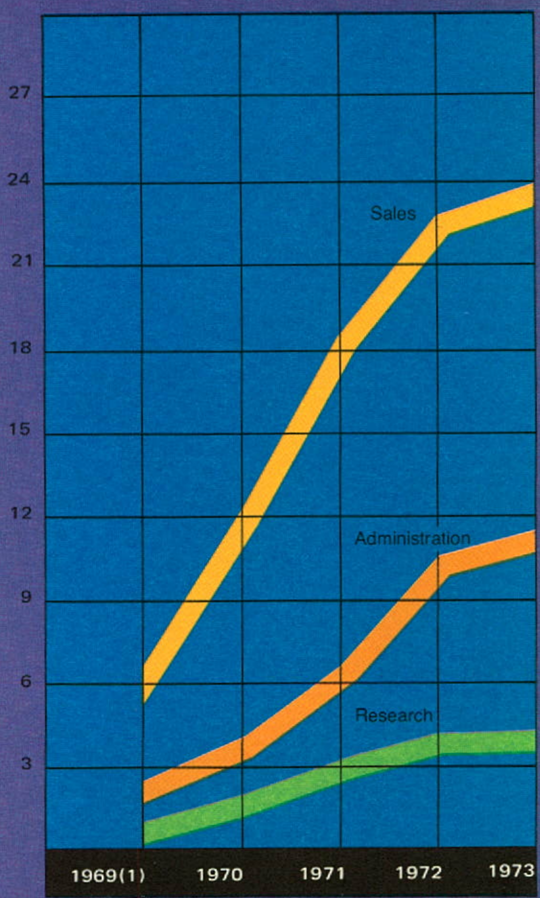
Anticipating a decrease in stocks and looking forward to an eventual increase in sales within the industry, we did not modify indirect costs.

For marketing, we committed the same level of expenditures to reaffirm the leadership held jointly by our two snowmobile divisions: this objective has been reached. We have changed our marketing policies to meet the requirements of the consumer and to acquire a more important share of the replacement market: this objective has also been met.

Our snowmobile divisions have introduced several technical changes to improve the performance of their machines, to make them safer and more functional and to lower maintenance costs.



Snowmobile Industry Inventory (in thousands)



Expenses (millions of dollars)
(1) 10 months

The 1974 Ski-Doo T'NT Free Air snowmobile model.

The 1973 Moto-Ski "F" snowmobile model.

The Ski-Doo Division has continued its policy of innovation and marketed a new model in its series of performance vehicles, the T'NT Free Air. Sales have been encouraging and the forecast is that they will continue to grow this year. The division has also built a completely new type of snowmobile, the Elite, a two-seater, side by side, with the engine in the rear. It has been successful and the forecasts for 1973 are reassuring. The Moto-Ski Division has developed two new series, S and F, the first for the sportsman, the second for the family. The latter has been particularly well-received and performance has been excellent.

The introduction of the above-mentioned vehicles was not without difficulty. Our snowmobile divisions have had to face some technical problems which have now been resolved and which will contribute to improve their marketing position next year. Beyond those innovations, to meet government standards, the Company this year has had to maintain its investment in research on noise, oils, safety features and the effects of snowmobiles on top soil.

We believed that the re-organization of the Moto-Ski Division in 1971 would bear fruit this year. However, manufacturing costs and the development of new models proved more expensive than had been forecast. At the same time the network of distribution, less structured than that of the Ski-Doo Division, showed some weaknesses which contributed in the decrease in gross figures. Thus, the Moto-Ski Division shows a loss for the second year and, in spite of new measures, it is improbable that it will reach the break-even point next year.

(Continued page 19)

The new side by side two-seater Ski-Doo model, the Elite.

BOMBARDIER LIMITED and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

year ended
January 31, 1973

BOMBARDIER LIMITED and its Subsidiaries
CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
year ended January 31, 1973 (with comparative figures for 1972)

CONSOLIDATED STATEMENT OF EARNINGS

	1973	1972
Net sales	$150,785,591	$182,974,808
Cost of sales	99,415,873	112,583,368
Selling and administrative expenses	34,083,475	32,925,814
Depreciation of fixed assets, amortization of patents and long term debt financing expense	8,403,733	8,230,615
Interest on long term debt	2,215,945	1,495,234
Other expenses	3,726,061	3,867,264
	147,845,087	159,102,295
Investment and other income	1,455,023	1,331,412
	146,390,064	157,770,883
Earnings before taxes on income, minority shareholders' interest and extraordinary items	4,395,527	25,203,925
Minority shareholders' interest in subsidiaries' net loss	5,816	61,505
Taxes on income	2,855,217	14,063,444
Deferred taxes on income	1,151,777	(408,466)
Net earnings before extraordinary items	394,349	11,610,452
Profit on sales of fixed assets and investments	153,548	116,752
Income from transaction other than regular operations	—	350,000
Net earnings	$ 547,897	$ 12,077,204
Class A and class B per share earnings		
Before extraordinary items	2.5¢	73 ¢
Net earnings	3.4¢	75.9¢

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	1973	1972
Balance at beginning of year	$ 63,319,278	$54,089,040
Net earnings	547,897	12,077,204
Contributed surplus (Note 16)	139,468	422,319
Excess of book value of shares in a 50% owned company over their cost at acquisition date of a controlling interest	75,323	—
	64,081,966	66,588,563
Dividends		
Class A shares	1,740,000	1,740,000
Class B shares	650,000	1,300,000
Preferred shares of a subsidiary company	83,004	116,580
Additional taxes on income for year 1971	428,156	—
Subsidiary's share in the deficit of a 50% owned company at acquisition date of a controlling interest	—	112,705
Balance at end of year	$ 61,180,806	$ 63,319,278

BOMBARDIER LIMITED and its Subsidiaries
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF WORKING CAPITAL
year ended January 31, 1973 (with comparative figures for 1972)

