ANNUAL REPORT

YEAR ENDED JANUARY 31, **2001**

MOVING PEOPLE

BOMBARDIER

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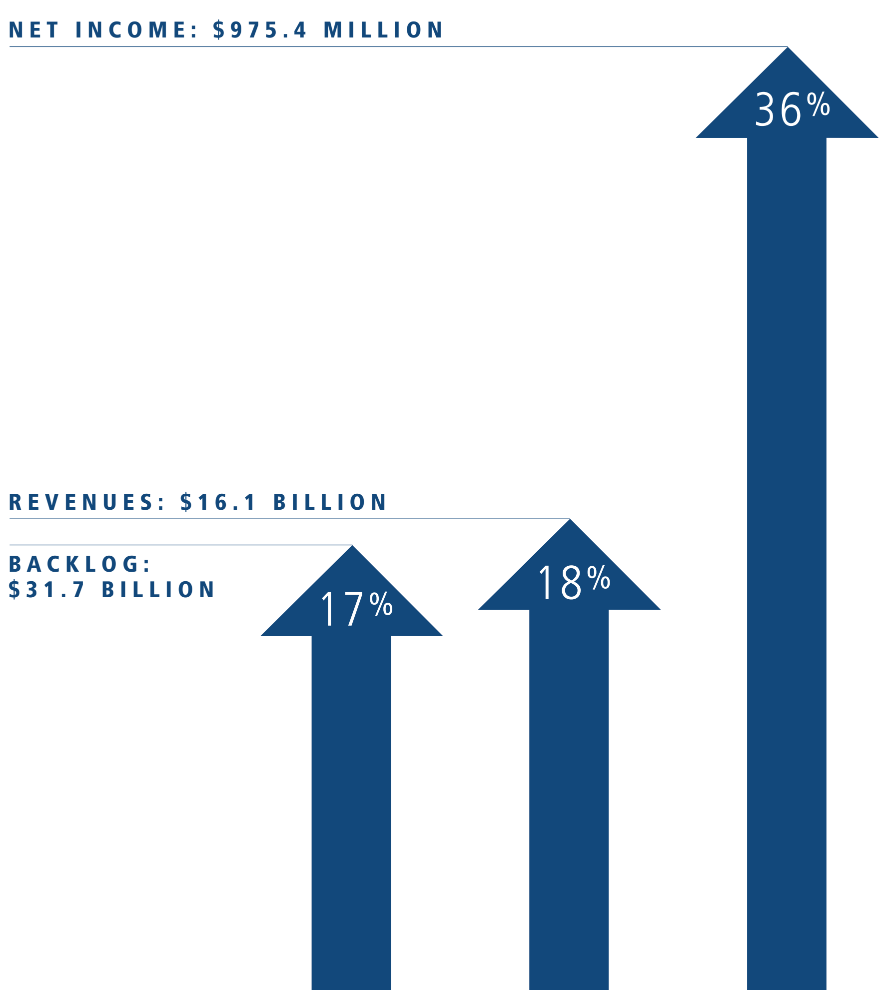
Fiscal 2000-2001



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

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FINANCIAL HIGHLIGHTS (millions of Canadian dollars, except per share amounts)

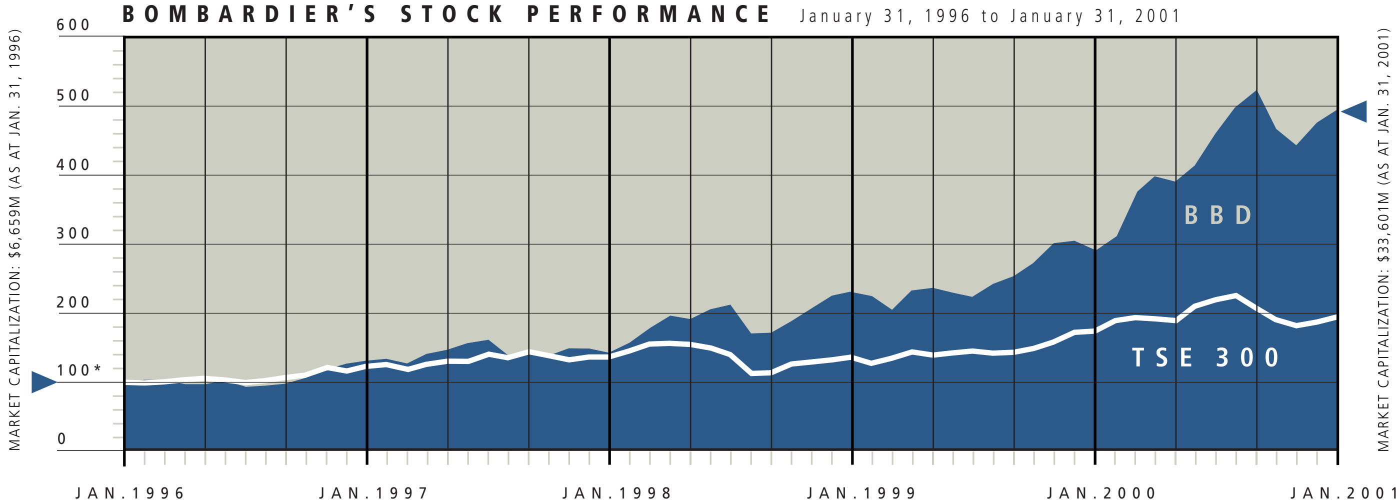
For the years ended January 31	2001	2000
Revenues	$ 16,100.6	$ 13,618.5
Income before income taxes	$ 1,398.2	$ 1,072.9
Income taxes	$ 422.8	$ 354.1
Net income	$ 975.4	$ 718.8
Earnings per share – basic	$ 0.70	$ 0.51
Dividend per common share		
Class A	$ 0.135000	$ 0.110000
Class B	$ 0.136563	$ 0.111563
As at January 31	**2001**	**2000**
Total assets	$ 20,404.3	$ 17,034.1
Shareholders' equity	$ 3,812.4	$ 3,611.8
Additions to fixed assets	$ 415.1	$ 419.5
Total backlog	$ 31,707.9	$ 27,247.6
Book value per common share	$ 2.57	$ 2.40
Number of common shares	1,366,050,736	1,377,618,016

BOMBARDIER INC.

Moving people –

in some of the most innovative ways imaginable — is what Bombardier is all about, be it in the air, on commercial or private aircraft; via rail, on metros, trams or high-speed trains; on the water, over snow-covered expanses or rough terrain, on fun vehicles.

BOMBARDIER'S STOCK PERFORMANCE January 31, 1996 to January 31, 2001



* Index: Closing price as at January 31, 1996 = 100

Message to

BOMBARDIER

Record revenues and profits and an order backlog that reached an all-time high of $31.7 billion were among the highlights that made fiscal 2000-2001 a year of significant accomplishment for Bombardier.

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

Robert E. Brown,
President and Chief Executive Officer

DELIVERING ON OUR COMMITMENTS

Consolidated revenues for the latest fiscal year increased 18% to $16.1 billion, enabling us to again deliver on our commitment to double the Corporation's revenues over the last five years. Net income increased 36% to $975.4 million. Earnings per share reached $0.70, up 37%, which falls within our targeted range of 30-40% earnings per share growth for the year.

This stellar performance was reflected in Bombardier's stock price, rewarding shareholders with returns amounting to some 67.5% on the year (calculated as of January 31, 2001), excluding dividends. This compares with 10% for the TSE 300 index over the same period. It should also be noted that shareholders approved a two-for-one stock split at the annual meeting in June 2000, reflecting continued investor confidence in the Corporation's prospects.

We believe their confidence is well placed. Despite a noticeable slowing in certain economies and particularly in the U.S., Bombardier continues to target an increase in earnings per share of 30-40% for the fiscal year ending January 31, 2002 and an additional 20-30% for the fiscal year ending January 31, 2003. As well, we plan to double our revenues over the next five years through fiscal 2005-2006, excluding major external growth initiatives such as the pending Adtranz acquisition.

shareholders

ADTRANZ ACQUISITION SOLIDIFIES LEADERSHIP POSITION IN TRANSPORTATION

In keeping with Bombardier's long-standing mission to build a leadership position in each of its chosen market sectors, we announced on August 4, 2000 that Bombardier had signed an agreement to purchase the Adtranz rail-systems unit of DaimlerChrysler AG for $725 million US ($1.1 billion Cdn) — the single largest acquisition in Bombardier's history. This transaction is subject to regulatory approval.

If concluded, the acquisition of Adtranz would make Bombardier Transportation — already the world's largest manufacturer of passenger rail cars — a clear global leader in rail-transportation equipment and services, able to provide complete solutions to customers' needs. The expansion of the transportation group also dovetails nicely with our strategic priority to further diversify and balance Bombardier's various business activities.

It was 25 years ago, in 1976, that Bombardier completed its first-ever transportation contract, which entailed the supply of subway cars for the Montréal metro. Over the intervening quarter-century, the Corporation has worked diligently to build on this base. Significant milestones along the way included the landing of a billion-dollar contract in 1982 to supply cars for New York's Metropolitan Transit Authority, a coup that established Bombardier as the North American leader in passenger-rail vehicles. The purchase of Belgium-based BN in 1986 marked the first of a series of forays into global transportation markets that has since included other acquisitions in France, the United Kingdom, Germany, the United States, Canada and Mexico.

The Adtranz purchase would enhance Bombardier Transportation's technological base in areas such as propulsion systems, state-of-the-art train-control and communications systems and electric locomotives. It would also expand our geographic market reach, through a manufacturing presence encompassing 23 countries, compared with 12 now. The addition of some 21,000 Adtranz personnel would transform Bombardier into even more of an international organization, with approximately 44% of the Corporation's total workforce located in Europe and 52% in North America.

PERFORMANCE AND DIVERSIFICATION IN RECREATIONAL PRODUCTS

We have also succeeded in returning our recreational products group to profitability. This revitalized group is intensely focused on innovative new products, backed by significant investment. Noteworthy accomplishments include an expanded line of all-terrain vehicles — a relatively new market for Bombardier, in which we are experiencing significant success — and a burgeoning engine business that, in addition to supplying our own needs, has emerged as a leading supplier to outside customers in the motorcycle, kart and aviation sectors.

Just subsequent to year-end, we announced the purchase of the engine assets of Outboard Marine Corporation (OMC), which include the well-known Evinrude and Johnson outboard marine engine brands as well as proprietary direct fuel injection technology. These assets complement our Austrian-based Rotax operations, giving us two different engine platforms and a base in the United States from which we can further expand our activities.

The OMC transaction is yet another reflection of Bombardier's determination to be a leader in each of its chosen market segments, including the broadly based recreational products field, and underscores our commitment to the business sector where the Corporation had its origins.

BOMBARDIER AEROSPACE SUCCESSFULLY MANAGES MAJOR RAMP-UP OF PRODUCTION

Bombardier Aerospace enjoyed another banner year in fiscal 2000-2001. The group landed a number of very substantial new aircraft orders that served to enhance its leadership positions in both the regional aircraft and business jet segments; achieved a major ramp-up of aircraft production; and moved ahead on a number of new aircraft programs.

With the delivery of our first CRJ700 and completion of the first full year of commercial delivery for the Q400 advanced turboprop, Bombardier has established itself as the lead player in the market for 70-seat passenger aircraft. During the course of the fiscal year, we also filled out our family of regional jets with the addition of an 86-seat CRJ900 model, which was given the official go-ahead in July 2000.

Bombardier Aerospace delivered a total of 370 aircraft during fiscal 2000-2001, up sharply from 292 the previous year, and the number of deliveries is expected to jump again by approximately 15% for fiscal 2001-2002. This represents a production increase of some 63% within the space of two years — and accounts for the need to expand capacity, including construction of a new assembly facility at Mirabel, Québec and capacity adjustments at other plants.

Successfully managing an increased production of such magnitude and continuing to deliver aircraft on time while meeting stringent quality and cost targets is a tremendous achievement that underlines the high calibre and competency of the aerospace group and its people, as well as their supplier network.

BOMBARDIER CAPITAL — TARGETED STRATEGY

At Bombardier Capital we implemented a strategic realignment of this diversified finance, asset-management and service company, which has been refocused to concentrate on sectors where we have significant related experience, knowledge and competencies elsewhere within the Corporation. It is now focussing on providing inventory finance as well as broader “capital services”, i.e. to both finance and manage assets in areas we know well, such as rail-transportation equipment and aerospace.

In line with this orientation, Bombardier Capital early in the year started winding down portfolios unrelated to its core compentencies. For the year, Bombardier Capital recorded disappointing results mainly as a consequence of unforeseen events.

In addition to a special charge of $79.5 million, in the first quarter, related to a portfolio being wound down, Bombardier Capital decided, in the fourth quarter, to increase by $49.5 million its balance sheet allowance for credit losses for the manufactured housing portfolio because of the downturn of this market and of the U.S. economy in the latter part of the year.

In the years ahead, management intends to focus on strengthening Bombardier Capital’s alignment with the products and expertise of Bombardier’s manufacturing segments and expanding its business in line with the Corporation’s strategic orientation.

A STRONG TEAM

Much of Bombardier’s success can be attributed to the quality of our people, including a very strong management team. We have always attempted to recruit the best available talent, and we make a point of identifying and then grooming future leaders by moving them through a series of increasingly responsible positions in various areas of the Corporation. The effectiveness of this strategy was evident during the course of the year, when we were able to name new presidents at four of our businesses — Bombardier Capital, Bombardier Recreational Products, Bombardier Transportation and Bombardier International — all of whom were in-house candidates.

Corporate governance is another key area where Bombardier continues to gain strength. We appointed a new internal auditor during fiscal 2000-2001 and broadened the responsibilities of that office to encompass risk management, working in concert with our established Risk Management Committee.

OUTLOOK

Throughout the Corporation, there is a major ongoing thrust to reduce costs and enhance the quality of our products. Six Sigma is an important part of this plan and it is now rolled out in all groups and the results to date are impressive. Aside from improving our overall competitiveness, these initiatives serve as buffers to shield Bombardier from the impact of an economic slowdown.

We should note, too, that the increasingly diverse nature of the Corporation's markets, from both the geographic and product perspectives, affords us a further measure of protection. If business conditions in one particular region turn unfavorable, only a portion of our activities would be affected. We can also take comfort from our substantial order backlogs in the business aircraft, regional aircraft and transportation sectors, and from the fact that transportation tends to be less sensitive to the ups and downs of economic cycles.

When and if the acquisition of Adtranz becomes a *fait accompli*, a top priority for the year ahead will be to successfully transform Bombardier Transportation into a fully integrated, profitable and growth-oriented leader in a consolidating global rail and transit marketplace.

Overall, our organization is strong and very well positioned. We are looking to the future with confidence and working hard to ensure that, once again, we will be able to meet our commitments and create value for Bombardier's shareholders and customers.

ACKNOWLEDGEMENTS

As indicated earlier, a great deal of our strength can be attributed to what is undoubtedly the Corporation's most valuable asset, its human resources. Accordingly, we would like to thank all of our employees for their hard work and dedication.

Finally, we wish to express our gratitude to the Board of Directors for the counsel and support that is essential to the success of the Corporation.

On behalf of the Board of Directors,

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

Robert E. Brown
President and Chief Executive Officer

Montréal, Canada
March 15, 2001

Moving people

Innovative products and services from Bombardier Aerospace are helping revolutionize how we fly, moving people and their businesses forward.

Michael S. Graff, President and Chief Operating Officer

As well as being the world's leading manufacturer of regional airliners, business jets and amphibious aircraft, our group offers the fast-growing Flexjet fractional ownership program for business aircraft, operates Skyjet.com — the premier online brokerage for business jet charters — and provides a wide range of related technical, maintenance and pilot training services.

Our group's dynamism was reflected in our achievements for fiscal 2000-2001 — substantially increased revenues, earnings, aircraft deliveries and order backlog.

ROUNDING OUT THE CRJ FAMILY

CRJ aircraft have quite literally revolutionized the airline industry, dramatically reducing travel times and making it economical for airlines to provide non-stop, point-to-point jet service between smaller cities or during off-peak hours. The CRJ aircraft are now in service or on order with airlines and corporate customers worldwide. Orders and options for the 50-passenger CRJ100/200 model have now surpassed the 1,400 mark.

We delivered our first 70-seat CRJ700 to launch customer Brit Air of Morlaix, France on January 31, 2001 — putting us at least two years ahead of the competition in this sector.

