

ANNUAL REPORT

YEAR ENDED JANUARY 31, 2000



BOMBARDIER

A GLOBAL LEADER



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A Record

Fiscal
1999-2000

Net Income: \$718.8 million

Revenues: \$13.6 billion

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

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Services des relations publiques
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Backlog: \$27.2 billion



Year

*in Net Income,
Revenues and Backlog*

BOMBARDIER



Increased margins, benefits from Six Sigma and turnaround of the recreational products segment resulted in the significant improvement in Bombardier's net income. The aerospace and transportation segments mainly contributed to increased revenues, while new order intake brought the total backlog to a record high.

FINANCIAL HIGHLIGHTS**BOMBARDIER INC.**

(millions of Canadian dollars, except per share amounts)

For the years ended January 31**2000**

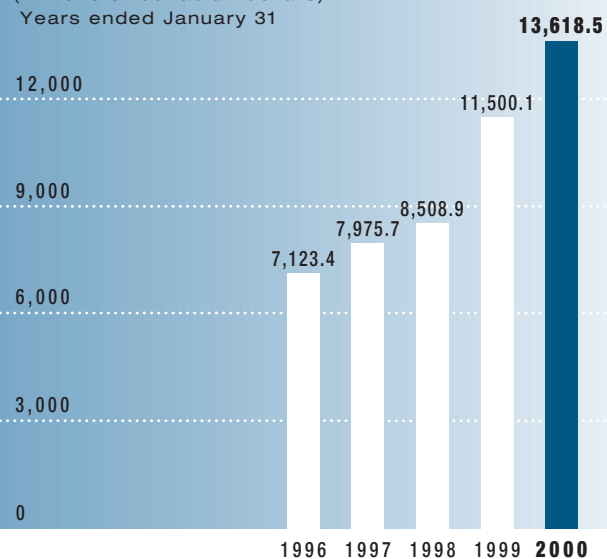
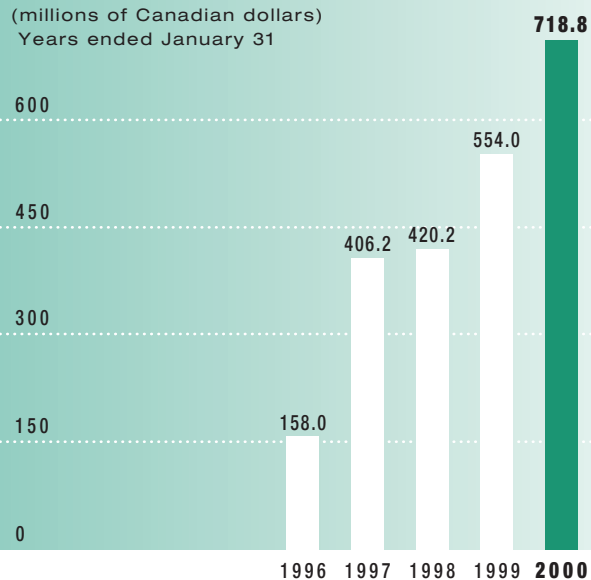
1999

Revenues	\$ 13,618.5	\$ 11,500.1
Income before income taxes	\$ 1,072.9	\$ 826.9
Income taxes	\$ 354.1	\$ 272.9
Net income	\$ 718.8	\$ 554.0
Earnings per share – basic	\$ 1.02	\$ 0.77
Dividend per common share:		
Class A	\$ 0.220000	\$ 0.170000
Class B	\$ 0.223125	\$ 0.173125

As at January 31**2000**

1999

Total assets	\$ 17,034.1	\$ 14,277.9
Shareholders' equity	\$ 3,611.8	\$ 3,488.5
Additions to fixed assets	\$ 419.5	\$ 364.2
Total backlog	\$ 27,247.6	\$ 25,510.9
Book value per common share	\$ 4.81	\$ 4.40
Number of common shares	688,809,008	683,172,995
Shareholders of record	11,168	10,097

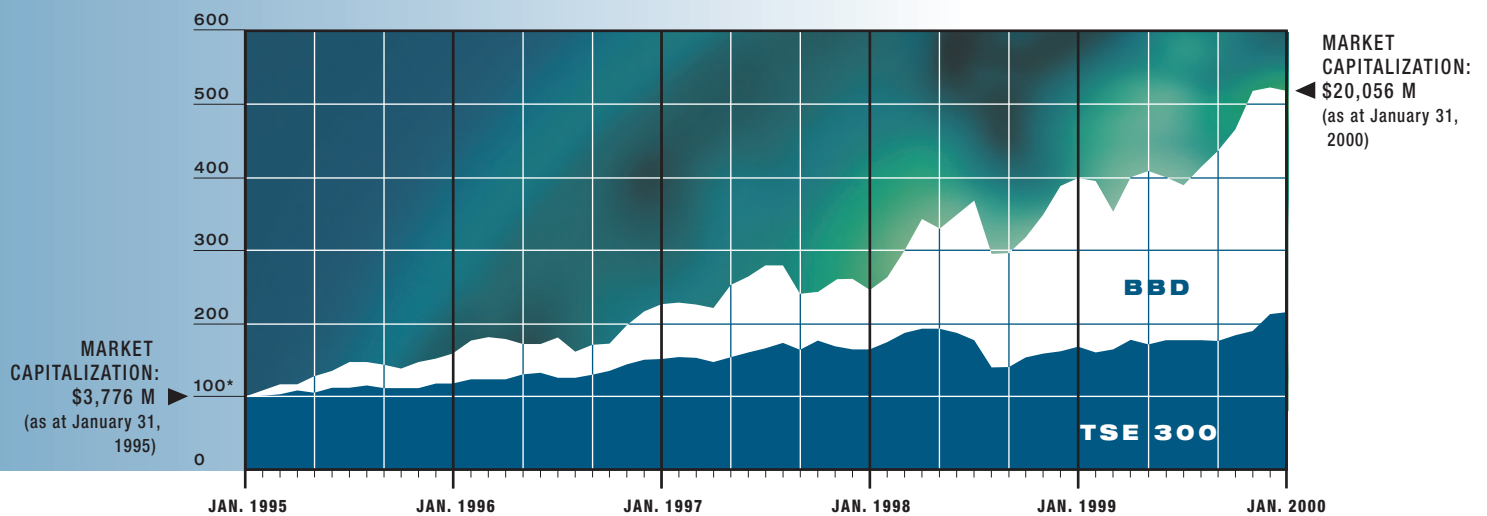
REVENUES(millions of Canadian dollars)
Years ended January 31**NET INCOME**(millions of Canadian dollars)
Years ended January 31

1999-2000 PERFORMANCE HIGHLIGHTS

- Another year of record revenues, net income and backlog.
- Achieved a shareholder return, excluding dividends, of 30.2% compared with 26% for the TSE 300 index. Over the last five fiscal years, achieved a compounded annual growth rate of return to shareholders of 38.9% compared with a 16.1% return for the TSE 300.
- Reached new record of 292 aircraft delivered to customers, a 29% increase compared to 227 units the previous year.
- Won largest CRJ order, in 1999, with Northwest Airlines' \$1.9 billion order for 54 aircraft, plus options for up to 70 more. Since, established another record of \$2.9 billion with letters of intent from Delta Connection for 94 CRJ aircraft, plus options for 406 more.
- Delivered first completed ultra long-range Bombardier Global Express business aircraft.
- Celebrated its 25th anniversary in rail transportation. This first strategic diversification, followed by a series of acquisitions, allowed Bombardier Transportation to become a global player, in terms of both capabilities and market presence.
- Earned, along with partners Power Pacific Corporation Ltd. and Sifang, first major railcar order in China from the Ministry of Railways and started manufacturing activities in China.
- Launched its second ATV model, the DS 650, targeting sport ATV enthusiasts. First utility ATV model, the Traxter, had been qualified "The best ATV on the market" and "The ATV of the Year".
- Won a "Design of the Decade" Award, sponsored by the Industrial Designers Society of America and *Business Week* magazine, for innovation and excellence in the design of Sea-Doo watercraft.
- Achieved a 32% growth in assets under management for Bombardier Capital, reaching \$10.8 billion at year-end.
- Attained \$89 million in cost savings and made headway towards exceeding its target of \$400 million in cost savings by fiscal 2004 with the Six Sigma quality and productivity improvement program.

BOMBARDIER'S STOCK PERFORMANCE

January 31, 1995 to January 31, 2000





BOMBARDIER

Laurent Beaudoin,
Chairman of the Board and
of the Executive Committee
Robert E. Brown,
President and Chief
Executive Officer



ANOTHER OUTSTANDING YEAR

Fiscal 1999-2000 was another outstanding year for Bombardier. The Corporation posted record revenues and profits, met its commitment to grow earnings per share by 30% or more, in line with its announced target, and enhanced its position as a global leader in each of the major business segments in which it competes.

Consolidated revenues for fiscal 1999-2000 increased by 18% to \$13.6 billion. Net income, before taking into account unusual items, also increased substantially, climbing by 36% to \$752.4 million, which translated into an increase in earnings per share (EPS) of 32% after unusual items. Due to strong markets for its products, Bombardier's order backlog stood at a record \$27.2 billion at January 31, 2000.

At the beginning of last year, Robert E. Brown was named President and CEO while Laurent Beaudoin continued to oversee the long-term orientation of the Corporation as Chairman of the Board and of the Executive Committee. The organization has continued to expand and prosper, building on the legacy of its strong past to ensure a solid future.

This excellent performance kept the Corporation firmly on track to meet its goal of doubling sales during the five-year period ending in fiscal 2003-2004. As well, we have set ourselves a new target to double sales again over the next five years, through fiscal 2004-2005.

We have also made good progress towards the goal we set last year of raising the Earnings Before Tax (EBT) margin to 11% over the same period. The EBT margin, before unusual items,

increased from 7.2% to 8.3% for the latest year, and we fully expect to achieve our 10% margin target for fiscal 2002. Indeed, we are sufficiently confident of making continued improvement that we have raised the bar in terms of our rolling EBT targets for the next five years. The EBT margin of 10% originally targeted for fiscal 2004 has been advanced to fiscal 2002, and we have established a new target of 11% for fiscal 2004.

Based on strategic plans for each of our groups, we have set earnings per share growth targets in excess of 30% for each of the fiscal years ending January 31, 2001 and 2002.

GROWTH AND DIVERSIFICATION

Growth and profits remain top strategic priorities. Diversification is also a high priority, as we constantly strive to improve the balance between Bombardier's various activities and to ensure that expansion in each of the business sectors keeps pace with expansion of the Corporation in general. Over the years, the benefits of diversification have been clearly demonstrated at Bombardier. For example, profits from the recreational products segment and the cash flow from transportation helped to support large investments in aerospace in the 1990s.

Diversification is already well established with the transportation, recreational products and financial services segments accounting for 40% of overall revenues while revenues from the aerospace segment, which account for the balance, are generated from three distinct markets, each with its own business cycle:

- Business Aircraft meets the aviation needs of corporations and individuals;
- Regional Aircraft is aimed at providing innovative solutions for the requirements of commercial airlines around the world; and
- Aircraft services addresses the needs of all customers in the business and commercial segments, providing additional diversity and stability to the revenues of Bombardier. Aircraft services, along with the Canadair 415 aircraft program and component subcontracts, account for a significant share of aerospace revenues.

In terms of future growth, we intend to continue to concentrate on opportunities that are either directly related or complementary to Bombardier's existing core businesses. At the same time, we will divest of businesses—such as our former 50% equity stake in Shorts Missile Systems Limited—which no longer fit with the Corporation's long-term strategic focus.

AEROSPACE

The performance of Bombardier Aerospace during the 1999-2000 fiscal year was particularly noteworthy. The Corporation has made substantial investments in recent years to build a leadership position in the regional aircraft and business jet sectors, and we are now seeing these investments bear fruit. In the regional aircraft segment, Bombardier is the only manufacturer to offer a full line of jets and turboprops. We are the first to market with a 70-seat regional jet,

as we were with our pioneering 50-passenger CRJ100 and 200 Series aircraft. As well, we are also considering the launch of a new 90-seat regional jet, a derivative of our CRJ700 aircraft. We ended the latest fiscal year with a solid backlog of 435 regional aircraft on firm order, up 35% from a year earlier.

This positive momentum has carried over into the new fiscal year, with the announcement in March 2000 of several substantial sales agreements. These include orders for 44 CRJ200 and Q300 series aircraft from Spain's Air Nostrum and letters of intent providing for 94 firm orders for CRJ200 and CRJ700 aircraft from Delta Connection, Inc. When finalized, the Delta order, valued at \$2.9 billion, will represent the single largest sale of regional aircraft in history and will also include options for 406 aircraft. In view of this strong market demand and large backlog, we are implementing plans to increase the CRJ 100/200 production rate from 100 aircraft this year to 135 next year and to 150 in fiscal 2003.

Another noteworthy development, subsequent to year-end, was a major victory at the World Trade Organization (WTO), in the long-running dispute concerning Canada's challenge of Brazil's ProEx program and its unfair subsidization of Embraer's regional jet aircraft. The WTO ruling should make for a more level playing field in the regional aircraft market in the future.

During fiscal 2000, Bombardier Aerospace became the world's largest manufacturer of business aircraft in terms of revenues. It achieved another milestone with the deliveries of completed Global Express aircraft.

TRANSPORTATION

Bombardier Transportation also earned a market leadership position during the past year. It took over the number one ranking worldwide in the passenger railcar segment, while further strengthening its leadership in the North American market through a number of key contracts, including an order from the Long Island Railroad for 226 commuter cars plus options for over 800 cars.

In Europe, Bombardier Transportation acted decisively to address new market realities, which include privatization in the United Kingdom, industry overcapacity in Germany and increased competitive bidding on a transnational basis. By rightsizing our European operations, primarily in Germany—which entailed a restructuring charge of \$118 million during the third and fourth quarters of the year—we aim to establish a base for profitability in Europe similar to what we have achieved in North America.

RECREATIONAL PRODUCTS

Here again, we met our primary goal for fiscal 1999-2000, which was to complete the first phase of the turnaround and see Bombardier Recreational Products back on the path to profitability. Despite a decline in revenues attributable to lower sales of personal watercraft and snowmobiles, the group managed to generate a modest pre-tax profit for fiscal 2000, compared with a loss the year before.

Our goal now is to further improve performance, growing both top and bottom lines so that Bombardier Recreational Products can resume its role as a clear market leader and major contributor to Bombardier's overall success. We are putting particular emphasis on improving our position in the fast-growing ATV market, which we see as one of the keys to the group's future growth.

In the snowmobile market, Bombardier Recreational Products is close to regaining the number one spot in market share. In personal watercraft, we are already number one in sales and a leader in terms of new technology designed to address environmental and safety issues.

FINANCIAL SERVICES

Bombardier Capital continues to evolve into a diversified finance, asset-management and service company, increasingly focused on areas we know well and which help leverage the know-how of other Bombardier groups. As part of our strategic planning and budget review, we recently reassessed all of our loan portfolios and made the decision to sell or wind down a number of portfolios for lack of fit with our long-term orientation. The group also has a new President and Chief Operating Officer, Pierre Lortie, formerly President and COO of Bombardier International.

INTERNATIONAL PRESENCE

Bombardier International has been active in seeking out opportunities for the Corporation's products, technologies and competencies in non-traditional market sectors, and accelerating its penetration of geographic markets outside of North America and Western Europe. A case in point is the

formation of Bombardier Sifang Power (Qingdao) Transportation Ltd. — a joint venture between Bombardier Transportation, China's Sifang Locomotive & Rolling Stock Works and Canadian-owned Power Pacific Corporation — which is currently launching operations in China and has landed a breakthrough order to design and manufacture 300 modern intercity railway cars for the Chinese government's Ministry of Railways.

OPERATIONAL EXCELLENCE - SIX SIGMA

The Corporation has a very specific goal of achieving operational excellence in all its spheres of activity. We are focusing our efforts on several different key drivers including best-cost sourcing programs, comprehensive risk management, and performance-based incentives at all levels of management, as well as widespread application of the increased know-how and learning that is derived from successfully handling larger and larger volumes of business.

Central to the attainment of operational excellence is Six Sigma, the continuous improvement program first implemented at Bombardier Aerospace in 1997 and since rolled out across Bombardier Recreational Products and Bombardier Transportation. Bombardier Capital will join this year.

Six Sigma provides us with a means of achieving the highest level of customer-defined quality at the lowest cost. As a result, we have steadily increased the resources devoted to the program, which now encompasses 350 full-time employees and some 12,000 employees who have been involved in training sessions. Net cash savings of \$89 million were generated in fiscal 2000 and we are well on the way to exceeding our initial target of \$400 million a year in cost savings by fiscal 2004. As we have now passed the initial stages of implementation, our focus will be on our engineering and manufacturing processes as well as the improvement of products and services for our customers.

OUR TARGETS

Looking ahead to the balance of fiscal 2001 and beyond, the prospects for our business are generally favourable. The economy in North America remains robust and the situation in Europe and Asia has improved. Based on this generally positive economic scenario, and on our record backlog of \$27.2 billion, we have maintained our growth targets for the year in terms of revenue and earnings.



The transition following last year's changes in top management proceeded smoothly. Newly appointed Bombardier President and CEO, Robert E. Brown works very closely with Yvan Allaire, Executive Vice President of Bombardier and Chairman of the Board of Bombardier Capital, and Laurent Beaudoin, Chairman of the Board and of the Executive Committee of Bombardier.

The business aircraft market is buoyant, fueled to a considerable extent by our successful fractional ownership program. The record orders outlined earlier attest to the robust health of the regional aircraft market. The positive outlook for Bombardier Transportation is based on markets which continue to offer good growth potential for the next few years. The North American market is particularly buoyant, while Asia offers good prospects for turnkey projects. As well, the generally favourable economic outlook for major markets augurs well for sales of our recreational products.

We have met our overall goals for 1999-2000. Our revenue, EBT margin and EPS growth targets have been met. The growth and momentum in aerospace have been maintained. The first phase of the Bombardier Recreational Products turnaround has been achieved. Action has been taken in Bombardier Transportation and Bombardier Capital to improve their performance in the future. Six Sigma is now being implemented aggressively across the organization.

Building on these successes, we have set high targets and intend to meet them. We will also continue to develop our people, to strive to improve the diversification of our businesses and to sell assets that do not fit with our long-term orientation. These initiatives will allow us to provide strong return to shareholders and position ourselves for sustained long-term profitable growth.

In the end, it is the 56,000-plus people who work for Bombardier in plants and offices around the world who ultimately enable us to achieve market leadership, reach our financial targets and create added value for our shareholders. We take pride in having a strong management team and a first-rate, highly trained workforce. We continue to make the development of our people a top priority to ensure the level of expertise and commitment required to sustain profitable growth.

We would like to take this opportunity to thank Bombardier employees worldwide for their hard work and commitment, which are so instrumental to our success. We also wish to extend our gratitude to fellow members of the Board of Directors for their wise counsel and unstinting support.

On behalf of the Board of Directors,

Signed

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

Signed

Robert E. Brown
President and Chief Executive Officer

Montréal, Canada
May 18, 2000

MANAGEMENT'S DISCUSSION AND ANALYSIS



BOMBARDIER

OVERVIEW

The consolidated financial statements of Bombardier Inc. include the detailed effects of adding the accounts of the financial and real estate services activities to those of the Corporation's manufacturing operations. In order to provide a better understanding of the various data presented in the annual report, the Summary of Significant Accounting Policies contains a definition of the terms used to designate the overall operations of Bombardier Inc. (Bombardier Inc. consolidated), the manufacturing operations (Bombardier), as well as the financial and real estate services that fall under Bombardier Capital (BC). The application of this consolidation method has no impact on net income and shareholders' equity.

FORWARD LOOKING STATEMENTS

This report includes "forward looking statements" that are subject to risks and uncertainties. For information identifying legislative or regulatory, economic, climatic, currency, technological, competitive and other important factors that could cause actual results to differ materially from those anticipated in the forward looking statements, see the heading "Risks and Uncertainties" on page 39 of this report.

BC's activities and financial position are fundamentally different from the manufacturing operations. Each of these two types of businesses are analyzed and measured using different performance indicators by the investment market. The discussion and analysis of operations which follow segregate these two types of businesses to better highlight their respective characteristics.

The balance sheets are presented in an unclassified format because the Corporation carries out its operations in four distinct segments, each one characterized by a specific operating cycle.

The operating cycle in the aerospace segment is based on the length of each program. The cycle of each program is variable, but usually extends over many years. The operating cycle for the recreational products segment is seasonal and based on cycles of less than one year. In the transportation segment, most manufacturing work performed relates to long-term contracts which extend for periods of one to three years.

The operating cycle for BC depends on the underlying operations. This segment includes the real estate operations for which the operating cycle extends over many years, and the financing subsidiaries operations which, as is the case for most financial institutions, have operating cycles as short as a few months for short-term lending activities, and as long as several years for long-term financing and asset leasing activities.

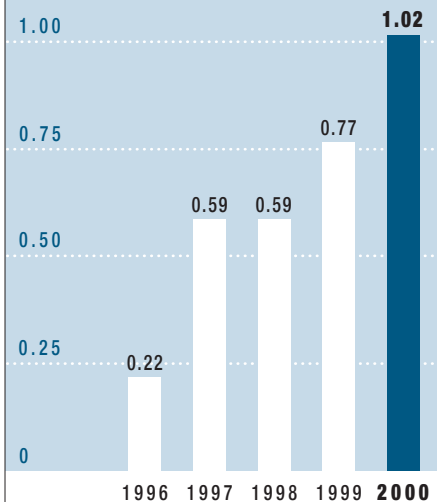
The accounting methods used for Bombardier's activities are explained in the Summary of Significant Accounting Policies that accompanies the consolidated financial statements.

CONSOLIDATED RESULTS

The Corporation achieved another record year in terms of revenues and income before unusual items and income taxes for fiscal year 2000. Total consolidated revenues amounted to \$13.6 billion for the year ended January 31, 2000, compared with \$11.5 billion for the preceding year, a year-to-year increase of 18% mainly resulting from growth in the aerospace and transportation segments. Income before unusual items and income taxes increased by 36% for fiscal year 2000 to \$1,124.0 million compared to \$826.9 million for fiscal year 1999. This excellent performance was mainly the result of significant growth in aircraft deliveries and in the income before income tax margin in the aerospace segment as well as a return to profitability of the recreational products segment resulting mainly from the reorganization undertaken to adjust to market demand. The transportation segment increased its revenues by 16% and income

Earnings per share—basic

(in Canadian dollars)
Years ended January 31



before unusual items and income taxes by 18% compared to the previous year. The Bombardier Capital segment also showed record revenues for fiscal year 2000 due to continuous growth in assets under management. Bombardier Capital's income before income taxes for the year ended January 31, 2000 amounted to \$28.0 million, down from \$42.6 million recorded last year. The consolidated income statement items were also impacted by the progressive implementation of the Six Sigma program, which is discussed on pages 32 and 33 of this report.

A net pre-tax unusual charge of \$51.1 million (\$33.6 million after tax), arising from the reduction of the transportation segment operational capacity in Europe to better align the production capacity to market demand and from downsizing the Corporation's activities in the defence services sector, was recorded in fiscal year 2000. The detailed components and the circumstances leading to the charge are discussed later in the segment reporting section.

In fiscal 2000, the Corporation's income taxes totalled \$354.1 million, as against \$272.9 million in fiscal 1999. The effective

average consolidated income tax rate for the Corporation's worldwide operations for the last two fiscal years remained constant at 33%. The details of the components of the income tax expense are provided in note 15 to the Consolidated Financial Statements.

Net income before unusual items reached \$752.4 million for the year ended January 31, 2000 or \$1.06 per share on an average of 684.5 million shares outstanding for the year. Net income for the same period amounted to \$718.8 million, or \$1.02 per share, compared with a net income of \$554.0 million, or \$0.77 per share on an average of 680.4 million shares outstanding for the year ended January 31, 1999. Fully diluted earnings per share for fiscal year 2000 reached \$1.00 as compared to \$0.76 in 1999, a year-to-year increase of 32%. The calculation of the fully diluted earnings per share gives effect to the exercise of all dilutive elements.

SEGMENTED INFORMATION

Management evaluates segment performance based on income or loss before unusual items and income taxes. Intersegment services are accounted for at current market prices, as if the services were provided to third parties.

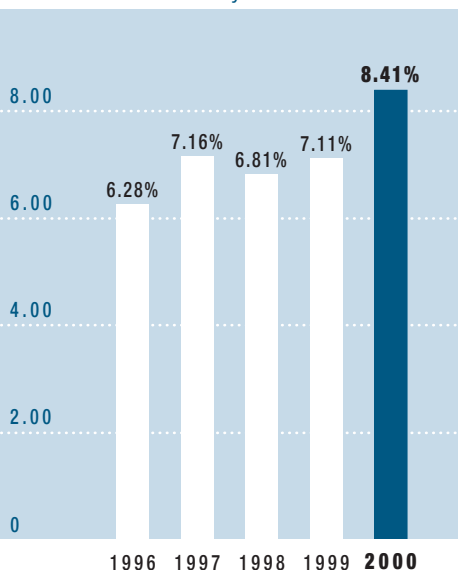
For all segments, interest costs are allocated to each segment based on its net assets. Most corporate office charges are allocated based on their respective revenues. For the manufacturing segments, net segmented assets are comprised of the assets of each segment except for investment in and advances to BC and cash and cash equivalents less accounts payable and accrued liabilities and advances and progress billings in excess of related costs.

For BC, the net segmented assets correspond to the combined amount of BC's equity and subordinated debt which is maintained at a level to produce a debt to equity ratio, including subordinated debt, which approximates 9 to 1. Consequently, this amount is shown as net segmented assets for BC.

The analysis of operating results that follows covers the activities of the Corporation's five groups: Bombardier Aerospace, Bombardier Transportation, Bombardier Recreational Products, Bombardier Capital and Bombardier International.

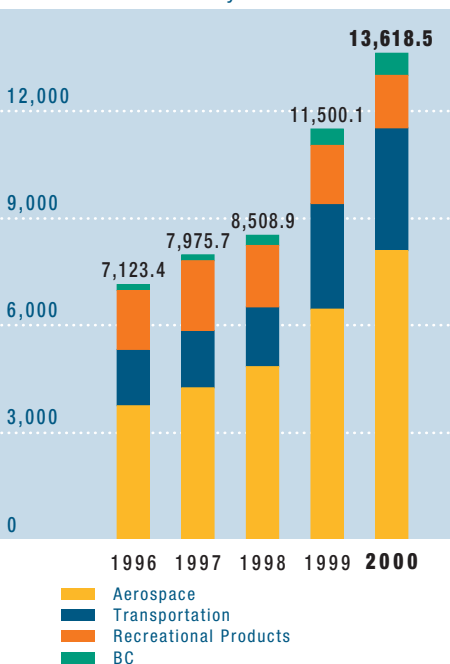
Bombardier's income before unusual items and income taxes

(as a percentage of sales)
Years ended January 31



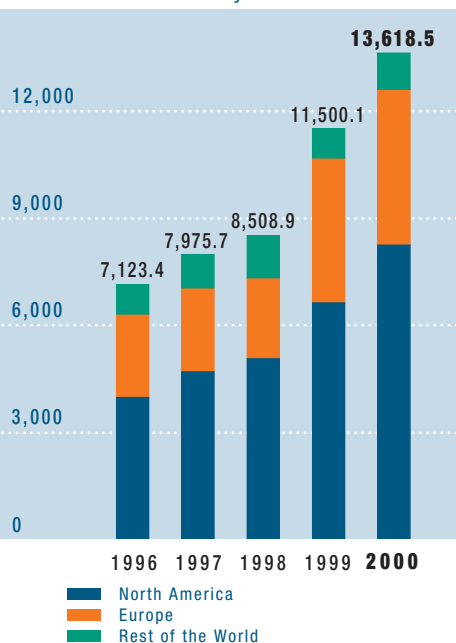
Consolidated revenues by segment

(millions of Canadian dollars)
Years ended January 31



Consolidated revenues by major international market

(millions of Canadian dollars)
Years ended January 31



■ Aerospace
■ Transportation
■ Recreational Products
■ BC

■ North America
■ Europe
■ Rest of the World

No.1 Worldwide *in Business* *and*



BOMBARDIER
AEROSPACE



Jet Regional Aircraft



With the first full production year of the Global Express and Learjet 45, Bombardier Aerospace has become the world leader in business jets, in terms of revenues, offering a complete line of business aircraft. Bombardier Aerospace has also reinforced its leadership position, based on new orders, in the regional aircraft market with its Q Series family of turboprops and CRJ aircraft.

BOMBARDIER AEROSPACE

Michael S. Graff,
President and
Chief Operating
Officer



The operating results of Bombardier Aerospace are generated by the activities described on page 78 of this report.