	1973	1972
Source of funds		
Net earnings	$ 547,897	$ 12,077,204
Depreciation of fixed assets, amortization of patents and long term debt financing expense	8,403,733	8,230,615
Funds derived from operations	8,951,630	20,307,819
Increase in long term debt	780,871	19,958,945
Governments' grants	185,123	370,932
Increase in provision for severance pay and pension costs to employees of a subsidiary company	138,228	75,665
Decrease in mortgages and other non-current receivables	26,534	38,188
Working capital (deficiency) of new subsidiaries at acquisition date of a controlling interest	10,269	(248,372)
Other	94,375	(93,363)
	10,187,030	40,409,814
Application of funds		
Minority shareholders' interest in subsidiaries' net loss	5,816	61,505
Additions to fixed assets and patents, net of disposals	7,764,632	13,313,975
Purchases of investments	25,902	35,856
Purchases of consolidated subsidiaries' shares	1,029,553	412,061
Dividends	2,473,004	3,156,580
Additional taxes on income	428,156	—
Goodwill paid upon acquisition of assets	—	2,928,557
Long term debt financing expense	—	571,482
	11,727,063	20,480,016
(Decrease) Increase in working capital	(1,540,033)	19,929,798
Working capital at beginning of year	40,905,275	20,975,477
Working capital at end of year	$ 39,365,242	$ 40,905,275

BOMBARDIER LIMITED and its Subsidiaries
CONSOLIDATED BALANCE SHEET AS AT JANUARY 31, 1973
(with comparative figures for 1972)

Assets

	1973	1972
Current assets		
Cash	$ 3,593,047	$ 7,169,559
Accounts receivable	14,904,271	15,172,840
Inventories (Note 2)	47,575,423	43,185,659
Prepaid expenses	1,685,682	1,128,481
Taxes on income	6,188,377	453,082
	73,946,800	67,109,621
Investments		
Shares of other companies	44,830	27,920
Marketable securities at cost (Market value—1973: $639,500; 1972: $657,132)	350,781	340,189
Mortgages and other non-current receivables (Note 3)	253,433	319,889
50% owned company	—	240,500
	649,044	928,498
Fixed assets		
Land, buildings, equipment, aircraft and miscellaneous, less accumulated depreciation (Note 4)	34,869,138	35,152,564
Other assets		
Patents, less accumulated amortization (Note 5)	945,125	440,752
Unamortized long term debt financing expense (Note 6)	526,201	554,773
Other assets	29,446	93,853
Goodwill (Note 7)	2,902,035	2,928,557
Excess of cost of shares of subsidiary companies over book value of their net assets, at dates of acquisition (Note 7)	25,886,342	25,464,797
	30,289,149	29,482,732
	$139,754,131	$132,673,415

On behalf of the Board

Laurent Beaudoin, C.A.

Pierre Poitras, C.A.

Liabilities

	1973	1972
Current liabilities		
Accounts payable and accrued liabilities	$ 11,616,090	$ 15,522,523
Bank loans (Note 8)	19,437,450	6,418,150
Warranty provision (Note 1b)	1,673,735	1,516,763
Provision for conditional discounts on sales	—	1,595,083
Deferred taxes on income (Note 9)	312,812	(838,965)
Dividends payable (Note 10)	435,000	435,000
Long term debt due within one year (Note 11)	1,106,471	1,555,792
	34,581,558	26,204,346
Long term debt (Note 11)	23,808,862	22,812,845
Provision for severance pay and pension costs	654,505	516,277
Minority shareholders' interest in subsidiary companies (Note 12)	1,487,467	1,779,736
Shareholders' equity		
Capital stock (Note 13)	18,040,933	18,040,933
Retained earnings	61,180,806	63,319,278
	79,221,739	81,360,211
	$139,754,131	$132,673,415

Contingent liabilities and commitments (Note 17)

BOMBARDIER LIMITED
and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
year ended January 31, 1973

1. Basis of consolidation

a) The consolidated financial statements include the accounts of the Company and all its subsidiaries. The accounts of foreign subsidiaries have been converted to Canadian dollars as follows:

—Current assets and current liabilities, at exchange rates in effect as at January 31, 1973

—Fixed assets, investments, long term debt and other non-current liabilities, at historical rates of exchange

—Accumulated depreciation or amortization, on the basis of the equivalent Canadian dollar cost of the related fixed assets

—Revenue and expenditure accounts, except depreciation or amortization, at the average rates of exchange during the year.

b) The financial statements for the year ended January 31, 1972 have been restated to facilitate the comparison with the 1973 figures.

2. Inventories

Inventories are valued at the lower of cost or net realizable value and consist of the following:

Raw materials		$18,663,971
Products in process		3,152,650
Finished products		
Vehicles	$10,752,288	
Parts	13,611,089	
Other	1,395,425	25,758,802
		$47,575,423

Following a lawsuit against the Company, in a U.S. District Court, a preliminary injunction prohibits the Company from distributing mini-bikes manufactured by an Italian company. Said injunction is valid until September 1, 1973. These inventories are included in the above-mentioned figures and are valued at $416,951.

3. Mortgages and other non-current receivables

Mortgages receivable	$ 79,623
Notes receivable	71,412
Instalment sales receivables	40,933
Grant receivable	11,465
Long term loan	50,000
	$ 253,433

4. Fixed assets

	Cost	Accumulated depreciation	Net book value
Land	$ 2,499,187		$ 2,499,187
Buildings	23,069,353	$ 5,215,785	17,853,568
Equipment	39,577,097	26,037,118	13,539,979
Aircraft	1,872,716	1,786,837	85,879
Other	1,362,142	471,617	890,525
	$ 68,380,495	$ 33,511,357	$ 34,869,138

5. Patents

Patents are valued at cost and the amortization thereon is included in the Consolidated Statement of Earnings under "Depreciation". Each patent is amortized over its life.

