Second quarterly report

SIX MONTHS ENDED JULY 31, 2001

Report to Shareholders

CONSOLIDATED RESULTS

Consolidated revenues of Bombardier Inc. amounted to $4.9 billion in the second quarter ended July 31, 2001, compared to $3.4 billion for the same period of the previous year, an increase of 44% resulting mainly from growth in the aerospace segment and the consolidation of the accounts of DaimlerChrysler Rail Systems GmbH (Adtranz) and of those relating to the acquisition of the assets of Outboard Marine Corporation (OMC) effective March 9, 2001. Before special item, income taxes and goodwill amortization, income increased by 37%, from $314.7 million for the second quarter ended July 31, 2000 to $432.5 million this year. This performance was mainly the result of growth in aircraft deliveries, improved pre-tax margins in the aerospace and recreational products segments and consolidation of the results of the current year acquisitions.

For the six months ended July 31, 2001, consolidated revenues grew by 34%, totalling $9.0 billion compared to $6.7 billion for the same period last year, mainly due to growth in the aerospace segment and the consolidation of Adtranz and OMC accounts. Before special items, income taxes and goodwill amortization, income increased by 30% to reach $791.1 million for the first six months ended July 31, 2001 compared to $606.9 million for the first six months of the previous year, consistent with growth in revenues.

Before special item and goodwill amortization, income increased by 42% in the second quarter, reaching $298.6 million or $0.22 per share compared to $210.1 million or $0.16 per share for the same period last year. The same income totalled $539.6 million or $0.39 per share on a year to date basis compared to $405.2 million or $0.29 per share for the same period last year.

Net income was $287.9 million or $0.21 per share in the second quarter ended July 31, 2001 against $254.1 million or $0.19 per share in the second quarter of last year. Net income for the six months ended July 31, 2001 was $528.9 million, or $0.38 per share, compared to $401.5 million, or $0.29 per share, for the six months ended July 31, 2000.

The Corporation's income taxes totalled $133.9 million in the second quarter, against $110.4 million for the same period last year. Year to date income taxes amounted to $251.5 million compared to $175.7 million for the first six months of last year. The effective consolidated income tax rate for the Corporation's worldwide operations for the six months ended July 31, 2001 was 31.79% compared to 33.23% before special items and goodwill amortization for the corresponding period of the previous year (30.44% after special items for the six months ended July 31, 2000).

As at July 31, 2001, Bombardier order backlog was $45.9 billion. Excluding Adtranz, order backlog grew by 11%, from $30.9 billion as at July 31, 2000 to $34.3 billion as at July 31, 2001, mainly driven by the aerospace segment.

BOMBARDIER AEROSPACE

For the second quarter ended July 31, 2001, Bombardier Aerospace's revenues before intersegment eliminations were $2.7 billion, compared with $2.1 billion for the quarter ended July 31, 2000. This 27% rise in revenues is mainly attributable to an increase in new aircraft deliveries. For the first six months ended July 31, 2001, revenues before intersegment eliminations grew by 28%, from $4.2 billion last year to $5.3 billion this year, mainly attributable to increased new aircraft deliveries and used aircraft sales.

Reflecting growth in revenues, income before special item and income taxes reached $329.1 million for the second quarter ended July 31, 2001, a 30% increase over the $253.4 million recorded for the same period last year. Margin for income before special item and income tax was 12.1% for the second quarter ended July 31, 2001 compared with 11.8% for the same period last year. This increase results primarily from the mix in new aircraft deliveries. For the first six months ended July 31, 2001, income before special item and income taxes totalled $639.3 million, a 12% margin, compared with $487.4 million, a 11.7% margin, for the same period last year. This 31% increase in income is consistent with revenue growth.

During the second quarter of last year, Bombardier Aerospace sold Bombardier Services (UK) Limited's defense services business, including its wholly owned subsidiary Airwork Ltd., an operation located in the United Kingdom. The sale resulted in a net gain of $49.8 million ($44.0 million after tax) and was recorded as a special item.

The order backlog grew to $25.9 billion as at July 31, 2001 from $23.0 billion as at July 31, 2000.

Business and regional aircraft deliveries were as follows:

Business Aircraft Deliveries

	Deliveries for the six month period ended July 31, 2001	Deliveries for the six month period ended July 31, 2000
Learjet 31A*	**6**	11
Learjet 45*	**33**	34
Learjet 60*	**16**	15
Challenger 604*	**20**	17
Global Express*	**12**	11
TOTAL	**87**	88

Regional Aircraft Deliveries

	Deliveries for the six month period ended July 31, 2001	Deliveries for the six month period ended July 31, 2000
CRJ100*/CRJ200*	**62**	44
CRJ700*	**6**	-
Q100*/Q200*	**1**	4
Q300*	**6**	5
Q400*	**11**	8
TOTAL	**86**	61

One Canadair 415* turboprop amphibious aircraft was delivered in the six month period ended July 31, 2001 compared to five for the six month period ended July 31, 2000.

In the second quarter ended July 31, 2001, Bombardier Aerospace signed a total of 125 regional aircraft firm new orders, including 75 CRJ200 from Northwest Airlines, 20 CRJ700 and 20 CRJ900* from Mesa Air Group.

During the six months ended July 31, 2001, Bombardier Aerospace signed firm orders for 150 CRJ100/200, 20 CRJ700, 20 CRJ900 aircraft, one Q300 Dash 8* and nine Q400 Dash 8 turboprop aircraft compared to 109 CRJ100/200, 50 CRJ700, 10 CRJ900 aircraft, 30 Q300 Dash 8 and six Q400 Dash 8 turboprop aircraft for the same period in the previous year.

The general slow-down in the US economy has had an impact on the business aircraft order intake so far this year, mainly in the lower end of the market.

The order backlog of Regional Aircraft as at July 31, 2001 was as follows:

	Aircraft on Firm Order	**Options and Conditional Orders or Letters of Agreement**	**Total Backlog**
CRJ100/200	**414**	**856**	**1,270**
CRJ700	**187**	**357**	**544**
CRJ900	**30**	**82**	**112**
Q100/200	**3**	**2**	**5**
Q300	**23**	**42**	**65**
Q400	**31**	**35**	**66**
TOTAL	**688**	**1,374**	**2,062**

BOMBARDIER TRANSPORTATION

Effective May 1, 2001, the Corporation acquired, from DaimlerChrysler AG (DaimlerChrysler), its subsidiary, Adtranz. The following analysis gives effect to this transaction.