Bombardier Aerospace's revenues before intersegment eliminations were \$8.1 billion in 1999-2000, compared with \$6.4 billion in 1998-1999. This 26% rise in revenues is attributable to a substantial increase in aircraft deliveries mostly resulting from the full production level reached during the year for the Learjet 45 and the Global Express models and increases in the number of deliveries of the CRJ100/200 Series aircraft. The rapid growth of the Flexjet fractional ownership program, which reached 41% in terms of fleet size expansion for fiscal year 2000, also had a positive impact on revenues from the sale of new business aircraft.

During the year ended January 31, 2000, 104 regional aircraft, 183 business jets and 5 amphibious aircraft were delivered for a total of 292 units, compared with 102, 113 and 12 units respectively in 1998-1999. Total deliveries of aircraft for the year ending January 31, 2001 should benefit from the production increase of the new Q400 Dash 8 Series and of the CRJ100/200 Series aircraft.

Reflecting growth in revenues from higher deliveries, income before unusual items and income taxes reached \$903.9 million in 1999-2000, for a 33% increase over the \$681.9 million recorded in 1998-1999. Bombardier Aerospace's income before unusual items and income tax margin was 11.1% in 1999-2000 compared with 10.6% the previous year.

As part of its continuous review of the relevance of its business investments, Bombardier Aerospace decided to reduce certain of its activities in the defence services sector. A net unusual pre-tax gain of \$111.1 million (\$93.4 after tax) from the sale of Bombardier Aerospace's 50% interest in Shorts Missile Systems Limited and of its 100% interest in Specialist Aviation Services Limited, both based in the U.K., was recorded during fiscal year 2000. Management also decided to exit certain of its commercial aircraft services businesses carried out through Commercial Aviation Services (CAS)

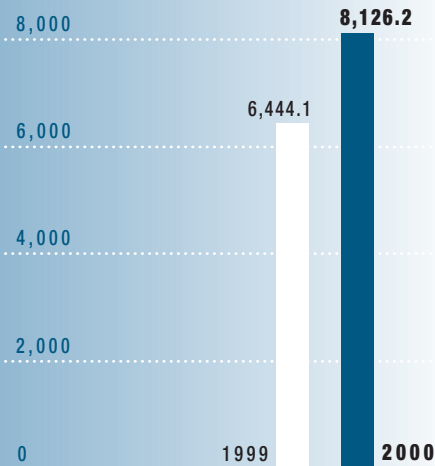
due to a level of activities lower than anticipated. The gain on sale was mitigated by the writedown of the carrying value of the assets of CAS and from costs related to the closure of CAS existing facilities. These unusual restructuring charges resulted in a reduction of pre-tax income of \$44.5 million (\$26.7 million after tax). The net pre-tax gain arising from the realignment of the defence services sector amounted to \$66.6 million (\$66.7 million after tax). This strategic realignment of the operations will allow management to better focus its efforts on its core aircraft businesses.

Business Aircraft Deliveries in 1999-2000

	U.S.	EUROPE	REST OF THE WORLD	TOTAL
Learjet 31A	23	-	2	25
Learjet 45	31	10	14	55
Learjet 60	23	2	4	29
Challenger 604	26	4	10	40
Global Express	20	6	8	34
TOTAL	123	22	38	183

REVENUES

(millions of Canadian dollars)
Years ended January 31



As at January 31, 2000, the order backlog totalled \$18.9 billion, compared with \$16.2 billion as at January 31, 1999. This increase is mainly the result of a high number of orders placed during the year for CRJ aircraft and for the newly launched Bombardier Continental Business Jet.

BUSINESS AIRCRAFT

The line of business jets offered by Bombardier Aerospace includes the light Learjet 31A, the super-light Learjet 45, the midsize Learjet 60, the super-midsize Bombardier Continental jet, the widebody Challenger 604 and the ultra long-range Bombardier Global Express, along with the Corporate Jetliner and the Canadair Special Edition, which are corporate variants of the Canadair Regional Jet.

Deliveries

In 1999-2000, Bombardier Aerospace delivered a total of 109 Learjet aircraft, including the 2,000th to roll off the assembly line. In comparison, deliveries for the previous year totalled 64 aircraft. This 70% increase is attributable mainly to the first full production year for the Learjet 45 model, with 55 units delivered during the year, compared to 13 in 1998-1999. Learjet 31A deliveries rose

to 25 units from 21 the previous year, and Learjet 60 deliveries went from 30 to 29 units. The majority of Learjet aircraft were delivered to customers in the U.S.

During the year, Bombardier Aerospace delivered a total of 40 Challenger 604 aircraft, compared to 39 in 1998-1999. The U.S. was again the most important market.

A total of 34 Global Express aircraft were delivered for completion during the year, up from 10 in the previous year. A total of six completed Global Express aircraft were delivered during the year.

Market Share

Assessment of market share in the business jet industry is based on delivery data for the calendar year and therefore does not correspond to the number of deliveries recorded during Bombardier's fiscal year. The deliveries indicated below include the aircraft sold to customers of the Flexjet fractional ownership program, which enables individuals or companies to purchase a share in a Bombardier business jet.

For the 1999 calendar year, the Learjet 31A market share in the light business jet segment increased to 17% of 136 total industry deliveries, up from 16% of 140 total industry deliveries the previous year. The Learjet 45 market share increased to 52% of an 82-unit market in the super-light segment, up from 32% of a 22-unit market in 1998. In the midsize business jet segment, the Learjet 60 attained 29% of a 110-unit market, compared to 31% of a 105-unit market the previous year. The Learjet aircraft market share in the combined light, super-light and midsize categories rose to 30% from 23% in 1998.

In 1999, the Challenger share of the large aircraft segment was 30% of a 139-unit market compared to 35% of a 104-unit market in 1998. For the ninth consecutive year, customer service provided to operators of Challenger aircraft earned Bombardier Aerospace the number one position in *Professional Pilot* magazine's product support survey.

The Global Express won 34% of a 94-unit market in the ultra long-range segment, compared to 8% of a 39-unit market in 1998.

Product Development

In line with its strategy to offer the most complete line of business aircraft, Bombardier Aerospace officially launched the Bombardier Continental jet at the Paris Air Show in June 1999. Following the launch, 54 letters of intent were converted into firm orders, excluding orders for aircraft joining the Flexjet fleet. The Bombardier Continental jet, which will compete in the emerging super-midsize segment, was developed with a group of international risk-sharing partners and designed with extensive customer input. The aircraft program is progressing on schedule, with the joint definition phase, first engine tests and initial metal cutting completed. First flight is scheduled for mid-2001 followed by first customer delivery in 2002.

Market and Prospects

With the recent introduction of the Learjet 45 and Global Express, along with the addition of the Bombardier Continental jet in 1999, Bombardier Aerospace continues to offer the widest range of business jets available, with a presence in the light, super-light, midsize, super-midsize, large and ultra long-range segments.

In August 1999, the 2000th Learjet business aircraft to roll off the assembly lines was delivered. The milestone aircraft was an all-new midsize Learjet 45.





The Flexjet fractional ownership program offers a complete line of Bombardier business aircraft as well as support services. The program employs close to 700 people, among which 335 pilots and flight crew.

Eight aircraft manufacturers compete for market share in the business jet industry. In 1999, business jet deliveries rose by 29%, from 517 units to 668, due to the increased popularity of fractional ownership and the introduction of new models. The market is expected to remain strong because of these two factors but also in light of the replacement of aging aircraft, the average age of the fleet being 14.8 years.

During the year, Bombardier Aerospace became the business jet industry leader in terms of revenue with a 27% market share, up from 21% in 1998. This leadership position is expected to continue in the foreseeable future, fueled by the momentum gained from the Global Express and Learjet 45, and by the introduction of the Bombardier Continental jet. The Bombardier Continental jet offers the best value proposition in the super-midsize segment, a market that should expand significantly. Given the success of its Flexjet fractional ownership program, Bombardier Aerospace anticipates continued strength in deliveries of its business aircraft over the next few years.

FLEXJET FRACTIONAL OWNERSHIP PROGRAM

Through the Flexjet program, owners have access to an aircraft at their demand. All support for the aircraft including flight crew, maintenance, hangar fees and insurance is managed on their behalf by Flexjet.

As at January 31, 2000, the Flexjet fleet totalled 83 aircraft, including four aircraft in the new Flexjet program in Europe, launched in June 1999. This compares with 59 aircraft at the end of the previous year. During the year, the number of customers owning a fraction of a Flexjet business jet with a yearly flight time entitlement rose by 32%, totalling 428 as at January 31, 2000, compared to 324 as at January 31, 1999.

Market and Prospects

The fractional ownership market of aircraft sold has grown at an average rate of 42% per year over the last three years. Flexjet holds the number two position among the fractional ownership programs currently available in the U.S. With the advantage of being the original equipment manufacturer offering a complete line of business aircraft as well as support services, Bombardier

Aerospace is well placed to accelerate its penetration of this fast-growing market, which accounted for 14% of 668 industry deliveries in 1999 compared to 13% of 517 industry deliveries in 1998.

BUSINESS AVIATION SERVICES

Bombardier Aerospace provides a broad range of services in the industry for its customers including aircraft management, maintenance, interior completions and training for pilots and maintenance technicians.

Business Aircraft Maintenance

Bombardier Aerospace's Business Aviation Services maintenance network continued to experience strong growth during the past year. Facilities are being expanded in Fort Lauderdale, Florida. This expansion, combined with the opening, during the spring of 2000, of a new service facility in Dallas, Texas, will increase Bombardier Aerospace's overall business aircraft service capacity by 25%.

Business Aircraft Completions

Bombardier Aerospace completed 119 aircraft at its completion centres. Capacity was increased by adding a new completion hangar and paint shop in Tucson, Arizona. Bombardier Aerospace also signed agreements with established independent completion centres to provide similar services for Challenger and Global Express aircraft. These increases will accelerate the completion schedules of new Bombardier business aircraft and offer added flexibility and convenience for a growing list of operators.

Flexjet Program

(AS AT JANUARY 31)

FLEET COMPOSITION:

	1999	2000
Learjet 31A	21	26
Learjet 45	-	1
Learjet 60	26	38
Challenger 601/604	12	18
Total number of aircraft in fleet	59	83
Number of owners	324	428

REGIONAL AIRCRAFT

The Bombardier Aerospace line of regional aircraft includes the 50-passenger CRJ100* and 200 Series, the 70-passenger CRJ700* Series and the Q Series Dash 8 family of turboprops, made up of the 37-passenger Q100* and Q200*, the 50-passenger Q300* and the 70-passenger Q400*.

Deliveries

In 1999-2000, Bombardier Aerospace delivered 81 CRJ* aircraft, compared to 72 in 1998-1999. The largest volume of deliveries was made to U.S. customers, including Comair and Atlantic Southeast Airlines, which received 17 CRJ100 and 12 CRJ200* aircraft, respectively. The remaining 52 aircraft went to 13 other customers worldwide.

Eleven customers took delivery of 23 Q Series aircraft in 1999-2000, compared with 30 in the previous year. US Airways Express received the largest number, with nine Q200 aircraft. The first Q400 aircraft was delivered to SAS Commuter of Denmark.

Orders and Backlog

In 1999-2000, Bombardier Aerospace received orders for a total of 216 aircraft, compared to 231 in 1998-1999.

Of this total, orders for 152 CRJ aircraft were placed by 17 customers, compared to 223 aircraft in 1998-1999. In addition to the Northwest Airlines order for 54 CRJ200 aircraft announced early in the year, major orders for CRJ200 aircraft were placed by SkyWest (30) and Atlantic Coast Airlines (23), both of the U.S.

In 1999-2000, nine new customers from various countries joined the ranks of CRJ operators, which stood at 37 customers as at January 31, 2000. During the year, the following new clients, including Northwest Airlines (54) previously mentioned, purchased a total number of 75 CRJ200 aircraft: Shandong Airlines (5), of the People's Republic of China; Jersey European Airways (4), of the U.K.; Shanghai Airlines (3), of the People's Republic of China; The Fair Inc. (2) and J-Air (2), both of Japan; Palestinian Airlines (2),

Regional Aircraft Deliveries in 1999-2000

	U.S.	EUROPE	REST OF THE WORLD	TOTAL
CRJ100/200	58	17	6	81
Q100/200	12	1	3	16
Q300	-	4	2	6
Q400	-	1	-	1
TOTAL	70	23	11	104

Regional Aircraft Orders in 1999-2000

	U.S.	EUROPE	REST OF THE WORLD	TOTAL
CRJ100/200	110	19	15	144
CRJ700	5	3	-	8
Q100/200	9	3	5	17
Q300	-	9	7	16
Q400	15	13	3	31
TOTAL	139	47	30	216

in the Middle East, and Cimber Air (2), of Denmark. An undisclosed customer purchased one Special Edition, a CRJ corporate variant.

Ordering three aircraft, Maersk Air of the U.K. became a new customer for the CRJ700 aircraft.

As at January 31, 2000, 726 CRJ aircraft had been ordered since program launch, of which 371 had already been delivered.

In 1999-2000, orders for Q Series aircraft totalled 64 units, compared to 21 the previous year. This major increase was fueled by orders from 15 customers, the majority of whom were new customers for Q Series aircraft. These were Jersey European Airways (4 Q400, 4 Q300 and 3 Q200); Air Nippon Co. (3 Q300), of Japan; Changan Airlines (3 Q400), of the People's Republic of China; Palestinian Airlines (2 Q300); and Nagasaki Airways Co. Ltd. (1 Q200), of Japan. The largest orders

for Q Series aircraft placed during the year came from Horizon Air and US Airways Express, both of the U.S., for 15 Q400 and 9 Q200 aircraft, respectively.

As at January 31, 2000, 79 customers had placed firm orders for a total of 619 Dash 8 aircraft since program launch, 539 of which had been delivered.

At the end of the fiscal year, Bombardier Aerospace's order backlog for regional aircraft consisted of firm orders for 435 aircraft. In addition, options and conditional orders accounted for another 551. Given the order backlog, Bombardier Aerospace decided during the year to increase production of the 50-passenger CRJ to 9.5 aircraft per month effective in summer 2000 to total 100 units in fiscal 2001.

The Bombardier Continental Business Jet, which will compete in the emerging super-midsize segment, was launched at the Paris Air Show in June 1999.



During the first quarter of 2000-2001, Air Nostrum, of Spain, placed an order for 29 Q300 and 15 CRJ200 aircraft. In addition, Bombardier Aerospace signed with Delta Connection carriers Comair and Atlantic Southeast Airlines letters of intent providing for 25 firm orders for CRJ700 aircraft and 69 firm orders for CRJ200 aircraft with a mix of 40, 44 and 50 seats. On the strength of these announcements, Bombardier Aerospace is planning to further raise the CRJ200 production rate to 12.5 aircraft per month beginning in the spring of 2001. This increase would result in 135 units in fiscal 2001-2002 and 150 units in fiscal 2002-2003.

Market Share

In accordance with the method used throughout the industry, the market share for Bombardier Aerospace's regional aircraft is calculated on the basis of order intake during the calendar year. However, this does not correspond with Bombardier's fiscal year order intake.

In 1999, the CRJ family had a 41% market share of the jet segment within the 20- to 90-seat regional aircraft market, accounting for 172 of the 421 units ordered. This compares to a 46% market share, or 192 of the 414 units ordered in 1998.

The turboprop segment showed increased strength during 1999 with 98 units ordered in the 20- to 90-seat market, compared to the 82 units ordered in 1998.

The Bombardier Global Express ultra long-range business jet offers flexibility in its interior design to enhance comfort and productivity on extended flight, which can last as long as 14 hours non-stop.

Regional Aircraft Order Backlog as at January 31, 2000

	FIRM ORDERS IN BACKLOG	OPTIONS AND CONDITIONAL ORDERS	TOTAL
CRJ100/200	251	285	536
CRJ700	104	172	276
Q100/200	9	2	11
Q300	11	30	41
Q400	60	62	122
TOTAL	435	551	986

Furthermore, the Q Series market share increased to 67% of the turboprop segment with 66 units ordered in 1999. This compares to a 30% market share, or 25 of the 82 units ordered in 1998.

The combined order intake for CRJ and Q Series aircraft earned Bombardier Aerospace a 46% share of the overall 20- to 90-seat segment of the regional airliner market in 1999, accounting for 238 of the 519 units ordered, compared to 44% of the 496 units ordered the previous year.

For the fifth consecutive year, Bombardier Aerospace was ranked number one by *Professional Pilot* magazine for the overall quality of its regional aircraft customer service.

Product Development

In 1999, the Q400 aircraft was granted type approvals by Transport Canada and by the European Joint Airworthiness Authorities. The U.S. Federal Aviation Administration then awarded type certificate in February 2000. The aircraft also achieved the same pilot type rating as other Q Series aircraft, thus providing significant economic benefits to Q Series operators. The first Q400 aircraft was delivered during the last quarter of 1999-2000.

The development program for the 70-passenger CRJ700 aircraft proceeded on schedule during the year with the roll-out and first flight taking place in May 1999. Four aircraft are currently participating in the flight test program at Bombardier Aerospace's Wichita, Kansas facilities. Certification is expected in the last quarter of 2000, which will be followed soon after by initial customer deliveries.

Based on the feedback received from the Airline Advisory Council created to identify customer requirements in the 90-seat market segment, Bombardier announced its intention in September 1999 to develop an 86- to 90-seat stretched version of the CRJ, to be called the CRJ900*. Subject to a formal launch decision during the second quarter of 2000-2001, first deliveries of the CRJ900 are scheduled for the fourth quarter of 2002. The aircraft should offer excellent operating economics as well as a high degree of commonality with other members of the CRJ family.

Bombardier Aerospace estimates that a significant opportunity exists in the 100- to 110-seat segment of the marketplace. An all-new commercial jet in this category could fill a niche that is not being optimally served by existing aircraft. Consequently, plans remain under study for a new 100-seat aircraft.

Market and Prospects

The regional aircraft market continues to grow. For 1999, as measured by U.S. regional airlines, revenue-passenger-mile growth was very strong, estimated at 17.1%, well ahead of the estimated 3.3% rate experienced by the





The engine nacelles, forward fuselage and composite components for the Global Express are manufactured at Bombardier Aerospace's Northern Ireland facilities.

major airlines. European regional airlines also recorded strong passenger enplanement growth of 10%. A new market is developing in the Asia-Pacific region as confirmed by Bombardier Aerospace's sales of 20 regional aircraft to eight different airlines in China, Japan and Taiwan during the year.

In 1999, gross orders totalled 519 aircraft for the 20- to 90-seat regional aircraft industry. Industry firm order backlogs reached record levels of approximately 1,000 aircraft in the 20- to 90-seat category. Demand for regional aircraft is expected to remain strong over the next five years given the continued underlying strength of the global economy and the profitability of regional airlines.

Four manufacturers now compete in the 20- to 90-seat segment of the regional jet market. Bombardier Aerospace continues to be the market leader in the 50- and 70-seat segments. In the 70-seat market, the CRJ700

has a solid lead in terms of orders and initial in-service date compared to the competition. If launched, the CRJ900 will enter service well ahead of any competitive product, giving it a significant advantage.

Only two manufacturers remain in the 20- to 90-seat turboprop market segment following further consolidation in 1999.

AMPHIBIOUS AIRCRAFT

Bombardier Aerospace manufactures and markets the Canadair 415 turboprop amphibious aircraft, the only purpose-built firefighting aircraft currently in production. The aircraft can also be adapted to a variety of specialized missions such as search and rescue, coastal patrol and transport.

Bombardier Aerospace delivered five Canadair 415 aircraft in 1999-2000 compared to 12 in 1998-1999. During the year, four aircraft were ordered by two current Canadair 415 operators. As at January 31, 2000, the order backlog stood at 11 aircraft.

COMPONENT MANUFACTURING FOR THIRD PARTIES

Most of the design, development and manufacture of major airframe structures carried out by Bombardier Aerospace take place at its facilities in Saint-Laurent, Québec, where components for Boeing and Aerospatiale are manufactured, and in Belfast, Northern Ireland, where components for Boeing are produced as well as engine

In its primary role as an aerial firefighter, the Canadair 415 amphibious aircraft requires only 12 seconds to scoop its 6,137-litre load while skimming at high speed over any suitable body of water.

nacelles and nacelle components for Rolls-Royce, General Electric and International Aero Engines.

Component manufacturing revenues have remained stable compared to the previous year although this activity now represents a lower percentage of the total revenues.

DEFENCE SERVICES

Following the divestiture described in note 14 to the Consolidated Financial Statements and on page 12 of this report, Bombardier Aerospace's main defence services activities remain pilot training and aviation services for defence customers.

In 1999-2000, preparation for the NATO Flying Training Program continued while Denmark and the U.K. officially joined the program.

* Trademark of Bombardier Inc.



Global



BOMBARDIER
TRANSPORTATION

Leader

in Passenger Railcar

Manufacturing



Bombardier Transportation has taken the lead position for passenger railcars worldwide. The first high-speed train in North America, Amtrak's Acela, will significantly reduce travel times in the Washington-New York-Boston corridor.

BOMBARDIER *TRANSPORTATION*

Jean-Yves Leblanc,
President and
Chief Operating Officer



The operating results of Bombardier Transportation are generated by the activities described on page 78 of this report.

In 1999-2000, Bombardier Transportation's revenues before intersegment eliminations increased by 16% to \$3.4 billion, compared with \$3.0 billion in 1998-1999. This is attributable to higher deliveries and increase in work in process on key contracts in Europe and North America.

Income before unusual items and income taxes rose by 18% to \$174.4 million, compared with \$147.9 million for the year ended January 31, 1999, as a result of increased volume of production. The income before unusual items and income tax margin increased slightly from 5.0% the previous year to 5.1%.

During the year ended January 31, 2000, Bombardier Transportation decided to implement a plan to reduce its workforce and to consolidate certain of its European manufacturing operations. These actions were taken in response to the slowdown in the European transportation equipment market, which resulted in general manufacturing production overcapacity in Europe. The unusual restructuring charges of \$117.7 million (\$100.3 million after tax) relate to severance and other involuntary termination costs and losses from the writedown of goodwill and manufacturing assets mainly located in Germany. Management expects to carry out most of its restructuring plan during fiscal year 2001.

Additional costs and delays were encountered for Amtrak's Acela high-speed train contract. These additional costs have been fully provided for in the results for the year ended January 31, 2000.

As at January 31, 2000, the value of Bombardier Transportation's order backlog totalled \$8.3 billion, compared with \$9.3 billion at January 31, 1999. The decrease is mainly attributable to a variation in exchange rates related to the backlog for the European operations. Backlog at January 31, 2000 consisted of \$3.5 billion for North American operations and \$4.8 billion for European operations.

ACTIVITIES

Bombardier Transportation is a world leader in railcar design, manufacture and distribution. Its products range from passenger rail vehicles and freight cars to complete rail transportation systems, including operations and maintenance services.

PASSENGER RAIL EQUIPMENT

Urban Transportation (Deliveries and Work in Process)

In 1999-2000, main deliveries in urban transportation in North America included the first 10 vehicles of a 680-car order for the New York subway, as well as 76 subway cars to the Toronto Transit Commission. Sistema de Transporte Colectivo de México received 18 new and 72 refurbished subway cars.

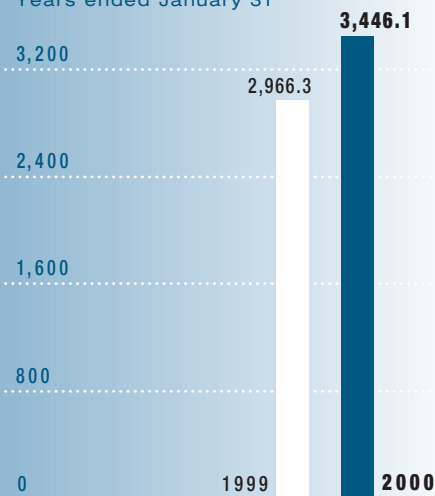
In Europe, Bombardier Transportation completed an order by delivering 25 subway cars to Brussels, while Berlin's S-Bahn received 60 rapid transit cars. A total of 50 tramway cars were also shipped to several cities in Germany, 14 to London and 11 to Stockholm. The city of Rotterdam also took delivery of 28 light rail vehicles.

In addition, 120 subway cars were refurbished for the London Underground.

Work progressed on a 60-car order for the Vancouver SkyTrain expansion, as well as on a 32-vehicle order for the John F. Kennedy (JFK) Airport in New York. In Europe, work continued on tramway car orders for various German customers as well as on subway cars for the city of Helsinki.

REVENUES

(millions of Canadian dollars)
Years ended January 31



Urban Transportation (Orders)

During the year, Bombardier Transportation was awarded orders which included 159 tramway cars for various cities in Germany, and 27 low-floor tramways for the cities of Graz and Linz in Austria. Other orders recorded in Europe came from Docklands Light Railway in London for 12 automatic metro two-car trainsets, and from the city of Rotterdam, which ordered 39 light rail vehicles.

Suburban and Regional Transportation (Deliveries and Work in Process)

In North America, the order for push-pull commuter cars for MTA Metro-North Railroad in New York was completed with the delivery of the last 50 vehicles. An initial delivery of one vehicle was made on an order for push-pull commuter cars for the South Eastern Pennsylvania Transportation Authority. The Central Puget Sound Regional Transit Authority of Seattle received its first four bi-level commuter cars.

Most of the European deliveries were made in the German market. Deutsche Bahn received 141 bi-level commuter cars, and together with regional operators took delivery of 67 Talent diesel multiple units as well as 18 self-propelled articulated diesel trains. Meanwhile, the U.K. leasing company HSBC, formerly Forward Trust, took delivery of 60 refurbished commuter coaches.

Work also progressed on 75 self-propelled articulated diesel cars as well as 79 Talent diesel multiple units three-car trainsets and 11 two-car trainsets on order from Deutsche Bahn.

Suburban and Regional Transportation (Orders)

In the suburban segment, the largest order received during the year calls for the delivery of 226 commuter cars to Long Island Rail Road. The contract includes options for up to 808 additional vehicles. Other orders from North American customers included 62 bi-level commuter cars for transit authorities in Los Angeles, San Joaquin, Seattle and Vancouver. The Regional Municipality of Ottawa-Carlton also ordered three Talent diesel multiple units.

A major contract was signed in Europe during the year for the manufacture of 210 bi-level commuter cars for Société Nationale des Chemins de fer Belges. Together with partners, Bombardier Transportation also received orders for 34 self-propelled articulated diesel two-car trainsets for regional clients in Germany. In addition, Deutsche Bahn ordered 56 bi-level commuter cars, while Israel Railways ordered 32.

Intercity Transportation (Deliveries and Work in Process)

Work completed for intercity transportation agencies included the delivery to Deutsche Bahn, as part of a consortial agreement, of 46 passenger cars for the ICE high-speed intercity train, as well as 76 cars for the ICE T high-speed tilting train.

Engineering and production are ongoing on the contract for Amtrak's Acela⁺ high-speed train, which will run in the Washington-New York-Boston corridor. The testing and commissioning of the equipment are progressing but have been delayed due to a number of causes, including various technical issues, additional work requested by Amtrak and the nature of the project.

Also in 1999-2000, there was a high level of activity on Virgin Rail's contract, awarded in 1998-1999, for the manufacture of 352 diesel-electric cars for the U.K.'s CrossCountry service. The first cars have been assembled and are being fitted out. Extensive testing of the first train will start by mid-2000 as per schedule agreed to with the client.

Intercity Transportation (Orders)

In 1999-2000, Bombardier Transportation received an order from Société Nationale des Chemins de fer Français, calling for the manufacture of 36 high-speed TGV Duplex cars. During the first quarter of 2000-2001, a contract was signed with Netherlands Railways for the delivery of 252 new intercity cars, as well as the retrofitting of 290 existing vehicles.

In November 1999, a breakthrough was achieved in the Chinese market when Bombardier Transportation, through a joint venture, was awarded a contract from the Ministry of Railways to supply 300 high-grade intercity passenger vehicles. This enabled the joint venture to establish a manufacturing facility in Qingdao, some 650 kilometers from Beijing.

The city of Rotterdam, which operates metro cars manufactured by Bombardier Transportation since November 1998, has ordered 39 additional vehicles during 1999-2000.





During the year, Bombardier Transportation completed the last two sections of the Kuala Lumpur rapid transit system in Malaysia, which entered revenue service in June 1999.

Market and Prospects

Given the cyclical nature of the rail transit equipment market, Bombardier Transportation determines its market share as an average based on the total number of vehicles ordered within the industry over the past three calendar years. According to this calculation, Bombardier Transportation maintained its leadership in the U.S. and Canadian markets, with 50% of order intake, compared with 52% in the previous period. Meanwhile, its share of the European rolling stock market increased to 25%, compared with 22% in the previous period.

