



BOMBARDIER

Second quarterly report

SIX MONTHS ENDED JULY 31, 2000

Report to shareholders

For the second quarter ended July 31, 2000, the consolidated revenues of Bombardier Inc. totalled \$3.4 billion, an 8% increase over the revenues of \$3.2 billion for the quarter ended July 31, 1999. Net income for the second quarter, before the net effect of the special item, rose to \$210.1 million, an increase of 24% compared to a net income of \$169.1 million for the same period last year. Earnings per share, before the net effect of the special item, rose to \$0.16 from \$0.12 the previous year, a 33% increase. After the effect of the special item of \$49.8 million (\$44.0 million after tax), net income for the quarter amounted to \$254.1 million, or \$0.19 per share.

For the six months ended July 31, 2000, consolidated revenues totalled \$6.7 billion, an 11% increase over the revenues of \$6.0 billion for the same period last year. Net income for the six-month period, before the net effect of the special items, rose to \$405.2 million, an increase of 29% compared to a net income of \$313.6 million for first six months of the previous year. Earnings per share for the six-month period, before the net effect of the special items, rose to \$0.29 from \$0.22 the previous year, a 32% increase. After the effect of the special items of \$29.7 million (\$3.7 million after tax), net income remained at \$0.29 per share.

The special items consist of a charge of \$79.5 million (\$47.7 million after tax) provided for in the first quarter as additional provision for bad debt related to the small item portfolio of Bombardier Capital. This special charge was offset by a net gain of \$49.8 million (\$44.0 million after tax) in the second quarter on the divestiture of Bombardier Services (UK) Limited's defence service business in the United Kingdom.

The improvement in revenues in the second quarter is mainly attributable to increased aircraft deliveries and growth at Bombardier Capital and in the recreational products segment. The improvement in income before special items and income taxes is due to the excellent performance of the aerospace segment, to the increased profitability of Bombardier Capital and of the recreational products segment.

Bombardier's order backlog at July 31, 2000 reached \$30.9 billion, a 19% increase over the \$26.0 billion backlog at the end of the second quarter last year. In aerospace, the backlog increased from \$17.6 billion last year to \$23.0 billion at July 31, 2000 and in transportation, it went from \$8.4 billion to \$7.9 billion. The decrease in Bombardier Transportation's order backlog is mainly the result of changes in the exchange rate of the euro compared to the Canadian dollar.

Bombardier Aerospace

During the second quarter, Bombardier Aerospace received firm orders for a total of 175 Canadair Regional Jet* aircraft including 98 CRJ200* Series, 63 CRJ700* Series and 14 CRJ900* Series aircraft. These include an order from Delta Connection carriers Comair and Atlantic Southeast Airlines for a total of 104 CRJ aircraft, an increase of 10 units from firm orders covered in the letters of intent signed on March 29, 2000. Firm orders were also received for one Q200*, two Q300* and seven Q400* Dash 8* turboprops, including one firm order by SAS Commuter, the first airline to put the Q400 into revenue service, which converted six of its 15 options during the second quarter.

Since the end of the quarter, Bombardier Aerospace received firm orders for three CRJ200 aircraft.

At the Farnborough international airshow held from July 24 to 30, Bombardier Aerospace announced the signature of letters of agreement with two Chinese regional airlines covering 16 firm CRJ aircraft, including 10 CRJ700 Series and six CRJ200 Series aircraft, plus options for four CRJ200 Series aircraft. With the signature of these agreements with two additional airlines, Bombardier continued its penetration of the Chinese market.

Also during the Farnborough airshow, Bombardier Aerospace formally launched the CRJ900 Series aircraft and confirmed it had received 14 firm orders, as mentioned above, plus letters of agreement and options for 48 more.

Due to the success of its regional airliners and business jets, Bombardier Aerospace announced, during the quarter, its decision to expand its Northern Ireland manufacturing operations and to raise aircraft production. On August 11, 2000 it also announced a \$170 million investment to build a final assembly facility at Montréal's Mirabel airport for its CRJ900 Series aircraft as well as for the CRJ700.

During the quarter, Bombardier Aerospace marked three major milestones by delivering its 500th Challenger business jet, its 50th Global Express business jet and its 400th CRJ aircraft.

On June 27, 2000, Bombardier Aerospace ratified a collective agreement with its union members at the Toronto-Downsview site for a three-year contract.

Bombardier Transportation

During the second quarter, Bombardier Transportation was awarded contracts for a value of \$94 million including orders for articulated electric trainsets comprised of 29 cars from three Swiss railways operators and for 16 passenger coaches from Toronto's GO Transit. As part of a consortium Bombardier Transportation was also awarded a contract by the transport authority of Dessau, Germany for ten street-trams valued at \$21 million.