For the second quarter ended July 31, 2001, Bombardier Transportation’s revenues before intersegment eliminations amounted to $1.6 billion, compared with $752.7 million for the second quarter last year. Year to date revenues for the current year increased by 62%, to $2.5 billion compared to $1.5 billion for the first six months of last year. These increases are mainly attributable to the consolidation of the results of Adtranz for a two month period as well as a higher level of activity for the New York subway and for VirginRail contracts.

Before income taxes and goodwill amortization, income amounted to $77.8 million for the second quarter ended July 31, 2001 compared to $37.6 million for the corresponding period of the previous year. This increase arises mainly from the consolidation of Adtranz accounts. Before income taxes and goodwill amortization, income for the six month period ended July 31, 2001 totalled $104.2 million, a 36% increase over $76.7 million for the same period last year. The margin for year to date income before income taxes decreased from 5.1% to 4.2% mainly due to the impact of the Acela† contract.

As at July 31, 2001, the value of Bombardier Transportation’s order backlog, excluding Adtranz, totalled $8.4 billion, consisting of $6.5 billion for operations and $1.9 billion for maintenance services. This compares with $5.9 billion for operations and $2.0 billion for maintenance services for a total of $7.9 billion as at July 31, 2000. Adtranz has further contributed a backlog of $10.4 billion for operations and $1.2 billion for maintenance services as at July 31, 2001. Therefore, Bombardier Transportation backlog as at July 31, 2001 totals $20.0 billion, $16.9 billion for operations and $3.1 billion for maintenance services.

The following major new orders were received since the beginning of the current year :

Client	**Product**	**Units**	**Value (in millions of Canadian dollars)**
Deutsche Bahn	Double-Deck vehicles	117	165
Netherlands Railways	VRM vehicles	126	315
Porterbrook Leasing Company Ltd	Double deck vehicles	42	77
Austrian Federal Railways	EMU	51	231
Transit Authority of Dresden, Germany	Low floor street trams	20	54
Istanbul Transportation Company	Low-floor trams	55	112
Swiss Federal Railways	Intercity tilting trains ICN	70	153
RATP	MF-2000	805	300
Netherlands Railways	SGM III	180	132

Adtranz Acquisition

Pursuant to the terms of the sale and purchase agreement (SPA) for the acquisition of Adtranz, an original purchase price of $725 million US ($1.1 billion) was agreed. The SPA also contemplates adjustment to the purchase price based on the carrying value of the adjusted net assets acquired established under US generally accepted accounting principles (“US GAAP”) as at April 30, 2001 (the “Net Asset Amount”).

Over the past few months, the Corporation has undertaken an extensive review of the affairs of Adtranz. This review has validated our original assessment of the strategic value of the acquired technological know-how, in particular in businesses where Bombardier Transportation was not previously involved such as propulsion, train control and communication systems and electric locomotives. It has also confirmed the quality of the pool of talented people and of the established customer base of Adtranz.

Starting in May 2001, Adtranz, under the ownership of Bombardier, prepared its April 30, 2001 closing balance sheet under US GAAP in accordance with the provisions of the SPA for the purpose of establishing the Net Asset Amount. As a result, adjustments to the Net Asset Amount pertaining to the application of US GAAP were identified, related mainly to the contracts on hand. At this stage, the Corporation and DaimlerChrysler disagree on the Net Asset Amount. In such a case, the SPA provides for a negotiation procedure and, if warranted, for an arbitration process to establish the final purchase price.

Management has established the preliminary purchase price allocation taking into account all relevant information at the time of preparing the quarterly consolidated financial statements. However, the ultimate outcome of the above-mentioned disagreement cannot be determined at this time. Upon resolution of the issue, any adjustments arising from the definitive purchase price allocation will be reflected as a reduction of goodwill. The preliminary purchase price allocation gives rise to a goodwill of $2.6 billion.

BOMBARDIER RECREATIONAL PRODUCTS

On March 9, 2001, the Corporation acquired for a cash consideration of $53.8 million US ($83.3 million), before acquisition costs of $3.8 million, most of the net assets of the engine manufacturing operations of OMC. This occurred following OMC's and certain of its subsidiaries' filing of a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code on December 22, 2000. OMC was a leading manufacturer of engines built to service the boat industry and the acquired assets include the outboard marine engine brands of Evinrude* and Johnson* as well as the FICHT* fuel injection technology.

For the second quarter ended July 31, 2001, revenues of Bombardier Recreational Products before intersegment eliminations amounted to $418.7 million, compared with $329.9 million for the second quarter ended July 31, 2000, a growth of 27%. For the six month period ended July 31, 2001, revenues before intersegment eliminations totalled $788.8 million, a 22% increase over the $645.3 million for the same period last year. This increase is mainly attributable to the inclusion of OMC results since March 9, 2001. The performance of OMC since acquisition is in line with our expectations.

Income before income taxes totalled $28.6 million, a 6.8% margin, for the second quarter ended July 31, 2001 compared to $12.1 million, a 3.7% margin, for the quarter ended July 31, 2000. Income before income taxes for the six months ended July 31, 2001 reached $47.6 million, a 6% margin, compared with $21.2 million, a 3.3% margin, for the same period last year. These margin increases result from continued operational efficiency improvements.

BOMBARDIER CAPITAL

For the second quarter ended July 31, 2001, Bombardier Capital's revenues before intersegment eliminations amounted to $259.8 million, an increase of 6% over the $245.2 million recorded for the quarter ended July 31, 2000. Revenues before intersegment eliminations grew from $467.2 million for the six month period ended July31, 2000 to $522.2 million for the six month period ended July 31, 2001. Revenue increases were mainly driven by continued growth in Capital Services.