Bombardier Transportation estimates that the markets in which it is active should continue to offer good growth potential for the next five years. Major rapid transit programs are expected to materialize in Canada and the U.S., and demand for suburban and regional services should grow significantly. Moreover, both countries are seeing a renewed interest in urban light rail vehicles.

Bombardier Transportation has identified several non-electrified corridors in North America where an incremental speed technology could be implemented. Under a

cooperative agreement with the U.S. Federal Railroad Administration (FRA), it is developing a turbine-powered passenger locomotive. Bombardier Transportation's innovative technology, which uses existing tracks, should offer the only FRA-compliant vehicle capable of operating at speeds up to 240 kilometers per hour.

While some target markets in Europe offer good potential, prospects for the European passenger rail transportation industry are negatively affected by the reduction in demand in some countries, notably in Germany.

Prospects in the Mexican and South American markets are positive. The privatization process underway should provide necessary funding for projects, especially in the rapid transit and suburban segments.

Bombardier Transportation is in an excellent position to compete in China, one of the world's most important markets for rail transportation equipment. A number of major cities have recently been authorized by the Chinese Government to purchase new urban transit vehicles.

TRANSIT SYSTEMS

Deliveries and Work in Process

During the year, the contract for JFK Airport's automated rapid transit system, Airtrain, was set in motion. Most of the systems and civil works progressed from the design to the build and install phase and manufacturing of the ART MK II vehicles continued according to schedule at the Kingston facility. The operations and maintenance group is preparing for the operation of the system as of 2002.

Procurement, design and engineering of the system-wide elements for the 21-kilometer expansion to Vancouver's fully automated SkyTrain progressed according to schedule.

Bombardier Transportation also carried out work on the completion option received from the Jacksonville Transportation Authority in Florida, for an extension of its M-III monorail system.

Orders

In August 1999, Bombardier Transportation signed a new contract with Rapid Transit Project 2000 Ltd. to supply all of the electrical and mechanical systems for Vancouver's SkyTrain.

Early in the year, Bombardier Transportation, as a member of a consortium, signed a concession contract to supply an automated rapid transit system, including 36 vehicles, for the City of Thessaloniki in Greece. The contract is subject to financing.

Bombardier Transportation launched manufacturing operations in China after it obtained, through a joint venture, a contract from the Ministry of Railways of the People's Republic of China to supply 300 high-grade intercity passenger vehicles. This order also carries an option for 200 additional cars.





The 352 diesel-electric cars ordered by Virgin Rail in December 1998 for U.K.'s CrossCountry service are manufactured at Bombardier Transportation's plants in England, Belgium and France.

Market and Prospects

The North American market for transit systems continues to be healthy. Transit system orders have steadily increased in Europe during the past five years, and the market is expected to remain strong. The trend toward privatizing nationalized transit systems is also generating new opportunities. Asia continues to represent the largest potential for transit systems, especially as the economies recover from the recent downturn.

OPERATIONS AND MAINTENANCE SERVICES

Work in Process

In 1999-2000, Bombardier Transportation began maintenance work on commuter trains for the city of Los Angeles, under a contract awarded by the Southern California Regional Rail Authority the previous year.

Maintenance work also continued on Toronto's GO Transit fleet of commuter trains.

As part of a 12-year contract awarded in 1998-1999 by Virgin Rail, for the maintenance of both existing and new vehicles, Bombardier Transportation began supporting Virgin's current fleet of 518 vehicles in the U.K.

Bombardier Transportation's \$2.1-billion maintenance backlog at January 31, 2000 included contracts to support Amtrak's Acela high-speed trains, vehicles for JFK Airport in New York, and Virgin's upcoming fleet of new vehicles. By comparison, this backlog stood at \$2.4 billion at January 31, 1999.

Market and Prospects

As an increasing number of agencies choose to improve their efficiency by outsourcing maintenance and operations, these services present a large and stable potential market. In the U.S. and the U.K. alone, annual maintenance spending is estimated at \$2 billion and \$1 billion, respectively. Bombardier Transportation, which continues to build its experience and capabilities in this market segment, is well positioned to take advantage of new opportunities as they arise.

FREIGHT CARS

Deliveries and Work in Process

In Europe, where Bombardier Transportation manufactures specialized freight cars, clients took delivery of 2,365 cars, compared to 1,062 in 1998-1999.

In its first full year of operation, Gunderson-Concarril, a 50-50 joint venture between Bombardier Transportation and The Greenbrier Companies, delivered 975 gondola cars. Boxcar production was successfully started and at the end of the year, 429 units had been delivered to clients in Mexico and the U.S.

Orders

Bombardier Transportation received orders for 764 sliding-door freight cars from European customers during 1999-2000 and its backlog stood at 1,512 cars at January 31, 2000.

At year-end, the Gunderson-Concarril joint venture had a backlog of 673 units.

Market and Prospects

Despite the current slowdown, the prospects for the North American freight car market remain strong, with an expected demand for some 290,000 cars over the next five years. In Europe, the introduction of transcontinental freight freeways in early 1998 should help win back market share from the road transportation industry and open the door to new specialized and value-added technologies.

OTHER ACTIVITIES

Following an agreement signed in 1998 with General Motors' Electro-Motive Division in the U.S., Bombardier Transportation assembled in Mexico 184 diesel-electric locomotives for freight trains in 1999-2000. With additional orders for 80 locomotives received during the year, the backlog stood at 139 units as at year-end.

† Registered trademark of Amtrak, used under licence

One of Bombardier Transportation's fields of expertise calls for the design and manufacture of large-capacity sliding-wall freight wagons for transportation of large volumes or palletized goods.



*Recognized Globally
as the **Benchmark***



BOMBARDIER
RECREATIONAL PRODUCTS

for its

Innovative Products



Bombardier Recreational Products' leadership in product innovation is recognized globally. Its first ATV was named "ATV of the Year" by ATV Magazine and the "best ATV on the market" by Popular Mechanics while its Sea-Doo personal watercraft won a "Design of the Decade" award sponsored by the Industrial Designers Society of America and Business Week magazine.

BOMBARDIER *RECREATIONAL PRODUCTS*

Pierre Beaudoin,
President and
Chief Operating
Officer



The operating results of Bombardier Recreational Products are generated by the activities described on page 79 of this report.

For the year ended January 31, 2000, the revenues of Bombardier Recreational Products before intersegment eliminations amounted to \$1.5 billion, compared with \$1.6 billion for the year ended January 31, 1999. This decline in revenues, which is mainly attributable to lower watercraft and snowmobile sales for the 1999 season, the segment's two principal revenue generating products, was partially offset by initial sales of all-terrain vehicles (ATV).

In spite of a 10% decrease in its revenues for fiscal year 2000, Bombardier Recreational Products returned to profitability as income before income taxes for 1999-2000 reached \$17.7 million, compared with a loss of \$45.5 million for 1998-1999. This was achieved through a major reorganization undertaken to eliminate redundancy and to encourage greater synergy in the context of reduced snowmobile and personal watercraft production.

Continued investments in product development for the Bombardier ATV and for existing product lines reached \$82.5 million for fiscal 2000 compared with investments of \$83.0 million in 1999. The amount of investment related to product development shall remain approximately constant for the coming year.

SNOWMOBILES

Within the snowmobile industry, Bombardier Recreational Products is engaged in the development, design, manufacture and marketing of the Ski-Doo product line, and the Lynx line, which is designed specifically for the European market.

Sales and Market (Canada and U.S.)

Late snowfalls in North America led to a slight downturn in the snowmobile market in 1999-2000, with industry retail sales totalling 189,000 units for the selling season ended March 31, 2000, compared with 207,600 units for the season ended March 31, 1999.

Despite this slight decrease in sales, Ski-Doo snowmobiles maintained a market share of 30% in Canada and the U.S.

Sales and Market (Europe)

In Europe, an estimated 21,500 snowmobiles were sold during the selling season ended March 31, 2000, compared with 20,774 units during the previous season.

Bombardier Recreational Products maintained its leadership position, obtaining 42% of the European market with its Ski-Doo and Lynx snowmobiles, the same as in 1998-1999.

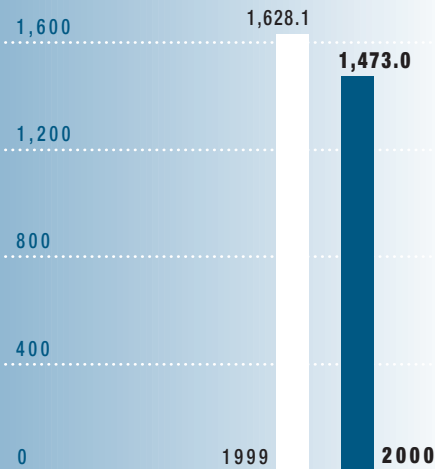
Product Development

For the 2000-2001 season, Bombardier Recreational Products is innovating once again with the introduction of the "Build your own sled" concept. Customers buying in the spring will be able to custom-build their snowmobile by selecting option packages, engines and colors. Ski-Doo snowmobiles will continue to lead in performance segments with a new 800cc twin Rotax engine. The sport touring models will also benefit from innovative technology, including an electronic shock absorber which allows the user to change the suspension calibration while riding. In addition, features such as leading edge braking systems and powerful dual-beam halogen headlights and safety promotions such as roving snowmobile safety teams and campaigns demonstrate Bombardier Recreational Products' ongoing commitment to consumer safety.

Bombardier Recreational Products teams are working continuously at developing light, economical, more environmentally friendly and high-performance Rotax engines that respond to public and consumers' expectations in an environment which evolves constantly.

REVENUES

(millions of Canadian dollars)
Years ended January 31



In Europe, Bombardier Recreational Products has capitalized on its position as the only European manufacturer of snowmobiles by consolidating and building its market leadership position with the introduction of 12 new models, mainly in the sport and touring categories, for the 2001 season. These models have been very well received by the Lynx dealers.

Prospects

For the third consecutive winter, late snowfalls have led to a slowdown in the North American snowmobile market, while the European market experienced a slight increase.

Snowmobile markets are typically affected by climatic and economic conditions and tend to regain vitality when favorable conditions prevail.

WATERCRAFT

The activities of Bombardier Recreational Products in the watercraft industry encompass the development, design, manufacture and marketing of Sea-Doo watercraft.

Sales and Market

Unit sales for the 1999-2000 fiscal year were lower than in 1998-1999, mostly as a result of a continued slowdown in the industry.

For comparison purposes, fiscal year unit sales figures include 1999 models (sold between February 1, 1999 and the end of the

selling season on September 30, 1999), as well as 2000 and prior years models (sold between October 1, 1999 and January 31, 2000).

For the third consecutive year, the North American watercraft market experienced a slowdown, typically associated with cyclical consumer products. Consequently, North American retail sales totalled 112,000 units for the selling season ended September 30, 1999, a 17.6% decline from the 136,000 units sold during the previous year. Retail sales in the international market were estimated at 22,000 units for the selling season ended September 30, 1999, a 12.0% decrease compared with the 25,000 units sold in the previous season.

For the 1999 season, Bombardier maintained its leadership with a world market share of 42%, compared with 45% in 1998.

Product Development

To mark the beginning of the new millennium, Bombardier Recreational Products created an innovative watercraft, the 2000 RX* DI. Along with the GTX† DI model, they are the first to be equipped with Bombardier Recreational Products' exclusive Orbital†† Direct Injection technology. The 2000 RX DI has been named "Watercraft of the Year" and designated "the Benchmark for the 21st Century" by *Watercraft World* magazine. The XP* model was named "Watercraft of the Century" by the same magazine. In 1999, Bombardier Recreational Products also introduced the four-seater Sea-Doo LRV* model which is the world's largest personal watercraft built as the first-ever "familycraft".

All models now come with the D-Sea-Bel* sound reduction system, which results in up to 50% less sound pressure compared to traditional watercraft. All 2000 Sea-Doo models also come with a digitally encoded theft-deterrence system called the D.E.S.S*.

Sea-Doo watercraft earned Bombardier Recreational Products the prestigious "Design of the Decade" bronze award in the transportation category from the Industrial Designers Society of America and *Business Week* magazine.

Prospects

Bombardier Recreational Products expects the watercraft market to stabilize and regain vitality over time.

Bombardier Recreational Products has always been active at sponsoring safe and smart watercraft use, thus helping to maintain the sport's image as a good, clean, fun, family activity. One of its latest initiatives is the introduction of the "Sea-Doo Learning Key" lanyard, which enables less experienced riders and rental operators to limit the speed of their watercraft to a maximum of 55 kilometers per hour while gaining needed confidence and practice. The dedication of Bombardier Recreational Products to safety promotion was praised by many government bodies during the year, both in Canada and in the U.S.

Within the context of more stringent environmental regulations, Bombardier Recreational Products expects to maintain its product leadership by continuing the development of high quality watercraft equipped with technologies that reduce hydrocarbon emissions and sound level.

ALL-TERRAIN VEHICLES

Bombardier Recreational Products is active in the ATV industry, developing, designing, manufacturing and marketing an expanding line of Bombardier all-terrain vehicles.

The new 22-foot Islandia, the first and only jet-propelled deck boat introduced for the 2000 season, has already won the annual innovation award from *Motor Boating & Sailing* magazine.





The BMW C1 scooter is powered by a four-stroke Rotax engine, the first scooter engine ever equipped with a DOHC valve train, with an injection system and a three-way catalyst system.

Product Development

Following the successful 1998-1999 introduction of a first ATV in the utility category, the Bombardier Traxter*, a second model targeted at experienced sport ATV riders, the DS 650*, was launched during 1999-2000. With new features including a four-stroke 653-cc four-valve Rotax engine, the Bombardier DS 650 obtained positive reviews from both the specialized press and users. During the first quarter of 2000-2001, Bombardier Recreational Products launched the Traxter XT*. Its combination of attractive design features and functional elements were well received by dealers and consumers alike.

Market and Prospects

The ATV market grew by 27% in 1999 in the U.S., with estimated retail sales of 550,000 vehicles, compared with 433,000 for 1998. By carefully monitoring the needs of this growing market, Bombardier Recreational Products was able to ensure that its new utility and sport category entries were well positioned and clearly differentiated from competitors, thus establishing a solid foundation for the brand. Bombardier Recreational Products manufactured 6,000 vehicles during the first year of production. New models, complementing the current offering, will be developed over the next few years

† Registered trademark of Castrol Limited used under license

†† Registered trademark of Orbital Engine Corporation Limited and/or its subsidiaries

††† Registered trademark of Brunswick Corporation

following the same successful innovation and differentiation strategy.

ENGINES

Rotax engines are designed and built at Bombardier Recreational Products' Austrian facilities. They are used in Ski-Doo and Lynx snowmobiles, in Sea-Doo watercraft and some sport boats, in Bombardier ATVs and in other manufacturers' motorcycles, scooters and small and ultra-light aircraft.

Sales

In 1999-2000, reduced Bombardier Recreational Products snowmobile and watercraft sales led to a decrease in deliveries of Rotax engines for these products. Initial production for Bombardier ATVs, together with a substantial growth in the supply of scooter and motorcycle engines, partly offset the decrease in overall production.

Product Development

During the year, Bombardier Recreational Products introduced a Rotax two-stroke engine, equipped with Orbital Direct Injection technology, for two Sea-Doo watercraft models. This engine offers reduced hydrocarbon emissions of up to 75%⁽¹⁾ and fuel economy of up to 30%⁽²⁾ during a typical day of use compared with traditional carbureted two-stroke engines.

In line with its objective of always offering environmentally friendly products, Bombardier Recreational Products is developing at its Austrian facilities a new generation of Rotax engines with even cleaner technologies.

Prospects

It is expected that growth in the Rotax engine market will be primarily driven by the Bombardier ATV, and the high performance motorcycle engine segment.

SPORT BOATS

Consistent with its product diversification strategy, Bombardier Recreational Products now offers Sea-Doo sport boats with two

different types of propulsion. The 14-foot models are powered by Rotax engines, while 16-foot and longer models are equipped with a new line of jet drive engines jointly developed with Mercury Marine (M²)^{†††}.

The new 22-foot Islandia*, the first and only jet-propelled deck boat introduced for the 2000 season has already won the annual innovation award from *Motor Boating & Sailing* magazine. With the addition of the Challenger* 2000, a 20-foot runabout, Bombardier Recreational Products now offers a lineup ranging from 14- to 22-foot boats and engines that go from 130 to 240 horsepower.

UTILITY VEHICLES

Bombardier Recreational Products designs, manufactures, sells and services specialized tracked vehicles mainly used for grooming alpine ski hills, as well as snowmobile and cross-country ski trails.

Within a mature and relatively steady replacement market, the past year's introduction of the innovative BR 2000 alpine ski hills snowgroomer enabled Bombardier Recreational Products to maintain its North American market leadership and enhance its position in the European market, which is the world's largest. Bombardier Recreational Products' global market share was 34% for 1999-2000.

Bombardier Recreational Products continues to hold a strong position in the utility vehicles market through a wide range of vehicles, and customer services such as technical training and grooming advice.

The BR 2000 alpine snowgroomer can be equipped with a variety of accessories such as a 600-metre cable tower winch, a 10-passenger cabin or carbide ice spikes.



1. According to EPA (United States Environmental Protection Agency) standards

2. ICOMIA (International Council of Marine Industry Associations) cycle method

* Trademark of Bombardier Inc.

BOMBARDIER CAPITAL

Results of Bombardier Capital (BC) are generated by the activities described on page 79 of this report. Bombardier Capital's revenues before intersegment eliminations for 1999-2000 reached \$738.5 million, an increase of 29% as compared to \$570.6 million for 1998-1999. Income before income taxes and interest allocation was \$61.7 million, down from \$66.4 million in fiscal year 1998-1999. Income before income taxes totalled \$28.0 million, down from \$42.6 million the year before.

Pierre Lortie,
President and
Chief Operating
Officer



Growth in assets under management was significant during the year due to continued market penetration. Assets under management at January 31, 2000 were \$10.8 billion, an increase of 32% over \$8.2 billion at the end of the previous year. Performance was mainly impacted by Management's decision to recognize income generated from securitization of manufactured housing mortgage loan portfolios on an "As Earned" basis as opposed to "Gain on Sale". On a comparative basis, if last year's gains on sale for mortgage portfolios were eliminated, the income before income taxes and interest allocation margin would have been 6.2% as compared to 8.4% for fiscal 2000. Income before income tax margin would have been 2.3% for fiscal 1999 as compared to 3.8% for fiscal 2000.

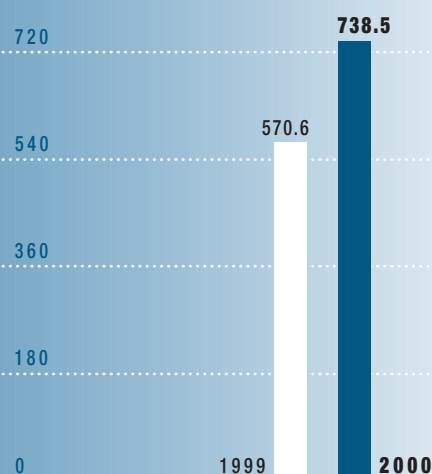
ACTIVITIES

Bombardier Capital's core activities include secured inventory financing for dealers and distributors of recreational and consumer products, as well as commercial lending, leasing and asset management services for railcars, commercial and industrial products and business aircraft. Bombardier Capital also provides consumer finance services to retailers in the recreational products and manufactured housing industries. Other financial services, such as factoring of accounts receivable, are provided to Bombardier.

In 1999-2000, as part of its yearly strategic planning and budgeting exercise, management conducted a reassessment of

REVENUES

(millions of Canadian dollars)
Years ended January 31



underperforming portfolios or portfolios not in line with Bombardier Capital's strategic orientation. Actions resulting from this assessment were initiated during the year and will continue to be carried out in the 2000-2001 fiscal year. These actions include the sale of Consumer Finance Canadian portfolio, the winding down of Technology Management and Finance portfolio and Commercial and Industrial small and most of the medium ticket portfolios. Assets under management related to these portfolios amounted to \$1.5 billion on a total of \$10.8 billion as at January 31, 2000. No significant gain or loss is expected from the winding down of these portfolios.

Commercial and Industrial Finance

Bombardier Capital's Commercial and Industrial Finance activities include asset-backed lending, leasing and management services to commercial customers for business aircraft and commercial and industrial equipment. They also include railcar leasing and management services to customers in the U.S. and Canada. Commercial and Industrial Finance operations accounted for 42% of Bombardier Capital's assets under management as at January 31, 2000, compared to 43% the previous year. Commercial and Industrial Finance achieved growth across all industry segments

in 1999-2000. The business aircraft portfolio showed significant growth and profitability for both new and pre-owned aircraft. The railcar business also performed well and increased its fleet to 12,410 cars, up from 1,749 cars when the portfolio was acquired in 1997. The fleet now offers a high percentage of new, sophisticated railcars, providing Bombardier Capital with the critical mass necessary to be a significant competitor in the market. As mentioned earlier, Bombardier Capital is winding down the small and most of the medium ticket portfolios.

Inventory Finance

Bombardier Capital provides Inventory Finance services on a secured basis to retailers in Canada, the U.S. and Europe. Activities include financial services for retailers purchasing product inventories. Primary markets are marine products, recreational vehicles, manufactured housing, power sports products and Bombardier-manufactured recreational products. Inventory Finance operations accounted for 23% of Bombardier Capital's assets under management as at January 31, 2000, as compared to 29% in 1999.

Inventory Finance continued its role as a core activity and consistent contributor to earnings in 1999-2000. The unit focused its expansion activities on carefully targeted segments within key industry sectors to enhance competitiveness and growth. U.S. operations also experienced performance gains in the manufactured housing floor plan finance sector based on successful integration of a \$195-million US loan portfolio acquired from NationsCredit Manufactured Housing Corporation late in 1998-1999. In Europe, development of market presence, customer relationships and infrastructure were pursued during the year.

Mortgage Finance

Bombardier Capital's Mortgage Finance activities provide retailers in the U.S. manufactured housing industry with financing services for consumer purchases of manufactured homes. At year-end, this portfolio accounted for 23% of Bombardier Capital's assets under management compared with 18% the previous year.

Mortgage Finance completed a two-year geographical expansion and is now licensed to operate in 47 American states, up from 31 the previous year. As mentioned earlier, the performance of this portfolio was impacted by the decision to recognize income generated from securitization on an "As Earned" basis as opposed to "Gain on Sale". All major competitors in this industry have now adopted this method of income recognition. This industry-wide change has resulted in a generally more favorable economic environment for this business.

Consumer Finance

Bombardier Capital's Consumer Finance activities provide retailers in the recreational products and power sports industries with financing for consumer transactions. Programs include revolving credit and installment loans for Bombardier recreational products, as well as financing for recreational marine products, recreational vehicles and power sports products from other manufacturers. Consumer Finance activities accounted for 8% of Bombardier Capital's assets under management as at January 31, 2000 the same as at January 31, 1999.

During the year, activities focused on expanding originations as well as enhancing the credit quality of the portfolio. Consumer Finance also teamed with WebBank, Park City, Utah to launch a new Bombardier Recreational Products credit card for consumer purchases of products and accessories.

In Canada, Bombardier Capital sold to Household Financial Corporation Inc. its \$49.0-million consumer finance loan portfolio. The decision was based on indications that the portfolio would not achieve expected returns in this market.

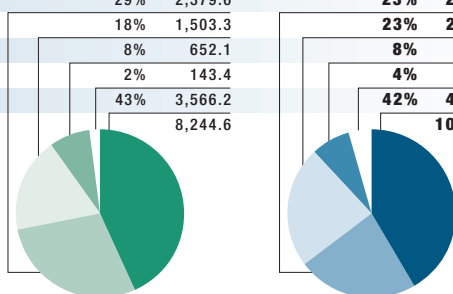
Technology Management and Finance

As indicated earlier, Bombardier Capital decided to wind down the Technology Management and Finance (TM&F) portfolio because of weak alignment with its strategic orientation. Bombardier Capital's TM&F activities was to provide leasing, technology

Assets under Management

(millions of Canadian dollars)

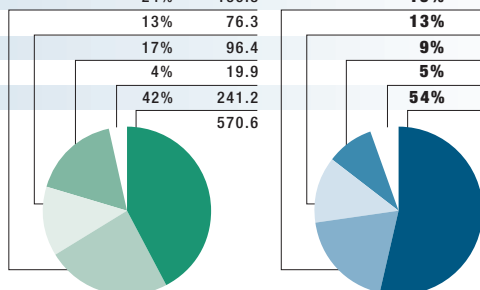
Years ended January 31	1999	2000
Inventory Finance	29% 2,379.6	23% 2,522.1
Mortgage Finance	18% 1,503.3	23% 2,549.1
Consumer Finance	8% 652.1	8% 821.2
Other	2% 143.4	4% 424.9
Commercial and Industrial Finance	43% 3,566.2	42% 4,530.3
TOTAL	8,244.6	10,847.6



Revenues

(millions of Canadian dollars)

Years ended January 31	1999	2000
Inventory Finance	24% 136.8	19% 141.2
Mortgage Finance	13% 76.3	13% 94.0
Consumer Finance	17% 96.4	9% 67.1
Other	4% 19.9	5% 40.3
Commercial and Industrial Finance	42% 241.2	54% 395.9
TOTAL	570.6	738.5



management and related services to corporate clients, primarily in Canada and the U.S. Areas of focus included telecommunications systems, computer systems and components, and supporting equipment. As at January 31, 2000, TM&F activities accounted for 4% of Bombardier Capital's total assets under management.

FUNDING HIGHLIGHTS

Bombardier Capital continued to diversify its funding sources in 1999-2000, undertaking initiatives to ensure liquidity and fund matching in line with asset base. Bombardier Inc.'s support in the form of a strong "Keep-Well" covenant facilitated debt issuance at favorable cost of funds. Bombardier Capital has established shelf programs in the U.S. and Canada to access term funds up to \$2 billion US, and \$500 million Cdn respectively. As at January 31, 2000, \$1.1 billion US and \$350 million Cdn were available. In addition, Bombardier Capital had securitization revolving facilities amounting to \$825.1 million US and \$250.0 million Cdn as at that date.

Finally, Bombardier Capital accessed private and public securitization markets during fiscal year 2000 in the U.S., for amounts totalling \$1.1 billion US.

REAL ESTATE SERVICES

Through Bombardier's Real Estate Services, Bombardier Capital derives revenues from the development of Bombardier real estate assets that are earmarked for new uses and from activities aimed at meeting the real estate needs of the other Bombardier businesses.

Other revenues are generated from the sale of land to real estate developers in the Bois-Franc project which involves the establishment of an urban residential community with integrated commercial and service infrastructures on land adjacent to the Bombardier Aerospace facilities in Saint-Laurent, Québec.

BOMBARDIER INTERNATIONAL

The primary objective of Bombardier International is to accelerate Bombardier's expansion into targeted markets outside of North America and Western Europe. This mandate reflects Bombardier's determination to make geographic expansion a priority and to devote additional efforts toward its fulfillment.

MANDATE

Bombardier International's mandate is to identify opportunities for Bombardier products, technologies and competencies in non-traditional markets; to develop appropriate and integrated national strategies in close collaboration with other Bombardier groups; to explore opportunities for acquisitions and strategic alliances, pursuing them where appropriate; and to act as the key interface with government authorities, potential partners and decision-makers in the targeted countries. Progress was achieved on all four fronts during the year in several markets.

VALUE CREATION

Bombardier International will create shareholder value by implementing three main strategies.

First, its efforts will focus on accelerating Bombardier's penetration of non-traditional markets. Several potential opportunities have been identified in 1999-2000 and are now under active study.

Second, an exhaustive search for opportunities in new markets will lead to the identification of partners whose capabilities and technologies can strengthen Bombardier's competitiveness or widen its product offering. Under these conditions, joint ventures and alliances are an efficient way to accelerate growth. One case in point is the cooperation agreement between Bombardier Transportation and Mitsubishi Heavy Industries of Japan, which seeks to explore and develop market opportunities for Airport People Movers throughout North America and Europe.

Third, the same search process will also enable Bombardier to identify geographic areas where operations would result in cost advantages or broaden its supplier base. Here again, the experience of 1999-2000 has yielded encouraging results. For instance, on the Bombardier Continental Business Jet program, agreements were concluded by Bombardier Aerospace with Aerospace Industry Development Corporation of Taiwan to supply the rear fuselage and empennage sections, and with Hawker de Havilland of Australia for the tailcone and auxiliary power unit installation kit.

In order to maximize the benefits from these initiatives, the business opportunities generated by Bombardier International will continue to be integrated within the existing operating groups, right from inception.

ACTIVITIES AND PROSPECTS

During the year, a number of countries in Asia, South America and at the periphery of Western Europe were designated as priorities. Potential business opportunities were identified and, in close cooperation with the relevant operating group, they are or will be pursued as appropriate.