On May 24, 2000, Bombardier Transportation officially opened its Centre for Advanced Transit Systems in Burnaby, British Columbia.

Bombardier Recreational Products

In June and in August 2000, Bombardier Recreational Products launched three new versions of its Traxter* ATV : the Traxter ATV with footshift, the Traxter XL ATV specially designed for utility applications and the automatic shift Traxter ATV.

Bombardier Capital

In August 2000, Bombardier Capital purchased wholesale loan portfolios from affiliates of The CIT Group in Canada and the United States. The portfolios, totalling \$107 million, include floor plan financing loans with dealers of marine products and recreational vehicles.

Share split

At the annual meeting on June 20, 2000, the shareholders of Bombardier Inc. approved a split of Class A and Class B shares on a two-for-one basis. The split became effective for shareholders of record at the close of business, on July 7, 2000.

Acquisition of DaimlerChrysler Rail Systems (Adtranz)

On August 4, 2000, Bombardier announced it had signed a sale and purchase agreement with DaimlerChrysler AG to acquire its subsidiary DaimlerChrysler Rail Systems GmbH (Adtranz) for a cash consideration of \$725 million US (\$1.1 billion Cdn). The proceeds from the planned disposal of some of Adtranz's businesses, namely Fixed installations and Signalling, currently in the process of being sold to third parties, would reduce the net purchase price for Bombardier. The transaction is subject to the approval of appropriate regulatory authorities.

The acquisition would enhance the Corporation's ability to compete in all markets by giving it access to complementary technologies such as propulsion systems, train control and communications systems and electric locomotives. Adtranz is present in major markets around the world with 22,000 employees and facilities in 19 countries on four continents. Its revenues for 1999 totalled \$5 billion Cdn including revenues from its fixed installations and signalling business.

Robert E. Brown
President and Chief Executive Officer

August 22, 2000

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.

*Trademark of Bombardier Inc. or its subsidiaries

Bombardier Inc., 800 René-Lévesque Blvd. West, Montréal, Québec, Canada H3B 1Y8
Telephone : (514) 861-9481, Fax : (514) 861-2420, Internet : www.bombardier.com

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

	<i>Bombardier Inc.</i>		<i>Bombardier</i>		<i>BC</i>	
	<i>consolidated</i>					
	July 31	January 31	July 31	January 31	July 31	January 31
	2000	2000	2000	2000	2000	2000
	(Unaudited)		(Unaudited)		(Unaudited)	
Assets						
Cash and cash equivalents	\$ 585.1	\$ 1,664.0	\$ 521.2	\$ 1,548.7	\$ 63.9	\$ 115.3
Accounts receivable	463.3	570.7	463.3	570.7	---	---
Asset-based financing items	8,195.8	7,194.9	56.7	57.1	8,139.1	7,137.8
Inventories	6,652.0	5,361.5	6,652.0	5,361.5	---	---
Fixed assets	1,959.9	1,898.7	1,835.4	1,776.4	124.5	122.3
Investment in and advances to BC	---	---	1,239.5	1,531.2	---	---
Other assets	372.8	344.3	138.4	146.3	234.4	198.0
	\$ 18,228.9	\$ 17,034.1	\$ 10,906.5	\$ 10,991.9	\$ 8,561.9	\$ 7,573.4
Liabilities						
Short-term borrowings	\$ 2,722.6	\$ 2,002.7	\$ 104.5	\$ ---	\$ 2,618.1	\$ 2,002.7
Advances from Bombardier	---	---	---	---	170.2	459.8
Accounts payable and accrued liabilities	3,190.2	3,335.2	2,958.3	3,125.2	231.9	210.0
Advances and progress billings in excess of related costs	2,451.6	2,636.8	2,451.6	2,636.8	---	---
Long-term debt	5,459.0	4,795.0	986.6	971.4	4,472.4	3,823.6
Other liabilities	1,040.4	652.6	1,040.4	646.7	---	5.9
	14,863.8	13,422.3	7,541.4	7,380.1	7,492.6	6,502.0
Shareholders' equity						
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: 347,655,766 (351,594,128 as at January 31, 2000)	48.1	48.6	48.1	48.6	---	---
Class B: 1,016,244,570 (1,026,023,888 as at January 31, 2000)	813.2	813.7	813.2	813.7	---	---
Other equity accounts (Investment in BC)	2,203.8	2,449.5	2,203.8	2,449.5	1,069.3	1,071.4
	3,365.1	3,611.8	3,365.1	3,611.8	1,069.3	1,071.4
	\$ 18,228.9	\$ 17,034.1	\$ 10,906.5	\$ 10,991.9	\$ 8,561.9	\$ 7,573.4

Notes to these consolidated financial statements provide information on the financial statement presentation.