Bombardier Capital reported a pre-tax loss of $3.0 million for the quarter ended July 31, 2001 compared to $11.6 million income before income taxes for the same period last year. Before special item and income taxes, income was break-even for the first six months ended July31, 2001 compared with $21.6 million for the same period last year. In addition, beginning in February 2001, the Corporation ceased to allocate corporate interest charges to Bombardier Capital. The cumulative effect of this change was a $21.3 million decrease in interest expense for the six month period. While the aircraft services portfolio in Capital Services demonstrates strong performance and the inventory finance portfolio is performing well despite a general slow-down in the US economy, Bombardier Capital has experienced losses on its manufactured housing finance portfolio due to continuous high delinquencies as market conditions deteriorate. Management continues to evaluate various options to improve the performance of this portfolio.

On May 12, 2000, involuntary bankruptcy proceedings were filed against the principal recourse lessor providing credit support for the small ticket finance portfolio which is being wound down. As a result of this development as well as defaults from other recourse lessors and the deterioration of the credit quality of this portfolio, a special item of $79.5 million ($47.7 million after tax) was provided for during the quarter ended April 30, 2000 related to additional provision for credit losses.

As mentioned last year, the Corporation continued to wind down the technology management and finance portfolio and the mid-market equipment commercial finance and small ticket finance portfolios. Bombardier Capital expects the gradual wind-down of these portfolios to be completed within three to four years. As at July 31, 2001, these portfolios represented $852.2 million, or 6% of Bombardier Capital's total assets under management compared to $1.1 billion, or 8% as at January 31, 2001.

FINANCIAL POSITION

Bombardier

Short-term borrowings net of cash and cash equivalents were $585.5 million as at July 31, 2001 compared to a net cash position of $1.4 billion at the end of the previous year. This $2.0 billion reduction in net cash is mainly attributable to increases in inventory of $1.9 billion, payments for the acquisition of OMC and Adtranz amounting to $1.0 billion and investments in fixed assets of $344.9 million partially offset by the issuance of $1.2 billion of long-term debt.

Total inventories as at July 31, 2001 were $8.5 billion, compared to $6.4 billion at the end of the previous fiscal year, an increase of $2.1 billion. In addition to the normal build-up of inventory in the early part of the year, this increase arose mainly from investments in new programs, namely the CRJ900 Series and the Bombardier Continental Business Jet* aircraft. The ramp-up in the production for the CRJ100/200 and 700 Series and the consolidation of the inventory of OMC and Adtranz have also contributed to this increase. Total advances and progress billings grew by 38%, from $6.4 billion as at the end of the previous year to $8.9 billion with Adtranz contributing a large portion of the increase. An amount of $5.7 billion of advances and progress billings is deducted against inventory as at July 31, 2001 as compared to $4.0 billion at the end of the previous fiscal year. Advances and progress billings in excess of related costs, shown as liabilities, have increased to $3.2 billion as at July 31, 2001 compared to $2.4 billion at the end of the previous year.

Fixed assets have increased from $2.0 billion as at January 31, 2001 to $3.1 billion as at July 31, 2001. This increase is due to the consolidation of Adtranz fixed assets and to investments in the aerospace segment for the construction of a manufacturing facility for the CRJ700 and CRJ900 production, for CRJ100/200 expansion of production capacity and for the construction of a new terminal at Belfast City Airport. In addition, the recreational products segment invested in new manufacturing facilities and related tooling to restart the production of the Johnson and Evinrude engine business. Finally, the transportation segment invested in a service center facility for the VirginRail contract and in equipment to support other new contracts.

As of July 31, 2001, goodwill relating to the acquisition of Adtranz was $2.5 billion, taking into account amortization and exchange rate variations.

Other assets as at July 31, 2001 were $918.1 million, compared to $421.6 million as at January 31, 2001. The increase is mostly due to consolidation of deferred income tax and accrued benefit asset related to the Adtranz acquisition.

As at July 31, 2001, the total outstanding long-term debt increased to $2.0 billion from $879.4 million as at January 31, 2001. On February 22, 2001, notes amounting to $697.5 million (€500 million) and $388.8 million (£175 million) maturing in February 2008 and February 2006, respectively, were issued on the European markets. Consistent with the cyclical nature of its businesses and as a result of recent acquisitions, Bombardier's debt-to-capital ratio, before taking into consideration cash and cash equivalents, was 44% as at July 31, 2001 compared to 19% as at January 31, 2001.

On August 1, 2001, the Corporation issued notes amounting to $250.0 million, due August 30, 2002, bearing interest at the one-month Canadian dollar bankers acceptance rate plus 0.20%.

On August 8, 2001, the Corporation issued notes amounting to $269.3 million (€200 million) due August 31, 2002 and notes amounting to $249.0 million (¥20 billion), due August 31, 2002, bearing interest at the variable rate of deposits in Euro and Yen respectively, for a term of three months.

BC

The portfolios of asset-based financing items amounted to $10.3 billion as at July 31, 2001, compared with $8.9 billion as at January 31, 2001, an increase of 16%. Including off-balance sheet asset-based financing items, assets under management grew by 6% to $14.1 billion from $13.3 billion as at January 31, 2001. Both increases arose mainly from the aircraft services portfolio in Capital Services.

The increase in Bombardier Capital's asset-based financing items was mainly financed through the issuance of $1.4 billion of notes pursuant to its medium-term notes programs.

BC's financial leverage, determined as the ratio of debt and off-balance-sheet debt to shareholders' equity and subordinated debt from Bombardier, as at July 31, 2001 and January 31, 2001 was 9 to 1 and 8.7 to 1, respectively. Bombardier targets a ratio of 9 to 1 for this type of business.

Robert E. Brown
President and Chief Executive Officer

August 21, 2001

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 Bombardier's Annual Report under the heading Risks and Uncertainties in the Management's Discussion and Analysis section.