Cost		$ 1,423,355
Accumulated amortization January 31, 1972	$ 389,683	
Amount charged to operations	88,547	
January 31, 1973		478,230
Book value		$ 945,125

6. Unamortized long term debt financing expense

Financing expense is amortized over the term of the debentures issue and the amortization charged to operations is shown in the Consolidated Statement of Earnings under "Depreciation"

Unamortized balance at January 31, 1972	$ 554,773
Amount charged to operations	28,572
Unamortized balance at January 31, 1973	$ 526,201

7. Goodwill and excess of cost of shares of subsidiary companies over book value of their net assets, at dates of acquisition

These amounts relate to acquisitions by the Company of subsidiaries' shares and of nets assets by one of its subsidiaries, during the 1970, 1971, 1972 and 1973 financial years.

No amortization has been written-off against Consolidated Earnings and Consolidated Retained Earnings since January 31, 1969.

8. Bank loans

The bank loans outstanding at the balance sheet date are secured as follows:

General assignment of book debts given by the Company and certain subsidiaries	$ 5,566,536
General assignment of inventories given by certain subsidiaries	18,365,239
Floating charge given by one subsidiary	460,771

9. Deferred taxes on income

Deferred taxes on income relate to expenses deducted in reported profits in periods other than those in which they are included in the calculation of taxable income.

10. Dividends

During the year, the Company has declared four 15¢ dividends on its class A Common Shares and a dividend of 5¢ on its class B Common Shares. The Dividend payable March 15, 1973 was declared on January 29, 1973 and relates to class A Common Shares.

11. Long term debt

Bombardier Limited	
9% Debentures Series A, maturing July 1, 1981 (for which the annual mandatory sinking fund requirements are $150,000 from 1973 to 1975 and $450,000 from 1976 to 1980)	$ 9,850,000
9 3/8% Debentures Series A, maturing July 1, 1991 (for which the annual mandatory sinking fund requirements are $100,000 from 1973 to 1975, $200,000 from 1976 to 1981 and $500,000 from 1982 to 1990)	9,900,000

11. Long term debt (continued)

Mortgages payable	
9%, payable by monthly instalments of $20,127 each, including principal and interest, maturing in 1980. Secured by fixed assets having a book value of $1,845,490	1,361,804
9%, five-year period, refundable on a 20 year basis by monthly instalments of $1,334 each, including principal and interest. Secured by fixed assets having a book value of $233,327	150,000
9% and 8 1/2%, payable by monthly instalments of $136 and $133, including principal and interest, maturing in 1995 and 1994 respectively. Secured by fixed assets having a book value of $36,236	32,149
Non-interest bearing notes, payable February 1, 1973	129,300
4% Note, payable by annual instalments maturing February 15 from 1973 to 1977 inclusive	74,326
6% Note, payable by annual instalments of $100,000 each, maturing July 5, from 1973 to 1976 inclusive	400,000
Bombardier (Quebec) Ltd.	
9¾% Mortgage, payable by monthly instalments of $9,080 each, including principal and interest, maturing in 1981. Secured by fixed assets having a book value of $732,744	644,396
Bombardier West, Inc.	
7½% Mortgage, payable by monthly instalments of $2,493 each, including principal and interest, maturing in 1982. Secured by fixed assets having a book value of $305,123	199,699
Rockland Industries Ltd.	
Non-interest bearing note payable by irregular annual instalments, maturing in 1978	435,000
Moto-Ski Limited	
12½% First Mortgage Bonds, maturing $300,000 January 15, 1974 and 1975 and $150,000 January 15, 1976. Secured by a floating charge upon assets having a book value of $21,493,265	750,000
Performance Products, Inc.	
Mortgage payable by monthly instalments, maturing in 1977. Secured by fixed assets having a book value of $204,309	187,557
Ville-Marie Upholstering Ltd.	
10% Mortgage, payable by monthly instalments of $3,276 each, including principal and interest, maturing February 1, 1976. Secured by fixed assets having a book value of $475,092	224,086
Walker Manufacturing Co. Ltd.	
8½% Mortgage, payable by monthly instalments of $7,392 each, including principal and interest, maturing June 1, 1977. Secured by fixed assets having a book value of $805,862	577,016
	24,915,333
Amount due within one year	1,106,471
	$ 23,808,862

Under the terms of the Trust Indenture signed at the date of issue of the Series A Debentures, said debentures are secured by a floating charge upon the undertaking and all property and assets, both present and future, of the Company in Canada.

The repayment requirements on the consolidated long term debt of the Company and its subsidiaries during the next five financial years are as follows:

1974	$ 1,106,471
1975	989,631
1976	869,116
1977	1,287,476
1978	1,364,604

12. Minority shareholders' interest in subsidiary companies

Preferred Shares	
Jarry Precision Ltd.	
11,443 Preferred Shares with a par value of $100 each, 7% non-cumulative, redeemable at $100 (Note 17 c)	$ 1,144,300
Ski-Doo Sports Ltd.	
30 Preferred Shares with a par value of $100 each, 6% non-cumulative, redeemable at $100 (Note 18 c)	3,000
Walker Manufacturing Co. Ltd.	
3,600 Preferred Shares with a par value of $1 each, 6% non-cumulative, redeemable at $1 (Note 18 d)	3,600
	1,150,900
Common Shares and Retained Earnings	336,567
	$ 1,487,467

13. Capital Stock

The capital stock of the Company is as follows:

Authorized	
25,000,000 Class A Common Shares, without nominal or par value	
13,000,000 Class B Common Shares, without nominal or par value	
Issued and fully paid	
2,900,000 Class A Common Shares	$18,005,458
13,000,000 Class B Common Shares	35,475
	$18,040,933

There have been no changes in the outstanding capital stock of the Company during the year. The changes made after the end of the year are explained in note 18 (f).