BOMBARDIER INC.
Consolidated Statements of Income
(Unaudited)
(millions of Canadian dollars except per share amounts)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>July 31</i>		<i>July 31</i>	
	2000	1999	2000	1999
Revenues				
Aerospace	\$ 2,145.5	\$ 1,846.7	\$ 4,156.5	\$ 3,417.7
Recreational Products	329.9	239.3	645.3	555.3
Transportation	752.7	959.2	1,515.8	1,800.6
BC	245.2	173.9	467.2	329.7
Intersegment eliminations	(49.9)	(38.3)	(94.7)	(71.9)
External revenues	\$ 3,423.4	\$ 3,180.8	\$ 6,690.1	\$ 6,031.4
Income before special items and income taxes				
Aerospace	\$ 253.4	\$ 194.8	\$ 487.4	\$ 361.3
Recreational Products	12.1	1.1	21.2	1.1
Transportation	37.6	50.4	76.7	94.2
BC	11.6	6.1	21.6	11.5
	314.7	252.4	606.9	468.1
Special items	(49.8)	---	29.7	---
Income before income taxes	364.5	252.4	577.2	468.1
<i>Income taxes</i>	110.4	83.3	175.7	154.5
Net income	\$ 254.1	\$ 169.1	\$ 401.5	\$ 313.6
Earnings per share:				
Basic	\$ 0.19	\$ 0.12	\$ 0.29	\$ 0.22
Fully diluted	\$ 0.18	\$ 0.12	\$ 0.28	\$ 0.22
Average number of common shares outstanding during the period (millions)			1,372.4	1,367.1

Notes to these consolidated financial statements 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)

	<i>Bombardier Inc.</i>		<i>Bombardier</i>		<i>BC</i>	
	<i>consolidated</i>					
	2000	1999	2000	1999	2000	1999
Operating activities						
Net income (loss)	\$ 401.5	\$ 313.6	\$ 401.5	\$ 313.6	\$ (35.0)	\$ 6.8
Non-cash items:						
Depreciation and amortization	107.6	109.9	102.7	105.9	4.9	4.0
Net loss (income) from BC	---	---	35.0	(6.8)	---	---
Provision for credit losses - BC	27.7	29.4	---	---	27.7	29.4
Future income taxes	114.4	144.1	149.0	144.9	(34.6)	(0.8)
Special items	29.7	---	(49.8)	---	79.5	---
Net changes in non-cash balances related to operations	(1,485.5)	(1,228.7)	(1,498.3)	(1,231.3)	12.8	2.6
Cash flows from operating activities	(804.6)	(631.7)	(859.9)	(673.7)	55.3	42.0
Investing activities						
Additions to fixed assets	(180.1)	(118.3)	(173.8)	(107.9)	(6.3)	(10.4)
Net investment in asset-based financing items	(955.8)	(690.8)	0.4	(24.5)	(956.2)	(666.3)
Investment in and advances to BC	---	---	279.1	(212.5)	(279.1)	212.5
Disposal of businesses	66.1	---	66.1	---	---	---
Other	0.1	13.5	(1.4)	0.3	1.5	13.2
Cash flows from investing activities	(1,069.7)	(795.6)	170.4	(344.6)	(1,240.1)	(451.0)
Financing activities						
Net variation in short-term borrowings	679.0	530.5	104.1	61.4	574.9	469.1
Net variation in long-term debt	578.0	(98.5)	15.7	(18.5)	562.3	(80.0)
Redemption of common shares	(294.1)	---	(294.1)	---	---	---
Issuance of shares, net of related costs	8.9	3.5	8.9	3.5	---	---
Dividends paid	(102.5)	(84.3)	(102.5)	(84.3)	---	---
Cash flows from financing activities	869.3	351.2	(267.9)	(37.9)	1,137.2	389.1
Effect of exchange rate changes on cash and cash equivalents	(73.9)	14.8	(70.1)	12.1	(3.8)	2.7
Net decrease in cash and cash equivalents	(1,078.9)	(1,061.3)	(1,027.5)	(1,044.1)	(51.4)	(17.2)
Cash and cash equivalents at beginning of year	1,664.0	1,738.7	1,548.7	1,706.3	115.3	32.4
Cash and cash equivalents as at July 31	\$ 585.1	\$ 677.4	\$ 521.2	\$ 662.2	\$ 63.9	\$ 15.2
Supplemental Information						
Cash paid for - interest	\$ 254.0	\$ 155.4				
- income taxes	\$ 59.2	\$ 20.9				

Notes to these consolidated financial statements provide information on the financial statement presentation.

BOMBARDIER INC.