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

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

	Notes	*Bombardier Inc. consolidated* July 31 2001 (Unaudited)	January 31 2001	*Bombardier* July 31 2001 (Unaudited)	January 31 2001	*BC* July 31 2001 (Unaudited)	January 31 2001
Assets							
Cash and cash equivalents		**$ 662.7**	$ 1,373.9	**$ 647.1**	$ 1,358.8	**$ 15.6**	$ 15.1
Receivables		**2,093.7**	851.2	**1,848.6**	626.5	**245.1**	224.7
Asset-based financing items	3	**10,355.3**	8,970.8	**52.4**	62.0	**10,302.9**	8,908.8
Inventories	4	**8,518.1**	6,413.7	**8,518.1**	6,413.7	**—**	—
Fixed assets		**3,222.3**	2,090.9	**3,068.2**	1,958.1	**154.1**	132.8
Goodwill	2	**2,516.9**	—	**2,516.9**	—	**—**	—
Investment in and advances to BC		**—**	—	**1,493.9**	1,581.5	**—**	—
Other assets		**1,193.6**	703.8	**918.1**	421.6	**275.5**	282.2
		$ 28,562.6	$ 20,404.3	**$ 19,063.3**	$ 12,422.2	**$ 10,993.2**	$ 9,563.6
Liabilities							
Short-term borrowings		**$ 3,904.8**	$ 2,531.2	**$ 1,232.6**	$ —	**$ 2,672.2**	$ 2,531.2
Advances from Bombardier		**—**	—	**—**	—	**99.6**	205.5
Accounts payable and accrued liabilities		**6,387.8**	4,036.6	**6,214.0**	3,840.0	**173.8**	196.6
Advances and progress billings in excess of related costs		**3,213.7**	2,362.8	**3,213.7**	2,362.8	**—**	—
Long-term debt	5	**8,694.8**	6,131.2	**2,045.1**	879.4	**6,649.7**	5,251.8
Other liabilities		**2,134.3**	1,530.1	**2,130.7**	1,527.6	**3.6**	2.5
		24,335.4	16,591.9	**14,836.1**	8,609.8	**9,598.9**	8,187.6
Shareholders' equity (Investment in BC)							
Preferred shares							
Issued and outstanding:							
Series 2: 12,000,000		**300.0**	300.0	**300.0**	300.0	**—**	—
Common shares							
Issued and outstanding:							
Class A: 344,270,977 (347,426,366 as at January 31, 2001)		**47.6**	48.1	**47.6**	48.1	**—**	—
Class B: 1,024,771,593 (1,018,624,370 as at January 31, 2001)		**837.5**	821.9	**837.5**	821.9	**—**	—
Retained earnings		**3,055.1**	2,660.0	**3,055.1**	2,660.0	**—**	—
Deferred translation adjustment		**(13.0)**	(17.6)	**(13.0)**	(17.6)	**—**	—
Investment in BC		**—**	—	**—**	—	**1,394.3**	1,376.0
		4,227.2	3,812.4	**4,227.2**	3,812.4	**1,394.3**	1,376.0
		$ 28,562.6	$ 20,404.3	**$ 19,063.3**	$ 12,422.2	**$ 10,993.2**	$ 9,563.6

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

BOMBARDIER INC.
Consolidated Statements of Income
(Unaudited)
For the three months ended July 31
(millions of Canadian dollars)

					Bombardier Inc. consolidated			***Bombardier***				***BC***
	Notes		**2001**		2000		**2001**		2000		**2001**		2000
Revenues		**$**	**4,931.9**	$	3,423.4	**$**	**4,741.9**	$	3,223.6	**$**	**259.8**	$	245.2
Expenses													
Cost of sales and operating expenses			**4,393.8**		3,042.3		**4,204.1**		2,865.2		**259.5**		222.5
Depreciation and amortization			**69.3**		54.1		**66.0**		51.7		**3.3**		2.4
Interest expense			**41.1**		21.6		**41.1**		12.9		**—**		8.7
Interest income			**(4.8)**		(9.3)		**(4.8)**		(9.3)		**—**		—
Net loss (income) from BC			**—**		—		**1.8**		(6.8)		**—**		—
			4,499.4		3,108.7		**4,308.2**		2,913.7		**262.8**		233.6
Income (loss) before special item, income taxes and goodwill amortization			**432.5**		314.7		**433.7**		309.9		**(3.0)**		11.6
Special item	6		**—**		(49.8)		**—**		(49.8)		**—**		—
Income (loss) before income taxes and goodwill amortization			**432.5**		364.5		**433.7**		359.7		**(3.0)**		11.6
Income taxes			**133.9**		110.4		**135.1**		105.6		**(1.2)**		4.8
Income (loss) before goodwill amortization			**298.6**		254.1		**298.6**		254.1		**(1.8)**		6.8
Goodwill amortization, net of tax			**10.7**		—		**10.7**		—		**—**		—
Net income (loss)		**$**	**287.9**	$	254.1	**$**	**287.9**	$	254.1	**$**	**(1.8)**	$	6.8
Earnings per share:													
Basic		**$**	**0.21**	$	0.19								
Fully diluted		**$**	**0.20**	$	0.18								
Earnings per share, before goodwill amortization													
Basic		**$**	**0.22**	$	0.19								
Fully diluted		**$**	**0.21**	$	0.18								

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

BOMBARDIER INC.
Consolidated Statements of Income
(Unaudited)
For the six months ended July 31
(millions of Canadian dollars)

		Bombardier Inc. consolidated		***Bombardier***		***BC***	
	Notes	**2001**	2000	**2001**	2000	**2001**	2000
Revenues		**$ 8,951.5**	$ 6,690.1	**$ 8,568.3**	$ 6,309.0	**$ 522.2**	$ 467.2
Expenses							
Cost of sales and operating expenses		**7,968.0**	5,958.2	**7,590.8**	5,621.2	**516.2**	423.1
Depreciation and amortization		**136.5**	107.6	**130.5**	102.7	**6.0**	4.9
Interest expense		**73.0**	44.0	**73.0**	26.4	**—**	17.6
Interest income		**(17.1)**	(26.6)	**(17.1)**	(26.6)	**—**	—
Net income from BC before BC's special item		**—**	—	**—**	(12.7)	**—**	—
		8,160.4	6,083.2	**7,777.2**	5,711.0	**522.2**	445.6
Income before special items, income taxes and goodwill amortization		**791.1**	606.9	**791.1**	598.0	**—**	21.6
Special items	6	**—**	29.7	**—**	(2.1)	**—**	79.5
Income (loss) before income taxes and goodwill amortization		**791.1**	577.2	**791.1**	600.1	**—**	(57.9)
Income taxes		**251.5**	175.7	**251.5**	198.6	**—**	(22.9)
Income (loss) before goodwill amortization		**539.6**	401.5	**539.6**	401.5	**—**	(35.0)
Goodwill amortization, net of tax		**10.7**	—	**10.7**	—	**—**	—
Net income (loss)		**$ 528.9**	$ 401.5	**$ 528.9**	$ 401.5	**$ —**	$ (35.0)
Earnings per share:							
Basic		**$ 0.38**	$ 0.29				
Fully diluted		**$ 0.37**	$ 0.28				
Earnings per share, before goodwill amortization							
Basic		**$ 0.39**	$ 0.29				
Fully diluted		**$ 0.38**	$ 0.28				
Average number of common shares outstanding during the period (in thousands)		**1,367,393**	1,372,443				