No dividends may be declared on the Class B Common Shares unless, during the then current financial year of the Company, at least an equivalent per share dividend shall have been declared on the class A Common Shares. Each Class B Common Share is convertible, at the option of the holder, into one Class A Common Share and 13,000,000 Class A Common Shares have been reserved for such purpose. In all other respects the two classes of shares have the same rights and attributes.

14. Dividends and Capital Repayments Covenant

Under the terms of the Trust Indenture referred to in note 11, the Company will not declare or pay any dividends (except stock dividends), or redeem or otherwise retire any of its shares (except from the proceeds of a substantially contemporaneous issue of shares), unless after giving effect thereto the sum of:
(i) the aggregate amount of all dividends declared or paid after January 31, 1970; and
(ii) the excess, if any, of the aggregate amount applied after January 31, 1970 to the redemption or retirement of shares of the Company over the aggregate amount received by the Company after such date as the net proceeds of the issue of shares, including the fair value, as determined by the directors of the Company, of any proceeds other than cash and the principal amount of any indebtedness of the Company converted into shares;
will not exceed the Consolidated Net Income of the Company and its Restricted Subsidiaries earned subsequent to January 31, 1970.

15. Remuneration of directors and senior officers

The aggregate remuneration paid by the Company and its subsidiaries to 8 directors and 18 senior officers, 7 of whom are also directors, during the year ended January 31, 1973 was as follows:

Directors	$ 2,600
Senior officers	669,935
	$672,535

The corresponding remuneration for the year ended January 31, 1972 was $550,410.

16. Contributed surplus

Surplus arising from investment premiums granted by the Department of Industry and Commerce of Quebec under the Regional Industrial Development Assistance Act, and by the Department of Regional Economic Expansion under the Regional Development Incentives Act.

17. Contingent liabilities and commitments

a) The Company and its subsidiaries have leases of real property for varying terms up to a maximum of 3 years. Total rental expense for the year ended January 31, 1973 aggregated $365,628 and minimum yearly rentals for the next three years, will be: 1974—$149,427; 1975—$85,172; 1976—$21,445.

b) Unrecorded commitments in respect of uncompleted capital expenditures and equipment on order amounted to approximately $634,000 as at January 31, 1973.

c) The Company has entered into an agreement with the minority shareholders of its subsidiary Jarry Precision Ltd. for the redemption of their 11,443, 7% non-cumulative, preferred shares of $100 each, at a price equal to 83% of the par value of said shares. Such agreement will require the following future payments:

February 1, 1973	$406,500
February 1, 1974	543,318

d) (i) The Company is being sued in a U.S. District Court. It is alleged that Bombardier Limited knowingly and wilfully induced an Italian company to illegally terminate an exclusive distribution contract for the sale of mini-bikes in North America. The original claim is for an unspecified amount, plus $500,000 U.S. in "punitive" damages.

On September 1, 1971, the Court issued a preliminary injunction which prohibits the Company and its subsidiaries from distributing said Italian-made mini-bikes. Said injunction is valid until September 1, 1973.

The Company believes it has defenses against the claim and will continue to present them to the Court. According to the Company's attorneys, no estimate of the outcome or of the extent of liability, if any, can be given at this time.

(ii) The Company has also been sued in a local Court of San Jose, California by its former distributor for California and Nevada, which alleges that the Company's failure to renew its distributorship contract on March 31, 1969, was a breach of that contract and also violated the American antitrust laws. The suit claims damages in the amount of $522,000 U.S., plus an additional $100,000 U.S. which could be trebled under the antitrust laws. The Company believes the claim to be without merit and is defending the suit.

(iii) The Company and one of its subsidiaries are being sued in a U.S. District Court for the District of Minnesota, by one of its subsidiaries' distributor. The claimant alleges breach of contract and interference with contract. The maximum amount of the claim appears to be $3,500,000 U.S. plus an unspecified amount for alleged violation of the United States and Minnesota antitrust laws, which could be trebled under said antitrust laws. The Company believes the claim to be without merit and is defending the suit.

(iv) The Company is also defendant in other lawsuits the outcome of which should not materially affect its financial position.

e) In order to help its distribution network in the financing of new recreative vehicles inventories, the Company is a party to various floor plan programs and repurchase agreements with a number of financial institutions in Canada and in the United States of America. The maximum outstanding contingent liability of the Company in this respect approximated $6,104,200 at January 31, 1973.

18. Subsequent transactions

a) Under date of February 1, 1973 the Company has acquired 4,897 preferred shares from the minority shareholders of its subsidiary Jarry Precision Ltd. for the consideration mentioned in note 17 (c).

b) The Company has acquired 11 of the 20 outstanding shares in the capital stock of Heroux Limited, on February 9, 1973, for a cash consideration of $350,000.

c) The Company has brought its interest in Ski-Doo Sports Ltd. to 100% by purchasing the 300 common shares and the 30 preferred shares held by a minority shareholder, on February 14, 1973, for a consideration of $352,224 payable October 1, 1973, with interest at the rate of 6% per annum.

d) The Company has brought its interest in Walker Manufacturing Co. Ltd. to 100% by purchasing the 400 common shares and the 3,600 preferred shares held by a minority shareholder, on February 14, 1973, for a cash consideration of $62,776.

e) Under the terms of an agreement dated January 6, 1973, between the Company and shareholders of Halvorson Incorporated (a Minnesota corporation), the Company has covenanted and agreed, either directly or through one of its subsidiaries, to either:

(i) acquire all the outstanding capital stock of Halvorson Incorporated

(ii) acquire certain assets and assume certain liabilities of that corporation,

the contemplated Closing date being May 31, 1973 or such earlier or later date mutually agreed upon by the parties, with retroactive effect as at January 31, 1973.