Notes to Consolidated Financial Statements

(Unaudited)

CONSOLIDATED FINANCIAL STATEMENTS PRESENTATION

The accompanying consolidated financial statements include the accounts of Bombardier Inc. and its subsidiaries (the "Corporation"), substantially all of which are wholly owned. They also include the Corporation's proportionate share of its joint ventures. The descriptions of the columns shown in these financial statements are as follows:

Bombardier Inc. consolidated

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

Bombardier

This column represents the activities of the Corporation's three manufacturing segments. Each reportable segment offers different products and services, requires different technology and marketing strategies and is headed by a President and Chief Operating Officer. These segments are grouped and referred to as "Bombardier" and the intercompany transactions within this column have been eliminated. "Investment in BC" is accounted for under the equity method and comprises BC's equity and subordinated debt of Bombardier in BC.

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 involved in the development, manufacturing and marketing of snowmobiles, watercraft, boats, all-terrain vehicles, utility vehicles and engines.

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

BC

Bombardier Capital ("BC") includes financial 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 intercompany transactions within this column have been eliminated.

SPECIAL ITEMS

On June 12, 2000 Bombardier Aerospace sold Bombardier Services (UK) Limited's defence 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 under Chapter 7 of the US Bankruptcy Code against the principal recourse lessor providing credit support for a significant portion of BC's smaller item portfolio, which is in the process of 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 charge of \$79.5 million (\$47.7 million after tax) has been provided for in the first quarter of fiscal year 2001, related to additional provision for bad debt.

SEGMENT DISCLOSURE

The Corporation evaluates performance based on income or loss before special 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.

SHARE CAPITAL SPLIT

On June 20, 2000 the shareholders of the Corporation approved a Class A and Class B share split on a two-for-one basis, effective as of the close of business on July 7, 2000. The number of shares outstanding and the per share amounts give effect to the share split on a retroactive basis.

SUBSEQUENT EVENT

On August 4, 2000 the Corporation signed a sale and purchase agreement with DaimlerChrysler AG of Stuttgart, Germany, for the acquisition of Berlin-based DaimlerChrysler Rail Systems GmbH (Adtranz), for a cash consideration of \$725 million US (\$1.1 billion Cdn). The purchase price is subject to adjustments including a reduction to reflect the proceeds from the planned disposal of Adtranz's Fixed installations and Signaling businesses and adjustments based on the financial performance of Adtranz until the closing date of the transaction.

The Corporation intends to fund this acquisition through its existing working capital facilities. The acquisition is subject to appropriate regulatory approvals.

Adtranz is an integrated transportation equipment manufacturer currently employing approximately 22,000 people, including 3,600 for its Fixed installations and Signaling businesses. Its operations will be integrated to the Transportation segment from the date of closing. Adtranz's revenues for 1999 totalled \$5 billion, including revenues from its Fixed installations and Signaling businesses.

BOMBARDIER INC.
Net Segmented Assets

(millions of Canadian dollars)

	July 31 2000	January 31 2000
	(Unaudited)	
Aerospace	\$ 4,107.7	\$ 2,938.0
Recreational Products	272.8	103.2
Transportation	(644.6)	(891.2)
BC	1,069.3	1,071.4
	4,805.2	3,221.4
Accounts payable and accrued liabilities	2,958.3	3,125.2
Advances and progress billings in excess of related costs	2,451.6	2,636.8
Advances to BC	170.2	459.8
Cash and cash equivalents	521.2	1,548.7
Total assets - Bombardier	10,906.5	10,991.9
Investment in and advances to BC	(1,239.5)	(1,531.2)
Total assets - BC	8,561.9	7,573.4
Total assets - Bombardier Inc. consolidated	\$ 18,228.9	\$ 17,034.1

BC total assets under management, including those off-balance sheet, amount to \$11,777.7 million (unaudited) at July 31, 2000 and to \$10,847.6 million as at January 31, 2000.

Additional Information

(Unaudited)

(millions of Canadian dollars)

	Three months ended		Six months ended	
	July 31		July 31	
	2000	1999	2000	1999
Depreciation and amortization				
Aerospace	\$ 27.2	\$ 23.2	\$ 54.2	\$ 52.6
Recreational Products	8.9	8.7	17.5	16.4
Transportation	15.6	21.0	31.0	36.9
BC	2.4	2.2	4.9	4.0
	\$ 54.1	\$ 55.1	\$ 107.6	\$ 109.9
Interest expense				
Aerospace	\$ 41.6	\$ 36.2	\$ 77.9	\$ 70.0
Recreational Products	4.7	4.4	7.5	8.7
Transportation	(42.7)	(40.8)	(85.6)	(85.1)
BC	8.7	11.5	17.6	19.9
	\$ 12.3	\$ 11.3	\$ 17.4	\$ 13.5