And our decision, announced in July 2000, to round out our regional jet family by proceeding with development of the 86-passenger CRJ900 makes Bombardier the only manufacturer able to offer customers the substantial cost savings derived from commonality benefits right across the 50- to 90-seat range. The CRJ900 successfully logged its first flight on February 21, 2001.

Also noteworthy, Bombardier's 70-passenger Q400 turboprop airliner, having now completed its first year of commercial service, offers the lowest seat-mile costs in the industry, jet-like speeds, low noise levels and unsurpassed passenger comfort.

MARKET SUCCESS AND RECORD DELIVERIES

Bombardier Aerospace delivered a record 370 aircraft — including 203 business jets — during the latest fiscal year, up significantly from 292 deliveries the previous year. Deliveries for fiscal 2001-2002 are expected to increase again, by approximately 15%.

Our continuing success in the marketplace, coupled with a desire to shorten delivery lead times, has necessitated ramping up production and investing in expanded capacity. A new facility adjacent to Montréal's Mirabel airport, scheduled for completion in August 2001, will handle final assembly of both the CRJ700 and CRJ900 Series aircraft. We also have stepped up production of major components for the CRJ100/200 Series at our plant in Belfast, Northern

BY CREATING AND SUPPORTING INNOVATIVE PRODUCTS AND SERVICES

and their businesses forward

Ireland, which has taken on additional business jet-related work as well.

During the fiscal year under review, a panel of the World Trade Organization (WTO) has again stated that ProEx, as used to finance Embraer's aircraft, constitutes an illegal subsidy. Late in 2000, Brazil had made some adjustments to its program, also considered to be inconsistent with previous WTO decisions.

Consequently, in February 2001, the Government of Canada asked for a WTO compliance panel to review the new ProEx program.

Although export financing subsidies offered by Brazil remains an issue, Bombardier believes that Canada's action at the WTO will reduce the distortion in the regional aircraft market created by the ProEx program.

LEADING THE BUSINESS JET MARKET

In the business jet segment, Bombardier leads the market with a range of new products that includes the midsize Learjet 45, the widebody Challenger 604, the ultra long-range Global Express and the super midsize Bombardier Continental, which remains on schedule to make its first flight during the summer of 2001.

We delivered 36 Global Express jets during fiscal 2000-2001 — a remarkable aircraft which flies further and faster than any other business jet in the world.

Other milestones included delivery of our 100th Learjet 45 business jet, less than two years after the aircraft entered service; our 200th Learjet 31A; and our 500th Challenger.

FLEXJET CAPITALIZING ON THE BOOM IN FRACTIONAL OWNERSHIP

During the latest fiscal year, we continued to capitalize on the boom in fractional ownership, which has put corporate aviation within reach of many companies that could not support outright ownership of an aircraft. As of January 31, 2001, Flexjet operated a fleet of 115 aircraft, providing North American service to some 566 owners — 80% of which had never before owned or operated a business jet.

The acquisition in July 2000 of the Skyjet* online brokerage system enabled Bombardier Aerospace to further broaden its service offering and gain an advantage in the charter industry, which serves as an entry point for potential corporate aviation customers.

PURSUING NEW OPPORTUNITIES

The steady growth of the fleets of Bombardier aircraft in the field has created new opportunities in services. We have been expanding our Bombardier Business Aviation Service Centre network with a view to seizing those opportunities, while providing greater support to customers. The latest addition to this network, which currently services about 500 aircraft a month, is located at Love Field airport, Dallas, Texas. In addition, we have opened a new, state-of-the-art pilot and maintenance training facility in Dallas.

In keeping with our bottom-line orientation, we have forged ahead with our Six Sigma continuous improvement initiatives. During fiscal 2000-2001, approximately 700 Six Sigma projects were completed, bringing quality improvements for our customers and significant cumulative cost savings since the program's inception.

Bombardier Aerospace is committed to defining future standards in aerospace by developing, creating and supporting innovative products and services that allow our customers to succeed. While capitalizing on new business opportunities, we will sustain our momentum towards operational excellence and continue to build the infrastructure that will support our future.

BOMBARDIER
AEROSPACE

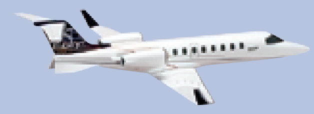
BUSINESS JETS

LEARJET 31A*

Maximum range (IFR Reserve):
1,455 nautical miles (2,695 km)
High speed cruise: 533 mph (858 km/h)

Bombardier's popular light Learjet 31A business jet is the performance and flexibility leader of its class, with the 200th aircraft delivered in the summer of 2000.

LEARJET 45*



Maximum range (IFR Reserve):
2,120 nautical miles (3,926 km)
High speed cruise: 534 mph (860 km/h)

The all-new super-light Learjet 45 corporate jet is rapidly earning a reputation worldwide as the preferred aircraft in its class with a demonstrated dispatch reliability of 99.35 per cent.

BOMBARDIER CONTINENTAL BUSINESS JET*

Maximum range (NBAA IFR Reserve):
3,100 nautical miles (5,741 km)
High speed cruise: 541 mph (870 km/h)

The all-new Continental is designed to deliver best-of-class value in the super midsize business jet category.

(Technical data subject to change pending aircraft certification)

CHALLENGER 604*

Maximum range (NBAA IFR Reserve):
4,077 nautical miles (7,551 km)
High speed cruise: 541 mph (870 km/h)

The new-generation Challenger 604 intercontinental business jet has become the preferred jet in its class for value, mission flexibility and customer support.

REGIONAL AIRCRAFT

CRJ200*

Maximum range (at LRC, Series 200ER):
1,645 nautical miles (3,045 km)
High speed cruise: 534 mph (860 km/h)

The 50-passenger Canadair Regional Jet (CRJ*) has revolutionized airline travel, becoming the airliner of choice in the regional jet sector.

CRJ700*

Maximum range (at LRC, Series 700ER):
1,984 nautical miles (3,674 km)
High speed cruise: 534 mph (860 km/h)

The new CRJ700 is a stretched, 70-seat variant of the popular 50-seat CRJ100 and CRJ200 Series aircraft. The first CRJ700 was delivered on Jan. 31, 2001 to launch customer Brit Air of Morlaix, France.

Q200* DASH 8*

Maximum range: 925 nautical miles (1,713 km)
Maximum cruise speed: 334 mph (537 km/h)

The 37-passenger Q200 twin-turboprop airliner is a reliable, efficient aircraft with reduced internal noise levels, increased payload-range capability and spectacular airfield performance.

Q300* DASH 8

Maximum range: 841 nautical miles (1,558 km)
Maximum cruise speed: 330 mph (532 km/h)

The Q300 is a 50-passenger twin-turboprop airliner for use for regional airlines on more densely travelled routes, equally at home at large international airports or on remote, less developed airstrips.

Aircraft and Services

LEARJET 60*

Maximum range (IFR Reserve):
2,510 nautical miles (4,649 km)
High speed cruise: 534 mph (860 km/h)

The Learjet 60 transcontinental business jet has become one of the best-selling midsize jets in corporate aviation with its strong dependability and exceptional cabin comfort.

GLOBAL EXPRESS*

Range at design point (NBAA IFR Reserve):
6,410 nautical miles (11,858 km)
High speed cruise: 581 mph (935 km/h)

Offering the best speed and range in its class, the Global Express is setting new standards in performance, reliability and in-flight productivity.

CRJ900*

Maximum range (at LRC, Series 900ER):
1,732 nautical miles (3,208 km)
High speed cruise: 534 mph (860 km/h)

The 86-passenger CRJ900 Series is a further stretch of the revolutionary 50-seat CRJ100/200 and 70-seat CRJ700 Series regional jets. It is scheduled to enter airline service in early 2003.

(Technical data subject to change pending aircraft certification)

Q400* DASH 8

Maximum range: 1,360 nautical miles (2,519 km)
Maximum cruise speed: 403 mph (648 km/h)

The new 70-passenger twin-turboprop Q400 airliner is designed to meet the requirements of regional airlines for larger aircraft on high-density, short-haul routes.

* Trademark of Bombardier Inc.

FIREFIGHTING/MULTI-MISSION AIRCRAFT

CANADAIR 415*

Maximum range: 1,310 nautical miles (2,427 km)
Maximum cruise true airspeed (at 5,000 ft ISA):
197 knots (365 km/h)

The Canadair 415 amphibian is the most advanced firefighting aircraft in the world. It can also be configured for other roles including maritime search and rescue, surveillance and utility transport.

SPECIALIZED AVIATION PROGRAMS AND SERVICES

- Flexjet* fractional ownership
- Skyjet.com, online business jet charter service
- Business aircraft management
- Pilot and maintenance training
- Aircraft completions for Bombardier aircraft
- Maintenance services for Bombardier aircraft
- Belfast City Airport – owned and operated by Bombardier

COMPONENT MANUFACTURING

- Aircraft engine nacelles and nacelle components
- Airframe component manufacturing

BOMBARDIER
TRANSPORTATION

SEIZING OPPORTUNITIES FROM

Moving more

The growth prospects for Bombardier Transportation are exceptional. Moving more and more people is not a slogan, it is reality.

Pierre Lortie, President and Chief Operating Officer

Our group's advantageous position stems from four main factors: a generally favourable market environment; a strong industry position; the relative immunity of the sector to economic slowdowns; and our demonstrated ability to seize opportunities arising from ongoing consolidation of the industry.

The lower value of the euro and the slowdown in the European market negatively impacted the group's results for the year. However, Bombardier Transportation maintained its positive momentum with a number of important projects in full swing — i.e. the New York subway, Long Island Rail Road, the Netherlands Railways and Virgin Rail CrossCountry contracts. Moreover, the group recorded new orders worth over $3.4 billion, bringing the value of the order backlog to $8.7 billion at year-end. Bombardier Transportation also stands to benefit from an influx of new orders that exceeded $500 million during the first two months of the new fiscal year.

URBAN CONGESTION FUELLING GROWTH OF RAIL

The transportation business worldwide is growing strongly, fuelled in part by rapid rates of urbanization. Traffic congestion, pollution and commuting times are rising in major cities everywhere. Rail transportation represents an efficient, cost-effective solution to these problems — which explains the consensus estimate that the global passenger-rail-equipment market will grow at a compounded annual rate of more than 5%.

Furthermore, concerns regarding the efficiency of rail and transit operations and constraints on governments' ability to finance new systems have resulted in a recourse to contracting-out solutions and concessions to private operators. These trends are opening up significant opportunities for operations-and-maintenance service contracts and for the supply of turnkey transportation systems. Bombardier Transportation is increasing its penetration of these particularly promising market segments, which are growing at a rate in excess of 10% per annum.

A GLOBAL LEADER IN PASSENGER CARS

Our group already is the global leader in the rail passenger-car segment. Together, the European and North American markets account for about 80% of worldwide investments in rail equipment. With a strong engineering and manufacturing presence on both continents, Bombardier Transportation is well positioned to continue capturing increased market share. Elsewhere, the recent opening of a plant in China (a joint venture with Sifang Locomotive & Rolling Stock Works and Power Pacific Corporation)

and more people

will facilitate our penetration of that rapidly expanding market.

Bombardier Transportation's broad geographical coverage is complemented by a well-diversified presence in all important product segments: intercity rail, regional and commuter trains, rapid transit systems and light rail vehicles. This enables us to capitalize on growth opportunities in various segments, while offsetting temporary disruptions to ordering patterns in others. Our group's geographical reach and product-portfolio coverage, combined with a very substantial order backlog, provide a strong base from which to pursue future growth.

It should be noted, as well, that expenditures on passenger-rail and mass-transit equipment tend to be largely insensitive to economic downturns. This pattern is explained in part by the public-infrastructure nature of such investments, and by the powerful job-creation impetus these projects represent at the local level.

ADTRANZ — SEIZING OPPORTUNITIES ARISING FROM CONSOLIDATION

Market changes and competitive pressures have triggered a continuing consolidation of the rolling-stock industry over the last few years. In the past, Bombardier has seized opportunities arising from similar situations to help mould the highly competitive transportation group. Indeed, our track record of success in this regard was one of the factors that prompted us to negotiate an agreement in August 2000 to acquire DaimlerChrysler Rail Systems (Adtranz).

Based on pro-forma results for the year 2000, the combined entity would post annual sales of $8.0 billion and a backlog of $21.7 billion. It would also boast an industrial presence in 15 European countries that account for some 90% of the future European market for rail equipment. In addition to broadening our passenger-car product portfolio, we would gain a strong market position and state-of-the-art technology in the complementary areas of propulsion and train controls, electric locomotives, services and signalling — not to mention a pool of talented people and an established customer base. The new Bombardier Transportation would thus be the undisputed leader of the industry, with about 24% of the global market for rail equipment.

MAINTAINING A STRONG CUSTOMER FOCUS

We recognize that size alone is not necessarily a measure of leadership, nor of strength. The experiences and perceptions of customers represent a more demanding criteria — and generally the most accurate. In that regard, we are pleased to report that independent customer surveys show that Bombardier Transportation ranks highest on all key customer criteria. The fact that we are better positioned than our competitors is very encouraging. It also represents a compelling reason to re-emphasize our focus on clients. We must continuously strive to satisfy our customers and earn their loyalty. This is one of our key corporate values, which we are actively promoting at all levels throughout the group, and we will keep doing so with renewed vigour should the acquisition of Adtranz materialize.

Given its leadership position, coupled with the favourable growth projections for the industry, Bombardier Transportation is poised to make a significant contribution to the success of the Corporation by all key measures — revenue and profit growth, strong backlog and cash generation — thus creating substantial value for shareholders.

BOMBARDIER
TRANSPORTATION

URBAN TRANSPORTATION

TRAMWAY

Comprehensive range of customized, highly flexible platforms. Including 100% low-floor trams, street-trams, city-trams, tram on tires and the multi-purpose Tram-Train.

Photo: Cityrunner for the City of Graz, Austria

METRO

For high capacity and high reliability vehicles within highly populated cities; steel-wheeled or rubber-tired, incorporating advanced subsystems.

Photo: Rapid Transit Vehicle for New York City, USA

SUBURBAN/REGIONAL TRANSPORTATION

Vehicles designed for operating flexibility available with diesel and electric propulsion equipment, including a wide range of characteristics; single- and bi-level units, with or without tilting technology, stainless steel and aluminium carbodies, different car sizes, floor levels and interior layouts.

Photo: Talent Diesel Multiple Unit for Deutsche Bahn, Germany

Photo: Double-Deck for Deutsche Bahn, Germany

Products and Services

INTERCITY TRANSPORTATION

The product line encompasses diesel and electric multiple units including high-speed, with or without tilting technology, single- and bi-level coaches including standard and deluxe sleeping accommodations, full catering facilities, the latest in passenger information and entertainment systems and complete first class amenities.

Photo: High-Speed Electric Tilting Trainset for Amtrak, USA

SERVICES

Cost-effective operations and maintenance services tailored to suit each client, including: Operations and Maintenance (O&M) programs customized to Design-Build-Operate-Transfer (DBOT) or Design-Build-Operate-Maintain (DBOM) contractual approaches; O&M advisory services; maintenance contracts.

Photo: Go Transit, Toronto, Canada

TRANSIT SYSTEMS

Complete rail transportation systems ranging from high-speed rail and rapid transit to commuter rail, light rail, monorail and automated people mover systems.

Photo: Advanced Rapid Transit for JFK International Airport, New York, USA

FREIGHT WAGONS

Innovative goods wagons, made-to-measure designs with optimal loading capacity and simple handling; sliding-wall wagons, boxcars, roller-shutter roofs available in four-axle and two-axle designs.

Photo: Sliding-Wall Freight Wagon

BOMBARDIER
RECREATIONAL PRODUCTS

COMMITTED TO DEVELOP SAFE, FUN AND

Moving people

Our mission entails moving people with passion—providing the most exciting and innovative motorized-recreational experience to an expanding global marketplace.

Michel Baril, President and Chief Operating Officer

With an earnings before tax margin of 5.1%, our group delivered solid improvement in profitability for fiscal 2000-2001, reaping the benefits of increased diversification, enhanced business practices and an unrelenting emphasis on market and product leadership.