SIX SIGMA

As part of its drive to achieve its growth targets and sharpen its competitive edge, Bombardier is committed to implementing Six Sigma principles across the organization. Embraced by Bombardier three years ago, Six Sigma is a systematic methodology for eliminating defects in products, services and processes while yielding cost reductions.

BOMBARDIER'S SIX SIGMA VISION:

- Reduce costs and improve margins in a context of declining prices;
- Surpass customer expectations by a margin few competitors can match;
- Improve at a faster rate than the competition; and
- Grow a new generation of leaders within this organization.

A SHORT HISTORY OF ACHIEVEMENT

When Six Sigma was launched in March 1997, Bombardier began with relatively modest assets — a handful of agents and just a few projects. Today, 1,091 completed projects later, Six Sigma boasts 350 full-time master agents, agents and core team members, a strong corporate-wide commitment to the process and concrete results. These results are reflected on the bottom line, as well as in superior quality Bombardier products and services.

The past year's success can be attributed to three factors: management's leadership and commitment to Six Sigma principles, employees who are better trained in the new methodologies, and the setting of even more ambitious goals. As a result, Six Sigma

projects for 1999-2000 yielded \$89 million in net savings, along with a noticeable increase in product and service quality. These gains are a key component of Bombardier's five-year plan to double revenues and increase EBT margin to 11% in fiscal 2004. It is estimated that already completed projects, together with the hundreds more coming on stream, will provide Bombardier at least \$400 million a year in net savings by 2003-2004.

Six Sigma's progress across the Corporation tends to reflect the date of its adoption by the various business groups. Since its genesis was in Bombardier Aerospace, this group has the most fully developed Six Sigma infrastructure. During the past year, Bombardier Aerospace focused on consolidating its gains and increasing the momentum of its Six Sigma projects. At Bombardier Recreational Products, which completed its first full fiscal year with Six Sigma, progress was significant. The group completed a number of projects and workshops and registered its first financial gains. Meanwhile Bombardier Transportation embarked on a training program, along with projects and workshops throughout Canada, the U.S. and Mexico. Six Sigma training modules are now available in English, French, German and Spanish.

Looking ahead to 2000-2001, the roll-out of Six Sigma will be completed across all of Bombardier's manufacturing operations. During the next phase, Six Sigma will be extended to non-manufacturing areas, notably Bombardier Capital.

BOMBARDIER AEROSPACE

The focus for 1999-2000 was to strategically align Bombardier Aerospace's Six Sigma activities, paying close attention to customer feedback, process quality, supplier evaluation and projects.

Customer Feedback

Bombardier Aerospace selected three customers with whom the group embarked on a pilot project to develop a methodology for obtaining accurate customer feedback, which would serve as a basis for taking action. During the first phase, Bombardier and the client teams met to identify the three to five items that are most crucial to the customer. The continuous monitoring of these items, it was reasoned, would provide an accurate gauge of customer satisfaction. Indeed, the project was subsequently dubbed the "dashboard" because it serves as a control panel, supplying progress and status at a glance. With each customer's dashboard in place, the teams instituted regular checkpoints to assess progress and make necessary adjustments. The goal is to not merely meet the customer's expectation, but to add value to the process. In other words, to surprise the customer with unprecedented levels of service. To date, customer response has been enthusiastic.



Ingeborg Rittweiler, Bombardier's Vice President, Six Sigma, meets with Jean Boilard, the First Master Agent from Bombardier Recreational Products.

Process Quality

Each employee's day-to-day work is guided by a large number of complex and interlocking processes. Which ones could benefit most from Six Sigma? Bombardier Aerospace answered that question by analyzing 30 key processes to determine which would have the greatest strategic and financial impact. One example of a high priority process is "product change management", which coordinates the myriad of activities triggered by a decision to change any one of thousands of parts in an aircraft.

Supplier Evaluation

Suppliers play a significant role in Bombardier's process efficiency, as well as in the quality of its products and services. This is why it is essential that suppliers' own processes harmonize with those of Bombardier. In 1999, the procurement department at Bombardier Aerospace trained close to one hundred employees of suppliers in Six Sigma, and five suppliers were chosen to develop an evaluation system for supplier performance. The system includes key indicators such as first-time quality and on-time delivery.

Projects

The above activities were supported by a Six Sigma fundamental, which is to complete projects. With 681 new projects, Bombardier Aerospace registered a banner year, making strong gains in several areas. Some examples include an 88% inventory reduction in one operating area, and the re-engineering of test rigs for the CRJ700 program to reduce structural complexity and the number of parts. In short, the projects yielded significant benefits for Bombardier, its employees and customers.

BOMBARDIER RECREATIONAL PRODUCTS

In its first full year implementing Six Sigma, Bombardier Recreational Products trained 23 full-time agents and completed 41 projects. As part of this foundation-building, the group concentrated on making sure the customer's expectations for products and services are

being met. The group therefore went back to basics, integrating the "Design for Six Sigma" methodology and tools into the product development process for watercraft and snowmobiles. This will ensure lower life cycle cost downstream. At the group's Austrian engine manufacturing facilities, Six Sigma and the "lean manufacturing" process are proving to be complementary, enabling breakthroughs in product improvement.

BOMBARDIER TRANSPORTATION

With facilities in eleven countries, Bombardier Transportation has the added challenge of introducing Six Sigma in multicultural and multilingual settings. Nevertheless, the group accelerated the pace of implementation in 1999-2000, thanks to training support from Bombardier Aerospace and Bombardier Recreational Products. Six Sigma was launched at Canadian, U.S. and Mexican sites. Beyond the sheer speed that inter-group cooperation provides, it also demonstrates how the sharing of know-how and resources is a powerful added benefit of Six Sigma. A common terminology and methodology improve communication and enable Bombardier to leverage its hard-won experience throughout the organization. With training material in English, French, German and Spanish, Bombardier Transportation has graduated more than 1,700 managers and employees, and completed its first 27 projects. Some examples of these include a 99% reduction in defects in an "order planning process" and a 50% cycle time reduction in the "change control process".

In the coming months, Six Sigma will be launched at Bombardier Transportation's European sites. This will complete the implementation phase and enable the group to maximize the potential for sharing ideas across geographic, linguistic and cultural boundaries.

BOMBARDIER CAPITAL

At Bombardier Capital, the current focus is on building the infrastructure that will allow the successful deployment of Six Sigma in 2000-2001. Given the impressive benefits that other groups have realized, Bombardier Capital eagerly anticipates commensurate gains in its own environment. Entering into the spirit of sharing, the other groups are ready to support Bombardier Capital's Six Sigma deployment.

Beyond the implementation of projects, Six Sigma is also about people. Since its implementation, Bombardier realized the full potential of Six Sigma by creating a team of high caliber individuals, with the skills to undertake a range of complex projects. With their leadership, the Corporation is well positioned to meet future challenges.

Processes

- 30 key processes analyzed
- 1,091 projects completed

Customers

- 3 customer "dashboards" completed

Savings

- \$89 million net savings

Employees

- 350 full-time resources
- Training sessions for 12,000 employees

SOCIAL RESPONSIBILITY

Social responsibility is an integral part of Bombardier's mission. The charities supported by the J. Armand Bombardier Foundation and support given to a variety of initiatives by the Corporation's operating groups demonstrate Bombardier's desire to be actively involved in the economic, cultural and social development of the communities in which it operates.

By their generosity and involvement in charitable projects, Bombardier employees also play an active role in supporting their communities.

THE J. ARMAND BOMBARDIER FOUNDATION

Each year, the Corporation allocates approximately 3% of pre-tax income to the J. Armand Bombardier Foundation, which is overseen by a board of governors. Last year the Foundation contributed part of this amount, almost \$6 million, to national and regional organizations across Canada which are active in education, health, culture and social services.

The Foundation actively supports institutions of higher education. This year the University of British Columbia joined the list, receiving funding for the creation of the J. Armand Bombardier Chair in Urban Transportation. In addition, the Fondation de l'Université du Québec à Montréal continued to receive funding for the Bombardier Chair of Transnational Management, as did Montréal's

A few kids from Killard House Special School enjoy one of the activities at the school's new playground. Bombardier Aerospace employees in Northern Ireland raised money for the project, and apprentices helped construct it.



École Polytechnique for a professorship in aerospace. The Université du Québec à Chicoutimi also received a contribution for a new development fund to finance projects primarily of direct interest to students, including scholarships, research development and libraries.

In the health sector, significant contributions were made to the La Providence Hospital Foundation in Magog, as well as to the Jewish General Hospital Foundation in Montréal. Also in Québec, the Granby Hospital Foundation benefited from a donation for the construction of a new room in the department of gynecology. The Fondation Charles Lemoyne also received a significant gift, which helped the Montréal-area hospital complete a new traumatology wing. Finally, the Foundation's gift to the Hospitals of Regina Foundation will be used for the purchase of specialized equipment.

The Foundation recognizes the importance of cultural activities and continues to support the J. Armand Bombardier Museum and the Centre culturel Yvonne L. Bombardier in Valcourt. In addition, a significant contribution was made to Montréal's McCord Museum for the construction of a multi-purpose room equipped with state-of-the-art technology. The room will bear the name of the Corporation's founder.

Many community organizations received assistance from the Foundation, including the Fondation québécoise pour l'alphabétisation/ Québec Literacy Foundation. St John Ambulance used its gift for the development of a Youth Leaders Manual and Training Program. Finally, a donation was made to La Maison Aube Lumière, a palliative care centre for patients stricken with cancer or in terminal phase.

CONTRIBUTIONS OF BOMBARDIER COMPANIES AND EMPLOYEES

While most of the contributions of the J. Armand Bombardier Foundation go to regional and national organizations, the charitable activities of Bombardier business units and their employees are focused to a greater extent on their respective communities. Many initiatives were undertaken in 1999-2000, including the projects listed below.

The Corporation, in collaboration with Bombardier Transportation, Bombardier Aerospace and Bombardier Recreational Products, undertook two major science and technology projects in Montréal. The first supplied material and financial support to the Old Port of Montréal Corporation in the creation of the Interactive Science Centre (iSci Centre). Located in the port's historic 19th-century sheds, this educational and recreational facility allows visitors to better understand how science and technology play a part in their daily lives. It also encourages young people to embark on a career in science.

The Corporation has also been involved in the 35th World Skills Competition, an international competition of trade skills involving 600 participants from 31 countries, all under the age of 22. Considered the most important international forum for professional and technical training, the event, which was held for the first time in Montréal,

was a unique opportunity to promote the trade and technical professions, to support entrepreneurship among young people, and to encourage them to stay in school.

In 1999, Montréal-area Bombardier employees reaffirmed their support to Centraide of Greater Montréal, collecting more than \$375,000 in the annual fund drive. An equivalent amount was donated by the Foundation and members of the Bombardier family.

Through their charitable fund, employees of Bombardier Aerospace in Montréal contributed almost \$450,000 to local charities. For the sixth consecutive year, Toronto area employees collected the largest sum in a cycling event organized for the Heart and Stroke Foundation.

In Wichita, Kansas, Bombardier Aerospace contributed to the creation of Exploration Place, a science museum. Study and teaching scholarships in engineering were funded at Wichita State University. The Wichita Art Museum also received support from Bombardier, as did Heartspring, an organization which provides care and special education to children with multiple disabilities. The Learjet Care Fund, which manages gifts collected by employees, gave out more than \$375,000 US in the Wichita region.

Last year, the J. Armand Bombardier Foundation contributed almost \$6 million to national and regional organizations across Canada which are active in education, culture, social services and health.



The Children's Friendship Project, which, through various activities, promotes understanding between Catholic and Protestant teenagers, is among the many social and community initiatives supported by the Bombardier Aerospace —Shorts Foundation in Northern Ireland. Through fund-raising and the construction of a playground at the Killard House Special School in Newtownards, employees and apprentices in the Belfast region continued their work with young students suffering from learning disabilities.

Several years ago, Bombardier Recreational Products became involved in fund-raising for the Foundation for Research into Children's Diseases. Last year, a snowmobile tour across Québec's Laurentian region raised \$120,000 for the charity, of which \$50,000 came from the J. Armand Bombardier Foundation. Bombardier Recreational Products continued its support of the Excellence in Athletics Foundation.

Bombardier Transportation has provided funding in Québec for the International Year of the Elderly, in Germany for Olympic athletes and in Central America for assistance to victims of hurricanes Mitch and Floyd. Bombardier Transportation also supported the New York Transit Museum.

Bombardier Capital has concentrated its social contributions on young people and education. Its funding allowed close to 3,000 students from the Burlington, Vermont region to attend a symphony concert given under a program to introduce young people to classical music. In another instance, more than 1,500 young people from the region were able to attend two theatrical presentations derived from classic children's stories. Bombardier Capital also sponsored the March for Mentors event organized by Big Brothers Big Sisters in an effort to recruit African-American men as volunteers. Finally, the Boys & Girls Clubs of Northeast Florida received sponsorship for the hiring of a teacher to introduce underprivileged youth to art.



Children from the Boys and Girls Clubs of Northeast Florida attended a Christmas party organized for them by Bombardier Capital.

ENVIRONMENT

BOMBARDIER MANUFACTURING FACILITIES AND THE ENVIRONMENT

On the strength of the experience gained over the past two years, the Corporation has continued to implement the ISO 14001 system. At the time this report was going to press, 25 of Bombardier's 40 manufacturing plants had obtained certification under this standard after a rigorous external audit. The Corporation plans to obtain ISO 14001 certification for all of its plants before the end of the 2000-2001 fiscal year, based on the objective set in April 1998.

The manufacturing facilities in Mexico and the Czech Republic are among those that will complete the implementation of the environmental management system during the current year. Certification of these plants concretizes Bombardier's commitment to apply a uniform environmental management model regardless of the geographical location of its plants.

Parallel to its environmental management efforts, Bombardier has pursued its

Thanks to the Belfast site product development team, Bombardier Aerospace has received the U.K.'s most prestigious design award, the "Millennium Product" accolade, for the CRJ700's engine nacelle-mounted thrust reverser, which provides enhanced reliability, reduced noise and raw materials and reduced maintenance equipment.

own initiatives in environmental training and information. More than half its employees have now received environmental awareness training specially designed to satisfy the Corporation's special needs.

Concrete results in healthy environmental management, combined with its employees' imagination and technical abilities, earned Bombardier Aerospace, together with Clinty Chemicals Ltd. of Northern Ireland, the U.K. Manufacturing Industry Achievement Award for Environmentalist of the Year and the U.K. National Green Apple's "Crystal" award. By commissioning an innovative caustic regeneration system at its Belfast metal bonding plant, Bombardier Aerospace can substantially reduce the volume of caustic waste and cut its operating costs.

The environmental management efforts will be pursued over the next year, with the purpose of further integrating environmental protection, both at the design stage and in the use of the Corporation's products.

BOMBARDIER PRODUCTS AND THE ENVIRONMENT

Bombardier's major manufacturing segments also played their role in environmental protection and continued to design and manufacture ever more efficient and environmentally friendly products.

The problem of climate change and global warming allows Bombardier to offer a choice alternative for urban and intercity passenger transport. Because of their low hydrocarbon consumption per passenger-kilometre, the vehicles manufactured by Bombardier Transportation show a clear advantage over the automobile and allow major reductions in greenhouse gas emissions while offering passengers comfort and speed.

In the aerospace segment, all Bombardier aircraft are designed not only to comply, at the time of certification, with the requirements defined by the International Civil Aviation Organization (ICAO) and the Committee on Aviation Environmental Protection in terms of noise and emission levels, but to conform to tougher future requirements. For example, the noise measured outside CRJ aircraft ⁽¹⁾ is 10 decibels lower than the standards and practices established by the ICAO ⁽²⁾.

The recreational products segment also made its contribution to protecting the environment and now offers more efficient products. Two Sea-Doo personal watercraft are now propelled by a new Rotax two-stroke engine using Orbital Direct Injection technology. During a typical day of use, this engine reduces hydrocarbon emissions by up to 75% ⁽³⁾ and fuel consumption by up to 30% ⁽⁴⁾ compared with traditional carbureted two-stroke engines.

To improve its products' performance while reducing their environmental impact, Bombardier is devoting major efforts to research and development in all of its operating groups.



1. Noise recorded at measuring points (take-off, sideline and approach)
2. ICAO Standards and Practices, Appendix 16, Chapter 3
3. According to EPA (United States Environmental Protection Agency) standards
4. ICOMIA (International Council of Marine Industry Associations) cycle method

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

Bombardier

Total consolidated assets for the manufacturing segments amounted to \$11.0 billion as at January 31, 2000 compared to \$10.3 billion as at January 31, 1999, an increase of 7%. Costs incurred in connection with new aircraft programs and progress in contract completion for the transportation segment are responsible for most of the increase. Total assets excluding cash and cash equivalents and investment in and advances to BC stood at 61% of sales as at January 31, 2000 as compared to 66% for the previous year. All manufacturing segments contributed to the improvement.

Cash and cash equivalents reached \$1.5 billion as at January 31, 2000. This compared to \$1.7 billion at the end of the previous year. Excess cash is only invested in highly liquid instruments issued by investment grade financial institutions having maturities of less than 90 days.

Inventories are presented net of the related advances and progress billings on contracts and programs. However, advances and progress billings in excess of related costs are shown as liabilities.

Total inventories as at January 31, 2000 were \$5.4 billion, compared to \$4.6 billion at the end of the previous year, an increase of \$0.8 billion. This increase arose mainly from investments for the Dash 8 Series 400, the CRJ Series 700 and the Bombardier Continental Business Jet programs as well as progress in contract completion on key long-term contracts in the transportation segment. Inventories before deducting advances and progress billings in the aerospace segment represented 74% of total inventory as at January 31, 2000 as compared to 72% at the end of the previous year.

Management periodically reviews the estimates used to value inventory of programs. However recovery of the carrying value of these assets remains subject to uncertainties. Note 3 to the Consolidated Financial Statements discloses the total amount of non-recurring and excess over average production costs for which recovery depends on future firm customer orders for programs under commercial production and for those not yet under commercial production.

Total advances and progress billings were \$6.7 billion and \$6.2 billion as at January 31, 2000 and 1999 respectively. This variation is mainly explained by the order backlog in the aerospace segment which increased from \$16.2 billion to \$18.9 billion. An amount of \$4.1 billion of advances and progress billings is deducted against inventory as at January 31, 2000 as compared to \$3.9 billion at the end of the previous fiscal year. Advances and progress billings in excess of related costs, shown as liabilities, have increased to \$2.6 billion at the end of fiscal year 2000 compared to \$2.3 billion at the end of the previous year.

Bombardier has undertaken to maintain BC's debt to equity ratio (including subordinated loans) to approximately 9 to 1. As a consequence of the substantial growth in assets under management sustained by BC, Bombardier has invested an additional amount of \$256.0 million during fiscal year 2000 as compared to \$436.0 million for the previous year. In addition, Bombardier lent a portion of its excess cash to BC on a short-term basis. As at January 31, 2000, the outstanding amount was \$459.8 million, a level similar to the previous year.

The increase in accounts payable and accrued liabilities was \$279.7 million or 10% for fiscal year 2000. This growth mostly reflects the increase in the overall activities of the manufacturing segments. The increase in other liabilities of \$225.0 million for fiscal year 2000 is mainly attributable to a \$231.2 million increase in deferred income taxes.

During fiscal year 2000, the total outstanding long-term debt was reduced by an amount of \$150.3 million to \$971.4 million. Bombardier's debt to equity ratio, before taking into consideration the cash and cash equivalents, was 21 to 79 as at January 31, 2000 compared to a debt to equity ratio of 25 to 75 as at January 31, 1999. Total cash and cash equivalents at the end of fiscal year 2000 exceeded debt by \$577.3 million as compared to \$535.3 million at the end of the previous year.

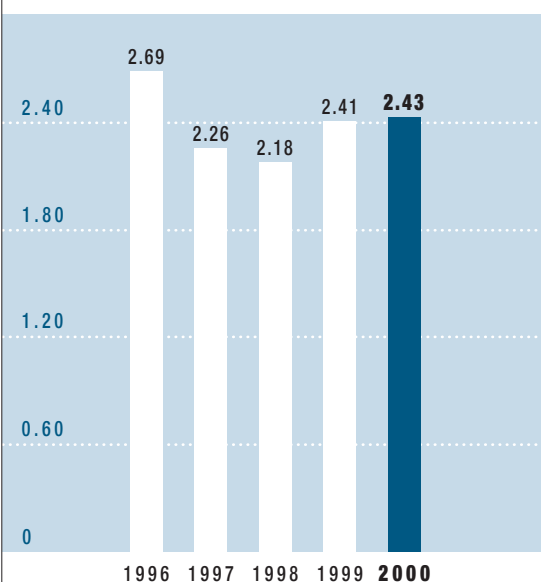
Deferred translation adjustments included in shareholders' equity amounted to \$57.0 million as at January 31, 2000 as compared to \$262.1 million at the end of the previous year, representing the cumulative variation of the Canadian dollar compared with the currencies of the main countries in which the Corporation maintains self-sustaining foreign operations. This reduction is mainly the result of the strengthening of the Canadian dollar against most major currencies during fiscal year 2000.

BC

The portfolios of asset-based financing items, which represent BC's most important assets, amounted to \$7.1 billion as at

Bombardier's Inventory turnover (sales to year-end inventory)

Years ended January 31



January 31, 2000, compared with \$5.0 billion as at January 31, 1999. This increase results mainly from the growth in BC's activities particularly in connection with commercial, industrial and mortgage financing and from Management's decision to account for securitization of loans originated in its mortgage business as financing transactions as opposed to sales of the underlying portfolios, effective as of the beginning of fiscal year 2000. Note 2 to the Consolidated Financial Statements provides the details of the components of each portfolio.

BC's financial leverage, that is the ratio of debt and off-balance sheet debt to shareholders' equity and subordinated debt from Bombardier, is kept at a higher level than what it would be for manufacturing operations. BC's ratio as at January 31, 2000 and as at January 31, 1999 was 9 to 1. As mentioned earlier, Bombardier's undertaking to maintain a debt to equity ratio (including subordinated debt) of 9 to 1 is considered satisfactory for this type of business. Notes 5 and 7 provide details of the short-term borrowings and long-term debt of BC.

OTHER SIGNIFICANT CASH FLOW INFORMATION

Bombardier Consolidated

On January 19, 2000, Bombardier announced that it would purchase, in the normal course of its activities, from January 24, 2000 to January 23, 2001, up to a maximum aggregate amount of 8 million of its Class A and Class B shares. The cash required for the buy-back program will be entirely provided by the net cash flows generated by the operations.

Based on the rate of the dividends declared on April 18, 2000 for Class A and Class B shares and the rate set in the articles of incorporation of the Corporation for Series 2 Preferred Shares, dividend payments are expected to be \$204 million in fiscal year 2001.

In 1999-2000, the combination of cash flows related to operating, investing and financing activities decreased cash and cash equivalents from \$1,738.7 million at the beginning of the year to \$1,664.0 million at year-end.

Bombardier

Cash flows from operations and before changes in non-cash balances related to operations amounted to \$1.2 billion for fiscal year 2000 compared to \$0.9 billion the previous year, a year-to-year increase of 35%, mostly as a result of higher income.

Cash flows from operating activities amounted to \$880.1 million for the year ended January 31, 2000, compared with \$1.8 billion for the preceding year. Cash flows from operating activities for fiscal year 1999 were impacted by significant advances received during the last quarter on important long-term contracts mostly for the transportation segment. For fiscal year 2000, the previously mentioned increase in inventory was partially offset by increases in accounts payable and accrued liabilities and advances from customers.

Capital expenditures related to fixed assets increased to \$382.2 million in 1999-2000, as against \$335.8 million in 1998-1999. In the aerospace segment, additions to fixed assets were \$266.5 million in 1999-2000, compared with \$192.5 million the previous year. The largest investments were related to the expansion of manufacturing facilities in Dorval and of maintenance and servicing capacity for the Global Express as well as to the implementation of an integrated management system for aircraft maintenance. In the recreational products segment, additions to fixed assets amounted to \$23.9 million in 1999-2000, compared with \$27.0 million the previous year. Investments were essentially allocated to ongoing investment programs. In the transportation segment, additions to fixed assets amounted to \$91.8 million in 1999-2000, as against \$116.3 million the previous year. The main investments were allocated to manufacturing facilities and equipment.

Note 21 to the Consolidated Financial Statements provides the distribution of fixed assets by geographic segment.

The effect on cash flows used for capital expenditures was partially offset by a cash inflow of \$145.6 million during the fourth quarter of fiscal year 2000 arising from the sale of Bombardier Aerospace's 50% interest in Shorts Missile Systems Limited and of its 100% interest in Specialist Aviation Services Limited.

Cash flows used in financing activities reached \$553.0 million in 1999-2000, compared with \$471.3 million in 1998-1999, an increase of \$81.7 million. This additional use of funds results mainly from the cash paid for the redemption of the convertible notes for an amount of \$243.2 million. Dividend payments increased to \$168.8 million as compared to \$133.8 million, and repayment of long-term debt to \$128.8 million compared to \$158.6 million for the previous year. Furthermore, issuance of shares to employees for cash totalled \$16.8 million (5.6 million shares) in 1999-2000, compared with \$49.3 million (4.3 million shares) the previous year.

As a result of the above-mentioned items, Bombardier's cash and cash equivalents slightly decreased to \$1.5 billion as at January 31, 2000 compared to \$1.7 billion at the end of the previous year.

BC

Cash flows from operating activities amounted to \$0.6 million for the year ended January 31, 2000, a reduction of \$151.1 million as compared to the \$151.7 million for the previous year. This decrease was mainly the result of a reduction of accounts payable and accrued liabilities during fiscal year 2000.

Cash flows used to finance the increase of \$2.3 billion in asset-based financing items were essentially provided by increases in long-term debt of an amount of \$2.5 billion for the year ended January 31, 2000, compared with increases of \$2.5 billion and \$1.0 billion respectively the year before. As mentioned earlier, an amount of \$256.0 million was

invested by Bombardier during fiscal year 2000 in order to maintain a debt-to-equity ratio of 9 to 1, as compared to \$436.0 million for the previous year. The balance of the previous year's increase was mostly financed through increases of short-term borrowings and advances from Bombardier. In addition, an amount of \$2,824.2 million of asset-based financing items were financed off-balance sheet through securitization programs as at January 31, 2000 compared to \$2,704.5 million as at the same date the previous year, for which BC remains the servicer.

CAPITAL RESOURCES

The Corporation has secured significant credit facilities to finance its expected capital investments, to take advantage of any acquisition opportunities and to deal with contingencies.

Bombardier

Notwithstanding its substantial cash flow, Bombardier has consolidated, extended the maturity and increased the amount of its European banking facilities over the course of last year. The Corporation and its European manufacturing subsidiaries signed in June 1999 a 1.7 billion €, six-year, unsecured, revolving line of credit with a syndicate of leading European banking institutions. This transaction enabled Bombardier to rationalize its access to bank credit in Europe and to increase the amount of committed stand-by credit available. The facility is available for the financing of working capital, the issuance of stand-by letters of credit, the financing of capital investments or for acquisition purposes.

BC

BC has been active in the capital markets during fiscal year 2000 as it renewed its bank credit facilities, renegotiated its Canadian trust indenture and further expanded its recourse to the term debt markets both in Canada and the U.S.

In June 1999, BC renewed its North American syndicated revolving, unsecured bank credit facility for a six-year term and increased the amount to \$1.7 billion US. The facility can also be used as a backup facility

for BC's commercial paper programs.

At the same time, a new covenant package was adopted with an improved Bombardier "Keep-Well" agreement. Both were later rolled out to all of BC's credit agreements.

In fiscal year 1999, Bombardier Capital Ltd. registered a Medium-Term Note program contemplating the potential issuance in Canada over two years of up to \$500 million of medium-term notes. Some \$150 million had been issued as at January 31, 2000 (see note 7 to the Consolidated Financial Statements). In the U.S., Bombardier Capital Inc. further facilitated its access to the term debt markets with the launch of a private Medium-Term Notes program to be operated under rule 144-A. This program contemplates the issuance over two years of up to \$2 billion US of medium-term notes. As at January 31, 2000 some \$875 million US had been issued under this program (see notes 5 and 7 to the Consolidated Financial Statements). The Canadian and the U.S. Medium-Term Notes programs provide for identical covenant and "Keep-Well" packages, aligned with the ones introduced in BC bank facilities. BC has also been active in the capital markets seeking optimum financing sources with its public and private securitization of Inventory Finance and Consumer and Manufactured Housing Mortgages loans.

In view of the foregoing, the Corporation considers that its present cash resources, the expected cash flow and its other sources of financing will enable it to implement its investment program, develop new aircraft models, support the growth of its activities, pay dividends and meet all of its financial obligations.

YEAR 2000

The transition to the year 2000, throughout all of the Corporation's facilities, went well, with no impact on its operations. All of the Corporation's products, including aircraft, rail transportation equipment and recreational products performed well during the transition period. There was no material impact on the financial position of the Corporation.