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

BOMBARDIER INC.
Consolidated Statements of Retained Earnings
(Unaudited)
For the six months ended July 31
(millions of Canadian dollars)

	Bombardier Inc. consolidated	
	2001	2000
Balance at beginning of period	**$ 2,660.0**	$ 2,392.5
Effect of change of accounting policy for employee future benefits	—	(210.6)
Balance at beginning of period - adjusted	**2,660.0**	2,181.9
Net income	**528.9**	401.5
Dividends:		
Preferred shares	**(8.2)**	(8.2)
Common shares	**(124.7)**	(94.1)
Excess of redemption price of common shares over stated value	—	(284.1)
Other	**(0.9)**	(0.9)
Balance at end of period	**$ 3,055.1**	$ 2,196.1

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

BOMBARDIER INC.
Consolidated Statements of Cash Flows
(Unaudited)
For the three months ended July 31
(millions of Canadian dollars)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**2001**	2000	**2001**	2000	**2001**	2000
Operating activities							
Net income (loss)		**$ 287.9**	$ 254.1	**$ 287.9**	$ 254.1	**$ (1.8)**	$ 6.8
Non-cash items:							
Depreciation and amortization		**112.3**	69.7	**76.7**	51.7	**35.6**	18.0
Net loss (income) from BC		**—**	—	**1.8**	(6.8)	**—**	—
Provision for credit losses	3	**36.9**	14.2	**—**	—	**36.9**	14.2
Deferred income taxes		**53.4**	58.5	**72.5**	66.1	**(19.1)**	(7.6)
Special item	6	**—**	(49.8)	**—**	(49.8)	**—**	—
Net changes in non-cash balances related to operations		**(1,426.7)**	(569.6)	**(1,424.8)**	(533.3)	**(1.9)**	(36.3)
Cash flows from operating activities		**(936.2)**	(222.9)	**(985.9)**	(218.0)	**49.7**	(4.9)
Investing activities							
Additions to fixed assets		**(259.2)**	(83.0)	**(238.7)**	(78.8)	**(20.5)**	(4.2)
Net investment in asset-based financing items		**(995.8)**	(243.9)	**0.7**	2.1	**(996.5)**	(246.0)
Business acquisition, net of cash acquired	2	**(892.7)**	—	**(892.7)**	—	**—**	—
Disposal of businesses		**—**	66.1	**—**	66.1	**—**	—
Investment in and advances to BC		**—**	—	**428.0**	401.7	**(428.0)**	(401.7)
Other		**1,167.6**	(17.6)	**1,181.2**	0.6	**(13.6)**	(18.2)
Cash flows from investing activities		**(980.1)**	(278.4)	**478.5**	391.7	**(1,458.6)**	(670.1)
Financing activities							
Net variation in short-term borrowings		**262.5**	136.7	**448.4**	18.7	**(185.9)**	118.0
Net variation in long-term debt	5	**1,520.2**	607.7	**94.8**	7.3	**1,425.4**	600.4
Issuance of shares, net of related costs		**9.1**	3.5	**9.1**	3.5	**—**	—
Redemption of shares		**—**	(226.5)	**—**	(226.5)	**—**	—
Dividends paid		**(128.6)**	(102.1)	**(128.6)**	(102.1)	**—**	—
Balance of purchase price - Adtranz		**306.8**	—	**306.8**	—	**—**	—
Cash flows from financing activities		**1,970.0**	419.3	**730.5**	(299.1)	**1,239.5**	718.4
Effect of exchange rate changes on cash and cash equival		**11.8**	(51.8)	**13.0**	(54.9)	**(1.2)**	3.1
Net increase (decrease) in cash and cash equivalents		**65.5**	(133.8)	**236.1**	(180.3)	**(170.6)**	46.5
Cash and cash equivalents at beginning of period		**597.2**	718.9	**411.0**	701.5	**186.2**	17.4
Cash and cash equivalents at July 31		**$ 662.7**	$ 585.1	**$ 647.1**	$ 521.2	**$ 15.6**	$ 63.9