Bombardier Recreational Products today encompasses a diverse and technologically advanced group of businesses. Our successful new line of all-terrain vehicles — or ATVs, as they are popularly known — and an expanding engine business that has become a significant profit centre in its own right nicely complement Bombardier's long-established lines of Ski-Doo snowmobiles and Sea-Doo watercraft, bringing added balance to our operations.

ENGINE TECHNOLOGY

Advanced engine technology is a foundation of our group strategy. Our Austrian-based unit is well established as a supplier of high-performance, two- and four-stroke Rotax engines with legendary reliability. Aside from furnishing the motive power that propels Bombardier recreational products, Rotax has emerged as a major supplier to outside customers in the motorcycle, karting and small and ultra-light aircraft industries. Over the past fiscal year alone, the unit delivered more than 100,000 of its clean-burning, four-stroke engines to leading European motorcycle makers BMW and Aprilia.

In February 2001, we announced that we had acquired another first-rate engine platform with the purchase of the engine assets of U.S.-based Outboard Marine Corporation (OMC). Included are the Evinrude and Johnson outboard marine engine brands, as well as proprietary Ficht fuel injection technology developed by OMC and a German partner that will enable recreational vehicles to comply with U.S. Environmental Protection Agency standards for 2006. Evinrude and Johnson account for almost a one-third share of the global outboard-motor market, and benefit from solid reputations. They complement very well the group's existing product line and represent an excellent opportunity to take a leadership position in this segment, while strengthening our overall presence in the key U.S. market.

Bombardier's substantial, ongoing investment in the development of clean-engine technologies reflects our unswerving commitment to developing products that are safe, fun and even more environmentally friendly.

SUCCESS IN A GROWING ATV MARKET

Our proven capabilities in engineering and design and our strategy of differentiating ourselves from the competition by avoiding "me too" products is reflected in the success of our ATVs. Less than three years after entering this expanding market — which amounted to some 700,000 units in North America alone last year — we have carved out a growing niche and

with passion

won widespread acclaim for innovative designs that incorporate features like the exclusive "step-through" Traxter platform, four-wheel drive and the industry's first-ever fully-automatic transmission.

NO. 1 IN PERSONAL WATERCRAFT

Bombardier's Sea-Doo personal watercraft remains the industry leader, with an estimated 42% share of the overall market.

As well, we pride ourselves on having been the first personal watercraft maker to introduce more environmentally-friendly products right across the line-up. Our most successful Sea-Doo models were the RX and GTX with new, direct-injection technology engines that reduce emissions and fuel consumption and provide smoother acceleration. This indicates the public is buying in to our focus on producing watercraft with the best safety and environmental features. Sea-Doo watercraft also feature the Learning Key, a speed-limiting lanyard for less experienced riders.

CLOSING THE GAP IN SNOWMOBILES

In the snowmobile segment, Bombardier improved its market share in both North America and Europe over the past season, enabling us to come closer to our goal of regaining outright industry leadership. Sales of our European-built Lynx snowmobiles went up sharply and Ski-Doo remains the favourite import machine in the European market, giving Bombardier a strong one-two punch. In North America, our build-your-own-sled concept — enabling the customer to select his or her own model, engine or colour — has proved extremely popular.

NEW INITIATIVES

To ensure that our products remain on the cutting edge from the design, safety and environmental perspectives, we have established a Design and Innovation Centre. The centre's mandate is to study emerging trends, analyze potential market opportunities, then conceptualize and create exciting new products that will enable us to capitalize on those opportunities.

Another noteworthy initiative during the year under review was the establishment of a new International Business Unit to exploit the considerable upside potential for overseas sales of our products. Sales outside North America already account for 15% of the group's revenues, and this new unit has a clear mandate to achieve profitable sales growth in the international marketplace.

ACHIEVING OPERATING EXCELLENCE

E-business figures prominently among strategic initiatives aimed at improving our processes to achieve operating excellence. During the year, we expanded the deployment of our BOSSWeb business-to-business, or "B2B", dealer extranet, rolled out a new B2B extranet encompassing core suppliers, and developed a business-to-consumer (B2C) channel, BombardierDirect*. As well as being cost-effective, these initiatives simply make it easier to do business with Bombardier Recreational Products — another underlying objective.

We also have moved ahead with the implementation of our Six Sigma program, which has become an integral part of the group's governance and decision-making processes.

As a new fiscal year unfolds, Bombardier Recreational Products is well positioned and determined to perform even more strongly. The development of new and exciting products, especially in the ATV segment, and the addition of the outboard motor business will allow the group to deliver on its growth objectives for the coming years. We will also aim at increasing our diversification and improving our profitability through productivity and quality initiatives in place as well as enhanced business practices.

BOMBARDIER
RECREATIONAL PRODUCTS

SNOWMOBILES

When it comes to snowmobiles, Bombardier knows it is not enough to be moved physically. You also need to be moved emotionally. That's why our Ski-Doo* and Lynx* snowmobiles are designed to meet every consumer's specific riding needs. Add our innovative design to our Rotax* engines and you get the benchmark of the industry. Ski-Doo snowmobiles were recently named as the official snowmobiles for the 2002 Salt Lake City Olympic Winter Games.

Photo: Ski-Doo 2002 Olympic Edition

Photo: Lynx Rave 800*

WATERCRAFT

Sea-Doo watercraft lead the industry in sales and innovations, such as the Orbital Direct Injection technology, the D-Sea-Bel* sound reduction system, and the Sea-Doo Learning Key* for less experienced operators.

Photo: Sea-Doo GTX DI

Photo: Sea-Doo RX DI*

SPORT BOATS

The Sea-Doo sport boat line for the 2001 model year has an appeal that's almost universal. Sea-Doo sport boats deliver the key ingredients of style, performance, quality, and innovation across the board and in shapes and sizes that appeal to all boating enthusiasts.

*Photo: Sea-Doo Utopia**

*Photo: Sea-Doo Islandia**

Products and Accessories

ALL-TERRAIN VEHICLES

Since their introduction, Bombardier ATVs have been hailed by critics and owners alike. These highly versatile and hard-working vehicles boast a number of technical innovations, including several industry firsts such as a unique step-through design and a proven Rotax engine that delivers both power and reliability. From the practical Traxter* to the powerful DS650*, Bombardier ATVs have all the features to meet and exceed consumer expectations.

Photo: Traxter XT

Photo: DS650

ROTAX ENGINES

Bombardier Recreational Products has a workforce of over 1,200 in Austria and has sold more than 5 million Rotax engines throughout the world. The Austrian facility manufactures everything from free-wheel hubs to engines for powering a wide range of equipment and vehicles on land, snow, water or in the air. These engines are used for recreation, motor sports and industrial purposes.

Photo: Rotax 650

JOHNSON & EVINRUDE ENGINES

Featuring proven state-of-the-art outboard technology, Johnson* and Evinrude* outboard engines are trusted brands with a reputation for quality that goes back to the beginning of the 20th century. Evinrude has been perfecting the cutting edge Ficht* Ram Injection (direct fuel injection) technology. Evinrude 4-stroke engines offer low emissions and less fuel consumption. Johnson engines are renowned for their leading conventional technology and an impressive tradition of reliable performance.

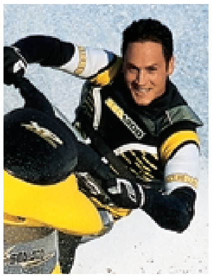
Photos: Evinrude and Johnson 225 horsepower engines

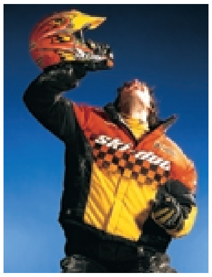
UTILITY VEHICLES

Bombardier was recently named as official supplier of snowgrooming equipment for alpine and downhill skiing, biathlon, snowboard and nordic jumping for the 2002 Salt Lake City Olympic Winter Games.

Photo: Plus 300*

CLOTHING, PARTS AND ACCESSORIES





Our Clothing, Parts and Accessories team develops complete exclusive product lines for enthusiasts of Ski-Doo snowmobiles, Sea-Doo watercraft and sport boats, and Bombardier ATVs. These products are now offered through our e-commerce site, BombardierDirect.com.

* Trademark of Bombardier Inc.

LEVERAGING AND EXPANDING THE SCOPE

Moving people

Fiscal 2001 was a transition year for Bombardier Capital, as we continued to implement a strategic reorientation focusing on business growth primarily in areas closely aligned with the product and service expertise of Bombardier.

Robert Gillespie, President and Chief Operating Officer

Our strategy will enable us to leverage our inherent strengths and grow the group's business activities in a direction consistent with the Corporation's overall strategic objectives, while helping our customers reach their goals.

We made solid progress in this regard despite the impact of a weakening economy late in the year. Based on the work conducted during 2000-2001, Bombardier Capital is well positioned to manage the challenges facing the business and continue its focus on achieving profitable growth in our core business sectors.

CORE ACTIVITIES RESTRUCTURED

Activities identified as core businesses were restructured into two areas, Consumer Products Finance and Capital Services.

Consumer Products Finance encompasses three principal elements:

- Inventory Finance, which provides secured floor-plan financing for purchases of product inventories to retailers in Canada, the United States and Europe— including dealers of Bombardier recreational products;
- Consumer Finance, which provides retailers of Bombardier and non-Bombardier recreational products and power sports equipment with financing services for consumer purchases; and
- Manufactured Housing Finance, which provides retailers in the U.S. manufactured-housing industry with financing services for consumer purchases of manufactured homes.

To further enhance our competitiveness in these businesses, we launched an exciting new e-commerce initiative. Branded as *capitalsurf**, this sophisticated extranet links dealers and manufacturers with Bombardier Capital as its hub, providing secure, online access to account and transactional information. More than 2,300 dealers and nearly 190 manufacturers are now enrolled.

Capital Services also encompasses three main elements, all of which directly complement Bombardier's core activities:

- Bombardier Capital Rail Inc. provides railcar leasing and management services for commercial customers in North America;
- Aircraft Services provides asset-based financing in the form of loans and leases for new and pre-owned business aircraft,

OF BOMBARDIER'S CORE ACTIVITIES THROUGH FINANCIAL SERVICES

towards their goals

commercial aircraft and related equipment, and is strongly focused on leveraging synergies with Bombardier Aerospace; and

- The Industrial Equipment business provides asset-based financing services supporting sales and marketing of Bombardier snowgrooming products and ski-industry products from other manufacturers.

CAPITALIZING ON SYNERGIES

On subsidiary, Bombardier Capital Rail benefitted from an improved fleet-utilization rate during the year. The business added over 2,700 cars to its lease fleet in 2000-2001, which now numbers more than 15,000 railcars. The majority of the fleet consists of new or nearly new cars, which continue to enjoy strong market demand.

Aircraft Services expanded its business aircraft sales team in North America to position itself for future growth. The business also widened its focus to compete in the commercial aircraft market, with a primary focus on regional aircraft — again reflecting strong alignment with Bombardier's core strengths and strategies.

ENHANCING OUR PERFORMANCE

Meanwhile, growth slowed in our retail finance portfolios due in part to implementation of tighter credit quality standards and the impacts of a slowing economy. We also continued to execute an orderly exit from business sectors that weren't closely aligned with our established strategic direction and core competencies.

Bombardier Capital launched Six Sigma in fiscal 2000-2001 and now has master agents and agents in place, an employee training program underway, and a number of projects and workshops in process with more planned for 2001-2002. Accelerated deployment of Six Sigma is part of an all-out drive to improve performance levels in the business, and our initial projects are yielding some interesting benefits.

Looking ahead, we will concentrate on the following immediate priorities:

- Continuing implementation of the new strategic direction;
- Tight management of collection and loan-servicing activities and close monitoring of portfolio performance trends;
- Aggressive deployment of the *capitalsurf* e-business tool to retailers and manufacturers in the North American market;
- Vigorous implementation of Six Sigma across all business units and support functions;
- Execution of plans for mitigating business impacts of a weakening economic environment; and
- Continued development of risk management infrastructure and policies.

LONG-TERM GOALS

Our longer-term goals are to achieve benchmark performance levels comparable to leading peer institutions in North America, and to develop a financial services business model that expands the scope of Bombardier's core activities while creating added shareholder value.

* Trademark of Bombardier Inc.

Moving people towards new opportunities

Our primary objective is to accelerate Bombardier's expansion into new geographies.

Robert Greenhill, President and Chief Operating Officer

We work closely with other Bombardier groups to develop integrated country strategies, act as a key interface with government authorities, potential partners and decision-makers in the targeted countries, and provide direct assistance on specific opportunities.

We pursue three types of opportunities in Bombardier International: new markets for our goods and services; new sources of procurement, production, or partners; and new possibilities to recruit or develop world-class talent.

NEW MARKETS & SOURCES

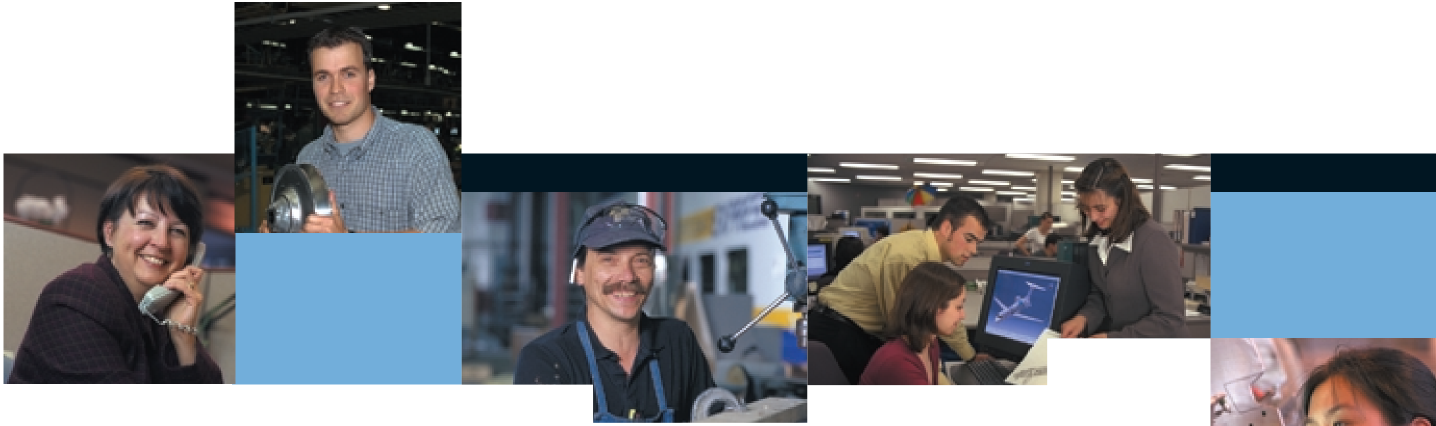
We had a strong year for sales in non-traditional markets, with over $1.6 billion in revenues. Notable successes include 29 business aircraft deliveries, and 11 regional aircraft orders. Bombardier also obtained a significant service breakthrough with Singapore committing to participate in the NATO Flying Training in Canada program. Nonetheless, revenues outside North America and Western Europe were only 10% of Bombardier's total. Significantly increasing orders from non-traditional markets will be a major priority for fiscal year 2002.

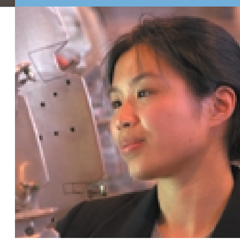
This year, our two latest risk-sharing partners from the Asia-Pacific region—Aerospace Industry Development Corporation of Taiwan and Hawker de Havilland of Australia — delivered their components of the new Bombardier Continental Business Jet on-time and on-quality. They add to the established role already played by another Asian partner — Mitsubishi Heavy Industries.

Bombardier also made moves to increase its own production capacity in targeted countries. Bombardier Transportation has a joint venture with Power Pacific Corporation and Sifang of China to produce high-quality passenger rail cars in China. The Adtranz acquisition, if approved, would provide additional facilities in China, Brazil, India and Australia.

The war for talent is global. Bombardier has been successful in attracting and developing first-rate leaders from North America and Western Europe and we are starting to have similar success in the new geographies we are involved in. At the same time, many of our most dynamic managers are excited by the opportunity to broaden their mindset and accelerate their development through an international posting. Attracting and developing the best local talent while carefully involving our existing employees will be key to our long-term success in these new geographies.

Over the next year, we will continue to develop opportunities in China; work closely with Bombardier Transportation to derive the maximum benefit from Adtranz' position in certain countries; and systematically review other countries with significant potential as a market, a base for procurement, capabilities, or partners, or a source of talent.