Events subsequent to the date of completion of the financial statements of Bombardier Limited will determine the species and the amount of the consideration to be paid. According to the information we are aware of, the transaction will range between $2,000,000 and $2,500,000 U.S., payable either:

—in class A Common Shares of Bombardier Limited to be issued, if applicable, at $6.75 per share in Canadian currency (quoted value as of January 31, 1973), or

—25% cash on Closing date and the balance in three annual equal instalments, maturing on the first through the third anniversaries of the date of Closing, with interest at the rate of 6.25% per year payable with each payment of principal.

f) Under date of February 15, 1973, 238,000 class B Common Shares of the issued capital stock of the Company have been converted to class A Common Shares.

Auditors' Report

To the Shareholders of
Bombardier Limited:

We have examined the consolidated balance sheet of Bombardier Limited and its subsidiaries as at January 31, 1973 and the consolidated statements of earnings, retained earnings and source and application of working capital for the year then ended. Our examination of the financial statements of Bombardier Limited and its subsidiaries of which we are auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, based upon our examination and the reports of such other auditors, these financial statements present fairly the financial position of the companies as at January 31, 1973, the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Quebec, Canada
March 14, 1973.

Bélanger, Dallaire, Gagnon & Associés
Chartered Accountants

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(Continuation page 6)

Because of the present situation in the industry, we have, within the last few months, taken measures applicable to the whole Company to reduce fixed costs, improve the efficiency of current operations and maximize the potential of our equipment. Because of the quality of our research equipment and the efficiency of systems, we will reduce expenses in that sector. Further, we have decreased the forecast production for 1973 and are confident of having adjusted it to the conditions of the market.

To lower operation costs the decision was recently taken to close the Ski-Doo Division's Montreal warehouse and to use the existing services of our distributors in Canada and in the United States. We have also moved the marketing services to Valcourt to ensure better co-ordination for the Ski-Doo Division.

The Industrial Division

The Industrial Division has had an excellent year. Sales have increased almost 25 per cent over last year. Established as an autonomous division in 1969, it broke even this year mainly because of the marketing of new models of vehicles and of a better system of cost control.

In 1971 the division had introduced a maintenance vehicle for snowmobile and ski trails, the Skidozer trail groomer. The five model series is very successful and we hold an important share of the North American market. This year, about 25 per cent of the Division's total production, which increased over last year, was trail groomers.

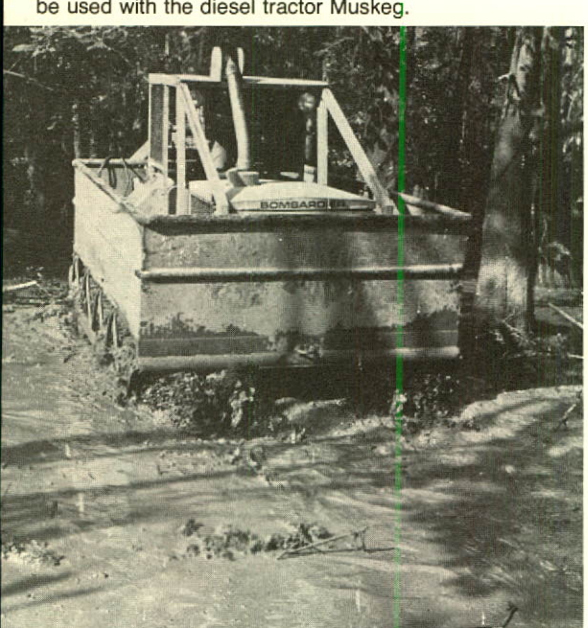
The Industrial Division has marketed this year a new Muskeg

The MTT Muskeg carrier. The largest carrier manufactured to date by the Industrial Division, this all season, all terrain vehicle has a carrying capacity of 30,000 pounds.

The Industrial Division stand at the World Forestry Vehicle Exhibition held in Buenos Aires, Argentina.

The Skidozer 501 trail groomer is designed for the maintenance of ski slopes.

The Brush Cutter. Available in 1973, this equipment will be used with the diesel tractor Muskeg.



The new Muskeg model designed for marshy, woodland use, the Jimmy Skidder.

model, the Jimmy Skidder, designed for marshy, woodland use. This vehicle has been well-received and we expect favourable sales in 1973.

The Division has also designed a new type of carrier. The largest manufactured to date by the Division, it has a carrying capacity of 30,000 pounds. Designed for all seasons and all types of ground conditions, the Muskeg MTT tracked vehicle has been built for large engineering projects such as that of James Bay. Because of its technical specifications and of the types of soil for which it has been conceived, it opens market possibilities not only in Canada but internationally.

Technological progress today offers not only advantages but it is also held responsible for several evils including that of environmental pollution. The protection of our environment is a foremost preoccupation of our research services. To this end, the engineers of the Industrial Division have designed a Brush Cutter. Available in 1973, the equipment will be used with the diesel Muskeg tractor, which has an excellent reputation of performance under difficult ground conditions. It is designed to control the growth of unwanted vegetation along railway and hydro-electric line rights-of-way. The use of chemical products to achieve the same end is now prohibited in several areas of Canada and the United States because of their destructive effects on flora and fauna. This new vehicle should prove a valuable tool for public utilities.