ADOPTION OF THE EURO

Bombardier is pursuing the implementation of the plan elaborated in fiscal 1998-1999 for the conversion to the single currency in Europe in 2001. Management does not anticipate any material increase in costs or material impact on operations and financial position of the Corporation.

RISKS AND UNCERTAINTIES

The Corporation operates in different industry segments that involve various risk factors and uncertainties which are carefully considered in the Corporation's management policies.

The risks associated with the aerospace industry segment comprise, among others, risks related to developing new products in keeping with planned budget, the approval of new products by regulatory authorities and compliance with the contractual commitments for delivery, risks associated with product performance, the settling of disputes concerning collective agreements and their renewal, as well as risks related to the performance of certain key suppliers. The Corporation is also faced with a number of external risk factors, in particular foreign currency fluctuations, government policies related to import and export restrictions imposed by certain countries on its products as well as other conditions which could affect demand for some of its products, such as fuel prices, political instability and economic growth.

The recreational products industry segment essentially bears risks associated with volatile demand for consumer products, weather conditions as well as legislation and policies on issues of safety and the environment.

In addition to the above-mentioned risks, the transportation segment bears risks related to changing priorities and possible spending cuts by certain government agencies.

The Corporation is exposed to foreign currency fluctuations arising either from carrying its businesses from Canada in foreign

currencies or through establishments operated in foreign countries.

The Corporation protects itself against currency fluctuations in a number of ways, including asset/liability management involving mostly borrowing in foreign currencies to hedge foreign currency exposure arising from permanent investments in foreign countries and the use of derivative contracts to hedge the exposure to future cash flows in various currencies. In particular, the recreational products, transportation equipment and aircraft produced in Canada and sold in export markets, mostly in US dollars, are vulnerable to these fluctuations. In this respect, the Corporation enters into foreign exchange contracts with maturities ranging up to three years, to manage such currency risk. Note 17 to the Consolidated Financial Statements provides details of these contracts.

A significant proportion of the Corporation's worldwide revenues is denominated in US dollars. The Corporation estimates that a one cent change in the value of the Canadian dollar would have impacted income before income taxes by an approximate amount of \$12.8 million before taking into account any effect of derivative instruments. For the year ended January 31, 2000, the US dollar traded at an average of \$1.4799 Cdn, compared with \$1.4900 Cdn during 1998-1999, for an average devaluation of 0.68%.

BC strives to minimize its overall debt costs while limiting the short-term variability of interest expense and funds required for debt service. To achieve this objective, BC diversifies its borrowing sources (short- and long-term debt with a fixed or a variable rate) and seeks to maintain a portfolio that is matched funded. BC's matched funding policy generally requires that floating-rate assets be financed with floating-rate liabilities and fixed-rate assets be financed with fixed-rate liabilities.

BC utilizes derivatives as an integral part of its asset/liability management program to reduce its overall level of financial risk. These derivatives, particularly interest-rate swap agreements, are used to alter interest rate exposure arising from mismatches between assets and liabilities. BC's derivative instruments are entirely related to accomplishing these risk management objectives which arise from normal business operations. BC is not an interest-rate swap dealer nor is it a trader in derivative securities, and it has not used speculative derivative products for the purpose of generating earnings from changes in market conditions.

A potential North American economic slowdown might create some difficulties for BC's clients and, consequently, have a negative impact on the BC portfolio. However, the diversity of BC's portfolio offers reasonable protection as discussed in note 2 to the Consolidated Financial Statements.

COMMITMENTS AND CONTINGENCIES

As described in note 19 to the Consolidated Financial Statements, in connection with the sale of aircraft, the Corporation occasionally provides financial support to its customers in various ways. The risks related to these guarantees depend on many factors such as the financial health of its customers and the leasing and resale value of aircraft and the existing market conditions for each aircraft model. The Corporation's management regularly conducts an in-depth review of the current economic conditions respecting each of these risks and carefully monitors any changes.

The Corporation is occasionally involved in legal litigation, claims, investigations and other legal matters in connection with its products and contracts. It is the Corporation's opinion that the costs incurred to date and those it anticipates incurring in connection with these contingencies have not had, and will not have, a material impact on its financial position.

CHANGE IN ACCOUNTING PRINCIPLES

Effective February 1, 2000, the Corporation adopted two new accounting recommendations from the Canadian Institute of Chartered Accountants (CICA). The Corporation adopted retroactively the new accounting recommendations for income taxes, without restatement of prior periods. The new income tax recommendations are based on the asset and liability method which requires the use of income tax rates expected to apply in the year in which timing differences should reverse to value future tax assets and liabilities. They also establish criteria for recognition of future income tax benefits related to tax losses carried forward based on a more likely than not test of recovery. Up to January 31, 2000 the Corporation used the deferral method of accounting for income taxes. The cumulative effect of adopting the new recommendations on opening retained earnings as at February 1, 2000 and on the Corporation's consolidated income statement, financial position and cash flows for the year ending January 31, 2001 is not expected to be significant.

Also as of February 1, 2000 the Corporation adopted retroactively the new CICA recommendations on accounting for employee future benefits with no restatement of prior periods. These new requirements modify the current accounting rules for pension costs and obligations and extend these requirements to non-pension benefits. The cumulative after tax adjustments to retained earnings as at February 1, 2000 are a reduction of \$210.6 million. In addition, the liabilities have increased by \$303.1 million, the balance of the adjustment of \$92.5 million being posted to future income taxes. This change of accounting principle is not expected to have a significant impact on the consolidated income statement, financial position and cash flows of the Corporation for the year ending January 31, 2001.

FINANCIAL SECTION

BOMBARDIER INC.

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**BOMBARDIER**

HISTORICAL FINANCIAL SUMMARY

	For the years ended January 31	2000	1999	1998
Operations Summary (millions of Canadian dollars, except per share amounts)	Revenues			
	Aerospace	\$ 8,126.2	\$ 6,444.1	\$ 4,874.1
	Recreational Products	1,473.0	1,628.1	1,718.5
	Transportation	3,446.1	2,966.3	1,688.1
	BC	738.5	570.6	352.4
	Intersegment eliminations	(165.3)	(109.0)	(124.2)
	External revenues	\$ 13,618.5	\$ 11,500.1	\$ 8,508.9
	Income (loss) before unusual items and income taxes			
	Aerospace	\$ 903.9	\$ 681.9	\$ 479.6
	Recreational Products	17.7	(45.5)	(1.1)
	Transportation	174.4	147.9	84.6
	BC	28.0	42.6	64.1
		1,124.0	826.9	627.2
Unusual items, net	51.1	–	–	
Income before income taxes	1,072.9	826.9	627.2	
Income taxes	354.1	272.9	207.0	
Net income	\$ 718.8 ⁽¹⁾	\$ 554.0	\$ 420.2	
Per common share	\$ 1.02 ⁽¹⁾	\$ 0.77	\$ 0.59	
General Information (millions of Canadian dollars, except per share amounts)	Export revenues from Canada	\$ 6,198.3	\$ 6,021.7	\$ 4,642.2
	Additions to fixed assets	\$ 419.5	\$ 364.2	\$ 262.6
	Depreciation and amortization	\$ 227.5	\$ 232.6	\$ 180.1
	Dividend per common share			
	Class A	\$ 0.220000	\$ 0.170000	\$ 0.150000
	Class B	\$ 0.223125	\$ 0.173125	\$ 0.153125
	Number of common shares (millions)	688.8	683.2	678.9
	Book value per common share	\$ 4.81	\$ 4.40	\$ 3.57
	Shareholders of record	11,168	10,097	10,781
	Market Price Range (Canadian dollars)	Class A		
High		\$ 32.25	\$ 23.55	\$ 16.98
Low		19.10	14.05	12.50
Close		29.95	22.15	14.13
Class B				
High		\$ 32.20	\$ 23.75	\$ 17.00
Low		18.95	14.05	12.40
Close		29.30	22.50	14.05

⁽¹⁾The effect of the unusual items described in note 14 to the consolidated financial statements on net income amounts to \$33.6 million (\$0.04 per common share). Exclusive of these unusual items, net income would be \$752.4 million (\$1.06 per common share).

⁽²⁾The effect of the writedown of investment in Eurotunnel share units on net income amounts to \$155.0 million (\$0.24 per common share). Exclusive of this writedown, net income would be \$313.0 million (\$0.46 per common share).

	1997	1996	1995	1994	1993	1992	1991
\$	4,283.8	\$ 3,766.9	\$ 3,409.6	\$ 2,579.0	\$ 2,602.9	\$ 1,899.8	\$ 1,755.4
	1,959.0	1,641.8	1,112.1	792.3	556.9	392.2	389.0
	1,599.4	1,574.7	1,309.6	1,311.5	1,237.6	725.6	697.1
	244.6	220.0	166.0	133.5	77.5	63.3	63.2
	(111.1)	(80.0)	(54.3)	(47.5)	(26.9)	(22.3)	(12.4)
\$	7,975.7	\$ 7,123.4	\$ 5,943.0	\$ 4,768.8	\$ 4,448.0	\$ 3,058.6	\$ 2,892.3
\$	287.3	\$ 162.7	\$ 158.2	\$ 151.7	\$ 192.0	\$ 141.7	\$ 138.5
	209.2	175.9	118.0	77.3	28.8	(8.8)	(24.1)
	62.9	99.9	66.0	(24.0)	(71.4)	4.2	20.7
	46.9	28.7	11.5	4.8	2.9	(15.7)	(14.6)
	606.3	467.2	353.7	209.8	152.3	121.4	120.5
	-	231.4	-	-	-	-	-
	606.3	235.8	353.7	209.8	152.3	121.4	120.5
	200.1	77.8	106.4	32.5	18.6	13.7	20.4
\$	406.2	\$ 158.0 ⁽²⁾	\$ 247.3	\$ 177.3	\$ 133.7	\$ 107.7	\$ 100.1
\$	0.59	\$ 0.22 ⁽²⁾	\$ 0.36	\$ 0.28	\$ 0.21	\$ 0.18	\$ 0.17
\$	4,532.7	\$ 3,537.8	\$ 2,960.3	\$ 2,252.1	\$ 1,950.8	\$ 1,084.5	\$ 975.8
\$	232.4	\$ 297.8	\$ 176.0	\$ 169.8	\$ 227.8	\$ 161.5	\$ 162.2
\$	165.8	\$ 158.3	\$ 131.6	\$ 124.6	\$ 101.3	\$ 75.3	\$ 76.8
\$	0.100000	\$ 0.100000	\$ 0.075000	\$ 0.050000	\$ 0.050000	\$ 0.040000	\$ 0.040000
\$	0.103125	\$ 0.103125	\$ 0.078125	\$ 0.053125	\$ 0.053125	\$ 0.043125	\$ 0.043125
	675.3	670.1	662.9	659.9	617.1	609.3	565.8
\$	3.01	\$ 2.46	\$ 2.42	\$ 2.02	\$ 1.52	\$ 1.40	\$ 1.15
	11,541	9,873	8,776	9,108	9,534	8,735	9,315
\$	13.30	\$ 10.19	\$ 6.25	\$ 5.50	\$ 4.35	\$ 4.38	\$ 2.58
	8.88	5.72	4.50	2.41	2.66	2.10	1.82
	13.05	10.19	5.72	5.25	2.97	4.29	2.11
\$	13.20	\$ 10.07	\$ 6.32	\$ 5.47	\$ 4.32	\$ 4.32	\$ 2.58
	8.75	5.66	4.44	2.41	2.60	1.94	1.61
	13.00	9.94	5.69	5.29	2.91	4.29	1.97

HISTORICAL FINANCIAL SUMMARY (cont'd)

	As at January 31	2000	1999	1998	
Consolidated Balance Sheets (millions of Canadian dollars)	BOMBARDIER INC. CONSOLIDATED				
	Cash and cash equivalents	\$ 1,664.0	\$ 1,738.7	\$ 1,227.7	
	Accounts receivable	570.7	670.3	693.2	
	Asset-based financing items	7,194.9	5,169.8	2,989.4	
	Inventories	5,361.5	4,576.2	3,790.9	
	Fixed assets	1,898.7	1,842.7	1,646.7	
	Other assets	344.3	280.2	227.3	
	Total assets	\$ 17,034.1	\$ 14,277.9	\$ 10,575.2	
	Short-term borrowings	\$ 2,002.7	\$ 2,363.5	\$ 2,174.7	
	Accounts payable and accrued liabilities	3,335.2	3,099.7	2,663.0	
	Advances and progress billings in excess of related costs	2,636.8	2,328.6	851.6	
	Long-term debt	4,795.0	2,575.9	1,639.6	
	Other liabilities	652.6	421.7	357.0	
	Convertible notes – equity component	–	180.5	165.8	
	Preferred shares	300.0	300.0	300.0	
	Common shareholders' equity	3,311.8	3,008.0	2,423.5	
	Total liabilities and shareholders' equity	\$ 17,034.1	\$ 14,277.9	\$ 10,575.2	
		BOMBARDIER			
	Cash and cash equivalents	\$ 1,548.7	\$ 1,706.3	\$ 1,090.2	
	Accounts receivable	570.7	670.3	693.2	
Asset-based financing items	57.1	121.1	496.3		
Inventories	5,361.5	4,576.2	3,790.9		
Fixed assets	1,776.4	1,747.9	1,574.1		
Investment in and advances to BC	1,531.2	1,285.2	353.3		
Other assets	146.3	148.3	182.2		
Total assets	\$ 10,991.9	\$ 10,255.3	\$ 8,180.2		
Short-term borrowings	\$ –	\$ 49.3	\$ 330.0		
Accounts payable and accrued liabilities	3,125.2	2,845.5	2,543.7		
Advances and progress billings in excess of related costs	2,636.8	2,328.6	851.6		
Long-term debt	971.4	1,121.7	1,204.8		
Other liabilities	646.7	421.7	360.8		
Convertible notes – equity component	–	180.5	165.8		
Preferred shares	300.0	300.0	300.0		
Common shareholders' equity	3,311.8	3,008.0	2,423.5		
Total liabilities and shareholders' equity	\$ 10,991.9	\$ 10,255.3	\$ 8,180.2		
	BC				
Cash and cash equivalents	\$ 115.3	\$ 32.4	\$ 137.5		
Asset-based financing items	7,137.8	5,048.7	2,493.1		
Fixed assets	122.3	94.8	72.6		
Other assets	198.0	131.9	58.9		
Total assets	\$ 7,573.4	\$ 5,307.8	\$ 2,762.1		
Short-term borrowings	\$ 2,002.7	\$ 2,314.2	\$ 1,844.7		
Advances from Bombardier ⁽¹⁾	459.8	458.5	–		
Accounts payable and accrued liabilities	210.0	254.2	119.3		
Long-term debt	3,823.6	1,454.2	434.8		
Other liabilities	5.9	–	10.0		
Preferred shares	–	–	–		
Investment in BC ⁽¹⁾	1,071.4	826.7	353.3		
Total liabilities and shareholders' equity	\$ 7,573.4	\$ 5,307.8	\$ 2,762.1		

⁽¹⁾Prior to 1999, advances from Bombardier were not segregated from permanent equity and are consequently presented in Investment in BC.

	1997	1996	1995	1994	1993	1992	1991
\$	895.7	\$ 536.6	\$ 425.1	\$ 633.1	\$ 235.1	\$ 179.2	\$ 87.5
	358.4	449.0	667.4	320.8	380.4	360.1	413.7
	1,811.4	1,456.2	1,121.2	776.6	942.1	640.8	491.3
	3,455.2	2,594.9	1,914.4	1,738.1	1,782.9	1,200.7	984.2
	1,200.0	1,142.0	932.1	842.0	813.3	626.8	533.5
	229.6	213.9	401.6	144.1	86.4	47.1	45.0
\$	7,950.3	\$ 6,392.6	\$ 5,461.8	\$ 4,454.7	\$ 4,240.2	\$ 3,054.7	\$ 2,555.2
\$	1,233.1	\$ 812.2	\$ 622.0	\$ 358.6	\$ 828.5	\$ 620.8	\$ 537.4
	2,124.6	1,875.0	1,508.8	1,299.8	1,318.2	894.8	832.3
	591.4	295.7	195.0	-	-	-	-
	1,524.2	1,311.4	1,185.5	1,184.1	845.8	493.5	365.4
	264.4	279.4	184.1	125.6	168.2	56.6	64.7
	152.3	139.9	128.6	118.1	108.5	99.7	66.8
	30.9	30.9	31.5	33.1	34.1	35.7	37.4
	2,029.4	1,648.1	1,606.3	1,335.4	936.9	853.6	651.2
\$	7,950.3	\$ 6,392.6	\$ 5,461.8	\$ 4,454.7	\$ 4,240.2	\$ 3,054.7	\$ 2,555.2
\$	889.1	\$ 532.0	\$ 419.7	\$ 606.3	\$ 233.2	\$ 177.6	\$ 87.2
	358.4	449.0	667.4	320.8	380.4	366.0	413.6
	137.3	47.2	-	11.7	-	-	-
	3,455.2	2,594.9	1,914.4	1,738.1	1,782.9	1,200.7	984.2
	1,138.8	1,079.1	868.2	775.3	774.2	603.8	514.7
	288.7	307.0	239.5	222.5	106.5	87.0	68.5
	183.6	169.1	357.8	97.1	63.2	47.1	45.0
\$	6,451.1	\$ 5,178.3	\$ 4,467.0	\$ 3,771.8	\$ 3,340.4	\$ 2,482.2	\$ 2,113.2
\$	-	\$ 11.7	\$ 12.7	\$ 22.9	\$ 232.8	\$ 85.8	\$ 114.8
	1,993.0	1,746.7	1,401.8	1,217.9	1,248.3	857.8	813.4
	591.4	295.7	195.0	-	-	-	-
	1,400.7	1,047.5	914.8	924.1	612.3	493.5	365.4
	253.4	257.8	176.3	120.3	167.5	56.1	64.2
	152.3	139.9	128.6	118.1	108.5	99.7	66.8
	30.9	30.9	31.5	33.1	34.1	35.7	37.4
	2,029.4	1,648.1	1,606.3	1,335.4	936.9	853.6	651.2
\$	6,451.1	\$ 5,178.3	\$ 4,467.0	\$ 3,771.8	\$ 3,340.4	\$ 2,482.2	\$ 2,113.2
\$	6.6	\$ 4.6	\$ 5.4	\$ 26.8	\$ 1.9	\$ 1.6	\$ 0.3
	1,674.1	1,409.0	1,121.2	764.9	942.1	640.8	491.4
	61.2	62.9	63.9	66.7	39.1	4.1	5.0
	46.0	50.1	47.1	47.0	23.2	18.9	13.8
\$	1,787.9	\$ 1,526.6	\$ 1,237.6	\$ 905.4	\$ 1,006.3	\$ 665.4	\$ 510.5
\$	1,233.1	\$ 800.5	\$ 609.3	\$ 335.7	\$ 595.7	\$ 535.0	\$ 422.6
	-	-	-	-	-	-	-
	131.6	128.3	107.0	81.9	69.9	42.9	18.9
	123.5	263.9	270.7	260.0	233.5	-	-
	11.0	26.9	11.1	5.3	0.7	0.5	0.5
	-	-	-	-	-	-	-
	288.7	307.0	239.5	222.5	106.5	87.0	68.5
\$	1,787.9	\$ 1,526.6	\$ 1,237.6	\$ 905.4	\$ 1,006.3	\$ 665.4	\$ 510.5

HISTORICAL FINANCIAL SUMMARY (cont'd)

Quarterly Data
(unaudited)
(millions of Canadian
dollars, except per
share amounts)

For the years ended January 31	2000 Total	1999 Total	2000 First Quarter
Revenues			
Aerospace	\$ 8,126.2	\$ 6,444.1	\$ 1,571.0
Recreational Products	1,473.0	1,628.1	316.0
Transportation	3,446.1	2,966.3	841.4
BC	738.5	570.6	155.8
Intersegment eliminations	(165.3)	(109.0)	(33.6)
External revenues	\$ 13,618.5	\$ 11,500.1	\$ 2,850.6
Income (loss) before unusual items and income taxes			
Aerospace	\$ 903.9	\$ 681.9	\$ 166.5
Recreational Products	17.7	(45.5)	-
Transportation	174.4	147.9	43.8
BC	28.0	42.6	5.4
	1,124.0	826.9	215.7
Unusual items, net	51.1	-	-
Income before income taxes	1,072.9	826.9	215.7
Income taxes	354.1	272.9	71.2
Net income	\$ 718.8	\$ 554.0	\$ 144.5
Per common share			
Net income	\$ 1.02	\$ 0.77	\$ 0.20
Dividend – Class B share	0.223125	0.173125	0.058125
Market price range of Class B Share			
High	32.20	23.75	23.35
Low	18.95	14.05	19.25
Net segmented assets			
Aerospace			\$ 3,591.3
Recreational Products			284.1
Transportation			(930.2)
BC			877.1
			3,822.3
Accounts payable and accrued liabilities			2,912.6
Advances and progress billings in excess of related costs			2,044.5
Advances to BC			587.2
Cash and cash equivalents			677.9
Other assets			-
Total assets – Bombardier			10,044.5
Investment in and advances to BC			(1,464.3)
Total assets – BC			5,595.5
Total assets – Bombardier Inc. consolidated			\$ 14,175.7

	1999 First Quarter	2000 Second Quarter	1999 Second Quarter	2000 Third Quarter	1999 Third Quarter	2000 Fourth Quarter	1999 Fourth Quarter
\$	1,254.1	\$ 1,846.7	\$ 1,378.8	\$ 1,879.4	\$ 1,362.3	\$ 2,829.1	\$ 2,448.9
	402.5	239.3	291.5	406.2	361.2	511.5	572.9
	603.4	959.2	711.1	788.5	778.5	857.0	873.3
	118.0	173.9	136.6	176.8	151.2	232.0	164.8
	(30.4)	(38.3)	(29.7)	(67.7)	(33.2)	(25.7)	(15.7)
\$	2,347.6	\$ 3,180.8	\$ 2,488.3	\$ 3,183.2	\$ 2,620.0	\$ 4,403.9	\$ 4,044.2
\$	111.5	\$ 194.8	\$ 128.0	\$ 201.2	\$ 151.3	\$ 341.4	\$ 291.1
	15.6	1.1	7.9	4.7	-	11.9	(69.0)
	27.2	50.4	33.3	39.6	31.6	40.6	55.8
	18.1	6.1	19.6	13.7	10.2	2.8	(5.3)
	172.4	252.4	188.8	259.2	193.1	396.7	272.6
	-	-	-	33.7	-	17.4	-
	172.4	252.4	188.8	225.5	193.1	379.3	272.6
	60.3	83.3	66.1	74.4	67.6	125.2	78.9
\$	112.1	\$ 169.1	\$ 122.7	\$ 151.1	\$ 125.5	\$ 254.1	\$ 193.7
\$	0.16	\$ 0.24	\$ 0.17	\$ 0.21	\$ 0.17	\$ 0.37	\$ 0.27
	0.045625	0.055000	0.042500	0.055000	0.042500	0.055000	0.042500
	19.30	24.50	22.45	26.00	21.00	32.20	23.75
	14.05	21.10	18.25	18.95	15.55	25.35	17.85
\$	3,453.6	\$ 3,921.8	\$ 3,863.4	\$ 3,862.0	\$ 4,292.5	\$ 2,938.0	\$ 3,114.0
	370.6	331.4	471.8	277.2	484.5	103.2	220.9
	(688.5)	(941.1)	(664.9)	(965.2)	(508.0)	(891.2)	(1,245.2)
	405.3	933.1	568.1	1,021.3	667.7	1,071.4	826.7
	3,541.0	4,245.2	4,238.4	4,195.3	4,936.7	3,221.4	2,916.4
	2,564.4	2,938.7	2,412.0	2,915.5	2,571.6	3,125.2	2,845.5
	918.0	2,175.5	924.6	2,393.5	941.9	2,636.8	2,328.6
	-	572.1	77.1	249.9	237.5	459.8	458.5
	1,067.2	662.2	718.1	1,089.1	256.4	1,548.7	1,706.3
	54.9	-	4.9	-	-	-	-
	8,145.5	10,593.7	8,375.1	10,843.3	8,944.1	10,991.9	10,255.3
	(405.3)	(1,505.2)	(645.2)	(1,271.2)	(905.2)	(1,531.2)	(1,285.2)
	3,044.3	5,938.5	3,846.0	6,966.8	4,250.7	7,573.4	5,307.8
\$	10,784.5	\$ 15,027.0	\$ 11,575.9	\$ 16,538.9	\$ 12,289.6	\$ 17,034.1	\$ 14,277.9

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of **Bombardier Inc.** and all the information in this Annual Report are the responsibility of Management and have been approved by the Board of Directors.

The financial statements have been prepared by Management in accordance with generally accepted accounting principles. The financial statements include some amounts that are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

Bombardier Inc.'s policy is to maintain systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, accurate and reliable and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that Management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board and is comprised of a majority of outside Directors. The committee meets periodically with Management, as well as the internal auditors and the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the financial statements and the external auditors' report. The committee reports its findings to the Board for consideration by the Board when it approves the financial statements for issuance to the shareholders.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. The external auditors have full and free access to the Audit Committee.

S i g n e d

Louis Morin, CA
Vice President, Finance

April 18, 2000

AUDITORS' REPORT

To the Shareholders of **Bombardier Inc.**

We have audited the consolidated balance sheets of **Bombardier Inc.** as at January 31, 2000 and 1999 and the consolidated statements of shareholders' equity, income and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at January 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

S i g n e d

Chartered Accountants
Montréal, Canada
February 25, 2000

CONSOLIDATED BALANCE SHEETS

As at January 31, 2000 and 1999
(millions of Canadian dollars)

	Notes	Bombardier Inc. consolidated		Bombardier		BC	
		2000	1999	2000	1999	2000	1999
Assets							
Cash and cash equivalents		\$ 1,664.0	\$ 1,738.7	\$ 1,548.7	\$ 1,706.3	\$ 115.3	\$ 32.4
Accounts receivable	1	570.7	670.3	570.7	670.3	-	-
Asset-based financing items	2	7,194.9	5,169.8	57.1	121.1	7,137.8	5,048.7
Inventories	3	5,361.5	4,576.2	5,361.5	4,576.2	-	-
Fixed assets	4	1,898.7	1,842.7	1,776.4	1,747.9	122.3	94.8
Investment in and advances to BC		-	-	1,531.2	1,285.2	-	-
Other assets		344.3	280.2	146.3	148.3	198.0	131.9
		\$17,034.1	\$ 14,277.9	\$10,991.9	\$ 10,255.3	\$ 7,573.4	\$ 5,307.8
Liabilities							
Short-term borrowings	5	\$ 2,002.7	\$ 2,363.5	\$ -	\$ 49.3	\$ 2,002.7	\$ 2,314.2
Advances from Bombardier		-	-	-	-	459.8	458.5
Accounts payable and accrued liabilities	6	3,335.2	3,099.7	3,125.2	2,845.5	210.0	254.2
Advances and progress billings in excess of related costs		2,636.8	2,328.6	2,636.8	2,328.6	-	-
Long-term debt	7	4,795.0	2,575.9	971.4	1,121.7	3,823.6	1,454.2
Other liabilities	8	652.6	421.7	646.7	421.7	5.9	-
		13,422.3	10,789.4	7,380.1	6,766.8	6,502.0	4,481.1
Shareholders' equity (Investment in BC)		3,611.8	3,488.5	3,611.8	3,488.5	1,071.4	826.7
		\$17,034.1	\$ 14,277.9	\$10,991.9	\$ 10,255.3	\$ 7,573.4	\$ 5,307.8

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements and provide information on the financial statement presentation.