Moving people towards excellence

HUMAN RESOURCES

WORLD-CLASS EMPLOYEES FOR A WORLD-CLASS ORGANIZATION

At Bombardier, it's a well-accepted fact that leading the world through excellence in aerospace, rail transportation, recreational products and financial services can only be achieved with the help of the Corporation's most important asset: its employees.

That's why Bombardier's human resources strategies focus on recruiting the highest calibre people. Proof that this approach works can be seen in the Corporation's impressive growth and prosperity. As it moves into the future, Bombardier will continue to count on the innovation, entrepreneurship, teamwork, quality and high energy of its people for success in a fast-paced and highly competitive environment.

RECRUITING THE BEST

When recruiting candidates to work at Bombardier, the Corporation leaves nothing to chance. The applicants it seeks are in high demand around the world: graduates in the applied sciences, engineering, computer science and commerce and finance sectors, as well as workers skilled in specialized trades such as industrial mechanics. Bombardier targets the best performers at the best institutions from professional and trade schools right through to top-notch universities.

In 2000, Bombardier visited carefully selected universities worldwide and hired graduate students from across the globe. The Corporation also implemented a worldwide university recruitment website that provides the opportunity to attract and select top candidates.

For experienced professionals, students and recent graduates, Bombardier implemented a recruitment management system in the Career Opportunity section of its website where recruiters from all groups worldwide can post their positions. This system enables recruiters to respond to, track and share candidates in a more efficient manner.

In the manufacturing groups, partnerships were developed with educational institutions to ensure that the training dispensed corresponds to our actual as well as future needs. By sharing its workforce planning with these partners, Bombardier ensures that a sufficient number of graduates will support its growth. In line with the objective of continued improvement of human resources, development programs are also offered to current employees.

AN EYE ON THE FUTURE

The Corporation's succession planning program identifies future leaders and provides them with challenging development opportunities. This process was enhanced with the introduction in April 2001 of a new program called Bombardier Orientation Seminar for Professionals. This seminar, which targets employees in each of the Corporation's groups in Canada, the U.S. and Europe, is designed to build a sense of belonging, provide information about corporate goals and strategies as well as opportunities to meet and learn from current leaders.

Bombardier's leadership development program also includes an international seminar aimed at employees at a more senior level.

DEVELOPING TALENT

Employees at all levels are given opportunities to hone their skills and develop their talents through internal training, mentoring and career planning.

Organization-wide development initiatives such as Six Sigma and Change Management also provide employees with further opportunities to gain knowledge and skills that can be applied to different functions at many levels of the organization.

Bombardier recognizes the need to develop its internal change leadership capabilities in order to improve its ability to effectively implement change and ensure sustainability.

Close to 200 employees across Bombardier worldwide and management levels have participated in an internally led change leadership seminar aimed at developing a conceptual as well as practical understanding of how to successfully use the Bombardier Change Methodology more specifically:

- To acquire an integrated framework and model of change, as well as a common terminology and set of tools;
- To develop the ability to diagnose a need for change;
- To give the participants an opportunity to develop an understanding of their role in the implementation of the methodology and enhance their ability to coach and assist change leaders;
- To familiarize participants with the change in leadership skills critical to the success of change management;
- To provide a communication process and related tools to increase stakeholder commitment; and
- To build a network for sharing ideas and experiences related to change management.

Bombardier fosters employee movements across functions, divisions and geographical locations. Its international scope naturally allows employees to gain a broad perspective of the Corporation and the global environment in which it operates while building a future on a foundation of professional relationships and experience. Language training is an integral part of the picture in this international milieu with employees at all levels given the opportunity to gain fluency in major languages in use throughout the Corporation.

SIX SIGMA

FROM DOING TO BEING

With Six Sigma extended to Bombardier Capital in 2000-2001, all groups are now on board as Bombardier evolves from doing Six Sigma activities to being an organization where Six Sigma is an integral part of the daily approach to doing business.

Launched in 1997, this systematic methodology for eliminating defects in products, services and processes yielded cost and cycle time reductions and has already shown the impact on customer satisfaction. In 2000-2001 alone, Bombardier realized $242 million in net cash flow savings directly attributable to Six Sigma projects.

With financial over-achievements the second year in a row, Bombardier experience and confidence in continuing this trend led to an increase in the financial savings target: from $400 million for fiscal year 2004 to $800 million for fiscal year 2005.

GAINING MOMENTUM

A major achievement in 2000-2001 was a tangible increase in Six Sigma momentums right across the organization. With over 2,240 projects completed and 59 key processes mapped and baselined, Bombardier employees across groups and functions are in full swing with the deployment and for many the Six Sigma tools and methodology are already integrated in their life.

Here are some specific achievements of the individual groups:

- Aerospace

Driving the improvement of the aerospace processes through the execution of 756 projects with 260 full-time Six Sigma employees not only generated financial benefits but positioned Bombardier Aerospace for the next years' challenges of deploying an enterprise resource planning software. This initiative will improve our operational excellence and will allow us to reach maximum achievements.

At the Six Sigma Symposium, held in October 2000, participants from Bombardier Transportation assess the situation from the present status to the future.

• Recreational Products

At Bombardier Recreational Products, sustaining the momentum meant training operational management at all levels, from vice-presidents to foremen and have them solve day-to-day problems using the methodology. So in addition to the full-time master agents and agents, many employees are living Six Sigma day-in, day-out.

• Transportation

As a part of a strategy to maximize the involvement of all employees in Six Sigma, a new shopfloor initiative has been launched. Known as "Production Value Added", this aims to improve quality and customer satisfaction whilst reducing cost through a focus on waste elimination and improving manufacturing response time. The initial pilot project has proven to be extremely effective and will deliver over $75 million in net cash flow savings in the next few years. Bombardier Transportation plans to deploy the initiative in all its divisions starting this year.

ACHIEVING GROWTH

More than just a means of generating savings, Six Sigma is also seen as a key tool in achieving growth and profitability. To this end, Bombardier is more committed than ever to involving important customers and suppliers in its Six Sigma activities and is continuing with its very successful customer "dashboards" and joint supplier projects.

The customer dashboards allow for the regular monitoring of items that individual customers have indicated as most crucial to them and serve as a basis for taking action to improve – and surpass – customer satisfaction. To date, 10 dashboards have been produced with an enthusiastic customer response.

Acknowledging the crucial role suppliers play in Bombardier's efficiency and in its ability to provide total customer satisfaction, joint supplier projects assure that suppliers' processes harmonize with those of Bombardier, through training and evaluation of supplier performance in areas such as quality and delivery.

DEVELOPING FUTURE LEADERS

Employee development is also a major element of being Six Sigma. By January 31, 2001, approximately 400 employees were active as Six Sigma master agents and agents and approximately 2,650 as part-time analysts and associates. Bombardier has built a Six Sigma team that consists of high potential individuals with the skills to become future leaders. Top Six Sigma performers have been promoted into leadership positions, which not only helps to sustain the success of the initiative but also increases the Corporation's pool of future leaders.

KNOWLEDGE TRANSFER

With Six Sigma permeating the entire organization, project benefits are being leveraged across groups, resulting in the transfer of efficiency gains from one group to another. Events such as the annual Six Sigma symposium facilitate this transfer through the sharing of knowledge and successes. Also, 10 Six Sigma employees have been transferred in the last year mainly from Bombardier Aerospace to Bombardier Transportation and Bombardier Capital to support and accelerate their deployments.

IN SUMMARY

Bombardier's continuous commitment to Six Sigma is paying off in more than savings and process improvements. The Corporation has made tremendous strides on its way to "being" Six Sigma: where employees work together with seamless collaboration, where customer satisfaction is the prime focus, where employee satisfaction is the key to reaching new levels of performance and where all business processes are documented, measured and progressively improved. Going into its fourth year, the momentum is strong and the possibilities are endless.

SIX SIGMA PERFORMANCE AS AT JANUARY 31, 2001

Number of master agents & agents (full-time)	396
Number of analysts (part-time)	2,649
Number of projects/workshops completed	2,249
Number of processes mapped and sigma value known	61
Number of customer dashboards	10

In Jacksonville, Florida, Bombardier Capital sponsored the construction of a playground for a day-care centre that welcomes children of low-income families.

SOCIAL RESPONSIBILITY

COMMITMENTS AT ALL LEVELS

From donations by the J. Armand Bombardier Foundation to grass-roots employee initiatives, Bombardier contributes to the communities in which it operates in a myriad of ways.

The Corporation's commitment to social responsibility, an important part of its mission, translated into involvement in the health, cultural, educational and social development sectors.

The J. Armand Bombardier Foundation made a major commitment to higher education with a pledge to donate a total of $12 million over eight years to the Université de Montréal's campaign entitled, *A world of projects*. A major part of this amount will be used to help build an on-campus pavilion named after J. Armand Bombardier which will focus on research in leading-edge technologies and innovation in the aerospace, pharmaceutical and medical fields. The donation will also fund five chairs and provide scholarships. Complementing this important donation is the participation of President and CEO Robert E. Brown as co-chair of the fund-raising campaign.

Social welfare was also an important focus in 2000-2001 with Robert E. Brown co-chairing the highly successful Greater Montréal Centraide campaign. Bombardier employees very generously contributed $627,000 and this sum was matched by the Foundation, bringing the total contribution to over $1,250,000. The Foundation has matched the contribution of Bombardier's employees in Downsview, Ontario, by donating $100,000 to United Way of Greater Toronto.

CONTRIBUTION OF THE BOMBARDIER UNITS AND EMPLOYEES

In addition to these significant donations to education and welfare, every Bombardier business unit gets involved locally in community improvement projects.

At Bombardier Transportation — North America, a group of employees who volunteer their time to help others set up the DépanAction community involvement committee in early 2000. Employees throughout the division pooled their efforts to provide food and clothing to underprivileged people with 36 deliveries made during its first year of existence. DépanAction also helped brighten up the Christmas season for a good many needy people by donating gifts and providing Christmas baskets for families.

Bombardier Capital focused its social contribution on children and education by funding a number of very worthwhile initiatives. This resulted in making the following dreams a reality:

- The provision of 1,350 books to 450 elementary school students from Winooski, Vermont as part of the Reading is Fundamental† program;
- A program called T4C – Technology for Children – in Burlington Vermont, in co-operation with the Boys & Girls Clubs of America;
- The hiring of a teacher in Jacksonville, Florida for the second consecutive year to introduce underprivileged youth to art; and
- A new playground for a day-care in downtown Jacksonville for children of low-income families.

Bombardier Recreational Products once again held a fund-raising snowmobile excursion, collecting more than $125,000 for the Foundation for Research into Children's Diseases. Over the last five years, they have raised more than $550,000 for the cause. With plans to keep up their efforts, they are already planning a sixth fund-raising event.

AEROSPACE EMPLOYEES TAKE ACTION

In Wichita, Kansas, Bombardier Aerospace continued its active involvement in education by establishing an original incentive program called Take Flight at one of the city's alternative high schools.

† Registered trademark of Reading is Fundamental, Inc.

The innovative effort offers monetary awards to students who meet specific academic, behavioural and community service requirements. Bombardier Aerospace employees in Wichita are known in their community for their generosity and volunteering efforts. In fact, the Learjet Care Fund, which manages gifts collected by employees, distributed more than $400,000 US in the area in 2000 alone.

Employees of the Montréal area donated a grand total of $400,000 to charitable organizations through their staff charity fund.

Bombardier Aerospace employees in Northern Ireland are dedicated to the needs of their community through the Shorts Foundation which contributed approximately £250,000 ($560,000) last year to local cross-community, educational, community regeneration and environmental projects. One of the causes the Foundation supported is Belfast's Youth at Risk, an international charity, which helps alienated young people accept responsibility and turn their lives around. Bombardier employees were also directly involved in the construction of two playgrounds in deprived areas of Belfast.

THE J. ARMAND BOMBARDIER FOUNDATION

Each year, Bombardier allocates approximately 3% of its income before income taxes to the J. Armand Bombardier Foundation, a charitable organization overseen by a board of governors. Last year, the Foundation contributed $8 million to regional and national organizations in Canada.

In addition to the major pledge made to the Université de Montréal, the Foundation supported education by funding a chair in Engineering at McGill University and one in Aerospace Flight at the University of Toronto. Donations were also made to the Sherbrooke Seminary Foundation's fund-raising campaign, the François-Michelle development fund and the Montréal Design Institute.

In the health care sector, the Brome-Missisquoi-Perkins Hospital was the recipient of a donation to help with the purchase of a sophisticated scanner and specialized medical equipment. The British Columbia Children's Hospital Foundation received a contribution for its Pediatric Cardiac Sciences Centre while Toronto's Hospital for Sick Children Foundation received a sum in support of its therapy program for adolescents with cancer. The Foundation also supported the Jean-Marc Paquette Foundation's mobile clinic for breast cancer detection.

ENVIRONMENT, HEALTH & SAFETY

STEPPING UP TO THE CHALLENGE

Environment and health and safety initiatives at Bombardier in 2000-2001 featured the implementation of international management standards, the development of environmentally-friendly products and the involvement of employees and their families.

Bombardier continued to implement the ISO 14001 environmental management system — the internationally-recognized standard for environmental protection — throughout its plants. Today, nearly all plants have incorporated the system and have been officially ISO 14001 certified.

With the ISO 14001 environmental management system firmly entrenched in its operations, the Corporation is increasingly focusing on improving the environmental performance of its products. For instance, Bombardier engineers are continuing their efforts to enhance the performance of Rotax two-stroke engines, and to develop a line of four-stroke engines, in order to dramatically reduce hydrocarbon emissions and fuel consumption. Efforts are being applied to other fields of activity as Bombardier continues with major research and development efforts to design and manufacture efficient and environmentally-friendly products in all of its operating groups.

And among those who have been active participants in environmental initiatives are the employees of Bombardier Transportation in Sahagún, Mexico.

At the Sahagún facility, an employee regulates the air flow into the water treatment system basin.

Measures introduced in Sahagún over the past several years have contributed in making the plant a safer, more environmentally-friendly place to work. In one work area, waste disposal was tackled; used barrels and contaminated soil were removed and properly disposed of, and new soil was brought in.

These actions were supplemented with an ecology day where, with the help of the children of Bombardier workers, some 2,000 trees were planted on the grounds to help contain the dust. Desert gardens were also installed. Thanks to an original water treatment system, water is now being recycled to nourish the land and the trees around the plant. The trees and gardens are very important in this normally dusty area. Not only do they make it possible for employees to spend more time outside, they have helped reduce dust in the painting areas as well as in the offices and throughout the plant.

As a result of all these changes, Bombardier Transportation employees in Sahagún are very attuned to environmental issues, having seen first-hand the problems generated by contaminated soils and water and having participated in the initiatives to improve the situation. In fact, the Bombardier Transportation initiative has given rise to environmental changes in the surrounding community, with more attention being focused on production processes at other companies and on the overall environment in Sahagún.

On another front, health and safety proved to be a family affair at Bombardier's Downsview, Ontario facility in 2000-2001. The children of employees helped put health and safety awareness front and centre at the plant with their drawings which were made into a calendar. Plant employees now have a daily and monthly reminder of the importance of health and safety in the workplace.

While tailor-made initiatives exist throughout Bombardier, the Corporation is also developing a program to implement a health and safety management system based on a new international standard in all of its facilities (see box). As a result of a pilot project undertaken in 2000-2001, this system has already been implemented at Bombardier Transportation's Bruges facility in Belgium.

The progressive implementation of this new system combined with a continued commitment to ISO 14001 will assure Bombardier is applying uniform environmental and health and safety management models in all its geographical locations and delivering on its commitment to provide employees with an environmentally sound, healthy and safe working environment.

NEW HEALTH AND SAFETY STANDARD

OSHAS 18001 is a new international standard of Health and Safety management, originally developed in the United Kingdom. Similar to ISO 14001 (the standard for environmental management), it provides guidelines for integrating standardized health and safety principles and processes into daily operations. Once a facility meets the standards, it receives OHSAS 18001 certification.

Bombardier is committed to bringing the quality of its own Health and Safety Practices to the level established by the OHSAS 18001 standard. This means introducing the system into its facilities throughout the world.

As is the case with the standard for environmental management, units determine the pace at which they proceed with the process. The first Bombardier location to implement the health and safety management system— Bombardier Transportation's Bruges facility in Belgium — has already received certification.