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

BOMBARDIER INC.
Consolidated Statements of Cash Flows
(Unaudited)
For the six months ended July 31
(millions of Canadian dollars)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**2001**	2000	**2001**	2000	**2001**	2000
Operating activities							
Net income (loss)		**$ 528.9**	$ 401.5	**$ 528.9**	$ 401.5	**$ —**	$ (35.0)
Non-cash items:							
Depreciation and amortization		**208.6**	134.5	**141.2**	102.7	**67.4**	31.8
Net loss from BC		**—**	—	**—**	35.0	**—**	—
Provision for credit losses	3	**63.8**	27.7	**—**	—	**63.8**	27.7
Deferred income taxes		**155.8**	114.4	**172.6**	149.0	**(16.8)**	(34.6)
Special items	6	**—**	29.7	**—**	(49.8)	**—**	79.5
Net changes in non-cash balances related to operations		**(2,590.5)**	(1,512.4)	**(2,556.7)**	(1,498.3)	**(33.8)**	(14.1)
Cash flows from operating activities		**(1,633.4)**	(804.6)	**(1,714.0)**	(859.9)	**80.6**	55.3
Investing activities							
Additions to fixed assets		**(371.6)**	(180.1)	**(344.9)**	(173.8)	**(26.7)**	(6.3)
Net investment in asset-based financing items		**(1,336.3)**	(955.8)	**9.6**	0.4	**(1,345.9)**	(956.2)
Business acquisitions, net of cash acquired	2	**(979.8)**	—	**(979.8)**	—	**—**	—
Disposal of businesses		**—**	66.1	**—**	66.1	**—**	—
Investment in and advances to BC		**—**	—	**110.6**	279.1	**(110.6)**	(279.1)
Other		**(18.5)**	0.1	**(33.8)**	(1.4)	**15.3**	1.5
Cash flows from investing activities		**(2,706.2)**	(1,069.7)	**(1,238.3)**	170.4	**(1,467.9)**	(1,240.1)
Financing activities							
Net variation in short-term borrowings		**948.5**	679.0	**858.2**	104.1	**90.3**	574.9
Net variation in long-term debt	5	**2,468.7**	578.0	**1,168.8**	15.7	**1,299.9**	562.3
Issuance of shares, net of related costs		**15.1**	8.9	**15.1**	8.9	**—**	—
Redemption of shares		**—**	(294.1)	**—**	(294.1)	**—**	—
Dividends paid		**(133.1)**	(102.5)	**(133.1)**	(102.5)	**—**	—
Balance of purchase price - Adtranz		**306.8**	—	**306.8**	—	**—**	—
Cash flows from financing activities		**3,606.0**	869.3	**2,215.8**	(267.9)	**1,390.2**	1,137.2
Effect of exchange rate changes on cash and cash equival		**22.4**	(73.9)	**24.8**	(70.1)	**(2.4)**	(3.8)
Net increase (decrease) in cash and cash equivalents		**(711.2)**	(1,078.9)	**(711.7)**	(1,027.5)	**0.5**	(51.4)
Cash and cash equivalents at beginning of period		**1,373.9**	1,664.0	**1,358.8**	1,548.7	**15.1**	115.3
Cash and cash equivalents at July 31		**$ 662.7**	$ 585.1	**$ 647.1**	$ 521.2	**$ 15.6**	$ 63.9

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All figures for the periods ended July 31, 2001 and 2000 and as of July 31, 2001 are unaudited)
For the second quarter ended July 31, 2001.
(Tabular figures in millions of Canadian dollars)

CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

Bombardier Inc. is incorporated under the laws of Canada. The consolidated balance sheets are unclassified because Bombardier Inc. and its subsidiaries (the "Corporation") carry out their operations in four distinct segments, each one characterized by a specific 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, transportation and recreational products). These segments are grouped and referred to as "Bombardier" and intercompany transactions and balances within this column have been eliminated. Bombardier's investment 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. Intercompany transactions and balances within BC have been eliminated.

1. CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim 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.

The consolidated interim financial statements have been prepared by the Corporation in accordance with Canadian generally accepted accounting principles (GAAP) applicable to interim financial statements and follow the same accounting policies and methods of their application as the most recent annual financial statements, except for the changes in accounting policies for earnings per share and transfer of receivables described in the Corporation's first quarter report for fiscal year 2002. In the opinion of Management, all adjustments necessary for a fair presentation are reflected in the interim financial statements. Such adjustments are of a normal and recurring nature. The results of operations for the interim periods are not necessarily indicative of the operating results for the full year. The interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation's Annual Report for fiscal year 2001. Certain reclassifications have been made to prior periods to conform with current reporting**.** Most legal entities of the transportation segment use a December 31 fiscal year end. As a result, the Corporation consolidates these operations with a one month lag with the remainder of its operations.

2. BUSINESS ACQUISITIONS

ADTRANZ

Effective May 1, 2001, the Corporation acquired from DaimlerChrysler AG (DaimlerChrysler) of Stuttgart, Germany its subsidiary DaimlerChrysler Rail Systems GmbH (Adtranz) based in Berlin for an original cash consideration of $725 million US ($1.1 billion), of which $200 million US ($306.8 million) is payable on October 31, 2001. The terms of the sale and purchase agreement (SPA) provides for an adjustment to the original purchase price based on the carrying value of the adjusted net assets acquired as at April 30, 2001 (the "Net Asset Amount").

Starting in May 2001, Adtranz, under the ownership of the Corporation, prepared its April 30, 2001 closing balance sheet under US GAAP in accordance with the provisions of the SPA for the purpose of establishing the Net Asset Amount. As a result, adjustments to the Net Asset Amount pertaining to the application of US GAAP were identified, related mainly to the contracts on hand. At this stage, the Corporation and DaimlerChrysler disagree on the Net Asset Amount. In such a case, the SPA provides for a negotiation procedure and, if warranted, for an arbitration process to establish the final purchase price.

Management has established the preliminary purchase price allocation taking into account all relevant information at the time of preparing the quarterly consolidated financial statements. However, the ultimate outcome of the above-mentioned disagreement cannot be determined at this time. Upon resolution of the issue, any adjustments arising from the definitive purchase price allocation will be reflected as a reduction of goodwill.

2. BUSINESS ACQUISITIONS (cont'd)

This acquisition has been recorded under the purchase method of accounting. The financial results of operations of Adtranz have been consolidated with those of the Corporation as of May 1, 2001. The allocation of the preliminary purchase price, including estimated acquisition costs of $40 million, to the net assets acquired at fair value is as follows:

	(unaudited)
Net assets acquired at fair value	
Cash and cash equivalents	**$ 279.5**
Receivables	**1,284.5**
Inventories	**1,726.6**
Advances and progress billings in excess of related costs	**(1,678.1)**
Fixed assets	**842.0**
Deferred income taxes	**375.8**
Other assets	**149.3**
	2,979.6
Intercompany balance with DaimlerChrysler	**(374.3)**
Accounts payable and accrued liabilities	**(2,340.6)**
Advances and progress billings in excess of related costs	**(1,265.9)**
Long-term debt	**(29.1)**
Other liabilities	**(387.4)**
	(4,397.3)
Identifiable net assets at fair value	**(1,417.7)**
Goodwill	**2,589.9**
Net assets acquired	**$ 1,172.2**

The preliminary purchase price allocation is subject to further refinements, including those arising from the final determination of the purchase price and from completion of the plan to integrate the operations of Adtranz with the transportation segment. The excess of the preliminary purchase price over the fair value of identifiable net assets acquired is recorded as goodwill and is being amortized over forty years. Effective February 1, 2002, the Corporation will prospectively adopt the new recommendations of the Canadian Institute of Chartered Accountants relating to goodwill and other intangible assets and will therefore cease amortizing goodwill as of that date and adopt the goodwill impairment model introduced by the new accounting rules.