On behalf of the Board of Directors,

S i g n e d

Robert E. Brown
Director

S i g n e d

Donald C. Lowe
Director

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended January 31, 2000 and 1999
(millions of Canadian dollars)

	Notes	Number	2000 Amount	Number	1999 Amount
Share capital	10				
Preferred shares – Series 2		12,000,000	\$ 300.0	12,000,000	\$ 300.0
Common shares					
Class A Shares (multiple voting)					
Balance at beginning of year		176,707,676	49.1	177,265,658	49.3
Converted to Class B		(910,612)	(0.5)	(557,982)	(0.2)
Balance at end of year		175,797,064	48.6	176,707,676	49.1
Class B Subordinate Voting Shares					
Balance at beginning of year		506,465,319	796.4	501,652,790	746.9
Issued under the share option plans	11	5,635,420	16.8	1,871,250	7.4
Issued to employees for cash		593	–	2,383,297	41.9
Converted from Class A		910,612	0.5	557,982	0.2
Balance at end of year		513,011,944	813.7	506,465,319	796.4
Balance at end of year – common shares		688,809,008	862.3	683,172,995	845.5
Total – share capital			1,162.3		1,145.5
Retained earnings					
Balance at beginning of year			1,900.4		1,491.0
Net income			718.8		554.0
Dividends:					
Preferred shares			(16.5)		(16.5)
Common shares			(152.3)		(117.3)
Redemption of convertible notes	9		(51.5)		–
Other			(6.4)		(10.8)
Balance at end of year			2,392.5		1,900.4
Convertible notes – equity component	9		–		180.5
Deferred translation adjustment			57.0		262.1
Total – shareholders' equity			\$ 3,611.8		\$ 3,488.5

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended January 31, 2000 and 1999
(millions of Canadian dollars, except per share amounts)

	Notes	Bombardier Inc. consolidated		Bombardier		BC	
		2000	1999	2000	1999	2000	1999
Revenues		\$13,618.5	\$ 11,500.1	\$13,028.5	\$ 11,024.0	\$ 738.5	\$ 570.6
Expenses							
Cost of sales and operating expenses	12, 13	12,220.4	10,398.8	11,700.9	9,995.8	668.0	497.5
Depreciation and amortization		227.5	232.6	218.7	225.9	8.8	6.7
Interest expense	13	94.9	114.3	61.2	90.5	33.7	23.8
Interest income		(48.3)	(72.5)	(48.3)	(72.5)	-	-
Net income from BC		-	-	(16.6)	(25.1)	-	-
		12,494.5	10,673.2	11,915.9	10,214.6	710.5	528.0
Income before unusual items and income taxes		1,124.0	826.9	1,112.6	809.4	28.0	42.6
Unusual items, net	14	51.1	-	51.1	-	-	-
Income before income taxes		1,072.9	826.9	1,061.5	809.4	28.0	42.6
Income taxes	15	354.1	272.9	342.7	255.4	11.4	17.5
Net income		\$ 718.8	\$ 554.0	\$ 718.8	\$ 554.0	\$ 16.6	\$ 25.1
Earnings per share:							
Basic		\$ 1.02	\$ 0.77				
Fully diluted		\$ 1.00	\$ 0.76				
Average number of common shares outstanding during the year		684,492,101	680,385,027				

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements and provide information on the financial statement presentation.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended January 31, 2000 and 1999
(millions of Canadian dollars)

	Notes	Bombardier Inc. consolidated		Bombardier		BC	
		2000	1999	2000	1999	2000	1999
Operating activities							
Net income		\$ 718.8	\$ 554.0	\$ 718.8	\$ 554.0	\$ 16.6	\$ 25.1
Non-cash items:							
Depreciation and amortization		227.5	232.6	218.7	225.9	8.8	6.7
Net income from BC		–	–	(16.6)	(25.1)	–	–
Provision for credit losses – BC		31.7	(12.9)	–	–	31.7	(12.9)
Deferred income taxes	15	240.9	146.0	229.1	138.1	11.8	7.9
Unusual items, net	14	51.1	–	51.1	–	–	–
Net changes in non-cash balances related to operations	16	(389.3)	1,074.6	(321.0)	949.7	(68.3)	124.9
Cash flows from operating activities		880.7	1,994.3	880.1	1,842.6	0.6	151.7
Investing activities							
Additions to fixed assets		(419.5)	(364.2)	(382.2)	(335.8)	(37.3)	(28.4)
Net investment in asset-based financing items		(2,251.4)	(2,145.0)	63.9	375.2	(2,315.3)	(2,520.2)
Investment in and advances to BC		–	–	(257.3)	(894.5)	257.3	894.5
Disposal of businesses	14	145.6	–	145.6	–	–	–
Other		(27.7)	(2.8)	20.2	10.2	(47.9)	(13.0)
Cash flows from investing activities		(2,553.0)	(2,512.0)	(409.8)	(844.9)	(2,143.2)	(1,667.1)
Financing activities							
Net variation in short-term borrowings		(284.0)	141.4	(32.5)	(280.7)	(251.5)	422.1
Proceeds from issuance of long-term debt		2,464.5	1,056.6	3.5	52.5	2,461.0	1,004.1
Repayment of long-term debt		(133.1)	(165.0)	(128.8)	(158.6)	(4.3)	(6.4)
Redemption of convertible notes	9	(243.2)	–	(243.2)	–	–	–
Issuance of shares, net of related costs		16.8	49.3	16.8	49.3	–	–
Dividends paid		(168.8)	(133.8)	(168.8)	(133.8)	–	–
Cash flows from financing activities		1,652.2	948.5	(553.0)	(471.3)	2,205.2	1,419.8
Effect of exchange rate changes on cash and cash equivalents		(54.6)	80.2	(74.9)	89.7	20.3	(9.5)
Net increase (decrease) in cash and cash equivalents		(74.7)	511.0	(157.6)	616.1	82.9	(105.1)
Cash and cash equivalents at beginning of year		1,738.7	1,227.7	1,706.3	1,090.2	32.4	137.5
Cash and cash equivalents at end of year		\$ 1,664.0	\$ 1,738.7	\$ 1,548.7	\$ 1,706.3	\$ 115.3	\$ 32.4
Supplemental information							
Cash paid for – interest		\$ 344.8	\$ 288.2				
– income taxes		\$ 48.2	\$ 54.0				

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements and provide information on the financial statement presentation.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the years ended January 31, 2000 and 1999

CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

Bombardier Inc. is incorporated under the laws of Canada. The consolidated balance sheets are presented in an unclassified format because the activities of Bombardier Inc. and its subsidiaries (the "Corporation") are concentrated in four main segments, each having its own operating cycle. Financial services and real estate activities, being distinct from Bombardier's other activities, are shown in a separate column (BC) in the consolidated financial statements.

The descriptions of the columns shown in these financial statements are as follows:

Bombardier Inc. consolidated

This column represents all of the activities of the Corporation on a consolidated basis, after elimination of balances and transactions between Bombardier and BC.

Bombardier

This column represents the activities of the Corporation's three manufacturing segments (aerospace, recreational products and transportation). These segments are grouped and referred to as "Bombardier" and the intercompany transactions within this column have been eliminated. The investment of Bombardier in BC is accounted for under the equity method and comprises BC's equity and subordinated debt of Bombardier in BC.

BC

Bombardier Capital ("BC") represents the financial services and real estate activities of the Corporation. The intercompany transactions within BC have been eliminated.

BOMBARDIER INC. CONSOLIDATED - SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Bombardier Inc. and its subsidiaries, substantially all of which are wholly owned. They also include the Corporation's proportionate share of its joint ventures.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

TRANSLATION OF FOREIGN CURRENCIES

Foreign operations are classified as integrated or self-sustaining. All significant foreign investees are classified as self-sustaining entities.

a) Self-sustaining foreign operations

All assets and liabilities are translated at exchange rates in effect at year-end. Revenues and expenses are translated at the average rates of exchange for the period. The resulting net gains or losses are shown under "Deferred translation adjustment" in shareholders' equity.

b) Accounts in foreign currencies

Accounts in foreign currencies, including integrated foreign investees, are translated using the temporal method. Under this method, monetary balance sheet items are translated at the rates of exchange in effect at year-end and non-monetary items are translated at historical exchange rates. Revenues and expenses (other than depreciation and amortization, which are translated at the same rates as the related assets) are translated at the rates in effect on the transaction dates or at the average rates of exchange for the period. Translation gains or losses are included in the statement of income, except those related to the translation of long-term debt, which are deferred and amortized to income over the remaining life of the related debt on a straight-line basis, and those related to debt designated as an effective hedge of the Corporation's net investment in self-sustaining foreign operations, which are shown under "Deferred translation adjustment" in shareholders' equity.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of highly liquid investments which have maturities of less than three months at the date of acquisition. These securities are only with investment grade financial institutions.

BOMBARDIER INC. CONSOLIDATED - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FIXED ASSETS

Fixed assets are recorded at cost. Depreciation is computed under the straight-line method over the following estimated useful lives:

Buildings	10 to 40 years
Equipment	2 to 15 years
Other	3 to 20 years

ASSETS UNDER OPERATING LEASES

Assets under operating leases are recorded at the lower of cost and net recoverable value. Depreciation is computed under the straight-line method over periods representing their estimated useful lives. Rental income from assets under operating leases is recognized over the life of the lease on a straight-line basis.

INCOME TAXES

The Corporation follows the deferred income tax allocation method in providing for income taxes. Under this method, timing differences between income for accounting purposes and income for tax purposes give rise to deferred income taxes.

In accordance with Management's intentions, the undistributed earnings of foreign subsidiaries are considered to be permanently reinvested for their continuing operations; accordingly, no provision is made for taxes which would become payable upon the distribution of such earnings to the parent company.

EARNINGS PER SHARE

Basic and fully diluted earnings per share are computed based on net income less dividends on preferred shares and interest on convertible notes – equity component, divided by the weighted average number of Class A Shares (multiple voting) and Class B Subordinate Voting Shares outstanding during the year. Fully diluted earnings per share give effect to the exercise of all dilutive elements.

PENSION COSTS AND OBLIGATIONS

The Corporation maintains pension plans for the benefit of the majority of its employees.

The pension obligations of the defined benefit pension plans are valued using an accrued benefit actuarial method and Management's best estimate assumptions. The assets of these pension plans are valued on the basis of market-related values. Current service costs are determined using the projected benefit method pro-rated on services. Adjustments arising from past service benefits and experience gains and losses are amortized on a straight-line basis over the average remaining service lives of the employee groups covered by the plans.

Costs related to post-retirement benefits other than pension costs offered to certain employees are mainly recognized when paid by the Corporation.

PROVISION FOR CREDIT LOSSES

The Corporation maintains a provision for credit losses at an amount sufficient to provide adequate protection against future losses. The level of provision is based on Management's consideration of the risks associated with each of the Corporation's receivable portfolios, including past loss and recovery experience, industry performance and the impact of current and projected economic conditions.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation is party to a number of derivative financial instruments, mainly foreign exchange contracts and interest-rate swap agreements used to manage currency and interest rate risks. Gains and losses on foreign exchange contracts entered into to hedge future transactions are deferred and included in the measurement of the related foreign currency transactions. Payments and receipts under interest-rate swap agreements are recognized as adjustments to interest expense.

ENVIRONMENTAL OBLIGATIONS

Liabilities are recorded when environmental claims or remedial efforts are probable, and the costs can be reasonably estimated. Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to future revenue generation, are expensed.

BOMBARDIER INC. CONSOLIDATED - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

CONVERTIBLE NOTES

The net present value of the principal of the convertible notes was recorded in shareholders' equity and was increased to its nominal value as a result of periodic charges against retained earnings. The net present value of future interest payments of the convertible notes was recorded as long-term debt.

SHARE-BASED PLANS

The issuance of options under the Corporation's share option plans is treated as a capital transaction for accounting purposes. Accordingly, the issuance of options does not give rise to compensation expense in the consolidated financial statements of the Corporation.

The Corporation's contributions to the employee share purchase plan are accounted for in the same manner as the related employee payroll costs.

BOMBARDIER - SIGNIFICANT ACCOUNTING POLICIES

INVENTORY VALUATION AND REVENUE RECOGNITION

a) Raw materials, work in process and finished products

Raw materials, work in process and finished products, other than those included in long-term contracts and aerospace programs, are valued at the lower of cost (specific cost, average cost or first-in, first-out depending on the segment) and replacement cost (raw materials) or net realizable value. The cost of work in process and finished products includes the cost of raw materials, direct labour and related overhead.

Revenues from finished products are recognized on a delivery basis.

b) Long-term contracts and aerospace programs

A significant portion of the Corporation's revenues is related to long-term contracts and aerospace programs.

- **Long-term contracts**

Revenues and income from long-term contracts are recognized in accordance with the percentage-of-completion method of accounting. The degree of completion is generally determined by comparing the costs incurred to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance. Estimated revenues from long-term contracts include future revenues from claims when it is reasonably assured that such claims, resulting from work performed for customers in addition to the work contemplated in the original contracts, will result in additional revenues in an amount that can be reliably estimated.

The effect of changes to total estimated income for each contract is recognized in the period in which the determination is made and losses, if any, are fully recognized when anticipated.

- **Aerospace programs**

Inventory costs include raw materials, direct labour and related overhead and comprise non-recurring costs (development, pre-production and tooling costs), production costs and excess over average production costs (production costs incurred, in the early stages of a program, in excess of the estimated average unit cost for the entire program).

Non-recurring costs related to the early stages of the design of a modified or new aircraft are expensed until the results from the technical feasibility study and the market analysis of the program justify the deferral of these costs. Subsequent non-recurring costs are capitalized to the related program to the extent that their recovery can be regarded as reasonably assured.

Sales of new commercial aircraft are recognized in relation to units delivered and sales of new business aircraft are recognized on deliveries of an aircraft prior to the completion of interiors. Cost of sales is determined under the program accounting method at the estimated average unit cost computed as a percentage of the sale price of the aircraft. The estimated average unit cost under program accounting is calculated by applying to the sale price of each aircraft the ratio of total estimated production costs for the entire program over the estimated sale price of all aircraft in the program, increased by the amortization of the non-recurring costs over a predetermined number of aircraft. In the early stages of a program, a constant gross margin before amortization of non-recurring costs is achieved by deferring a portion of the actual cost incurred for each unit delivered. This excess over average production costs is amortized against sales of aircraft anticipated to be produced later at lower-than-average costs, as a result of the learning curve concept, which anticipates a predictable decrease in unit costs as tasks and production techniques become more efficient through repetition and Management action.

BOMBARDIER - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Commercial and business aircraft programs are based on long-term delivery forecasts, normally for quantities in excess of contractually firm orders. For new programs, the program quantity is initially based on an established number of units representing what Management believes is a conservative projection of the units to be sold.

Estimates of revenues, cost of sales and delivery periods associated with forecasted orders are an integral component of program accounting, and Management's ability to reasonably estimate these amounts is a requirement for the use of program accounting. Revenues, costs and income are determined, in part, based on estimates. Adjustments of such estimates are accounted for prospectively with the exception of anticipated losses on specific programs which are recognized immediately in the period when losses are anticipated.

Management periodically reviews its assumptions as to the size of the various programs, the estimated period over which the units will be delivered, the estimated future costs and revenues associated with the programs and, when required, revises the gross margin for the remaining term of the programs.

- **Advances and progress billings**

Advances and progress billings received on long-term contracts and aerospace programs are deducted from related costs in inventories. Advances and progress billings in excess of related costs are shown as liabilities.

BC - SIGNIFICANT ACCOUNTING POLICIES

INTEREST INCOME

Interest income related to asset-based financing items is recognized on an accrual basis computed on the average daily loans and finance receivables balance outstanding. Accrual of interest income is suspended when the account becomes 90 days delinquent or may be suspended earlier if collection of an account becomes doubtful.

SALES OF LOANS AND FINANCE RECEIVABLES

BC sells loans and finance receivables to investors. It retains certain servicing rights and participates in certain excess cash flows resulting from such sales.

A sale of loans and finance receivables is recognized when the significant risks and rewards of ownership have been transferred to the purchaser. Gains and losses on the sale of loans and finance receivables are calculated using prepayment, default and interest rate assumptions which BC believes market participants would use for similar instruments. They represent the expected cash flows from the securitized assets less normal servicing fees and are recognized to income at the time of sale. Expected cash flows are determined using current market conditions. In subsequent periods, these estimates are revised as necessary for any reductions in expected future cash flows arising from adverse prepayment experience, by recording a charge to income. BC's interests in the loans and finance receivables transferred are included in loans and finance receivables when the significant risks and rewards of ownership have not been transferred to the purchaser.

DEFERRED ORIGINATION COSTS

BC defers the initial direct origination costs of loans and operating and direct financing leases. These costs are amortized on a yield basis over the expected term of the loans and leases.

NET INVESTMENT IN DIRECT FINANCING LEASES

Assets leased under terms which transfer substantially all of the benefits and risks of ownership to customers are accounted for as direct financing leases. Income is recognized over the terms of the applicable leases in a manner that produces a constant rate of return on the lease investment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended January 31, 2000 and 1999
(tabular figures in millions of Canadian dollars, except share capital and share option plans)

1. ACCOUNTS RECEIVABLE

The accounts receivable were concentrated in the transportation and aerospace segments (78% and 19%, respectively, as at January 31, 2000; 56% and 29%, respectively, as at January 31, 1999) and were mainly located in Europe and in North America (68% and 22%, respectively, as at January 31, 2000; 55% and 38%, respectively, as at January 31, 1999).

2. ASSET-BASED FINANCING ITEMS

As at January 31, the details of the asset-based financing items were as follows:

	2000	1999
Bombardier		
Assets under operating leases	\$ 17.6	\$ 89.0
Commercial loans	45.7	38.3
	63.3	127.3
Provision for credit losses	(6.2)	(6.2)
	57.1	121.1
BC		
Commercial and industrial finance		
Loans	1,906.2	1,540.6
Assets under operating leases	887.2	519.5
Net investment in direct financing leases	788.7	652.8
Finance receivables	252.6	322.7
Other	79.2	39.2
	3,913.9	3,074.8
Mortgage finance – loans	1,545.4	346.6
Inventory finance – receivables	1,071.7	1,113.7
Consumer finance – loans	451.1	370.2
Technology management and finance – net investment in direct financing leases	212.2	168.2
	7,194.3	5,073.5
Provision for credit losses	(56.5)	(24.8)
	7,137.8	5,048.7
	\$ 7,194.9	\$ 5,169.8

2. ASSET-BASED FINANCING ITEMS (cont'd)

PRODUCT DESCRIPTION

Commercial and industrial loans

Commercial and industrial loans are collateralized by the related assets and represent the progress payments and other amounts advanced to third parties mainly to finance the sale and leasing of aircraft and other products manufactured by Bombardier.

BC's commercial and industrial loans were as follows:

	2000			1999		
	\$	Weighted average Rate	Weighted average Maturity	\$	Weighted average Rate	Weighted average Maturity
United States	1,188.6	9.2%	37 months	1,035.0	7.7%	25 months
Canada	571.0	8.7%	23 months	193.2	7.9%	17 months
Other	146.6	9.9%	49 months	312.4	9.1%	28 months
	1,906.2			1,540.6		

Mortgage finance loans

Mortgage finance loans consist of contractual promises by the buyers of manufactured housing units in the United States to pay amounts owed under retail installment sales contracts, which also provide BC with a security interest in the housing units purchased. The portfolios bore interest at a weighted average rate of 10.6% as at January 31, 2000 (10.1% as at January 31, 1999) and had a weighted average maturity of 324 months as at January 31, 2000 (316 months as at January 31, 1999).

For the year ended January 31, 2000, securitization transactions for mortgage finance loans were accounted for as financing transactions rather than sales. Profit will be recognized over the life of the loans as interest is earned. The borrowings arising from these securitizations are shown as asset-backed bonds in note 7.

Finance receivables

Finance receivables arise mainly from the financing of products owned by dealers and are collateralized by the related inventory as well as generally secured by repurchase agreements. In case of default, BC may repossess the products from a dealer within a time period specified in the agreement and may require the distributors or manufacturers to repurchase them for a cash consideration equal to the unpaid balance.

The weighted average maturity of the finance receivables was 5 months as at January 31, 2000 and 1999. BC had outstanding lines of credit with its customers totalling \$1,161.0 million and \$2,415.3 million US as at January 31, 2000 (\$1,176.4 million and \$1,976.5 million US as at January 31, 1999) which may be reduced or revoked at any time depending on the dealers', distributors' or manufacturers' credit status. The portfolios bore interest at a weighted average floating rate of 10.7% as at January 31, 2000 (9.5% as at January 31, 1999).

Consumer finance loans

Consumer finance loans relate mainly to the secured financing of recreational products to consumers. The weighted average financing terms of such loans was 74 months as at January 31, 2000 (60 months as at January 31, 1999) and the portfolios bore interest at a weighted average rate of 14.9% as at January 31, 2000 (14.5% as at January 31, 1999).

Net investment in direct financing leases

Net investment in direct financing leases consisted of the following:

	2000	1999
Total minimum lease payments	\$ 1,170.5	\$ 962.3
Unearned income	(169.6)	(141.3)
	\$ 1,000.9	\$ 821.0

The minimum lease payments for the next five years are as follows: 2001 – \$354.0 million; 2002 – \$300.4 million; 2003 – \$243.5 million; 2004 – \$144.2 million and 2005 – \$84.7 million.

The weighted average maturity of the net investment in direct financing leases was 41 months as at January 31, 2000 (34 months as at January 31, 1999). The portfolios bore interest at a weighted average rate of 9.1% as at January 31, 2000 (9.2% as at January 31, 1999).

2. ASSET-BASED FINANCING ITEMS (cont'd)

	Assets under operating leases			
	2000		1999	
	Bombardier	BC	Bombardier	BC
Aircraft	\$ 17.6	\$ 631.5	\$ 89.0	\$ 389.1
Freight cars	-	191.5	-	96.3
Other	-	64.2	-	34.1
	\$ 17.6	\$ 887.2	\$ 89.0	\$ 519.5

The weighted average maturity of the assets under operating leases was 118 months as at January 31, 2000 (123 months as at January 31, 1999). Accumulated depreciation of assets under operating leases amounted to \$32.7 million as at January 31, 2000 (\$15.9 million as at January 31, 1999).

ASSETS UNDER MANAGEMENT - BC

	2000	1999
Asset-based financing items - BC	\$ 7,137.8	\$ 5,048.7
Asset-based financing items - sold to third parties and serviced by BC:		
Loans and finance receivables:		
Inventory finance	1,450.4	1,265.9
Mortgage finance	1,003.7	1,156.7
Consumer finance	370.1	281.9
Commercial and industrial - Assets under operating leases	555.2	491.4
- Other loans	61.2	-
Technology management and finance - Direct financing leases	269.2	-
	3,709.8	3,195.9
Assets under management - BC	\$ 10,847.6	\$ 8,244.6

Periodically, BC transfers loans and finance receivables to third-party special purpose entities ("SPEs"). The SPEs then issue various securities representing interests in the assets transferred. BC records fee income relating to servicing these assets.

For loans and finance receivables, the excess of amounts transferred over the amounts sold of \$658.3 million as at January 31, 2000 (\$483.5 million as at January 31, 1999) represents BC's retained interest and the amount of overcollateralization in the loans and finance receivables transferred and is included in loans and finance receivables.

BC remains exposed to certain risks of default on the amount of loans and finance receivables sold. It has provided various credit enhancements in the form of cash reserve funds, overcollateralization and subordination of certain of its retained interests. Such credit enhancements amounted to \$350.4 million as at January 31, 2000.

Credit risk for assets under management - BC

BC's portfolio of assets under management, excluding assets under operating leases, was concentrated as follows:

	2000							
	Canada		United States		Other		Total	
	\$	%	\$	%	\$	%	\$	%
Commercial and industrial finance	964.9	62	1,860.9	25	262.1	68	3,087.9	32
Mortgage finance	-	-	2,549.1	34	-	-	2,549.1	27
Inventory finance	420.2	27	2,015.2	27	86.7	23	2,522.1	27
Consumer finance	-	-	821.2	11	-	-	821.2	9
Technology management and finance	166.4	11	281.9	3	33.1	9	481.4	5
	1,551.5	100	7,528.3	100	381.9	100	9,461.7	100
Provision for credit losses							(56.5)	
							9,405.2	

2. ASSET-BASED FINANCING ITEMS (cont'd)

	1999							
	Canada		United States		Other		Total	
	\$	%	\$	%	\$	%	\$	%
Commercial and industrial finance	597.4	55	1,569.1	27	388.8	94	2,555.3	35
Mortgage finance	–	–	1,503.3	26	–	–	1,503.3	21
Inventory finance	393.3	36	1,960.5	34	25.8	6	2,379.6	33
Consumer finance	31.2	3	620.9	11	–	–	652.1	9
Technology management and finance	64.8	6	103.4	2	–	–	168.2	2
	1,086.7	100	5,757.2	100	414.6	100	7,258.5	100
Provision for credit losses							(24.8)	
							7,233.7	

No single customer represented more than 10% of BC's assets under management as at January 31, 2000 and 1999.

3. INVENTORIES

	2000	1999
Raw materials and work in process	\$ 286.7	\$ 341.1
Long-term contracts and aerospace programs	8,453.3	7,370.9
Finished products	699.0	782.6
	9,439.0	8,494.6
Advances and progress billings	(4,077.5)	(3,918.4)
	\$ 5,361.5	\$ 4,576.2

Inventory costs include non-recurring and excess over average production costs for which recovery depends on future firm customer orders. As at January 31, 2000, costs to be recovered from future firm customer orders amounted to \$1,839.0 million (\$1,640.0 million as at January 31, 1999) for programs under commercial production. For programs not yet under commercial production such as the Bombardier Continental Business Jet and the Canadair Regional Jet Series 700 (also the Q400 as at January 31, 1999), non-recurring and excess over average production costs amounted to \$330.2 million as at January 31, 2000 (\$417.0 million as at January 31, 1999).

Anticipated proceeds from future sales of aircraft for each program exceeded the related costs in inventory as at January 31, 2000 and 1999, plus the estimated additional non-recurring and production costs still to be incurred for each program. However, substantial amounts of unrecoverable costs may eventually be charged to expense in subsequent years, if fewer than the program quantity of aircraft are sold, the proceeds from future sales of aircraft are lower than those currently estimated, or the costs to be incurred to complete the programs exceed current estimates.

Under certain contracts, title to inventories is vested in the customer as the work is performed in accordance with contractual arrangements and industry practice. In addition, in the normal conduct of its operations, the Corporation provides performance bonds, bank guarantees and other forms of guarantees to customers, mainly in the transportation segment, as security for advances received from customers pending performance under certain contracts. In accordance with industry practice, the Corporation remains liable to the purchasers for the usual contractor's obligations relating to contract completion in accordance with predetermined specifications, timely delivery and product performance.

4. FIXED ASSETS

	2000		1999	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Bombardier				
Land	\$ 123.0	\$ -	\$ 139.4	\$ -
Buildings	1,218.0	363.2	1,185.5	375.9
Equipment	1,696.5	1,005.2	1,715.0	1,023.0
Other	140.8	33.5	147.5	40.6
	3,178.3	1,401.9	3,187.4	1,439.5
BC	153.4	31.1	118.1	23.3
	3,331.7	\$ 1,433.0	3,305.5	\$ 1,462.8
Accumulated depreciation	(1,433.0)		(1,462.8)	
	\$ 1,898.7		\$ 1,842.7	

5. SHORT-TERM BORROWINGS

	2000	1999
Bombardier	\$ -	\$ 49.3
BC	2,002.7	2,314.2
	\$ 2,002.7	\$ 2,363.5

Under banking syndicate agreements, Bombardier Inc. and some of its subsidiaries must maintain certain financial ratios which had been met as at January 31, 2000 and 1999.

Bombardier

Bombardier's credit facilities and their average rates and maturities were as follows:

	2000						
	Credit facilities				Average rate	Maturity	
	Available	Outstanding		Year-end			
		Cash	Letters of credit				
Canadian facility	\$ 1,000.0	\$ -	\$ 872.2	-	6.6%	2005	
United States facility	145.1	-	-	-	5.7%	2003	
European facility	2,406.2	-	904.9	-	5.6%	2006	
Other	37.0	-	-	-	6.3%	2001	
	\$ 3,588.3	\$ -	\$ 1,777.1				

5. SHORT-TERM BORROWINGS (cont'd)

1999							
	Credit facilities			Average rate	Maturity		
	Available	Outstanding				Year-end	For the year
		Cash	Letters of credit				
Canadian facility	\$ 1,000.0	\$ 5.2	\$ 717.0	6.8%	5.6%		2005
United States facility	150.7	–	–	–	6.8%		2003
European facilities	2,685.3	44.1	1,299.1	4.7%	5.5%		2000-2003
	\$ 3,836.0	\$ 49.3	\$ 2,016.1				

Amounts may be drawn under the Canadian facility in Canadian or US dollars at variable rates based on the Canadian prime rate, US base rate, LIBOR or banker's acceptance rates. Bombardier may also provide letters of credit or guarantees under this facility. The facility may also be used as a liquidity back-up for issuing Commercial Paper.

Amounts may be drawn under the United States facility in US dollars at variable rates based on the US base rate, LIBOR or certificate of deposit rate.

In June 1999, Bombardier consolidated its European credit facilities into one master credit facility ("European facility"). The European facility can be used to issue bank guarantees, letters of credit or to draw advances in various freely convertible currencies up to a maximum amount of € 1.7 billion or its equivalent in other currencies. Advances drawn under the facility bear interest at variable rates based on Euribor or LIBOR.

In addition, in July 1999, Bombardier entered into a non-revolving letters of credit facility, for a total amount of \$449.0 million, for which \$385.1 million were still outstanding as at January 31, 2000. Bombardier also had other outstanding letters of credit facilities for a total amount of \$195.5 million as at January 31, 2000.