The Can-Am Division

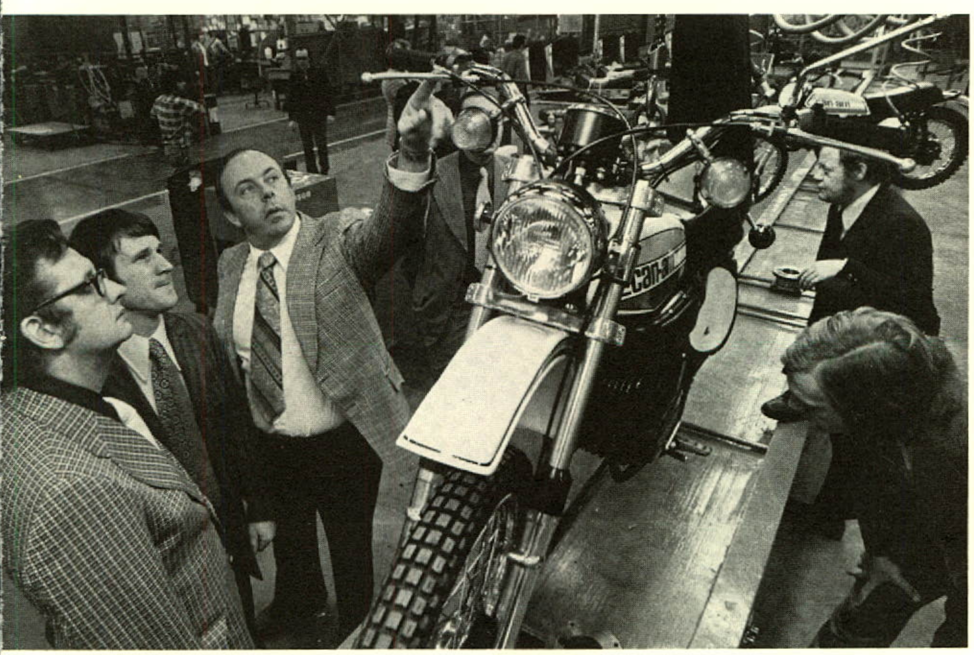
Last fall, the Company created a new division which is known as the Can-Am Motorcycle Division. It manufactures high performance motocross and enduro type, 125cc and 175cc, motorcycle models. These vehicles are now available in Quebec and in the mid-western United States. The market for these types of motorcycles is in full development in North America. If results warrant, we will increase the number of models and enlarge the distribution next year.

The Can-Am Division is located in Valcourt. About 60 per cent of all parts are made by our subsidiaries and the vehicles are assembled in the Ski-Doo Division plant.

In races last summer, performance was excellent. The 125cc model won on several occasions, including the Canadian Motocross Junior Championship. A 125cc prototype with a water-cooled engine set a world speed record at Bonneville, Utah.

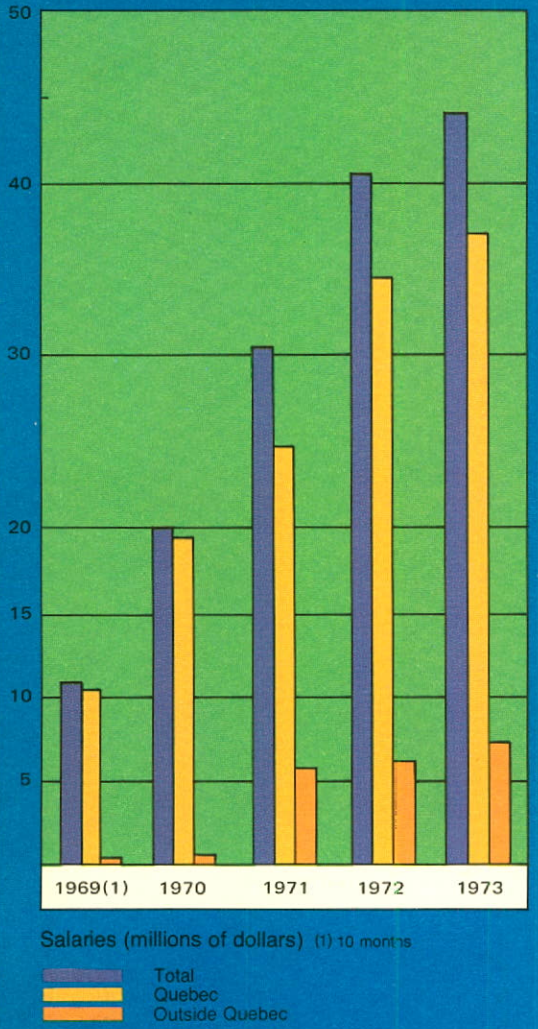
The new Can-Am motorcycles are equipped with rotary valve engines developed and manufactured by our Motor Division in Austria.

The assembly of tramways at the Vienna plant of the Motor Division.



The new Can-Am motorcycles as they come off the assembly line.

In races last summer, performance of our new Can-Am motorcycles was excellent.



The Motor Division

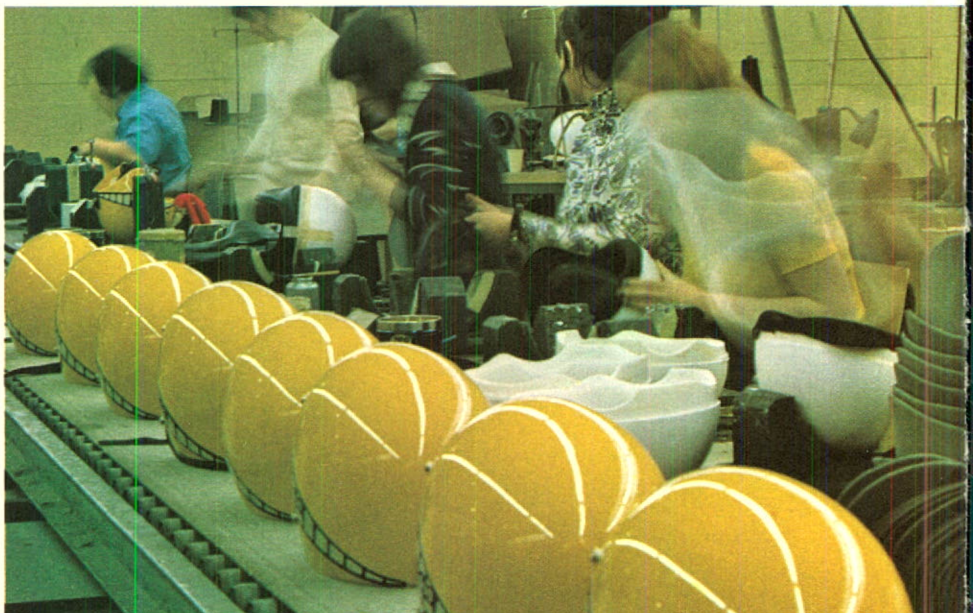
The Gunskirchen plant is busy developing other engine types. In the Vienna plant there has been an increase in the demand for tramways and orders ensure full-scale activity for the next two years. To centralize our activities overseas and to facilitate our transactions with the countries of Europe, Africa and Asia, we have established a sales and distribution service in the Vienna office.