The Corporation has not recognized, in its preliminary purchase price allocation, future income tax benefits amounting to approximately $1.0 billion, relating to acquired losses for tax purposes and other deductible temporary differences. Any subsequent recognition of these unrecorded future income tax benefits will be recorded as a reduction of goodwill related to this acquisition.

2. BUSINESS ACQUISITIONS (cont'd)

OMC

On March 9, 2001, the Corporation acquired for a cash consideration of $53.8 million US ($83.3 million), before acquisition costs of $3.8 million, most of the net assets of the engine manufacturing operations of Outboard Marine Corporation ("OMC"). This occured following OMC's and certain of its subsidiaries' filing, on December 22, 2000, of a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. OMC was a leading manufacturer of engines built to service the boat industry and the acquired assets include the Evinrude and Johnson outboard marine engine brands and FICHT fuel injection technology.

	(unaudited)
Net assets acquired at fair value	
Receivables	**$ 8.3**
Inventories	**76.3**
Fixed Assets	**73.8**
	158.4
Accounts payable and accrued liabilities	**(71.3)**
Net assets acquired	**$ 87.1**

3. ASSET-BASED FINANCING ITEMS

	July 31 2001 (unaudited)	January 31 2001
Bombardier		
Assets under operating leases and commercial loans	**$ 52.4**	

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

ASSETS UNDER MANAGEMENT – BC

	July 31 2001	January 31 2001
	(unaudited)	
Asset-based financing items	**$ 10,302.9**	$ 8,908.8
Asset-based financing items – sold to third parties and serviced by BC:		
Inventory	**1,567.1**	1,969.4
Manufactured housing	**820.8**	867.2
Consumer	**377.2**	467.9
Railcar	**928.4**	917.8
Winding down portfolios	**141.5**	194.2
	3,835.0	4,416.5
Assets under management	**$ 14,137.9**	$ 13,325.3

ALLOWANCE FOR CREDIT LOSSES

Changes in the allowance for credit losses are as follows:

	Six months ended July 31 2001	Six months ended July 31 2000
	(unaudited)	(unaudited)
Allowance at beginning of period	**$ 133.0**	$ 56.5
Provision for credit losses[1]	**63.8**	107.2
Amounts charged off – net of recoveries	**(79.3)**	(61.8)
Allowance at end of period	**$ 117.5**	$ 101.9

[1] For the period ended July 31, 2000, the provision for credit losses includes a special charge of $79.5 million.

4. INVENTORIES

	July 31 2001	January 31 2001
	(unaudited)	
Raw materials and work in process	**$ 506.2**	$ 395.0
Long-term contracts and aerospace programs	**12,539.6**	9,485.3
Finished products	**1,128.0**	581.8
	14,173.8	10,462.1
Advances and progress billings	**(5,655.7)**	(4,048.4)
	$ 8,518.1	$ 6,413.7

5. LONG-TERM DEBT

On February 22, 2001, the Corporation issued notes amounting to $697.5 million (€500.0 million), 5.75% due February 2008 at a price of 99.467% and notes amounting to $388.8 million (£175.0 million), 6.25% due February 2006 at a price of 99.442% for aggregate net proceeds of $1,076.4 million (€495.4 million and £173.4 million).

During the second quarter of fiscal year 2002, Bombardier Capital issued the following $1,444.2 million notes under its medium-term note programs:

	Average		
$	Price	Rate	Maturity
461.2 (US $300.0 million)	**100.083%**	**5.625%**	**May 2013**
683.0 (US $450.0 million)	**99.576%**	**6.125%**	**June 2006**
100.0	**100%**	**6.60%**	**November 2004**
200.0	**100%**	**6.35%**	**July 2006**

As at July 31, 2001 and January 31, 2001, the Corporation had complied with the restrictive covenants contained in its various financing agreements.

6. SPECIAL ITEMS

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 defense services. During the six month period ended July 31, 2000, Bombardier Aerospace sold Bombardier Services (UK) Limited’s defense service business, including its wholly owned subsidiary Airwork Ltd., an operation located in the United Kingdom. The net sale proceeds of $66.1 million resulted in a net gain of $49.8 million ($44.0 million after tax).

On May 12, 2000, involuntary bankruptcy proceedings were filed against the principal recourse lessor providing credit support for the small ticket finance portfolio which is being wound down. As a result of this development as well as defaults from other recourse lessors providing credit support for this portfolio and the deterioration of the credit quality of this portfolio, a special charge of $79.5 million ($47.7 million after tax) has been provided for during the quarter ended April 30, 2000, related to additional provision for credit losses.

7. CONTINGENCIES

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.

The Corporation intends to vigorously defend its position in these matters. Management believes the Corporation has established adequate provisions to cover potential losses, including amounts not recoverable under insurance coverage, if any, in relation to these legal actions.

8. 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 transportation segment is the global leader in the rail equipment manufacturing and servicing industry. Its wide range of products includes passenger rail cars and complete rail transportation systems. It also manufactures locomotives, freight cars, propulsion and train control systems and provides signaling equipment and systems.

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

The capital segment (BC) includes financial services and real estate activities. The financial services are all asset-based and are grouped into two divisions: Consumer Products Finance and Capital Services. The Consumer Products Finance division comprises manufactured housing, inventory and consumer finance portfolios. The Capital Services division includes aircraft, railcars and industrial equipment portfolios. 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 Corporation's annual report for fiscal year 2001. Management evaluates performance based on income or loss before special items, income taxes and goodwill amortization. Intersegment services are accounted for at current market prices as if the services were provided to third parties.

Corporate interest costs are allocated to the manufacturing segments based on each segment's net assets and most corporate office charges are allocated to all segments based on each segment's revenues. Net assets exclude cash and cash equivalents, investment in and advances to BC and deferred income taxes and are net of accounts payable and accrued liabilities, advances and progress billings in excess of related costs and accrued benefit liability.