As at January 31, 1999, the available amount from various European facilities was comprised of cash facilities of \$444.7 million and \$2,240.6 million in bank guarantees and letters of credit in various currencies.

BC

BC's credit facilities and their average rates and maturities were as follows:

2000							
	Credit facilities			Average rate	Maturity		
	Available	Outstanding				Year-end	For the year
		(including US \$ component)					
Revolving lines	\$ 2,467.0	\$ 1,793.1	(\$1,229.7 US)	6.1%	5.4%		2006
Term notes	108.8	108.8	(\$75.0 US)	6.5%	6.6%		2001
Bank loans	145.1	–	–	–	5.4%		2001
Other	223.4	100.8	(\$4.7 US)	4.6%	5.0%		2001
	\$ 2,944.3	\$ 2,002.7					

5. SHORT-TERM BORROWINGS (cont'd)

	1999				
	Credit facilities		Average rate	Maturity	
	Available	Outstanding			
		(including US \$ component)	Year-end	For the year	
Revolving lines	\$ 2,082.8	\$ 1,709.0 (\$991.7 US)	5.1%	5.7%	2000-2002
Bank loans	452.2	452.2 (\$300.0 US)	5.3%	6.0%	2000
Other	428.7	153.0 (\$84.9 US)	5.1%	6.0%	2000
	\$ 2,963.7	\$ 2,314.2			

Under the revolving lines, amounts may be drawn in Canadian dollars or US dollars at variable rates based on the Canadian prime rate, Canadian Eurodollar rate, US base rate, US Eurodollar rate or banker's acceptance rates. The outstanding amount included \$1,793.1 million (\$1,383.8 million in 1999) of commercial paper borrowings, with maturities up to 2 months (3 months in 1999), supported by the revolving lines.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2000		1999	
	Bombardier	BC	Bombardier	BC
Accounts payable	\$ 1,605.0	\$ 103.2	\$ 1,407.0	\$ 125.6
Payroll related liabilities	370.5	11.9	325.2	12.6
Accrued liabilities	1,149.7	94.9	1,113.3	116.0
	\$ 3,125.2	\$ 210.0	\$ 2,845.5	\$ 254.2

7. LONG-TERM DEBT

The Corporation's long-term debts and their average rates and maturities were as follows:

	2000			
	\$	US \$ component	Average rate	Maturity
Bombardier				
Debentures	550.0	–	8.0%	2002-2027
Notes	324.5	189.9	6.6%	2004-2012
Other loans	96.9	11.0	3.7%	2001-2029
	971.4	200.9		
BC				
Notes	2,036.5	1,300.0	6.5%	2002-2005
Asset-backed bonds	1,104.4	761.0	7.5%	2001-2029
Capital Trust Securities	290.2	200.0	6.7%	2033
Debentures	250.0	–	5.6%	2004
Other loans	142.5	52.9	8.2%	2001-2017
	3,823.6	2,313.9		
	4,795.0	2,514.8		

7. LONG-TERM DEBT (cont'd)

	1999			
	\$	US \$ component	Average rate	Maturity
Bombardier				
Debentures	550.0	–	8.0%	2002-2027
Notes	433.9	255.3	6.6%	2001-2012
Other loans	137.8	11.0	4.1%	2000-2029
	1,121.7	266.3		
BC				
Notes	753.7	500.0	6.1%	2002
Capital Trust Securities	301.5	200.0	5.8%	2033
Debentures	250.0	–	5.8%	2004
Other loans	149.0	53.5	8.1%	2001-2017
	1,454.2	753.5		
	2,575.9	1,019.8		

The Corporation's long-term debt bears interest at fixed rates of interest except for BC's Capital Trust Securities which bear interest at LIBOR plus 0.55% until 2003 and LIBOR plus 1.55% thereafter, unless remarketed as a Junior fixed rate Subordinated Security, and an amount of \$188.8 million of asset-backed bonds which bear interest at variable rates based on LIBOR.

The average rate is based on year-end balances and interest rates, after giving effect to the \$2,326.5 million of interest-rate swap agreements (\$1,045.2 million as at January 31, 1999) described in note 17.

The repayment requirements on the long-term debt during the next five years are as follows:

	Bombardier Inc. consolidated	Bombardier	BC
2001	\$ 274.6	\$ 32.0	\$ 242.6
2002	1,793.8	126.3	1,667.5
2003	202.2	29.7	172.5
2004	1,008.0	178.7	829.3
2005	263.7	21.0	242.7

As at January 31, 2000 and 1999, the Corporation had complied with the restrictive covenants contained in its various financing agreements.

8. OTHER LIABILITIES

	2000	1999
Bombardier		
Income taxes payable	\$ 69.3	\$ 30.3
Pension obligations	–	45.2
Deferred income taxes	577.4	346.2
	646.7	421.7
BC – Deferred income taxes	5.9	–
	\$ 652.6	\$ 421.7

9. CONVERTIBLE NOTES

Convertible notes amounting to \$165.0 million US were unsecured and bore interest at LIBOR plus 0.85%. In October 1999, the Corporation exercised its option to redeem these notes at their nominal value of \$165.0 million US (\$243.2 million). The excess amount of \$51.5 million paid over the principal amount of the convertible notes accounted for at historical exchange rates has been recorded as an adjustment to retained earnings.

10. SHARE CAPITAL

Preferred shares

An unlimited number of preferred shares, without nominal or par value, issuable in series, of which the following series have been authorized:

12,000,000 Series 2 Cumulative Redeemable Preferred Shares, non-voting, redeemable at the Corporation's option at \$25.00 per share on August 1, 2002 or at \$25.50 per share thereafter, convertible on a one-for-one basis on August 1, 2002 and on August 1 of every fifth year thereafter into Series 3 Cumulative Redeemable Preferred Shares. On a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders that there would be less than 1,000,000 outstanding Series 2 Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 3 Preferred Shares. Additionally, if the Corporation determines that on any conversion date, there would be less than 1,000,000 outstanding Series 3 Preferred Shares, then no Series 2 Preferred Shares may be converted. Until July 31, 2002, the quarterly dividend rate is equal to \$0.34375 per share. Thereafter, floating adjustable cumulative preferential cash dividends will be payable monthly, if declared, commencing on August 1, 2002, with the annual floating dividend rate equal to 80% of the Canadian prime rate. The dividend rate will float in relation to changes in the prime rate and will be adjusted upwards or downwards on a monthly basis to a monthly maximum of 4% if the trading price of the Series 2 Preferred Shares is less than \$24.90 per share or more than \$25.10 per share; and

12,000,000 Series 3 Cumulative Redeemable Preferred Shares, non-voting, redeemable at the Corporation's option at \$25.00 per share on August 1, 2007 and on August 1 of every fifth year thereafter, convertible on a one-for-one basis at the option of the holder on August 1, 2007 and on August 1 of every fifth year thereafter into Series 2 Cumulative Redeemable Preferred Shares. On a conversion date, if the Corporation determines after having taken into account all shares tendered for conversion by holders that there would be less than 1,000,000 outstanding Series 3 Preferred Shares, such remaining number shall automatically be converted into an equal number of Series 2 Preferred Shares. Additionally, if the Corporation determines that on any conversion date there would be less than 1,000,000 outstanding Series 2 Preferred Shares, then no Series 3 Preferred Shares may be converted. The initial dividend, if declared, will be payable on October 31, 2002 and the quarterly dividend rate will be fixed by the Corporation at least 45 days before the initial dividend, for the first five-year period. Each five-year fixed dividend rate selected by the Corporation shall not be less than 80% of the Government of Canada bond yield as defined in the Articles of Amendment creating the Series 3 Preferred Shares.

Common shares

896,000,000 Class A Shares (multiple voting), without nominal or par value, ten votes each, convertible at the option of the holder into one Class B Subordinate Voting Share; and

896,000,000 Class B Subordinate Voting Shares, without nominal or par value, one vote each, with an annual non-cumulative preferential dividend of \$0.003125 per share, and convertible, at the option of the holder, into one Class A Share (multiple voting), after the occurrence of one of the following events: (i) an offer made to Class A Share (multiple voting) shareholders is accepted by the present controlling shareholder (the Bombardier family); (ii) such controlling shareholder ceases to hold more than 50% of all outstanding Class A Shares (multiple voting) of the Corporation.

11. SHARE-BASED PLANS

SHARE OPTION PLANS

Under share option plans, options are granted to key employees and directors to purchase Class B Subordinate Voting Shares. As at January 31, 2000, 67,891,344 Class B Subordinate Voting Shares were reserved for issuance under these share option plans. The exercise price is equal to the average of the closing prices on the stock exchange during the five trading days preceding the date on which the option was granted. These options vest at 25% per year during a period commencing two years following the grant date, except for 350,000 options granted to directors which vest at 20% per year commencing on the grant date. The options terminate no later than ten years after the grant date.

The summarized information on options issued and outstanding as at January 31, 2000 is as follows:

Exercise price range	Issued and outstanding			Exercisable	
	Number of options	Average remaining life (years)	Average exercise price	Number of options	Average exercise price
\$0 to \$5	5,203,000	3.04	\$ 3.69	5,203,000	\$ 3.69
\$6 to \$10	6,232,900	6.06	9.74	3,188,150	9.45
\$11 to \$15	4,003,196	7.63	14.41	518,737	14.23
\$16 to \$20	1,331,734	8.39	18.80	4,000	18.78
\$21 to \$25	5,543,000	9.26	21.74	2,000	23.10
\$26 and up	50,000	9.95	31.45	-	-
	22,363,830			8,915,887	

The number of options has varied as follows:

	2000		1999	
	Number of options	Average exercise price	Number of options	Average exercise price
Balance at beginning of year	22,590,050	\$ 8.07	22,158,774	\$ 6.63
Granted	5,638,500	21.82	3,048,480	16.71
Exercised	(5,635,420)	2.99	(1,871,250)	3.94
Cancelled	(229,300)	16.66	(745,954)	10.97
Balance at end of year	22,363,830	12.73	22,590,050	8.07
Options exercisable at end of year	8,915,887	\$ 6.37	11,717,906	\$ 3.89

EMPLOYEE SHARE PURCHASE PLAN

In May 1999, the Corporation initiated a new Employee Share Purchase Plan for the benefit of its employees. Under this plan, employees of the Corporation may set aside funds through payroll deductions for an amount up to a maximum of 20% of their base salary subject to a yearly maximum of \$30,000 per employee. The Corporation contributes to the plan an amount equal to 20% of the employees' contributions. The contributions are used to purchase Class B Subordinate Voting Shares of the Corporation in the open market. The Corporation's contribution to the plan for the year ended January 31, 2000 amounted to \$3.0 million.

Under the previous Share Purchase Plan, eligible employees of the Corporation were able to purchase previously unissued Class B Subordinate Voting Shares once a year for a subscription limit of up to a maximum of 20% of their base salary subject to a yearly maximum of \$30,000 per employee. The Corporation paid to the active employees who subscribed to the Plan and held the shares on December 1 of the calendar year following the year of the Subscription a bonus equal to 10% of the Subscription price paid for the shares. The same was applicable on December 1 of the second year following the year of the subscription.

12. COST OF SALES AND OPERATING EXPENSES

Bombardier's cost of sales and operating expenses include research expenses, excluding those incurred under contracts, amounting to \$132.2 million for the year ended January 31, 2000 (\$127.0 million for the year ended January 31, 1999).

13. INTEREST EXPENSE

	2000		1999	
	Bombardier	BC	Bombardier	BC
Interest on long-term debt	\$ 78.0	\$ 149.3	\$ 82.3	\$ 47.4
Interest on short-term borrowings	16.9	150.9	32.0	138.5
	94.9	300.2	114.3	185.9
Less allocated to BC	(33.7)	33.7	(23.8)	23.8
	\$ 61.2	\$ 333.9	\$ 90.5	\$ 209.7

BC's interest expense of \$300.2 million for the year ended January 31, 2000 (\$185.9 million for the year ended January 31, 1999) is classified as cost of sales and operating expenses.

14. UNUSUAL ITEMS

During the year ended January 31, 2000, the Corporation recorded the following pre-tax unusual items:

Restructuring charges – Transportation	\$ 117.7
– Aerospace	44.5
	162.2
Net gain on sale – Aerospace	(111.1)
Unusual items, net	\$ 51.1

During the year ended January 31, 2000, Bombardier Transportation decided to implement a plan to reduce its workforce and to consolidate certain of its European manufacturing operations. These actions were taken in response to the slowdown in the European transportation equipment market, which resulted in general manufacturing production overcapacity in Europe. The restructuring charges of \$117.7 million (\$100.3 million after tax) relate to severance and other involuntary termination costs and losses from the writedown of goodwill and manufacturing assets mainly located in Germany. Management expects to carry out most of its restructuring plan during fiscal year 2001.

As part of its continuous review of the relevance of its business investments, Bombardier Aerospace decided to reduce certain of its activities in commercial aircraft services and in defence services. During fiscal year 2000, restructuring charges amounting to \$44.5 million (\$26.7 million after tax) were recorded, essentially related to Management's decision to exit certain of Bombardier Aerospace's commercial aircraft services activities carried out through Commercial Aviation Services ("CAS") due to a lower level of activity than anticipated. These charges mostly relate to costs arising from the writedown of the carrying value of the assets of CAS and from costs related to the closure of CAS existing facilities. The Corporation also reduced its activities in the defence services sector by selling its 50% interest in its joint venture, Shorts Missile Systems Limited, and its 100% interest in Specialist Aviation Services Limited, both based in the United Kingdom, for net sale proceeds of \$145.6 million. A net gain of \$111.1 million (\$93.4 million after tax) was recorded in connection with these sales.

15. INCOME TAXES

The reconciliation of income tax computed at the Canadian statutory rates to income tax expense was:

	2000		1999	
	\$	%	\$	%
Income taxes calculated at statutory rates	427.7	39.9	331.4	40.1
Increase (decrease) resulting from:				
Manufacturing and processing credit	(46.1)	(4.3)	(40.1)	(4.9)
Non-recognition of tax benefits related to foreign investees' losses	72.0	6.7	26.9	3.2
Recovery of income taxes arising from the use of unrecorded tax benefits	(68.4)	(6.4)	(45.7)	(5.5)
Tax-exempt items	(60.4)	(5.6)	(15.9)	(1.9)
Other	29.3	2.7	16.3	2.0
	354.1	33.0	272.9	33.0
Current income taxes	113.2		126.9	
Deferred income taxes	240.9		146.0	
	354.1		272.9	

Losses carried forward and other deductions for which no tax benefits have been recorded and which are available to reduce future taxable income of certain European subsidiaries, amounted to \$844.9 million as at January 31, 2000 (\$905.1 million as at January 31, 1999), with no specified expiry dates.

16. NET CHANGES IN NON-CASH BALANCES RELATED TO OPERATIONS

The net changes in non-cash balances related to operations were as follows:

	2000	1999
Bombardier		
Accounts receivable	\$ 87.1	\$ 22.9
Inventories	(904.9)	(785.3)
Accounts payable and accrued liabilities	234.8	301.8
Income taxes payable	39.5	(16.3)
Advances and progress billings in excess of related costs	308.2	1,477.0
Other	(85.7)	(50.4)
	(321.0)	949.7
BC		
Accounts payable and accrued liabilities	(44.2)	134.9
Other	(24.1)	(10.0)
	(68.3)	124.9
	\$ (389.3)	\$ 1,074.6

17. FINANCIAL INSTRUMENTS

a) Derivative financial instruments

The Corporation uses derivative financial instruments to manage foreign exchange risk and interest rate fluctuations. The Corporation does not trade in derivatives for speculative purposes.

Foreign exchange contracts

The Corporation enters into foreign exchange contracts to hedge future cash flows in various currencies. Under these contracts, the Corporation is obliged to sell or buy specific amounts of currencies at predetermined dates and exchange rates. These contracts are matched with anticipated operational cash flows in various currencies. The amounts of anticipated future cash flows in various currencies are estimated based on existing orders from customers, current conditions in the Corporation's markets and past experience.

The following table sets out, as at January 31, the notional amounts outstanding under foreign exchange contracts, the average contractual exchange rates and the settlement periods of these contracts. The amounts shown represent US dollars to be paid (to be received) against other currencies:

Maturity	2000			1999		
	Cdn \$	£	€	Cdn \$	£	€
Less than 1 year	3,123.6 (362.9)	264.2	113.1	2,298.8 (147.7)	133.7	206.5
Average rate	1.43 (1.46)	0.63	0.88	1.41 (1.43)	0.63	0.88
One to three years	1,404.1 (133.0)	48.0	94.1	2,432.3 (53.1)	63.9	71.1
Average rate	1.47 (1.47)	0.61	0.92	1.42 (1.43)	0.61	0.84

In addition, the Corporation is a party to various foreign exchange contracts mostly involving the sale of euros against the US dollar (€ 116.5 million at an average rate of \$1.12 US) and the purchase of euros against the Cdn dollar (€ 116.6 million at an average rate of \$1.85 Cdn). The corresponding amounts as at January 31, 1999 were € 226.9 million at an average rate of \$1.13 US and € 119.0 million at an average rate of \$1.81 Cdn respectively.

Interest-rate swap agreements - BC

BC entered into interest-rate swap agreements to convert fixed interest rates to variable interest rates on certain long-term debts and certain loans receivable and direct financing leases. As at January 31, 2000 and 1999, the interest-rate swap agreements were as follows:

2000				
Purpose	Notional amount (including US \$ component)	Range of fixed rates	Variable rates	Maturity
Asset hedge	\$ 2,059.7 (\$1,275.3 US)	4.7%-7.7%	LIBOR or Banker's Acceptance	2001-2027
Debt hedge	\$ 2,326.5 (\$1,327.5 US)	5.1%-7.0%	LIBOR or Banker's Acceptance	2002-2005
1999				
Purpose	Notional amount (including US \$ component)	Range of fixed rates	Variable rates	Maturity
Asset hedge	\$ 1,531.3 (\$909.8 US)	4.7%-8.3%	LIBOR or Banker's Acceptance	2000-2010
Debt hedge	\$ 1,045.2 (\$527.5 US)	5.1%-7.0%	LIBOR or Banker's Acceptance	2002-2004

17. FINANCIAL INSTRUMENTS (cont'd)

b) Fair value of financial instruments

The following methods and assumptions were used in estimating the fair value of financial instruments:

Cash and cash equivalents, accounts receivable, short-term borrowings and accounts payable and accrued liabilities:

The carrying amounts reported in the balance sheet approximate the fair values of these items due to their short-term nature.

Loans, finance receivables and net investment in direct financing leases: The fair values of floating-rate loans, finance receivables and net investment in direct financing leases that reprice frequently and have no significant change in credit risk approximate the carrying values. The fair values of fixed-rate loans, finance receivables and net investment in direct financing leases are estimated using discounted cash flow analyses, using interest rates offered for loans with similar terms to borrowers of similar credit quality. As at January 31, 2000 and 1999, the carrying amount of loans, finance receivables and net investment in direct financing leases approximated the fair value of these items.

Long-term debt: The fair values of long-term debt are estimated using public quotations or discounted cash flow analyses, based on current corresponding borrowing rates for similar types of borrowing arrangements. The fair value of long-term debt as at January 31, 2000 was \$4,769.7 million compared to a carrying amount of \$4,795.0 million (\$2,703.0 million compared to \$2,575.9 million as at January 31, 1999).

Foreign exchange contracts and interest-rate swap agreements: The fair values generally reflect the estimated amounts that the Corporation would receive on settlement of favorable contracts or be required to pay to terminate unfavorable contracts at the reporting dates. Investment dealers' quotes or quotes from the Corporation's bankers are available for substantially all of the Corporation's foreign exchange contracts and interest-rate swap agreements.

The fair values of favorable and unfavorable foreign exchange contracts were respectively \$104.1 million and \$172.6 million as at January 31, 2000 (respectively \$48.4 million and \$463.8 million as at January 31, 1999). The fair values of favorable and unfavorable interest-rate swap agreements were respectively \$48.9 million and \$86.5 million as at January 31, 2000 (respectively \$9.6 million and \$32.4 million as at January 31, 1999).

Credit support and guarantees: The determination of the fair values of bank guarantees and other forms of guarantees related to long-term contracts is not practicable within the constraints of timeliness and cost but such guarantees usually decrease in value in relation to the percentage of completion of the related contracts and usually expire without being exercised. The fair values of credit support and guarantees provided to purchasers of manufactured products are not determinable due to a lack of reliable evidence.

c) Credit risk

In addition to the credit risk described elsewhere in these consolidated financial statements, the Corporation is subject to risk related to the off-balance-sheet nature of derivative financial instruments, whereby counterparty failure would result in economic losses on favorable contracts. However, the counterparties to these derivative financial instruments are major financial institutions which the Corporation anticipates will satisfy their obligations under the contracts.

18. PENSION PLANS

The Corporation maintains defined benefit pension plans which provide pension benefits based on length of service and final pensionable earnings.

Pension assets consist principally of equity securities, government and corporate bonds and real estate of countries where the Corporation operates. Pension expense is based on Management's best estimate of the long-term rate of return on the pension asset portfolio (7.25% to 9.25%). Pension benefit obligations are determined based on Management's best estimate of long-term salary escalation rates (4.0% to 5.5%) and are discounted based on Management's best estimate of long-term interest rates (6.75% to 8.0%). Variances between such estimates and actual experience, which may be material, are amortized over the employee group's average remaining service life (11 to 22 years).

The Corporation bears the risk of experience loss against the above long-term assumptions. The maximum risk of loss is equal to the difference between the fair value of the pension benefit obligation and the amount of the pension benefit obligation accrued in the financial statements. Should actual experience differ from the experience assumed, future contributions will be adjusted to make up for any variances. Risk is managed by placing plan assets in trust and through the pension plan investment policy which defines the funds' allowable investments.

The present value of accrued pension benefits attributed to services rendered up to the balance sheet dates and the net assets available to provide for these benefits, at market-related values, were as follows:

	2000	1999
Pension fund assets	\$ 2,507.5	\$ 2,275.1
Accrued pension benefits	2,077.6	1,919.4

19. COMMITMENTS AND CONTINGENCIES

In addition to the commitments and contingencies described elsewhere in these consolidated financial statements, the Corporation is subject to the following:

- a) In connection with the sale of aircraft, the Corporation may provide financial support to its customers in the form of guarantees of financing, lease payments as well as services related to the remarketing of aircraft. The off-balance-sheet risk from these guarantees related to aircraft sold, maturing in different periods up to 2017, were as follows as at January 31, 2000 and 1999:

	2000	1999
Maximum credit risk	\$ 642.2	\$ 534.4
Less: provisions	217.2	180.9
Off-balance-sheet risk	425.0	353.5
Less: net benefit of the estimated resale value	306.2	252.1
Net credit risk	\$ 118.8	\$ 101.4

The net credit risk represents the unrecorded portion of the Corporation's estimated exposure to losses from potential defaults by third-party purchasers under legally binding agreements, after giving effect to the net benefit of the estimated resale value.

As at January 31, 2000, the Corporation was also committed in relation to guarantees on future sales of aircraft for an amount of \$168.9 million after deducting the net benefit of the estimated resale value amounting to \$315.8 million (\$228.3 million after deducting the net benefit of the estimated resale value amounting to \$78.0 million as at January 31, 1999). The provision in relation with these guarantees, if any, will be recorded at the delivery date of the corresponding aircraft.

Substantially all financial support involving potential credit risk is with commercial airline customers. No commercial airline customer was associated with more than 15% of all financial support relating to customer financing as at January 31, 2000.

At the expiry date of certain financing and lease agreements, the Corporation has provided guarantees of the residual value of aircraft and transportation equipment. The guarantees can only be called upon if the above credit guarantees of financing and lease payments have not been exercised. However, in the event that residual value guarantees are exercised, it is Management's opinion that the net resale value of the underlying aircraft and transportation equipment will be sufficient to cover the Corporation's exposure under these guarantees.

19. COMMITMENTS AND CONTINGENCIES (cont'd)

<p>In addition, the Corporation concluded sale and leaseback transactions in respect of aircraft and freight cars under which it is obligated to pay annual rents. Most of this equipment was simultaneously leased to operators. Details of these transactions, including lease obligations assumed on trade-in aircraft, were as follows:</p>		
Minimum lease payments	2000	1999
2000	\$ -	\$ 169.0
2001	273.9	86.3
2002	133.2	76.0
2003	138.6	75.6
2004	94.8	74.3
2005	84.3	51.7
Thereafter	904.9	583.9
	\$ 1,629.7	\$ 1,116.8
Expected receipts		
Aircraft	\$ 539.5	\$ 439.6
Freight cars	1,024.5	647.2
Provision	65.7	30.0
	\$ 1,629.7	\$ 1,116.8
Minimum lease payments consist of:		
Aircraft	\$ 605.2	\$ 469.6
Freight cars	1,024.5	647.2
	\$ 1,629.7	\$ 1,116.8
<p>Expected receipts include expected minimum sub-lease rentals from operators and the net benefit of the estimated resale value of the equipment up to a maximum equivalent to the minimum lease payments. Expected minimum sub-lease rentals from operators include the amounts from contracted and anticipated sub-leases. The amounts for anticipated sub-leases (\$1,015.2 million in 2000 and \$606.6 million in 1999) have been calculated taking into account current and expected future market conditions for each type of equipment. The total amount of the net benefit of the estimated resale value of the equipment included in the expected receipts was \$301.0 million in 2000 and \$346.5 million in 1999.</p> <p>The net benefit of the estimated resale value, used in the calculation of the net credit risk related to the guarantees provided on sales of aircraft and in the expected receipts in relation to sale and leaseback transactions of equipment, represents the anticipated fair values based upon analyses conducted by third parties.</p> <p>b) The Corporation leases buildings and equipment under long-term operating leases for which the total minimum lease payments amount to \$388.2 million. The annual minimum lease payments for the next five years are as follows: 2001 – \$70.1 million; 2002 – \$54.7 million; 2003 – \$45.5 million; 2004 – \$35.8 million and 2005 – \$31.2 million.</p> <p>c) The Corporation is defendant in certain legal cases currently pending before various courts in relation to product liability. The Corporation is also party to several actions associated with waste disposal sites. These actions include possible obligations to remove wastes deposited at various sites or mitigate their negative effects on the environment. There are also some asbestos-related claims to compensate railway workers for various diseases which allegedly result from their workplace exposure to asbestos materials relating to past business involving locomotives.</p> <p>The Corporation intends to vigorously defend its position in these matters. Management believes the Corporation has set up adequate provisions to cover potential losses and amounts not recoverable under insurance coverage, if any, in relation to these legal actions.</p>		

20. RECLASSIFICATION

Certain of the 1999 figures have been reclassified to conform to the presentation adopted in 2000.

21. SEGMENT DISCLOSURE

The Corporation operates in the four reportable segments described below. Each reportable segment offers different products and services, requires different technology and marketing strategies and is headed by a president and chief operating officer.

The aerospace segment is engaged in the design, manufacture and sale of business and regional aircraft for individuals, corporations as well as commercial airline customers. It is also engaged in the manufacture of major airframe components for aircraft designed and built by other American and European aircraft manufacturers. In addition, it provides commercial and military aviation services, including technical services and pilot training.

The recreational products segment is responsible for developing, manufacturing and marketing snowmobiles, watercraft, boats, all-terrain vehicles, utility vehicles and engines.

The transportation segment is responsible for all operations in the field of rail transportation equipment. It offers a full range of vehicles for urban, suburban, intercity rail-passenger transportation, freight cars, as well as integrated rail transit systems for turnkey projects. In addition, the transportation segment provides operations and maintenance services.

The capital segment (BC) includes financial services and real estate activities. The financial services are all asset-based and cover five specific markets: inventory financing; financing to commercial customers with respect to various commercial and industrial equipment, new or trade-in aircraft and open accounts receivable; consumer finance operations; mortgage financing to purchasers of manufactured homes; and leasing and technology management services. The real estate activities of this segment consist in selling land to real estate developers and renting office buildings to Bombardier.

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies. The Corporation evaluates performance based on income or loss before unusual items and income taxes. Intersegment services are accounted for as if the services were provided to third parties, at current market prices.

For all segments, interest costs are allocated to each segment based on its net assets. Most corporate office charges are allocated based on their respective revenues. For the manufacturing segments, net segmented assets are comprised of the assets of each segment except for investment in and advances to BC and cash and cash equivalents less accounts payable and accrued liabilities and advances and progress billings in excess of related costs. For BC, the net segmented assets correspond to the combined amount of BC's equity and subordinated debt which is maintained at a level to produce a debt to equity ratio, including subordinated debt, which approximates 9 to 1. Consequently, this amount is shown as net segmented assets for BC.

In 2000, the Corporation modified its method of allocation of interest charges to the BC segment. The new allocation is now used by Management in evaluating performance and making operating decisions for each segment. The effect of this modification is a \$9.9 million decrease in interest expense allocated to the BC segment for the year ended January 31, 2000. The corresponding increase in the allocation of interest expense for the other segments has been mostly borne by the aerospace segment.