Acquisitions and diversification

Our manufacturing subsidiary, Rockland Industries Ltd., has undertaken a new venture. It has entered the recap tire market and has, for the past several months, been manufacturing truck tire treads and the needed equipment for their baking. The process is known as Runyband and the patents have been bought by the Company. On February 9th, 1973, Bombardier Limited acquired the controlling interest of Heroux Limited, a company specializing in the design, manufacture, development, repair and maintenance for aerospace and industry. The company, located in Longueuil, Quebec, has additional facilities in St. John's, Quebec, and employs some 600 people. The acquisition of the controlling interest of this company is an investment and it offers possibilities in diversification. Heroux's reputation in the aircraft industry is sound and we are confident of the company's future growth.

The Company has also recently acquired the outstanding shares of Walker Manufacturing Co. Ltd., maker of children's outdoor

The Runyband bonding cage designed and manufactured at Rockland Industries Ltd.



The assembly of safety helmets at the Montreal plant of the Apparel Division. They are entirely manufactured by our manufacturing subsidiaries.

clothing, and of Ski-Doo Sports Ltd., distributor of snowmobile clothing and accessories.

We have also concluded a letter of intent with Halvorson Incorporated, Duluth, Minnesota, whereby we will acquire, within the next few weeks, that part of the company which sells and distributes our Ski-Doo and industrial products in the mid-west United States. It is one of our major distributors in that country. This purchase is made to improve the Company's position within the most important snowmobile sector of the American market. To lower operating costs and offer our dealers better service, we will merge Bombardier West, Inc.—which is now known as Bombardier Corporation—and Halvorson Incorporated into one marketing and distributing company which, upon ratification of the agreement, will keep the name of Bombardier Corporation.

To increase and diversify the production of our subsidiaries, we have recently created a new section, Technical Furnishings, with offices at Place Bonaventure, Montreal. Its first industrial exhibition, which was held in March and April of this year, was aimed at outlining the production capabilities of the manufacturing subsidiaries. In cooperation with design companies this section can offer original designs to those interested—furniture makers, designers, architects and buyers—thus stimulating Canadian design and enhancing the development in Canada of the plastic furnishings market. This market offers interesting possibilities because of the types of products manufactured by our subsidiaries and their production facilities.

In addition, the Company has developed for the snowmobiler and the motorcyclist a type of safety helmet which meets all government safety standards. Currently being marketed, the helmet is entirely manufactured by our subsidiaries.

SALES BY PROFIT CENTER (thousands of dollars)

	1969 (1)	1970	1971	1972	1973
Ski-Doo products	84 200	135 600	149 900	140 000	107 800
Moto-Ski products	—	—	—	26 300	23 400
Industrial products	4 600	5 900	5 800	6 500	8 100
Products of manufacturing subsidiaries	13 500	20 200	61 600	56 700	56 900
Total	102 300	161 700	217 300	229 500	196 200
Inter-division sales	13 400	20 000	52 400	46 600	45 400
Net consolidated sales	88 900	141 700	164 900	182 900	150 800

NET (LOSS) EARNINGS BY PROFIT CENTER (thousands of dollars)

	1969 (1)	1970	1971	1972	1973
Ski-Doo products	10 600	14 800	9 900	6 700	(1 000)
Moto-Ski products	—	—	—	(1 000)	(1 900)
Industrial products	(600)	(400)	(300)	(100)	ø
Products of manufacturing subsidiaries	1 100	2 400	6 000	6 500	3 400
Total	11 100	16 800	15 600 (2)	12 100	500

(1) 10 months (2) Restated figure

Heroux Limited, a subsidiary of Bombardier Limited as of February 9th, 1973 specializes in the design, manufacture, development, repair and maintenance of different parts for aerospace such as landing gears.

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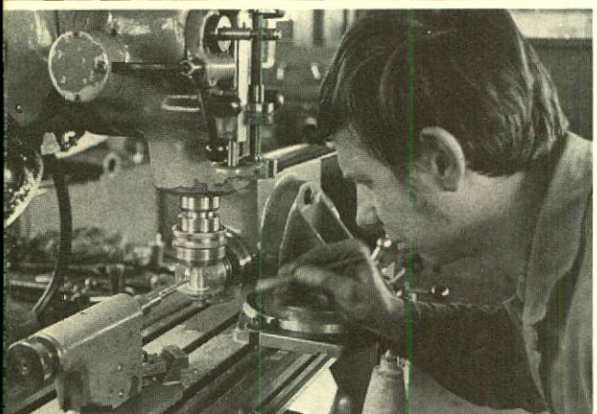

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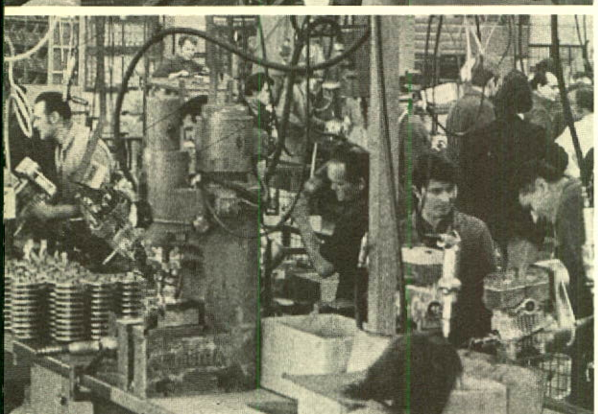