Adoption of the OHSAS 18001 standard is concrete proof of Bombardier's concern for the welfare of its employees and its commitment to incorporating the highest levels of health and safety practices into all its operations.

Financial Section

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BOMBARDIER

Overview

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

The consolidated financial statements of Bombardier Inc. present the detailed consolidation of the accounts of the financial services with those of the Corporation's manufacturing operations. 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 of Bombardier Capital (BC). This detailed presentation has no impact on net income and shareholders' equity.

FORWARD LOOKING STATEMENTS

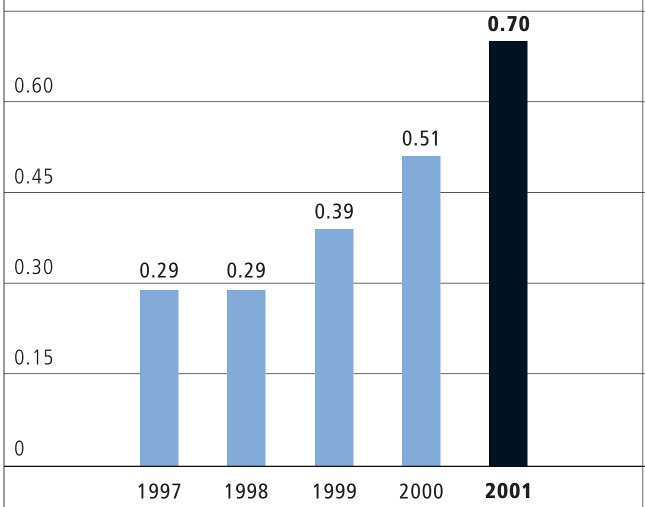
This report includes "forward looking statements" that are subject to risks and uncertainties. For information identifying legislative or regulatory, economic, climatic, currency, technological, competitive and other important factors that could cause actual results to differ materially from those anticipated in the forward looking statements, see "Risks and Uncertainties" on pages 53-54 of this report.

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

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

(in Canadian dollars)

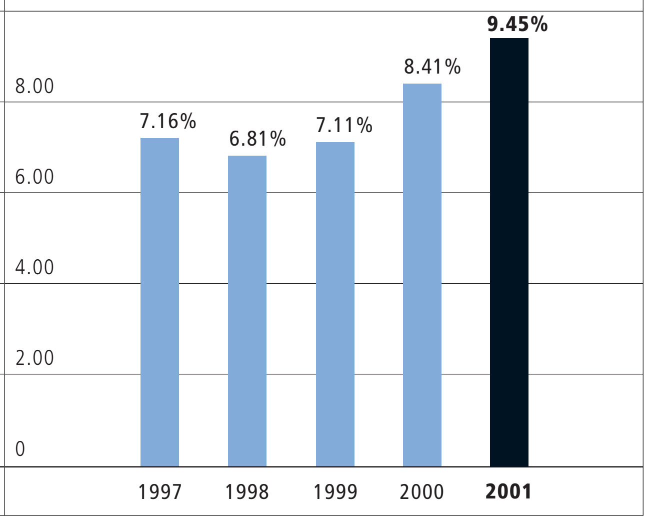
EARNINGS PER SHARE— BASIC



(Years ended January 31)

(as a percentage of revenues)

BOMBARDIER'S INCOME BEFORE SPECIAL ITEMS AND INCOME TAXES



(Years ended January 31)

The aerospace operating cycle is based on the length of each aircraft program, which is variable, but usually extends over a number of years. The operating cycle for the recreational products segment is seasonal and generally based on cycles of less than one year. In the transportation segment, manufacturing activities are performed for long-term contracts extending 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.

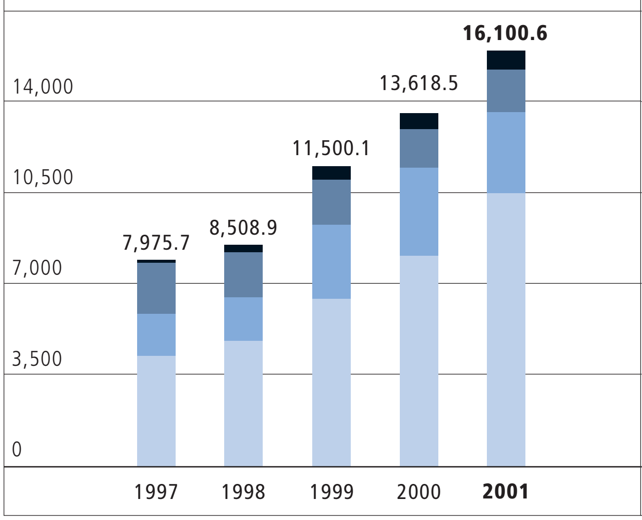
The accounting methods used for Bombardier's activities are provided in the Summary of Significant Accounting Policies accompanying the consolidated financial statements.

CONSOLIDATED RESULTS

The Corporation achieved another record year in terms of revenues and income before special items and income taxes for fiscal year 2001. Total consolidated revenues amounted to $16.1 billion for the year ended January 31, 2001, compared with $13.6 billion for the preceding year, a year-to-year increase of 18% mainly resulting from growth in the aerospace segment. Income before special items and income taxes increased by 27% for fiscal year 2001 to $1.4 billion compared to $1.1 billion for fiscal year 2000. This performance was mainly the result of significant growth in aircraft deliveries and in the pre-tax margin in the aerospace segment as well as the increase in revenues and pre-tax margin in the recreational products segment. Revenues before intersegment eliminations in the transportation segment decreased to $3.0 billion compared to $3.4 billion the previous year, and income before special items and income taxes reached $120.5 million compared to $174.4 million the previous year. This reduction in revenues is mainly due to the decrease in the value of the euro compared to the Canadian dollar and to a lower level of activity in the Corporation's German operations, while the decrease in income before special items and income taxes is also due to delays and additional costs related to the introduction of the Acela high-speed train in the U.S. The Bombardier Capital segment showed good revenue growth for fiscal year 2001 due to continuous increase

(millions of Canadian dollars)

CONSOLIDATED REVENUES BY SEGMENT

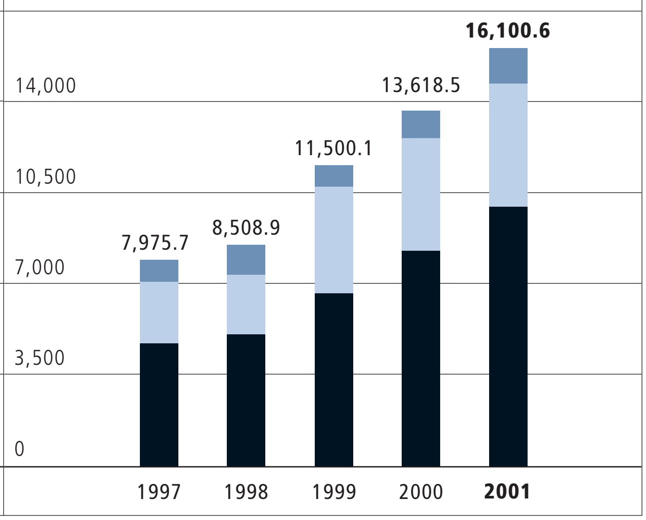


(Years ended January 31)

Aerospace / Transportation / Recreational Products / BC

(millions of Canadian dollars)

CONSOLIDATED REVENUES BY MAJOR INTERNATIONAL MARKET



(Years ended January 31)

North America / Europe / Rest of the World in assets under management. Bombardier Capital's loss before special items and income taxes for the year ended January 31, 2001 amounted to $15.4 million, compared to an income of $28.0 million recorded the previous year. The results of Bombardier Capital were impacted by the slowdown of the U.S. economy in general and of the manufactured housing market in particular in the latter part of fiscal year 2000-2001.

During fiscal years 2001 and 2000, special items were recorded by the Corporation. The divestiture of Bombardier Services (UK) Limited's defence services business during the year ended January 31, 2001 resulted in the recording of a net gain on sale of businesses of $49.8 million ($44.0 million after tax). Also, a special charge of $79.5 million ($47.7 million after tax) was recorded relating to additional provision for credit losses in BC. The reduction of the transportation segment operational capacity in Europe to better align the production capacity to market demand and the downsizing of the Corporation's activities in the defence services sector during fiscal year 2000 resulted in recording special charges of $51.1 million ($33.6 million after tax). The detailed components and the circumstances leading to the special charges are discussed later.

In fiscal 2001, the Corporation's income taxes totalled $422.8 million, against $354.1 million in fiscal 2000. The effective average consolidated income tax rate for the Corporation's worldwide operations for fiscal year 2000-2001 was 30.2% compared to 33.0% the previous year. This reduction results mainly from the tax rate relating to the special items as well as a different geographical income source. The details of the components of the income tax expense are provided in note 17 to the Consolidated Financial Statements.

Net income before special items reached $979.1 million for the year ended January 31, 2001 or $0.70 per share on an average of 1,369 million shares outstanding for the year. These results compare to net income before special items of $752.4 million or $0.53 per share on an average of 1,369 million shares outstanding for the previous year. Net income for 2000-2001 amounted to $975.4 million, or $0.70 per share, compared with a net income of $718.8 million, or $0.51 per share for the year ended January 31, 2000.

Fully diluted earnings per share for fiscal year 2001 reached $0.69 as compared to $0.50 in 2000, a year-to-year increase of 38%. The calculation of the earnings per share gives retroactive effect to the July 7, 2000 share capital split on a two-for-one basis. The computation of fully diluted earnings per share gives effect to the exercise of all dilutive elements.

SEGMENTED INFORMATION

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

Interest costs are allocated based on each segment's net assets and most corporate office charges are allocated based on each segment's revenues. For the manufacturing segments, 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.

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 an on- and off-balance sheet debt to equity ratio, including subordinated debt, which approximates 9 to 1.

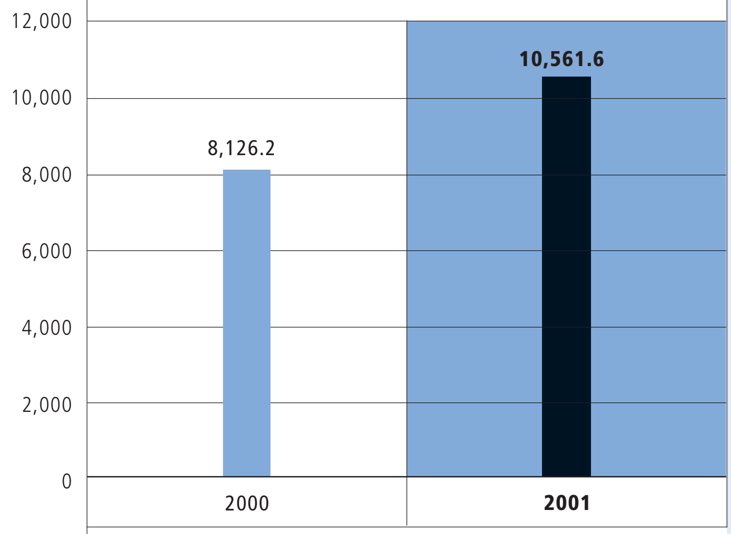
The analysis of operating results that follows covers the activities of Bombardier Aerospace, Bombardier Transportation, Bombardier Recreational Products and Bombardier Capital.

Aerospace

Bombardier Aerospace is a manufacturer of business, regional and amphibious aircraft and a provider of related services. It offers comprehensive families of turboprop and regional jet aircraft and a wide range of business jets. It also provides the Flexjet business aircraft fractional ownership program, technical services, aircraft maintenance and pilot training. Detailed information on the products and services offered by Bombardier Aerospace is provided on pages 8-9.

REVENUES

(millions of Canadian dollars)



(Years ended January 31)

Bombardier Aerospace's revenues before inter-segment eliminations were $10.6 billion in 2000-2001, compared with $8.1 billion in 1999-2000. This 30% rise in revenues is attributable to an increase of 27% in aircraft deliveries mostly for Q400 Dash 8 and CRJ200 Series as well as Learjet 45 and Learjet 60.

During the year ended January 31, 2001, 157 regional aircraft, 203 business jets and 10 amphibious aircraft were delivered for a total of 370 units, compared with 104, 183 and 5 units respectively for a total of 292 units in 1999-2000.

Reflecting growth in revenues from increased deliveries, income before special items and income taxes reached $1.2 billion in 2000-2001, for a 37% increase over the $903.9 million recorded in 1999-2000. Bombardier Aerospace's income before special items and income tax margin was 11.7% in 2000-2001 compared with 11.1% the previous year.

During the second quarter of 2000-2001, a net gain of $49.8 million ($44.0 million after tax) was recorded on the divestiture of Bombardier Services (UK) Limited's defence services business in the United Kingdom.

By comparison, special items during the fourth quarter of 1999-2000 resulted from restructuring charges of $44.5 million ($26.7 million after tax) to exit certain of its commercial aircraft services carried through Bombardier Aerospace's Commercial Aviation Services. These restructuring charges were offset by a net special gain of $111.1 million ($93.4 million after tax) on the divestiture of the Corporation's 50% interest in Shorts Missile Systems Limited and of its 100% interest in Specialist Aviation Services Limited. The net pre-tax gain arising from these special items amounted to $66.6 million ($66.7 million after tax).

During the year, Bombardier Aerospace focused its product development activities on the CRJ700 and CRJ900 Series regional aircraft as well as on the Bombardier Continental Business Jet aircraft. The CRJ700 was completed with first customer delivery in January 2001, while the CRJ900 program was launched during the year.

As at January 31, 2001, the order backlog totalled $23.0 billion, compared with $18.9 billion as at January 31, 2000. This increase is mainly the result of a high number of orders received during the year for the CRJ family of aircraft and for the Continental business jet.

BUSINESS AIRCRAFT

The business jets offered by Bombardier Aerospace include the Learjet 31A light jet, the super-light Learjet 45, the midsize Learjet 60, the super midsize Continental, the widebody Challenger 604 and the ultra long-range Global Express along with corporate variants of the CRJ.

DELIVERIES

In 2000-2001, Bombardier Aerospace delivered a total of 203 business aircraft, compared to 183 the previous year, an increase of 11%. A total of 129 Learjet aircraft were delivered, compared to 109 for the previous year. This 18% growth is attributable mainly to increased production of Learjet 45 and Learjet 60 aircraft. The deliveries detailed in the following table 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.

BUSINESS AIRCRAFT DELIVERIES

	Deliveries in 1999-2000	**Deliveries in 2000-2001**
Learjet 31A	25	**26**
Learjet 45	55	**67**
Learjet 60	29	**36**
Challenger 604	40	**38**
Global Express	34	**36**
TOTAL	183	**203**

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.

For the 2000 calendar year, the Learjet 31A market share in the light business jet segment increased to 20% of 138 total light jet deliveries, up from 18% of 137 total light jet deliveries in the previous year. Learjet 45 deliveries accounted for 47% of a 150-unit market in the super-light segment, compared to 52% of an 82-unit market in 1999. In the midsize business jet segment, the Learjet 60 attained 28% of a 125-unit market, compared to 29% of a 110-unit market the previous year.

For the 2000 calendar year, the Challenger 604 share of the large business aircraft segment was 30% of a 131-unit market, compared to 30% of a 139-unit market in 1999.

The Global Express won 39% of a 90-unit market in the ultra long-range segment, compared to 34% of a 94-unit market in 1999.

In 2000, Bombardier Aerospace obtained a 27% unit market share in the business jet industry, compared to 26% in 1999.

PRODUCT DEVELOPMENT

The Continental, which competes in the super midsize segment, was launched at the Paris Air Show in June 1999. This program is progressing on schedule, with the assembly of the first aircraft completed. First flight is scheduled for the summer of 2001. The aircraft is expected to obtain certification by the end of fiscal 2003.

MARKET AND PROSPECTS

With the addition of the Continental, Bombardier Aerospace extends its comprehensive range of business jets, with a presence in the light, super-light, midsize, super-midsize, large and ultra long-range segments.

Nine aircraft manufacturers compete for market share in the business jet industry. In calendar year 2000, business jet deliveries rose by 13%, from 669 units to 759, mainly due to the growing popularity of fractional ownership and the introduction of new models. Business aircraft market demand is driven by globalization of the economy, which is increasing the need for travel. In addition, the fractional ownership concept has expanded the customer base for business aircraft products. Also, the large fleet of older aircraft continues to be replaced by new products that offer significant value and cost advantages. Finally, in the context of economic growth, wealth creation is increasing the number of high net worth individuals able to purchase aircraft, who represent approximately 35% of business aircraft customers.