Effective February 1, 2001, the Corporation ceased allocation of corporate interest charges to the BC segment. The new allocation basis is now used by Management in evaluating performance and making operating decisions for each segment. The effect of this modification was a decrease of interest expense allocated to the BC segment of $21.3 million for the six month period ended July 31, 2001. The corresponding increase in the allocation of interest expense has been mostly borne by the aerospace segment.

The table containing the detailed segmented information is shown at the end of the financial statements.

9. SUBSEQUENT EVENT

On August 1, 2001, the Corporation issued notes amounting to $250.0 million, due August 30, 2002, bearing interest at the one-month Canadian dollar bankers acceptance rate plus 0.20%.

On August 8, 2001, the Corporation issued notes amounting to $269.3 million (€200 million) due August 31, 2002 and notes amounting to $249.0 million (¥20 billion), due August 31, 2002, bearing interest at the variable rate of deposits in Euro and Yen respectively for a term of three months.

SEGMENT DISCLOSURE

(unaudited)
For the three months ended July 31
(millions of Canadian dollars)

Industry segments	**Bombardier Inc. consolidated**		**Aerospace**		**Transportation**		**Recreational Products**		**BC**	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
External revenues	**$ 4,931.9**	$ 3,423.4	**$ 2,716.4**	$ 2,145.3	**$ 1,606.8**	$ 748.4	**$ 418.7**	$ 329.9	**$ 190.0**	$ 199.8
Intersegment eliminations	**—**	—	**—**	0.2	**5.9**	4.3	**—**	—	**69.8**	45.4
Revenues	**$ 4,931.9**	$ 3,423.4	**$ 2,716.4**	$ 2,145.5	**$ 1,612.7**	$ 752.7	**$ 418.7**	$ 329.9	**$ 259.8**	$ 245.2
Expenses										
Cost of sales and operating expenses	**$ 4,393.8**	$ 3,042.3	**$ 2,280.3**	$ 1,823.3	**$ 1,555.7**	$ 742.2	**$ 374.0**	$ 304.2	**$ 259.5**	$ 222.5
Depreciation and amortization [(1)]	**69.3**	54.1	**33.1**	27.2	**24.5**	15.6	**8.4**	8.9	**3.3**	2.4
Interest expense (income), net	**36.3**	12.3	**73.9**	41.6	**(45.3)**	(42.7)	**7.7**	4.7	**—**	8.7
	4,499.4	3,108.7	**2,387.3**	1,892.1	**1,534.9**	715.1	**390.1**	317.8	**262.8**	233.6
Income (loss) before special item, income taxes and goodwill amortization	**$ 432.5**	$ 314.7	**$ 329.1**	$ 253.4	**$ 77.8**	$ 37.6	**$ 28.6**	$ 12.1	**$ (3.0)**	$ 11.6
Special item	**—**	(49.8)								
Income before income taxes and and goodwill amortization	**$ 432.5**	$ 364.5								

(1) BC's depreciation expense is mostly presented against rental income from assets under operating leases.

SEGMENT DISCLOSURE

(unaudited)
For the six months ended July 31
(millions of Canadian dollars)

Industry segments	Bombardier Inc. consolidated		Aerospace		Transportation		Recreational Products		BC	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
External revenues	**$ 8,951.5**	$ 6,690.1	**$ 5,337.7**	$ 4,156.3	**$ 2,441.8**	$ 1,507.4	**$ 788.8**	$ 645.3	**$ 383.2**	$ 381.1
Intersegment eliminations	**—**	—	**—**	0.2	**11.6**	8.4	**—**	—	**139.0**	86.1
Revenues	**$ 8,951.5**	$ 6,690.1	**$ 5,337.7**	$ 4,156.5	**$ 2,453.4**	$ 1,515.8	**$ 788.8**	$ 645.3	**$ 522.2**	$ 467.2
Expenses										
Cost of sales and operating expenses	**$ 7,968.0**	$ 5,958.2	**$ 4,508.5**	$ 3,537.0	**$ 2,382.1**	$ 1,493.7	**$ 711.8**	$ 599.1	**$ 516.2**	$ 423.1
Depreciation and amortization (1)	**136.5**	107.6	**65.8**	54.2	**47.7**	31.0	**17.0**	17.5	**6.0**	4.9
Interest expense (income), net	**55.9**	17.4	**124.1**	77.9	**(80.6)**	(85.6)	**12.4**	7.5	**—**	17.6
	8,160.4	6,083.2	**4,698.4**	3,669.1	**2,349.2**	1,439.1	**741.2**	624.1	**522.2**	445.6
Income before special items, income taxes and goodwill amortization	**$ 791.1**	$ 606.9	**$ 639.3**	$ 487.4	**$ 104.2**	$ 76.7	**$ 47.6**	$ 21.2	**$ —**	$ 21.6
Special items	**—**	29.7								
Income before income taxes and goodwill amortization	**$ 791.1**	$ 577.2								
Additions to fixed assets (excluding business acquisitions)	**$ 371.6**	$ 180.1	**$ 164.2**	$ 145.9	**$ 114.2**	$ 17.7	**$ 66.5**	$ 10.2	**$ 26.7**	$ 6.3

As at	**July 31, 2001**	January 31, 2001	**July 31, 2001**	January 31, 2001	**July 31, 2001**	January 31, 2001	**July 31, 2001**	January 31, 2001	**July 31, 2001**	January 31, 2001
Net segmented assets	**$ 7,577.8**	$ 4,053.5	**$ 5,329.4**	$ 3,231.0	**$ 479.3**	$ (615.9)	**$ 374.8**	$ 62.4	**$ 1,394.3**	$ 1,376.0
Accounts payable and accrued liabilities	**6,214.0**	3,840.0								
Advances and progress billings in excess of related costs	**3,213.7**	2,362.8								
Accrued benefit liability	**880.7**	492.1								
Advances to BC	**99.6**	205.5								
Deferred income taxes	**430.4**	109.5								
Cash and cash equivalents	**647.1**	1,358.8								
Total assets – Bombardier	**$ 19,063.3**	$ 12,422.2								
Investment in and advances to BC	**(1,493.9)**	(1,581.5)								
Total assets – BC	**10,993.2**	9,563.6								
Total assets – Bombardier Inc. consolidated	**$ 28,562.6**	$ 20,404.3								

(1) BC's depreciation expense is mostly presented against rental income from assets under operating leases.