SEGMENT DISCLOSURE

(millions of Canadian dollars)

Industry Segments	Bombardier Inc. consolidated	
	2000	1999
External revenues	\$ 13,618.5	\$ 11,500.1
Intersegment eliminations	–	–
Revenues	\$ 13,618.5	\$ 11,500.1
Expenses		
Cost of sales and operating expenses	\$ 12,220.4	\$ 10,398.8
Depreciation and amortization	227.5	232.6
Interest expense, net	46.6	41.8
	12,494.5	10,673.2
Income (loss) before unusual items and income taxes	\$ 1,124.0	\$ 826.9
Unusual items, net	51.1	–
Income before income taxes	\$ 1,072.9	\$ 826.9
Net segmented assets	\$ 3,221.4	\$ 2,916.4
Accounts payable and accrued liabilities	3,125.2	2,845.5
Advances and progress billings in excess of related costs	2,636.8	2,328.6
Advances to BC	459.8	458.5
Cash and cash equivalents	1,548.7	1,706.3
Total assets – Bombardier	\$ 10,991.9	\$ 10,255.3
Investment in and advances to BC	(1,531.2)	(1,285.2)
Total assets – BC	7,573.4	5,307.8
Total assets – Bombardier Inc. consolidated	\$ 17,034.1	\$ 14,277.9
Additions to fixed assets and to goodwill	\$ 419.5	\$ 364.2

Geographic Information	Revenues	
	2000	1999
United States	\$ 7,138.7	\$ 5,497.0
Germany	1,414.4	1,468.2
Canada	1,012.7	900.4
United Kingdom	844.9	723.1
France	558.8	523.8
Switzerland	295.2	151.9
Belgium	244.7	275.8
Greece	181.8	39.0
Australia	166.3	32.0
Italy	165.2	219.5
Austria	151.4	97.4
Other – Asia	327.0	258.6
Other – Europe	505.1	549.9
Other – South and Central America	296.5	407.9
Other	315.8	355.6
	\$ 13,618.5	\$ 11,500.1

	Aerospace		Recreational Products		Transportation		BC	
	2000	1999	2000	1999	2000	1999	2000	1999
	\$ 8,125.4	\$ 6,444.1	\$ 1,472.8	\$ 1,628.1	\$ 3,430.3	\$ 2,951.8	\$ 590.0	\$ 476.1
	0.8	–	0.2	–	15.8	14.5	148.5	94.5
	\$ 8,126.2	\$ 6,444.1	\$ 1,473.0	\$ 1,628.1	\$ 3,446.1	\$ 2,966.3	\$ 738.5	\$ 570.6
	\$ 6,940.1	\$ 5,543.8	\$ 1,401.0	\$ 1,617.7	\$ 3,376.6	\$ 2,848.8	\$ 668.0	\$ 497.5
	110.1	110.0	35.8	38.1	72.8	77.8	8.8	6.7
	172.1	108.4	18.5	17.8	(177.7)	(108.2)	33.7	23.8
	7,222.3	5,762.2	1,455.3	1,673.6	3,271.7	2,818.4	710.5	528.0
	\$ 903.9	\$ 681.9	\$ 17.7	\$ (45.5)	\$ 174.4	\$ 147.9	\$ 28.0	\$ 42.6
	\$ 2,938.0	\$ 3,114.0	\$ 103.2	\$ 220.9	\$ (891.2)	\$ (1,245.2)	\$ 1,071.4	\$ 826.7
	\$ 266.5	\$ 192.5	\$ 23.9	\$ 27.0	\$ 91.8	\$ 116.3	\$ 37.3	\$ 28.4

Fixed assets and goodwill

2000	1999
\$ 362.9	\$ 281.4
297.7	396.7
886.7	787.4
182.7	198.3
35.9	48.1
22.0	27.6
24.1	29.4
–	–
–	–
–	–
60.1	74.7
–	–
27.5	33.8
23.4	14.5
–	–
\$ 1,923.0	\$ 1,891.9

MAIN BUSINESS LOCATIONS

BOMBARDIER AEROSPACE

Bombardier Aerospace

400 chemin de la Côte-Vertu West
Dorval, Québec
Canada H4S 1Y9
Telephone: (514) 855-5000
Fax: (514) 855-7401

Bombardier Inc.

Canadair
400 chemin de la Côte-Vertu West
Dorval, Québec
Canada H4S 1Y9
Telephone: (514) 855-5000
Fax: (514) 855-7401

Learjet Inc.

One Learjet Way
Wichita, Kansas 67209
United States
Telephone: (316) 946-2000
Fax: (316) 946-2163

Bombardier Inc.

de Havilland
123 Garratt Boulevard
Downsview, Ontario
Canada M3K 1Y5
Telephone: (416) 633-7310
Fax: (416) 375-4546

Short Brothers plc

Airport Road, Belfast
Northern Ireland BT3 9DZ
Telephone: (44 2890) 458 444
Fax: (44 2890) 732 974

Bombardier Inc.

Defence Services
10000 Cargo A-4 Street
Montréal International Airport,
Mirabel
Mirabel, Québec
Canada J7N 1H3
Telephone: (450) 476-4000
Fax: (450) 476-4467

Bombardier Services (UK) Limited

Bournemouth International Airport
Christchurch, Dorset BH23 6NW
United Kingdom
Telephone: (44 1202) 365 200
Fax: (44 1202) 573 692

Bombardier Services Corporation

Commercial Aviation Services
120 North LaSalle Street, Suite 3600
Chicago, Illinois 60602
United States
Telephone: (312) 345-8444
Fax: (312) 345-8443

BOMBARDIER TRANSPORTATION

Bombardier Transportation

1101 Parent Street
Saint-Bruno, Québec
Canada J3V 6E6
Telephone: (450) 441-2020
Fax: (450) 441-1515

Bombardier Inc.

Mass Transit – North America
1101 Parent Street
Saint-Bruno, Québec
Canada J3V 6E6
Telephone: (450) 441-2020
Fax: (450) 441-1515

Bombardier Inc.

Transit Systems
5055 Taylor Kidd Blvd.
County Road 23
Millhaven, Ontario
Canada K7M 6J1
Telephone: (613) 384-3100
Fax: (613) 384-5244

Bombardier Transit Corporation

101 Park Avenue
Suite 2609
New York, New York 10178
United States
Telephone: (212) 682-5860
Fax: (212) 682-5767

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

Paseo de la Reforma, 265 3rd Floor
Col. Cuauhtémoc
Mexico City, D.F. 06500
Mexico
Telephone: (525) 209-6700
Fax: (525) 209-6751

Bombardier-Wien

Schienerfahrzeuge AG
Donaufelder Strasse 73-79
A-1211 Wien
Austria
Telephone: (43 1) 25 110
Fax: (43 1) 25 110 8

BN S.A.

Vaartdijkstraat 5
B-8200 Bruges
Belgium
Telephone: (32 50) 40 11 11
Fax: (32 50) 40 18 40

Vagónka Česká Lípa a.s.

Sv. Čecha 1205
CZ-470 79 Česká Lípa
Czech Republic
Telephone: (420 425) 802 191
Fax: (420 425) 802 193

Société ANF-Industrie S.A.

Place des Ateliers
F-59154 Crespin
France
Telephone: (33 3) 27 23 53 00
Fax: (33 3) 27 35 16 24

DWA Deutsche Waggonbau GmbH

Kablower Weg 89
D-12526 Berlin
Germany
Telephone: (49 30) 6793 0
Fax: (49 30) 6744 560

Talbot GmbH & Co. KG

Jülicher Strasse 213-237
D-52070 Aachen
Germany
Telephone: (49 241) 1 82 10
Fax: (49 241) 1 82 12 14

Vevey Technologies S.A.

Route de Pré-Jacquet
P.O. Box 32
CH-1844 Villeneuve
Switzerland
Telephone: (41 21) 967 05 05
Fax: (41 21) 967 05 00

Prorail Limited

Horbury
Wakefield, West Yorkshire
WF4 5QH
United Kingdom
Telephone: (44 1) 924 271 881
Fax: (44 1) 924 274 650

Bombardier Inc.

Beijing Representative Office
Level 10, Unit 1001
Beijing Kerry Centre Kerry Tower
(North Tower)
No. 1 Guanghua Road,
Chaoyang District
Beijing 100020
People's Republic of China
Telephone: (86 10) 8529 9100
Fax: (86 10) 8529 9109

BOMBARDIER RECREATIONAL PRODUCTS

Bombardier Recreational Products

1501 McGill College Avenue
Suite 900
Montréal, Québec
Canada H3A 3M8
Telephone: (514) 841-2700
Fax: (514) 841-2747

Bombardier Inc.

565 de la Montagne Street
Valcourt, Québec
Canada JOE 2L0
Telephone: (450) 532-2211
Fax: (450) 532-5133

Bombardier Inc.

75 J.-A. Bombardier Street
Sherbrooke, Québec
Canada J1L 1W3
Telephone: (819) 566-3000
Fax: (819) 566-3029

Bombardier Inc.

Utility Vehicles
1001 J.-A. Bombardier Street
Granby, Québec
Canada J2J 1E9
Telephone: (450) 776-3600
Fax: (450) 776-3625

Bombardier Motor Corporation

of America
6545 US 1
Grant, Florida 32949
United States
Telephone: (321) 722-4000
Fax: (321) 722-4039

Bombardier Motor Corporation

of America
7575 Bombardier Court
P.O. Box 8035
Wausau, Wisconsin 54402-8035
United States
Telephone: (715) 842-8886
Fax: (715) 848-3455

Bombardier Motor Corporation of America

Sport Boats
451 E. Illinois Avenue
Benton, Illinois 62812-0394
United States
Telephone: (618) 439-9444
Fax: (618) 439-8724

Bombardier-Rotax GmbH

Welser Strasse 32
Postal Box 5
A-4623 Gunskirchen
Austria
Telephone: (43) 7246 601 0
Fax: (43) 7246 6370

Bombardier-Nordtrac Oy

Teollisuustie 13
PL 8040
FIN-96101 Rovaniemi
Finland
Telephone: (358 16) 320 8111
Fax: (358 16) 318 114

BOMBARDIER CAPITAL**Bombardier Capital Holdings Inc.**

12850 Gran Bay Parkway West
Building 100
Jacksonville, Florida 32258
United States
Telephone: (904) 288-1000
Fax: (904) 288-1920

Bombardier Capital Inc.

261 Mountain View Drive
Colchester, Vermont 05446
United States
Telephone: (802) 654-8100
Fax: (802) 654-8453

Bombardier Capital Florida Inc.

12850 Gran Bay Parkway West
Suite 1000
Jacksonville, Florida 32258
United States
Telephone: (904) 288-1000
Fax: (904) 288-1920

Bombardier Capital Colorado Inc.

1975 Research Parkway
Colorado Springs, Colorado 80920
United States
Telephone: 1 (888) 371-5301
Fax: (719) 265-4880

Bombardier Credit Receivables Corporation

P.O. Box 5544
Burlington, Vermont 05402
United States
Telephone: (802) 655-2824
Fax: (802) 654-8432

BCI Finance Inc.

261 Mountain View Drive
Colchester, Vermont 05446
United States
Telephone: (802) 654-8100
Fax: (802) 654-8432

Bombardier Capital Leasing Ltd.

6400 Auteuil Street, 2nd Floor
Brossard, Québec
Canada J4Z 3P2
Telephone: (450) 443-4400
Fax: (450) 443-0136

Bombardier Capital International B.V.

Teollisuustie 13
PL 8040
FIN-96101 Rovaniemi
Finland
Telephone: (358 16) 311 057
Fax: (358 16) 311 059

Bombardier Capital International S.A.

Immeuble Le Viking
67 rue Anatole France, 4th Floor
92309 Levallois-Perret Cedex
France
Telephone: (33 1) 41 34 01 50
Fax: (33 1) 41 34 01 60

Bombardier Capital Rail Inc.

6900 Wedgwood Road, Suite 120
Maple Grove, Minnesota 55311
United States
Telephone: (612) 420-8000
Fax: (612) 420-8003

Bombardier Capital Ltd.

5571 chemin de l'Aéroport
Valcourt, Québec
Canada JOE 2L0
Telephone: (450) 532-5111
Fax: (450) 532-6910

Bombardier Finance Inc.

300 840 - 6th Avenue S.W.
Calgary, Alberta
Canada T2P 3E5
Telephone: (403) 279-7271
Fax: (403) 279-3909

Bombardier Capital Mortgage Securitization Corporation

P.O. Box 413
Colchester, Vermont 05446
United States
Telephone: (802) 654-7200
Fax: (802) 654-8432

BCG Mortgage Receivables Corporation

P.O. Box 126
Colchester, Vermont 05446
United States
Telephone: (802) 654-1038
Fax: (802) 654-8432

Bombardier Inc.

Real Estate Services
2700 Poirier Blvd.
Saint-Laurent, Québec
Canada H4R 2P6
Telephone: (514) 335-9511
Fax: (514) 335-7007

Bombardier Capital CF Inc.

261 Mountain View Drive
P.O. Box 854
Colchester, Vermont 05446
United States
Telephone: (802) 655-6352
Fax: (802) 654-8432

BOMBARDIER INTERNATIONAL**Bombardier International**

800 René-Lévesque Blvd. West
Montréal, Québec
Canada H3B 1Y8
Telephone: (514) 861-9481
Fax: (514) 861-2740

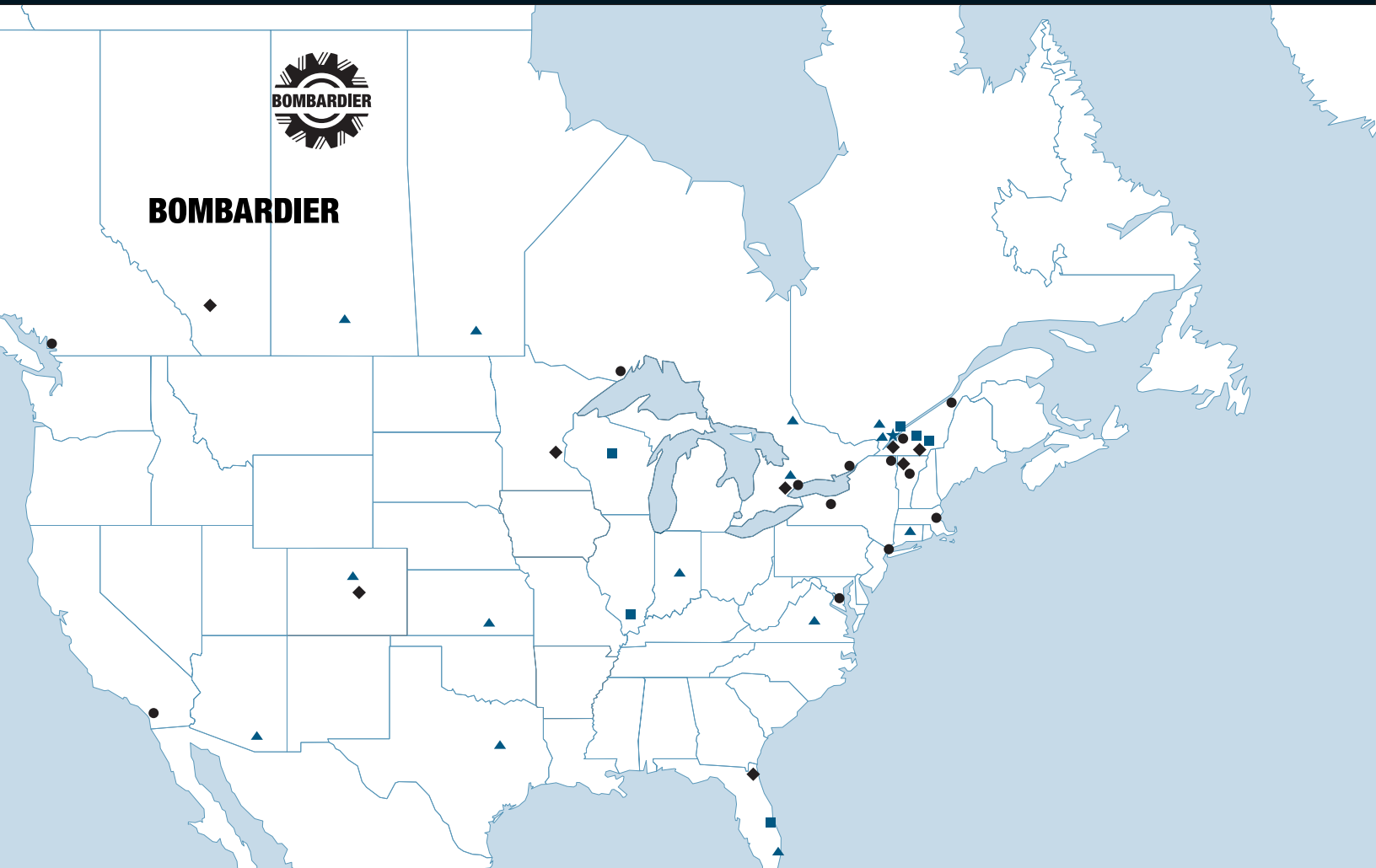
Bombardier Inc.

Beijing Representative Office
Level 10, Unit 1001
Beijing Kerry Centre Kerry Tower
(North Tower)
No. 1 Guanghua Road,
Chaoyang District
Beijing 100020
People's Republic of China
Telephone: (86 10) 8529 9100
Fax: (86 10) 8529 9109

ACTIVITIES



BOMBARDIER



CORPORATE OFFICE

800 René-Lévesque Blvd. West
 Montréal, Québec
 Canada H3B 1Y8
 Telephone: (514) 861-9481
 Fax: (514) 861-7053
 Internet: www.bombardier.com

Markets

- On the five continents, with high concentration in North America and Europe
- More than 90% of revenues generated in markets outside Canada

Number of Employees

56,000

* Trademark of Bombardier Inc.

AEROSPACE

Headquarters: Dorval (Québec)
Management offices: Dorval (Québec),
 Wichita (Kansas), Downsview (Ontario),
 Belfast (Northern Ireland)

Products and services:

- Regional aircraft: complete families of Q Series Dash 8* turboprop and Canadair Regional Jet* series airliners;
- Business aircraft: wide range of business jets, from light, super-light and midsize Learjet* series to widebody Challenger*, super-midsize Bombardier Continental Business Jet*, and ultra long-range Global Express* jets along with Special Edition* and Corporate Jetliner*, two corporate variants of the Regional Jet;
- Business aircraft: Flexjet* fractional ownership program;
- Amphibious aircraft: firefighting/maritime mission Canadair 415* aircraft;
- Technical services, aircraft maintenance and pilot training for business, regional airline and defence customers;
- Airframe components and aircraft engine nacelles.

TRANSPORTATION

Headquarters: Saint-Bruno (Québec)
Management offices: Kingston (Ontario),
 Mexico City (Mexico), Brussels (Belgium),
 Crespin (France), Berlin (Germany), Beijing
 (People's Republic of China)

Products and services:

- Urban vehicles: rapid transit/metro cars, trams (LRVs), trams on tires;
- Suburban vehicles: single and bi-level coaches, single and bi-level diesel and electric multiple units (DMU and EMU), and tram-trains;
- Intercity/high-speed vehicles: single and bi-level DMU/EMU and coaches, DMU/EMU with tilting system, turbotrains, LRC*, TGV† equipment;
- Complete transit systems for urban and commuter rail: metros, fully automated rapid transit, monorail and people mover;
- Locomotives for passenger trains;
- Operations and maintenance services for transportation systems, including rolling stock;
- Refurbishment of rolling stock;
- Freight cars.

† Registered trademark of the Société Nationale des Chemins de fer Français

- Production Facilities**
- Austria
 - Belgium
 - Canada
 - Czech Republic
 - Finland
 - France
 - Germany
 - Mexico
 - People's Republic of China
 - Switzerland
 - United Kingdom
 - United States



RECREATIONAL PRODUCTS

Headquarters: Montréal (Québec)
Management offices: Valcourt and Granby (Québec), Benton (Illinois), Grant (Florida), Gunkirchen (Austria), Rovaniemi (Finland)

Products and services:

- Ski-Doo* and Lynx* snowmobiles;
- Sea-Doo* watercraft;
- Sea-Doo sport boats;
- Bombardier all-terrain vehicles (ATV);
- Engines: Rotax* engines for Bombardier's snowmobiles, all-terrain vehicles, watercraft and some sport boats; engines for other manufacturers' motorcycles, scooters and small and ultra-light aircraft;
- Utility vehicles: tracked vehicles for the maintenance of alpine ski hills and snowmobile and cross-country ski trails; tracked vehicles for municipal work; tracked vehicles for specialized utility work and transportation on difficult terrain;
- Technical and support services for utility vehicles.

CAPITAL

Headquarters: Jacksonville (Florida)

Services:

- Secured inventory financing/servicing in a broad range of industries;
- Financing and leasing for aircraft, as well as commercial and industrial equipment;
- Railcar financing and servicing;
- Retail financing and servicing of recreational products and manufactured housing accounts;
- Development of Bombardier real estate interests earmarked for new uses.

INTERNATIONAL

Headquarters: Montréal (Québec)

Mission:

- To accelerate Bombardier's expansion into geographic markets where its presence is currently limited, outside of North America and Western Europe.

LEGEND

- ▲ Bombardier Aerospace facilities
- Bombardier Transportation facilities
- Bombardier Recreational Products facilities
- ◆ Bombardier Capital offices
- ★ Bombardier International offices

BOARD OF DIRECTORS**Yvan Allaire**

Executive Vice President
Bombardier Inc.

Laurent Beaudoin, C.C., FCA

Chairman of the Board and
of the Executive Committee
Bombardier Inc.

J.R. André Bombardier

Vice Chairman
Bombardier Inc.

Janine Bombardier

President and Governor
J. Armand Bombardier
Foundation

Robert E. Brown

President and
Chief Executive Officer
Bombardier Inc.

André Desmarais

President and
Co-Chief Executive Officer
Power Corporation of Canada

Jean-Louis Fontaine

Vice Chairman
Bombardier Inc.

**Hon. Jean-Pierre Goyer,
P.C., Q.C.**

Lawyer and Corporate Director

Daniel Johnson

Counsel
McCarthy Tétrault

Pierre Legrand, Q.C.

Senior Partner
Ogilvy Renault

Donald C. Lowe

Corporate Director and
Consultant

Jean C. Monty

President and
Chief Executive Officer
BCE Inc.
Chairman and Chief Executive
Officer
Bell Canada

James E. Perrella

Chairman
Ingersoll-Rand Company

Paul M. Tellier

President and
Chief Executive Officer
Canadian National

Hugo Uytterhoeven

Timken Professor of Business
Administration Emeritus
Graduate School of Business
Administration
Harvard University

**COMMITTEES OF
THE BOARD****Executive Committee**

Laurent Beaudoin, C.C., FCA
J.R. André Bombardier
Robert E. Brown
Jean-Louis Fontaine
Pierre Legrand, Q.C.
Jean C. Monty
Paul M. Tellier

Compensation Committee

Laurent Beaudoin, C.C., FCA
J.R. André Bombardier
André Desmarais
Pierre Legrand, Q.C.
Jean C. Monty

Audit Committee

Jean-Louis Fontaine
Hon. Jean-Pierre Goyer, P.C., Q.C.
Daniel Johnson
Donald C. Lowe

Pension Fund Committees

The Corporation has nine
Pension Fund Committees.
Directors who are members of
some of these committees are:
Jean-Louis Fontaine
Hon. Jean-Pierre Goyer, P.C., Q.C.
Pierre Legrand, Q.C.

CORPORATE OFFICERS**CORPORATE
OFFICE****Laurent Beaudoin**

Chairman of the Board and of the
Executive Committee

Robert E. Brown

President and
Chief Executive Officer

J.R. André Bombardier

Vice Chairman

Jean-Louis Fontaine

Vice Chairman

Yvan Allaire

Executive Vice President
Chairman of Bombardier Capital

Yvon Beaugard

Vice President,
Occupational Health/Safety
and Environment

Richard C. Bradeen

Vice President, Acquisitions
and Strategic Alliances

Roger Carle

Director, Legal Services and
Corporate Secretary

Daniel Desjardins

Vice President, Legal Services
and Assistant Secretary

Lynne B. Gervais

Vice President,
Global Compensation and
Organization Effectiveness

Robert Greenhill

Vice President, Strategy

François Lemarchand

Vice President and Treasurer

Jean Levert

Vice President, Leadership and
Organizational Development

Carroll L'Italien

Senior Vice President

Michel Lord

Vice President, Communications
and Public Relations

Louis Morin

Vice President, Finance

Michael P. O'Bree

Vice President,
Corporate Audit Services

Barry J. Olivella

Vice President, Special Projects

Jean Paré

Vice President,
Financial Reporting

Ingeborg Rittweiler

Vice President, Six Sigma

Jacques Savard

Vice President and Controller

Richard T. Sloan

Vice President and General
Manager, Structured Finance

Marie-Claire Simoneau

Executive Assistant to the
Chairman

François Thibault

Vice President, Acquisitions

Pierre Beaudoin

President and
Chief Operating Officer
Bombardier Recreational
Products

Michael S. Graff

President and
Chief Operating Officer
Bombardier Aerospace

Jean-Yves Leblanc

President and
Chief Operating Officer
Bombardier Transportation

Pierre Lortie¹

President and
Chief Operating Officer
Bombardier Capital

President and
Chief Operating Officer
Bombardier International

¹ The appointment of Pierre Lortie as President and Chief Operating Officer of Bombardier Capital was effective February 16, 2000. Prior to that date, he had been President and Chief Operating Officer of Bombardier International.

SHAREHOLDER INFORMATION



BOMBARDIER

Share Capital Authorized and Issued as at January 31, 2000

	Authorized	Issued
Class A shares	896,000,000	175,797,064
Class B shares	896,000,000	513,011,944
Preferred shares, Series 2	12,000,000	12,000,000

At the special and annual meeting to be held on June 20, 2000, the shareholders of Bombardier will be asked to approve a split of both class A and class B shares on a two-for-one basis. Upon shareholders' approval, the split will be effective for shareholders of record at the close of business, Montréal time, on Friday, July 7, 2000.

Stock Exchange Listings

Class A and B shares	Toronto (Canada)
Preferred shares, Series 2	Toronto (Canada)
Class B shares	Brussels (Belgium) and Frankfurt (Germany)
Stock listing codes	BBD (Toronto) BOM (Brussels) BBDd.F (Frankfurt)

Incorporation

The Corporation was incorporated in 1902 by letters patent and prorogated June 23, 1978 under the Canadian Business Corporations Act.

Transfer Agent and Registrar

Montréal Trust Company
Halifax, Saint John (N.B.),
Montréal, Toronto, Winnipeg,
Regina, Calgary, Vancouver

Auditors

Ernst & Young LLP
800 René-Lévesque Blvd. West
Montréal, Québec
Canada H3B 1X9

Corporate Secretary

Bombardier Inc.
800 René-Lévesque Blvd. West
Montréal, Québec
Canada H3B 1Y8

Annual Meeting

The special and annual meeting of shareholders will be held in Montréal, on Tuesday, June 20, 2000 at 10:00 a.m. at the following address:

Bombardier Aerospace
200-400 chemin de la
Côte-Vertu West
Dorval, Québec
Canada H4S 1Y9

Duplication

Although we strive to ensure that our registered shareholders only receive one copy of our corporate documents, more specifically the annual report, duplication is unavoidable if titles are registered under different names and addresses. If such is the case, please call the following number: (514) 861-9481, extension 390.

SHAREHOLDER AND INVESTOR RELATIONS**Shareholders**

*Annual Report,
Annual Information Form
and other documents*
Public Relations Department
Bombardier Inc.
800 René-Lévesque Blvd. West
Montréal, Québec
Canada H3B 1Y8
Telephone: (514) 861-9481,
extension 390
Fax: (514) 861-2420

Investors

Investor Relations
Bombardier Inc.
800 René-Lévesque Blvd. West
Montréal, Québec
Canada H3B 1Y8
Telephone: (514) 861-9481,
extension 273
Fax: (514) 861-2420

Media Relations

For information on Bombardier, contact our Public Relations Department at (514) 861-9481, extension 245. Bombardier Inc.'s press releases are available on the Internet at the following address: www.bombardier.com

Web Site

For more information on our products and services, visit our web site at www.bombardier.com

The cover page and the editorial section of this Annual Report are printed on acid-free and recyclable paper. The financial section is printed on 100% recycled paper containing 100% post-consumer fibers, 100% processed chlorine free, acid-free and recyclable paper.

BOMBARDIER
AEROSPACE

BOMBARDIER
TRANSPORTATION

BOMBARDIER
RECREATIONAL PRODUCTS

BOMBARDIER
CAPITAL

BOMBARDIER
INTERNATIONAL



BOMBARDIER