FLEXJET FRACTIONAL OWNERSHIP PROGRAM

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

As at January 31, 2001, 115 aircraft were in service under the Flexjet program, compared to 83 aircraft at January 31, 2000. During the year, the number of customers owning a fraction of a Flexjet business jet with a yearly flight time entitlement rose by 30%, totalling 555 as at January 31, 2001, compared to 428 as at January 31, 2000.

MARKET AND PROSPECTS

The fractional ownership market has grown at an average annual rate of 47% over the last three years. Flexjet holds the number-two position among the fractional ownership programs currently available. With the advantage of being the aircraft manufacturer offering a complete line of business aircraft and a wide range of support services, Bombardier Aerospace intends to continue to benefit from the growth of this market, which accounted for 13% of 759 industry deliveries in 2000 compared to 14% of 669 industry deliveries in 1999. The fractional ownership market is mainly affected by the same factors that drive the business jet market: individual wealth, economic growth and the convenience of direct, on-demand air travel.

REGIONAL AIRCRAFT

The Bombardier Aerospace line of regional aircraft includes the 50-passenger CRJ100 and 200 Series, the 70 passenger CRJ700 Series, the 86-passenger CRJ900 Series regional jets and the Q Series Dash 8 family of turboprops, consisting of the 37-passenger Q100 and Q200, the 50-passenger Q300 and the 70-passenger Q400.

REGIONAL AIRCRAFT DELIVERIES

	Deliveries in 1999-2000	**Deliveries in 2000-2001**
CRJ100/200	81	**103**
CRJ700	—	**2**
Q100/200	16	**7**
Q300	6	**17**
Q400	1	**28**
TOTAL	104	**157**

DELIVERIES

In 2000-2001, Bombardier Aerospace delivered 105 CRJ100, 200 and 700 Series regional jet aircraft, compared to 81 in 1999-2000.

Customers took delivery of 52 Q Series turboprop aircraft in 2000-2001, compared with 23 in the previous year.

REGIONAL AIRCRAFT ORDERS

	Orders in 1999-2000[1]	**Orders in 2000-2001[1]**
CRJ100/200	144	**178**
CRJ700	8	**71**
CRJ900	—	**10**
Q100/200	17	**2**
Q300	16	**34**
Q400	31	**1**
TOTAL	216	**296**

[1] Net of cancellations and conversions

ORDERS AND BACKLOG

In 2000-2001, Bombardier Aerospace received firm orders for a total of 296 regional aircraft, compared to 216 in 1999-2000. In addition, 773 options and conditional orders were recorded during the year, compared to 156 in 1999-2000.

Of the total firm orders, 259 were for CRJ aircraft, compared to 152 in 1999-2000. Orders were recorded as follows: 178 for CRJ100/200 aircraft; 71 for CRJ700 aircraft, and 10 for CRJ900 aircraft. The largest order was placed by Delta Connection, Inc. carriers Comair and Atlantic Southeast Airlines of the U.S., for 25 CRJ700 and 79 CRJ100/200 aircraft. Other major orders were awarded by SkyWest Airlines for 35 CRJ200 and by Atlantic Coast Airlines for 30 CRJ200.

In 2000-2001, Bombardier Aerospace received a total of 37 Q Series aircraft firm orders, compared to 64 the previous year. Air Nostrum of Spain placed the largest order, for 29 Q300 aircraft.

As at January 31, 2001, Bombardier Aerospace's order backlog for regional aircraft consisted of firm orders for 574 aircraft. In addition, options and conditional orders accounted for another 1,047 units. Historically, the conversion rate of options into firm orders has been in the range of 80%.

As previously announced, the production rate of the CRJ200 aircraft is progressively being increased to achieve a total of 135 units during 2001-2002, and 150 units in 2002-2003.

REGIONAL AIRCRAFT

IN ORDER BACKLOG AS AT JANUARY 31, 2001

	Aircraft on Firm Order	Options and Conditional Orders or Letters of Agreement	TOTAL
CRJ100/200	326	616	942
CRJ700	173	313	486
CRJ900	10	42	52
Q100/200	4	2	6
Q300	28	42	70
Q400	33	32	65
TOTAL	**574**	**1,047**	**1,621**

Bombardier Aerospace is currently building a final assembly facility at Montréal's Mirabel Airport for the CRJ900. Due to the high degree of commonality between the CRJ900 and the CRJ700, assembly of the CRJ700 will be moved to this new facility, which is scheduled to open during the second half of 2001-2002.

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 2000, the CRJ family had a 34% market share of the jet segment in the 20- to 90-seat regional aircraft market, accounting for 234 of the 689 units ordered. This compares to a 38% market share, or 172 of the 457 units ordered in 1999.

In the turboprop segment, 68 units were ordered in the 20- to 90-seat market during 2000, compared to 98 units in 1999. The Q Series market share was 62% of the turboprop segment with 42 firm orders placed during calendar year 2000.

The combined order intake for CRJ and Q Series aircraft earned Bombardier Aerospace a 36% unit share of the overall 20- to 90-seat segment of the regional airliner market during calendar year 2000, accounting for 276 of the 757 units ordered, compared to 43% of 555 units ordered in 1999.

PRODUCT DEVELOPMENT

The CRJ700 aircraft program achieved several milestones during the year. In December 2000, Transport Canada granted the CRJ700 type certificate. Type recommendation from the European Joint Airworthiness Authorities (JAA) was obtained on January 29, 2001 and deliveries started on January 31, 2001. The aircraft received type approval from the U.S. Federal Aviation Administration on February 16, 2001.

The CRJ900 program was launched at the Farnborough International Air Show in July 2000. Wind tunnel testing has been completed and assembly of the prototype started during the fall of 2000. The CRJ900 prototype made its first flight on February 21, 2001. The program schedule calls for initial type certification at the end of 2002-2003.

MARKET AND PROSPECTS

The regional airline industry continued to grow strongly at rates in excess of major airlines. U.S. Regional Airline Association statistics indicate that, for the first nine months of 2000, passenger enplanements increased by 9.4% and revenue passenger miles increased by 19.6% over the same period in 1999. Data from the European Regions Airline Association indicate that, for the first nine months of 2000, passenger enplanements increased by 10% over the same period in 1999. During the same period, passenger enplanements for U.S. major airlines grew by 4.9%.

The jet segment of the regional airline industry should continue to grow, driven by the attractiveness of regional airlines as cost-effective service providers with smaller-capacity aircraft. This enables market expansion through new non-stop services and improved service in existing networks with capacity closely matched to traffic.

Bombardier Aerospace forecasts that approximately 9,000 new regional aircraft will be delivered in the 20-to 90-seat segment over the next 20-year period. Over 2,000 are expected to be turboprop aircraft, and almost 7,000 jets. While most deliveries are expected to be into the U.S. and European markets, a portion of new aircraft deliveries will be to developing markets such as China.

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 ten Canadair 415 aircraft in 2000-2001 compared to five in 1999-2000. As at January 31, 2001, the backlog stood at one aircraft, compared to 11 the previous year.

AVIATION SUPPORT AND SERVICES

Bombardier Aerospace provides a broad range of services to customers including training for pilots and maintenance technicians, aircraft completion services, aircraft maintenance and spare parts. It also provides services to customers of the Flexjet fractional ownership program.

CUSTOMER TRAINING

Through joint ventures, Bombardier Aerospace offers a complete range of pilot and maintenance training programs for the CRJ Series aircraft in Montréal and in Berlin, Germany. Bombardier Aerospace is in the process of establishing a training facility in China through a joint venture.

In the business aircraft segment, a new pilot and maintenance technician training facility in Dallas, Texas became operational in 2000-2001, with four simulators and one fixed training device. This facility is capable of housing six full flight simulators and three fixed training devices for Learjet, Challenger and the all-new Continental aircraft. Installation of the remaining units should be completed by the third quarter of 2001-2002. Combined with the two simulators and two fixed training devices for the Global Express and the Challenger 604 located in Dorval, Bombardier Aerospace now has the capacity to train more than 3,000 pilots and 2,000 maintenance technicians a year.

In addition, Bombardier provides maintenance and support services for military pilot training. The NATO Flying Training in Canada (NFTC) program became operational during the second quarter of 2000-2001. The first course included students from Canada and Italy. Other nations which have committed to participate in the program are Denmark, the U.K. and the Republic of Singapore.

BUSINESS AIRCRAFT COMPLETIONS

During the year, 184 aircraft were completed at Bombardier Aerospace's two business aircraft completion centres located in Dorval (Global Express) and Tucson, Arizona (Learjet 31A, Learjet 45, Learjet 60, Challenger 604 and Global Express) as well as at authorized completion centres. The Wichita, Kansas facility is also temporarily being used to complete some Challenger 604 aircraft. By comparison, 124 aircraft were completed in 1999-2000.

AIRCRAFT MAINTENANCE

In 2000-2001, Bombardier Aerospace opened its seventh business aircraft service centre in the US, located in Dallas, Texas. The new centre serves Bombardier's growing customer base throughout the south-western United States, Mexico and Central America. Bombardier Aerospace provides similar services in Berlin, Germany through a joint venture. Services are also supplied by a total of 30 authorized service facilities worldwide.

Bombardier Aerospace offers maintenance and modification services to CRJ operators, in Bridgeport, West Virginia. Maintenance services for military aircraft are carried out mainly at the Mirabel, Québec, facility.

SPARE PARTS SERVICES

Bombardier Aerospace operates spare parts services through depots strategically located around the world. During the year, Bombardier Aerospace opened, through a joint venture, a spare parts depot in Beijing, China.

MARKET AND PROSPECTS

The market for aviation services is driven both by the aircraft fleet size and by the extent of their utilization. Demand for aircraft maintenance is expected to remain strong. A continued high level of new Bombardier aircraft deliveries should generate a sustained demand for aircraft completions and pilot training.

OTHER ACTIVITIES

Other activities carried out by Bombardier Aerospace include component manufacturing for third parties. Most of the design, development and manufacture of major airframe structures take place at its facilities in Saint-Laurent, Québec, and in Belfast, Northern Ireland.

LABOUR AND WORKFORCE

In 2000-2001, separate labour agreements were signed at the Wichita, Kansas, Toronto, Ontario, and Belfast, Northern Ireland facilities, for periods ranging from three to four years. An agreement with the Montréal-area employees is due for renewal in 2001.

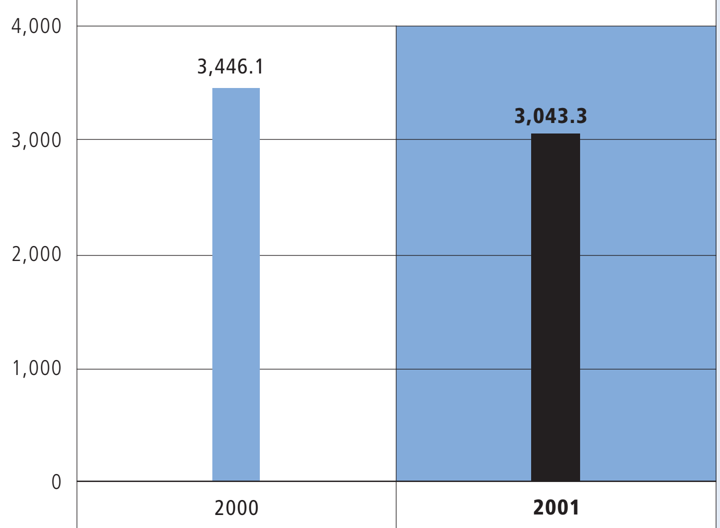
Transportation

The information on activities, market shares, market outlook and prospects does not take into account the acquisition of Adtranz, which is expected to be completed during fiscal year 2001-2002.

Bombardier Transportation, a world leader in the manufacturing of passenger rail cars, offers a full range of urban, suburban and intercity vehicles as well as complete rail transit systems. It also manufactures freight cars and provides operations and maintenance services. Detailed information on these products and services is given on pages 12-13.

REVENUES

(millions of Canadian dollars)



(Years ended January 31)

ACQUISITION OF ADTRANZ

On August 4, 2000, the Corporation signed a sale and purchase agreement with DaimlerChrysler AG of Stuttgart, Germany to acquire its subsidiary DaimlerChrysler Rail Systems GmbH (Adtranz) based in Berlin for a cash consideration of $725 million US ($1.1 billion). This transaction is subject to the approval of appropriate regulatory authorities.

For the year ended January 31, 2001, Bombardier Transportation's revenues before intersegment eliminations amounted to $3.0 billion, compared with $3.4 billion for the year ended January 31, 2000. This 12% decline in revenues is mainly attributable to the decrease in value of the euro compared to the Canadian dollar and to a lower level of activity in Bombardier Transportation's German operations resulting from a slowdown in the European railway market.

Income before special items and income taxes amounted to $120.5 million, a 31% decrease over the $174.4 million recorded the previous year. This decrease follows the decline in revenues described above and reflects delivery delays and additional costs related to the introduction of the Acela† high-speed train in the U.S. The income before special items and income tax margin therefore decreased from 5.1% to 4.0%.

In 1999-2000, special charges of $117.7 million ($100.3 million after tax) were recorded in anticipation of the slowdown in the transportation market in Europe. These charges resulted mainly from the reduction in the German workforce and related assets, and from the divestiture of the Manage plant in Belgium.

During the year, Bombardier Transportation focused its product development activities primarily on the diesel electrical multiple unit (EMU) trainsets designed for speeds up to 200 kilometres per hour to operate on existing railway infrastructures and to satisfy the very stringent safety case requirements introduced in recent years on the U.K. market.

Further development was made on the light rail vehicle (LRV) product platform concept designed to satisfy the market requirements in Europe. Design adaptations to satisfy North American specific requirements and standards are also being addressed.

As at January 31, 2001, the value of Bombardier Transportation's order backlog totalled $8.7 billion, compared with $8.3 billion at January 31, 2000. Major orders from the Netherlands Railways and the Metropolitan Transportation Authority/New York City Transit (MTA/NYCT) contributed to this increase. Backlog at January 31, 2001 consisted of $6.7 billion for operations and $2.0 billion for maintenance services, compared with $6.2 billion and $2.1 billion, respectively as at January 31, 2000.

PASSENGER RAIL EQUIPMENT

URBAN TRANSPORTATION

Bombardier Transportation offers a choice of urban transit vehicles which includes rapid transit/metro cars, tramways and light rail vehicles.

DELIVERIES AND WORK IN PROCESS

In 2000-2001, main deliveries in urban transportation in North America included 130 vehicles for the New York subway and 78 subway cars to the Toronto Transit Commission. Two orders from Sistema de Transporte Colectivo de México were completed with the delivery of 36 new and 22 refurbished subway cars.

In Europe, Bombardier Transportation delivered 19 bi-modal tram-on-tire vehicles, the first tramway on tires, to the city of Nancy in France. The city of Rotterdam took delivery of 12 city-trams. Several cities in Germany received a total of 113 tramways while 43 additional units were delivered to various clients in Austria, Belgium and Poland. Bombardier Transportation also delivered 80 rapid transit cars to Deutsche Bahn.

In addition, 111 subway cars were refurbished for the London Underground.

Work continued on tramway car orders for German and Austrian customers as well as on a subway car order for the city of Helsinki.

ORDERS

During the year, the MTA/NYCT awarded a contract to Bombardier Transportation for the supply of 350 rapid transit cars for the New York City subway. This represents the conversion of an option for 200 cars plus an additional order for 150 cars.

Bombardier Transportation also received an order from the Minneapolis Metropolitan Council for the production and delivery of 18 low-floor light rail vehicles. The contract includes an option for an additional 24 vehicles.

In Europe, Docklands Light Railway in London converted an option to a firm order for the supply of 12 automatic metro cars. Orders for a total of 63 tramways were received from the cities of Bonn, Cologne and Dessau in Germany, Lodz in Poland, Stockholm in Sweden, and from the Belgian transport company De Lijn. Ten low-floor intermediate vehicles were also ordered by De Lijn for the Belgian Coast tram.

SUBURBAN AND REGIONAL TRANSPORTATION

Bombardier Transportation is active in the suburban and regional transportation sector. It manufactures a wide range of single- and bi-level coaches, single- and bi-level diesel and electrical multiple units and tram-trains.