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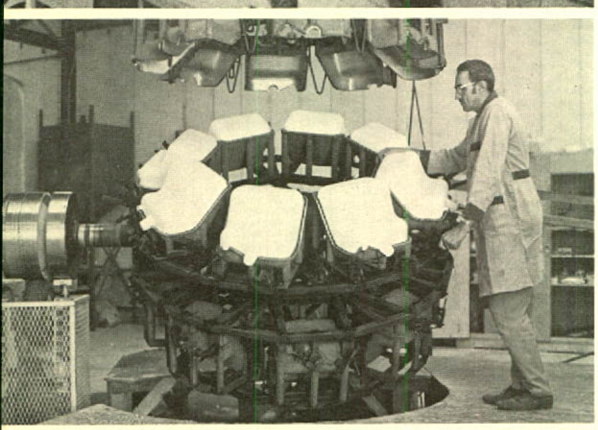

In the drive towards diversification, several of our subsidiaries have undertaken marketing surveys and are studying new products and various new processes of manufacturing.

At the international level, the Company has sent teams to Asia, Africa and South America to evaluate new markets for our products. These efforts are beginning to bear fruit. With the support of the Canadian government, we have also participated in several international industrial fairs notably Peking, New Delhi and Buenos Aires.

The rapid expansion of our Company has created various growth problems which have reflected on all our activities. Moreover the introduction of several new snowmobile models, the many technical improvements made during the last two years and the numerous adaptations required to meet government safety and noise standards have delayed assembly line operations and, as a consequence, modified our subsidiaries' production timetables. Due to the aforementioned circumstances, the diversification programme, as outlined in 1971, has not been fully implemented.

With the re-organization and the changes made in the last few months, we are confident that our subsidiaries will be able to intensify their diversification efforts during the forthcoming year. Several interesting projects are being studied and some are expected to become a reality shortly. Within a few years, production diversification of our subsidiaries should represent an important share of our sales.

We are aware of the difficulties we will have to face, in the short term particularly, and realistically intend to take all necessary means to meet them. We believe we have the human and technical resources to achieve this end. Because of the excellent work of our employees at all levels, and with a concerted effort to re-organize and consolidate our operations, we are confident that 1973 will be a year of recovery.

Laurent Beaudoin C.A.
President and Chief Executive
Officer

5.

6.

BOARD OF DIRECTORS

Laurent Beaudoin, Chairman
André Bombardier
John N. Cole
Jean-Louis Fontaine
Jean-Paul Gagnon
Charles Leblanc
Hon. Jean-Luc Pépin
Pierre Poitras

CORPORATE MANAGEMENT

Laurent Beaudoin
President and Chief Executive Officer

Charles Leblanc
Executive Vice-President

André Bombardier
Assistant to the President

Bernard Crevier
Vice-President
Industrial Relations

Jean-Louis Fontaine
Vice-President
Manufacturing Subsidiaries

Jean Rivard
Secretary of the Company and Director of Legal Department

INDUSTRIAL DIVISION

Normand Carpentier
General Manager

APPAREL & ACCESSORIES DIVISION

Fernand Turgeon
President and General Manager

RECREATIONAL PRODUCTS GROUP

Laurent Beaudoin
General Manager

SKI-DOO DIVISION

Laurent Beaudoin
General Manager

Jacques Beaudoin
Vice-President Finance

Guy Bertrand
Vice-President Research and Development

Michel Cloutier
Vice-President Marketing

Robert Lapointe
Vice-President Production

MOTO-SKI DIVISION

Jean-Paul Gagnon
President

Jean-Yves Bélanger
Vice-President Research and Development

Guy Doré
Vice-President Production

Jean-Pierre Larose
Vice-President Finance

Lou Soucy
Vice-President Marketing

MOTOR DIVISION

Helmut Rothe
General Manager

Karl Pötzlberger
Assistant General Manager

Othmar Stollnberger
General Manager,
Vienna plant new

New

CAM-AM MOTORCYCLE DIVISION

Gary A. Robison
Vice-President

MANUFACTURING SUBSIDIARIES

Heroux Limited
Kerrigan Turner
President

Jarry Precision Ltd.
Léo Vadeboncoeur
General Manager

Rockland Industries Ltd.
Fernand Bédard
General Manager

LaSalle Plastics Inc.
Marcel Brosseau
General Manager

Drummond Automatic Plating Inc.
Roger Fournier
General Manager

Roski Ltd.
Roger L'Espérance
General Manager

Ville-Marie Upholstering Ltd.
Jean-Jacques Dumas
General Manager

DISTRIBUTION SUBSIDIARIES

Bombardier East, Inc.
William McConville
General Manager

Bombardier (Ontario) Ltd.
René Bourassa
General Manager

Bombardier (Quebec) Ltd.
Pierre Cloutier
General Manager

Bombardier Corporation
Warren Daoust
President and General Manager

MS Distribution (1971) Ltd.
Gaston-Guy Pelletier
General Manager

Performance Products Inc.
John Staver
President

1. The President of Bombardier Limited, Mr. Laurent Beaudoin (center) with the Vice-President of Production (Ski-Doo Division), Robert Lapointe, and the Manager of Quality Control (Ski-Doo Division), Raymond Larochelle.
2. An employee at work. Bombardier Limited employs approximately 6,000 people.
3. A view of one of the departments of the assembly plant at the Motor Division in Gunskirchen, Austria.
4. Rotational moulding is one of the manufacturing processes in use at Roski Ltd. This process is used in the manufacture of thermoplastic parts such as gazoline tanks for snowmobiles and motorcycles as well as mudguards for motorcycles.
5. A section of the assembly department at the Industrial Division plant.
6. Bombardier Limited's headquarters, Valcourt, Quebec.

Lith d in Canada