DELIVERIES AND WORK IN PROCESS

During the year, 42 bi-level commuter cars were delivered in North America to the cities of Seattle, San Joachin, Los Angeles and Vancouver.

In Europe, Bombardier Transportation delivered 88 bi-level commuter cars and 44 EMUs to Deutsche Bahn. A total of 197 Talent diesel multiple units (DMUs) were delivered to Deutsche Bahn and regional operators in Germany and Norway. A contract for the refurbishment of commuter coaches awarded by a U.K. leasing company was completed with the delivery of the remaining 34 units.

During the year, work was carried out on a 226-car order for the Metropolitan Transportation Authority/Long Island Rail Road (LIRR). Work also continued on 44 GTW DMUs on order from the Hessische Landesbahn, 32 double-deck coaches for Israel Railways and 36 coaches for Société Nationale des Chemins de fer Français (SNCF).

ORDERS

In 2000-2001, Bombardier Transportation received an additional order from LIRR, representing the conversion of an option, for the supply of 100 EMU commuter rail cars. Two contracts were awarded by GO Transit, of the Greater Toronto area: the first one for the manufacture and supply of 20 bi-level commuter coaches; and the second, for the refurbishing of 71 bi-level commuter cars.

Major orders in Europe included 89 new-generation bi-level EMUs for SNCF and 52 Talent diesel-mechanical multiple units for Deutsche Bahn. Twenty-nine low-floor cars were also ordered by three Swiss operators.

The Israel Railways Authority converted options for 24 bi-level coaches.

During the first quarter of 2001-2002, Bombardier Transportation received an order from Deutsche Bahn for 117 double-deck vehicles.

INTERCITY TRANSPORTATION

Bombardier-built intercity transportation vehicles are in operation around the world. These include diesel and electric multiple units, as well as high-speed rail coaches.

DELIVERIES AND WORK IN PROCESS

The first Acela Express trainset, designed for speeds up to 250 kilometres per hour, comprised of two power cars and six coaches, was delivered to Amtrak in October 2000. As at January 31, 2001, three of the 20 trainsets ordered were accepted for revenue service in the Washington-New York-Boston corridor and three additional trainsets were undergoing acceptance procedures.

Work carried out for other intercity transportation agencies included the delivery of 130 passenger cars to Deutsche Bahn, under a consortium agreement, for high-speed intercity trains. The remaining 25 passenger coaches on order from Uzbekistan Railways were also delivered.

Work progressed on a Virgin Rail order for 352 diesel-electric cars for the U.K.'s CrossCountry service. Extensive high-speed testing is underway and first deliveries are expected by mid-2001.

Following the award of a contract to a joint venture, in 1999-2000, for the supply of 300 high-grade intercity passenger vehicles to the China Ministry of Railways, the construction of a plant in Qingdao is progressing. Production of the vehicles is expected to start by the end of the fiscal year 2001-2002.

ORDERS

In addition to an order from the Netherlands Railways for 252 new intercity cars as well as the retrofitting of 290 existing vehicles obtained at the beginning of 2000-2001, Bombardier Transportation, as part of a consortium, received an order from SNCF for the manufacture of 22 high-speed TGV†† Duplex 10-car trainsets. The contract includes an option for 60 additional trainsets.

Subsequent to year-end, Bombardier Transportation received a follow-up order from the Netherlands Railways for the delivery of 126 intercity cars.

MARKET AND PROSPECTS

To reflect the nature of the rail transit equipment market, Bombardier Transportation determines its annual market share as an average based on the total number of vehicles ordered in the industry over the past three calendar years. According to this calculation, Bombardier Transportation maintained its leading position in the U.S. and Canadian markets, with 31% of order intake. Its share of the Western European passenger rail vehicle market remained stable at 25% for an overall market share of 26% in Western Europe and North America.

The markets in which Bombardier Transportation is active should continue to offer good growth potential for the next five years. Transit authorities in the U.S. are expected to announce major investment programs which should create additional demand for rapid transit and commuter vehicles. According to the American Public Transit Association, the year 2000 represented the highest peak in transit ridership in four decades. There is a renewed interest in urban light rail vehicles in both Canada and the U.S., and Bombardier Transportation intends to serve this emerging market from its new Centre of Expertise for LRVs for the North American market, which was established in its Mexican facility. A first order for LRVs has been received from the city of Minneapolis.

The European market should grow over the next five years, with the U.K. and France offering significant potential. In Germany, where the market has experienced a slowdown after a record year in 1996, the market is expected to recover gradually over the next three years.

Prospects in the Mexican and South American markets are positive. With a new office in Argentina, Bombardier Transportation is well located to cover market opportunities in MERCOSUR (Argentina, Brazil, Paraguay and Uruguay), where large cities are faced with a need for improved mass transit infrastructures.

In China, the demand for high-grade vehicles is expected to grow significantly over the next five years due to the anticipated expansion of the intercity network and increased performance requirements. The urban mass transit market should follow the same trend as a result of increased demand for metro systems and the introduction of light-rail systems.

TRANSIT SYSTEMS

Bombardier Transportation designs, integrates and delivers a wide spectrum of complete rail transportation systems, from high-speed rail and rapid transit to commuter rail, light rail, monorail and automated people-mover systems.

DELIVERIES AND WORK IN PROCESS

The first two vehicles for the contract for JFK Airport's automated rapid transit system were delivered for commissioning and testing at the end of January 2001.

Procurement, design and engineering of the system-wide elements for the 21-kilometre expansion of Vancouver's fully automated SkyTrain also progressed as planned. The first ART MK II vehicles were delivered during the year.

ORDERS

Bombardier Transportation obtained a contract from the Las Vegas Monorail Company to design and build a driverless, urban monorail transportation system. As consortium member, Bombardier Transportation will be responsible for the electrical and mechanical systems of the fully automated monorail line, including the supply of 36 M-VI monorail cars. The contract includes an operations and maintenance component.

MARKET AND PROSPECTS

Asia continues to represent the largest growth potential for transit systems. Population growth in several Asian countries, combined with increased urbanization, is driving the demand for infrastructure projects such as railway transportation, and in particular urban transit systems. In Europe, the market is expected to grow steadily due to the priority being given to transit systems by the European Union. The North American market for transit systems is expected to continue its growth over the next five years. A key factor for this market is the availability of financing to respond to the growing importance of concessions operated by private investors. Bombardier Transportation has recently opened a Centre for Advanced Transit Systems in Burnaby, British Columbia, thereby positioning itself to take full advantage of emerging opportunities in the Pacific Rim.

Bombardier Transportation, as a member of a consortium, was selected by the Government of the Republic of Korea to negotiate the terms of a concession contract for the turnkey design, construction and operations of a rapid transit system. Bombardier Transportation's responsibilities encompass the core electrical and mechanical systems, including the initial 46 vehicles, for the fully automated 24-kilometre line between the cities of Pusan and Kimhae.

Bombardier Transportation is part of a consortium which has bid for a 30-year concession to provide infrastructure, technology and management services, and fleet renewal, respectively for the Bakerloo, Central and Victoria lines and the Sub-Surface line of the London Underground, through a public-private partnership agreement. Selection of the preferred bidder is underway.

OPERATIONS AND MAINTENANCE SERVICES

WORK IN PROCESS AND ORDERS

As part of the order received for the Acela high-speed trainsets, Bombardier Transportation began maintaining Amtrak's new vehicles.

Under a contract signed in 1996, Bombardier continued to provide maintenance services for the commuter train fleet of Ontario's GO Transit throughout 2000-2001. This contract was renewed in 2000 for an additional three years. Maintenance work was also done on commuter trains for the city of Los Angeles, under a three-year contract obtained in 1998, and renewed in 2000 for another two years from the Southern California Regional Rail Authority.

As part of a 12-year contract awarded in 1999-2000 by U.K.'s Virgin Rail, Bombardier Transportation provided maintenance services for Virgin's current fleet of 518 vehicles, including locomotives, multiple units and coaches. Work also continued on the maintenance of 48 light rail vehicles for South London Croydon Tramlink.

During the year, Bombardier Transportation was awarded an operations and maintenance contract for a five-year period, with an option for an additional 10 years, as part of an order from the Las Vegas Monorail Company. Work is scheduled to start in 2004.

MARKET AND PROSPECTS

There is a growing trend to outsource operations and maintenance services, fuelled by the increased number of private rail projects, particularly in the U.S. and the U.K. Due to cost containment pressures and a desire to focus on core competencies, customers elect to outsource operations and maintenance services. With the experience it has gained over the past few years, Bombardier Transportation intends to take advantage of opportunities as they arise in this market.

FREIGHT CARS AND LOCOMOTIVES

DELIVERIES AND WORK IN PROCESS

In Europe, where Bombardier Transportation manufactures specialized freight cars, clients took delivery of 985 cars, compared to 2,365 in 1999-2000.

Gunderson-Concarril of Mexico, a 50-50 joint venture between Bombardier Transportation and The Greenbrier Companies, delivered 1,083 boxcars and 14 Automax††† auto haulers, a product launched during the year, to clients in Mexico and the U.S., compared to 1,404 freight cars in 1999-2000.

Pursuant to an agreement with General Motors' Electro-Motive Division in the U.S., Bombardier Transportation assembled, in Mexico, 170 diesel-electric locomotives for freight trains, compared with 184 the previous year.

ORDERS

Bombardier Transportation received orders for 458 sliding-door freight cars from European customers during 2000-2001 and its backlog stood at 985 cars at January 31, 2001, compared to 1,512 as at January 31, 2000.

In addition, the Gunderson-Concarril joint venture recorded orders for 507 boxcars and 75 Automax auto haulers. Its backlog stood at 158 units as at January 31, 2001, compared to 673 units the previous year.

During the year, Bombardier Transportation received orders for 404 locomotives under its agreement with General Motors. As at January 31, 2001, the backlog stood at 387 units, compared with 139 units the previous year.

MARKET AND PROSPECTS

Since railway deregulation in 1980, North American freight car deliveries reached a peak in the last two years. Even though deliveries are expected to decrease slightly from 1998-1999 levels, prospects for the North American freight car market remain stable with a five-year outlook of some 260,000 cars. In the European market, which is driven by a European Union-led initiative to move freight from roads to rail to reduce pollution and highway congestion, competitive pressure should increase due to the emergence of new suppliers from Eastern Europe. Average annual demand over the next five years is expected to be 8,000 units.

LABOUR AND WORKFORCE

During 2000-2001, four collective agreements were signed in North America. Three are for a three-year contract and another for five years. No major collective agreement is due for renewal during fiscal year 2001-2002. Workforce reduction programs were completed in Belgium and Germany.

† Registered trademark of Amtrak, used under licence

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

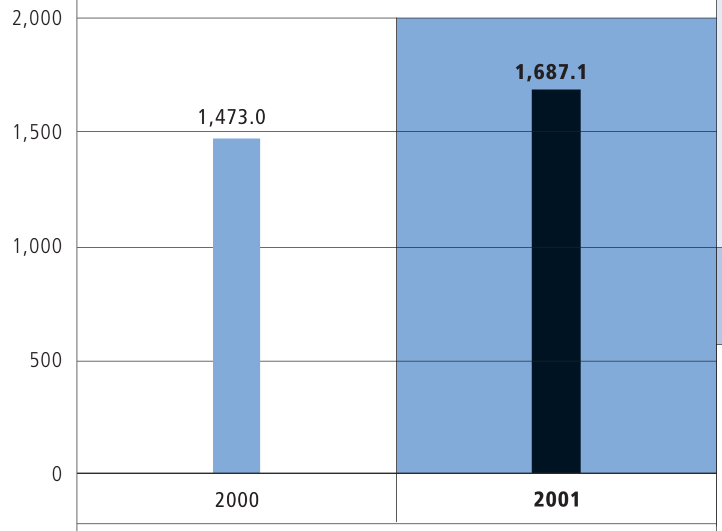
††† Registered trademark of The Greenbrier Companies

Recreational Products

Bombardier Recreational Products designs, builds and distributes snowmobiles, watercraft, sport boats, all-terrain vehicles (ATVs) and utility vehicles. It also manufactures Rotax engines that power Bombardier and other manufacturers' products. Detailed information on the products and services offered by Bombardier Recreational Products is provided on pages 16-17.

REVENUES

(millions of Canadian dollars)



(Years ended January 31)

For the year ended January 31, 2001, the revenues of Bombardier Recreational Products before intersegment eliminations amounted to $1.7 billion, compared with $1.5 billion for the year ended January 31, 2000. This 15% increase is mainly attributable to higher unit deliveries in nearly all segments. This trend was most significant for ATVs.

Income before income taxes for 2000-2001 reached $86.0 million, compared with $17.7 million for fiscal 2000. This substantial increase in profitability results from higher volume of deliveries as well as from savings generated from the reorganization undertaken the previous year. Bombardier Recreational Products' pre-tax margin reached 5.1% in 2000-2001 compared with 1.2% the previous year.

During the year, Bombardier Recreational Products invested $75.6 million in industrial design and product development. This compares with $82.5 million in 1999-2000. Major projects included the development of a new generation of Rotax engines with environmentally cleaner technologies and continued investment to expand the ATV product offering. A Design and Innovation Centre is being set up to foster development of new product concepts.

ACQUISITION OF CERTAIN ENGINE ASSETS OF OUTBOARD MARINE CORPORATION

On March 9, 2001, the Corporation acquired for a cash consideration of $53.8 million US ($83.3 million), before acquisition costs, most of the net assets of the engine manufacturing operations of Outboard Marine Corporation (OMC) 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.

SNOWMOBILES

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

MARKET AND PROSPECTS

It is expected that snowmobile industry retail sales in Canada and the U.S. will total an estimated 185,000 units for the selling season ending March 31, 2001, compared with 189,000 units for the season ended March 31, 2000. During this period, Ski-Doo snowmobiles should obtain an estimated market share of 31% in Canada and the U.S, up from 30% the previous season.

In Europe, an estimated 20,000 snowmobiles are expected to be sold during the selling season ending March 31, 2001, compared with 21,500 units during the previous season. Bombardier Recreational Products should maintain its leadership position, obtaining an estimated 46% of the European market with its Ski-Doo and Lynx snowmobiles, compared with 39% in 1999-2000.

The snowmobile market is driven largely by climatic and economic conditions. After three consecutive winters of poor climatic conditions, the return of good snow conditions in most areas in North America during the 2000-2001 season had a positive effect on the market, resulting in lower retailers' inventory level.

PRODUCT DEVELOPMENT

Significant product enhancements were introduced for the MX* Z and Summit* models, while a brand new model, the Legend*, was launched to serve the growing sport performance segment. In Europe, further improvements were made to the Lynx line-up for the 2000-2001 season.

WATERCRAFT

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

MARKET AND PROSPECTS

During the year, the North American watercraft market experienced a slowdown and consequently, retail sales totalled 97,000 units for the selling season ended September 30, 2000, a 13% decline from the 112,000 units sold during the previous year. Retail sales in the international market were estimated at 22,000 units, the same number as in 1999.

For the 2000 season, Bombardier maintained its leadership with a world market share of 42%, unchanged from 1999.

Bombardier Recreational Products estimates that the watercraft market has reached stability. Bombardier is well positioned with a full line of Sea-Doo watercraft. In addition, the international market offers good growth potential.

PRODUCT DEVELOPMENT

Bombardier Recreational Products focuses product development on sound reduction and environmentally-friendly technologies. Since 1999-2000, all Sea-Doo models are equipped with the D-Sea-Bel sound reduction system, which results in up to 50% less sound pressure compared to traditional watercraft. The GTX† DI and RX DI are propelled by a Rotax two-stroke engine using Orbital†† Direct Injection technology which reduces fuel consumption by up to 30%[1] and hydrocarbon emissions by up to 75%[2] compared with traditional carbureted two-stroke engines.

ALL-TERRAIN VEHICLES

Bombardier Recreational Products is active in the ATV industry, offering an expanding line of Bombardier all-terrain vehicles.

MARKET AND PROSPECTS

During the year 2000, the North American ATV market grew by 18% with estimated retail sales of 724,000 units, compared to 612,000 units for 1999. Bombardier Recreational Products entered its second year of manufacturing ATVs with 19,000 vehicles produced during the year. Bombardier has established a strong North American dealer network and an international distribution channel.

The North American ATV market, which is less sensitive to weather conditions, continues to show positive growth prospects. Recent studies indicate an increasing percentage of first-time buyers. Replacement sales are high while the drop-out rate is low.

PRODUCT DEVELOPMENT

In 2000-2001, Bombardier Recreational Products introduced two new models in the utility segment - the Traxter XT which offers equipment such as a 900-kilogram (2000-pound) capacity winch and, the Traxter XL, which offers increased load capacity. Two new shifting options were also introduced on current models. With four ATV models on the market, Bombardier plans to launch two new models a year to expand in other segments.

ENGINES

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

MARKET AND PROSPECTS

In 2000-2001, deliveries of Rotax engines increased by 32% due to higher sales of Bombardier ATVs, as well as to higher sales of other manufacturers' motorcycles, scooters and karts. Deliveries for the year included 137,183 engines for Bombardier-manufactured products, and 117,513 engines for other manufacturers' products, compared to 110,083 units and 83,414 units, respectively for the previous year.

Growth in the Rotax engine market is expected to be driven primarily by the expansion of Bombardier in the ATV market, increased demand for Rotax' new-generation four-stroke and direct injection two-stroke engines, and the high performance motorcycle engine segment.

PRODUCT DEVELOPMENT

In line with its objective of offering environmentally-friendly products, and to meet new U.S. Environmental Protection Agency (EPA) regulations that set specific emission reduction targets for manufacturers, Bombardier Recreational Products actively pursues development activities with respect to its new generation of four-stroke and direct injection two-stroke engines.

SPORT BOATS

Bombardier Recreational Products offers a line of seven Sea-Doo sport boats with two types of propulsion. The 14-foot models are powered by Rotax engines, while the 16-foot and longer boats are equipped with jet drive engines supplied by an outside manufacturer.

UTILITY VEHICLES

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

In a mature and relatively steady replacement market, Bombardier Recreational Products maintained its North American market leadership in utility vehicles. Bombardier's share of the global market was 33%, compared with 34% in 1999-2000.

* Trademark of Bombardier Inc.

† Registered trademark of Castrol Limited used under licence

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

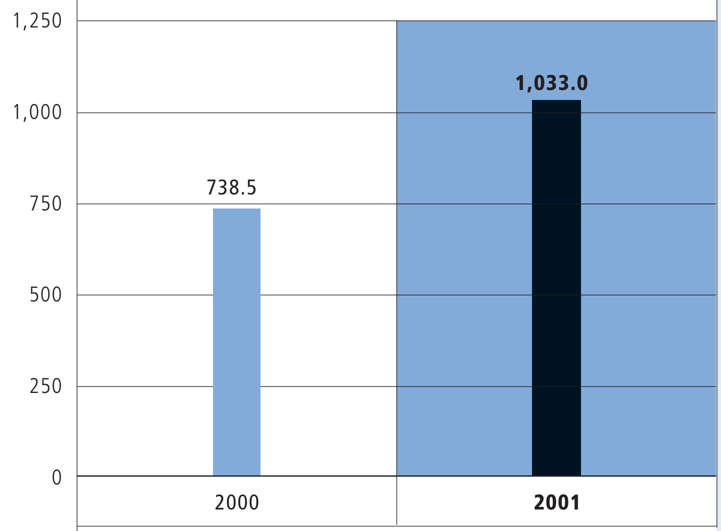
1. ICOMIA (International Council of Marine Industry Associations) cycle method
2. According to EPA standards

Bombardier Capital

Bombardier Capital offers secured financing, leasing and asset management solutions to manufacturers, retailers and other commercial businesses, primarily in North American markets. Bombardier Capital targets industry sectors and asset classes related to its specialized core competencies, including financial services provided directly to Bombardier manufacturing segments.

REVENUES

(millions of Canadian dollars)



(Years ended January 31)

In 2000-2001, management continued concentrating on sectors where Bombardier Capital has demonstrated know-how and experience. Emphasis is placed on strengthening Bombardier Capital's alignment with the product and service expertise of Bombardier's manufacturing segments and expanding its business in line with the Corporation's overall strategic orientation.

As part of this orientation, Bombardier Capital is winding down certain portfolios while core businesses were reorganized into two areas: Consumer Products Finance and Capital Services.

In 2000-2001, Bombardier Capital's revenues before intersegment eliminations amounted to $1.0 billion, an increase of 40% as compared to $738.5 million for 1999-2000. This increase in revenues is mainly attributable to a 23% growth in assets under management compared to the previous year and a higher interest rate environment. In addition, the early fiscal 2000 decision to recognize revenue on an as-earned basis instead of gain-on-sale for the manufactured housing portfolio has contributed to revenue growth by retaining more on-balance sheet assets.

Income before special items, income taxes and corporate interest allocation was $23.0 million for 2000-2001, down from $61.7 million the previous year. Given the slowdown of the U.S. economy in general and of the manufactured housing market in particular in the latter part of fiscal year 2000-2001, Bombardier Capital has decided to increase its balance sheet allowance for credit losses for the manufactured housing portfolio by an amount of $49.5 million. This additional provision brings the total allowance for credit losses to $133.0 million or 1.47% of total on-balance sheet asset-based financing items as at January 31, 2001, compared to $56.5 million or 0.79% as at January 31, 2000. Loss before special items and income taxes was $15.4 million in 2000-2001 compared to income of $28.0 million in 1999-2000.

During the year ended January 31, 2001, 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 charge of $79.5 million ($47.7 million after tax) was provided for during the year ended January 31, 2001, related to additional provision for credit losses.

At January 31, 2001 assets under management were $13.3 billion, an increase of 23% over $10.8 billion at the end of the previous year. Growth was attributable primarily to activities in aircraft services and railcar leasing and management services.

CONSUMER PRODUCTS FINANCE

Business activities related to Consumer Products Finance involve asset-based financing services designed to facilitate the flow of consumer products from manufacturers to retailers and end-users. These activities represented 49% of total assets under management as at January 31, 2001, compared to 54% as at January 31, 2000.

Bombardier Capital's end-user consumer finance portfolios, comprised of the manufactured housing and consumer portfolios, represented 27% of total assets under management as at January 31, 2001, compared to 31% as at January 31, 2000. The year-to-year growth in the portfolios was 9%, while total assets under management grew by 23% over the same period. This slower growth resulted from the implementation of tighter credit quality standards during the year, as well as a general slowdown in the U.S. manufactured housing market.

INVENTORY FINANCE

Bombardier Capital's Inventory Finance activities provide floor plan financing, on a secured basis, to retailers purchasing product inventories in the U.S., Canada and Europe. Primary markets are marine products, manufactured housing, motorized recreational vehicles and Bombardier-manufactured recreational products.

As at January 31, 2001, Inventory Finance portfolios represented $2.9 billion, or 22% of Bombardier Capital's total assets under management, compared to $2.5 billion, or 23% the previous year.

The U.S. Inventory Finance portfolio experienced another year of continued growth through diversification and selected acquisitions. This 15% growth was based, in part, on market share gains and implementation of a more integrated marketing approach with the Consumer Finance businesses.

In August 2000, Bombardier Capital purchased two floorplan finance loan portfolios for marine products, recreational vehicles and manufactured housing for a total price of $107.4 million.

CONSUMER FINANCE

Bombardier Capital's Consumer Finance activities provide retailers in the recreational products industry with financing services for consumer purchase transactions in the U.S. Programs include revolving credit and installment loan services for Bombardier recreational products, as well as recreational vehicles and recreational marine products distributed by other manufacturers.

At year-end, this portfolio accounted for $742.8 million, or 5% of Bombardier Capital's total assets under management, compared with $821.2 million, or 8% the previous year.

During the year, an integrated marketing strategy was established with Inventory Finance activities to create a more comprehensive value proposition and seamless service to U.S. retailers. This strategy put focus on expanding the revolving credit portion of the portfolio as a balance to established installment credit activities. Revolving credit card products for the music and motorized recreational products industries were also launched during the year.

The consumer finance market is mainly driven by the level of, or change in, personal disposable income and by market interest rates.

MANUFACTURED HOUSING FINANCE

Bombardier Capital's Manufactured Housing Finance activities provide U.S. retailers with financing services for consumer purchases of manufactured homes.

Manufactured Housing Finance activities represented 2.9 billion, or 22% of Bombardier Capital's total assets under management as at January 31, 2001, compared to $2.5 billion, or 23% the preceding year.

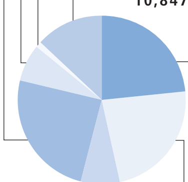
As previously stated, the allowance for credit losses for this portfolio was increased by $49.5 million during fiscal year 2000-2001.

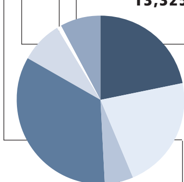
During the year, collections and loan servicing capabilities were enhanced. More stringent credit criteria combined with a slowdown in the manufactured housing market resulted in a decrease in new loan originations from $1.4 billion in 1999-2000 to $569.0 million in 2000-2001.

The manufactured housing market is influenced by the same variables as the conventional residential home market, namely disposable income and interest rate environment. Manufactured housing represents between 20% and 30% of total U.S. demand for new single-family homes.

ASSETS UNDER MANAGEMENT

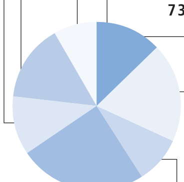
Years ended January 31	2000		2001	
Manufactured Housing	23%	2,549.1	**22%**	**2,934.8**
Inventory Finance	23%	2,522.1	**22%**	**2,941.5**
Consumer Finance	8%	821.2	**5%**	**742.8**
Aircraft	25%	2,690.6	**34%**	**4,582.5**
Railcars	7%	778.2	**8%**	**1,091.5**
Industrial Equipment	1%	122.3	**1%**	**112.3**
Winding Down Portfolios	13%	1,420.6	**8%**	**1,052.9**
Sub-total before Allowance for Credit Losses		10,904.1		**13,458.3**
Allowance for Credit Losses		(56.5)		**(133.0)**
Total		10,847.6		**13,325.3**

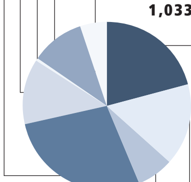




REVENUES

Years ended January 31	2000		2001	
Manufactured Housing	13%	94.0	**21%**	**215.4**
Inventory Finance	19%	141.2	**16%**	**162.9**
Consumer Finance	9%	67.1	**7%**	**73.0**
Aircraft	25%	181.5	**28%**	**287.2**
Railcars	11%	83.5	**13%**	**130.0**
Industrial Equipment	0%	3.8	**0%**	**5.1**
Winding Down Portfolios	15%	105.9	**10%**	**106.3**
Other	8%	61.5	**5%**	**53.1**
Total		738.5		**1,033.0**





CAPITAL SERVICES

The Capital Services business provides asset-based lending, leasing and management services primarily to customers of business aircraft, commercial aircraft, related aviation equipment, railcars, ski industry equipment and other Bombardier products. These activities represented 43% of total assets under management as at January 31, 2001, compared to 33% as at January 31, 2000.

AIRCRAFT SERVICES

Bombardier Capital's Aircraft Services activities provide essentially third-party asset-based financing in the form of loans and leases for new and pre-owned business aircraft, commercial aircraft and related equipment. This portfolio accounted for $4.6 billion, or 34% of Bombardier Capital's total assets under management at year-end, compared with $2.7 billion, or 25% the previous year.

In line with Bombardier Capital's strategic focus on core businesses and its mandate to create closer alignment with Bombardier's manufacturing operations, the Aircraft Services unit puts strong emphasis on leveraging synergies with Bombardier Aerospace's business aircraft and regional aircraft businesses. Performance during the year was supported by a strong market for new and pre-owned business aircraft, both in North America and internationally.

RAILCAR LEASING

Bombardier Capital Rail Inc., an indirectly wholly owned subsidiary of the Corporation, provides railcar leasing and management services for commercial customers in North America.

As at January 31, 2001, railcar leasing activities accounted for $1.1 billion, or 8% of Bombardier Capital's total assets under management, compared with $778.2 million, or 7% at January 31, 2000.

During the year, railcar leasing activities achieved good performance due to an improved fleet utilization rate in North American rail markets. A total of 2,734 cars were added to the lease fleet, which now totals 15,144 units.

This business is well positioned for future growth in North America with an established market presence and a lease fleet of mainly new railcars, which continues to generate strong market demand.

The market drivers for this business are manufacturers' shipments, demand for specific commodities and railways' and other shippers' buy-or-lease decisions with respect to railcars.

INDUSTRIAL EQUIPMENT

Bombardier Capital offers third-party asset-based financing mainly for Bombardier snowgrooming products and related ski industry equipment, such as chair lifts and snowmaking apparatus from other manufacturers. As at January 31, 2001, financing activities in the industrial equipment sector totalled $112.3 million, or 1% of Bombardier Capital's assets under management compared to $122.3 million, or 1% at January 31, 2000.

WINDING DOWN PORTFOLIOS

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 January 31, 2001, these portfolios represented $1.1 billion, or 8% of Bombardier Capital's total assets under management compared to $1.4 billion, or 13% in the previous year.

FUNDING HIGHLIGHTS

Funding highlights for Bombardier Capital are detailed in "Liquidity and Capital Resources" on pages 52-53.

RISK MANAGEMENT

Effective risk management is essential for Bombardier Capital to achieve its strategic goal of return commensurate with risks in its businesses. Risks that could affect the performance of Bombardier Capital are regularly identified, measured and monitored. These risks include credit, interest rate, operational and residual value risks.

Bombardier Capital controls the credit risk of its on- and off-balance sheet portfolios by setting limits on the total amount outstanding, obtaining collateral, monitoring the size, maturity and structure of the portfolios and by applying appropriate credit standards.

Bombardier Capital monitors its sensitivity to changes in interest rate and manages its exposure either by fund-matching strategies or by the use of derivative instruments.

Operational risk arises from inefficient operations. Internal controls, information systems and operating processes and policies are regularly reviewed to mitigate exposure to these risks.

Residual value risk stems from the potential variance between the estimated residual value at lease inception and the actual value of the assets upon termination of the lease. Bombardier Capital regularly assesses its exposure to residual values and has put in place systems and procedures to monitor and mitigate this risk.

Bombardier Capital sets the provision for credit losses as well as the level of capital required for each portfolio according to a Risk-Adjusted Return on Capital methodology (RAROC). RAROC establishes the level of required provisioning based on default likelihood and the expected severity of losses incurred in the event of a default for each portfolio. In addition, the RAROC methodology sets the amount of capital required to cover unanticipated defaults. Based on this methodology, Bombardier Capital considers that its on- and off-balance-sheet debt-to-equity ratio, at 9 to 1, is adequate.

OTHER ACTIVITIES

During the year, Bombardier Capital launched *capitalsurf*, an e-business tool, in the U.S. and Canada, providing retailers and manufacturers with secure on-line access to account and transaction-related information.

REAL ESTATE SERVICES

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

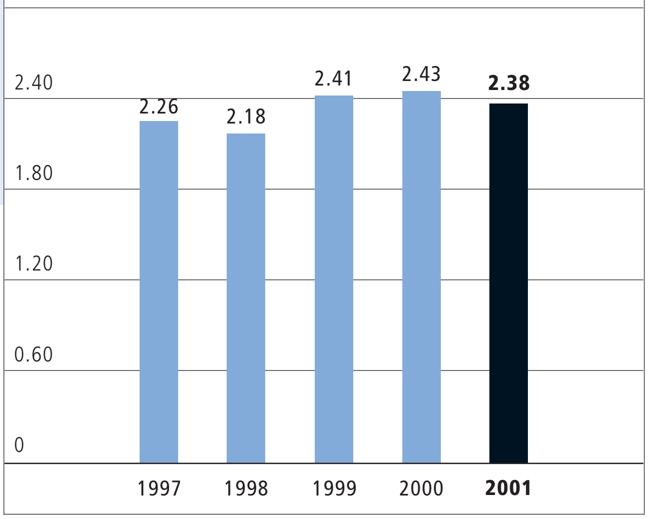
Liquidity and

FINANCIAL POSITION

BOMBARDIER

Total consolidated assets for the manufacturing segments amounted to $12.4 billion as at January 31, 2001 compared to $11.0 billion as at January 31, 2000, an increase of 13%. The increase results mainly from higher inventories in the aerospace segment arising from costs incurred in connection with new aircraft development programs and production rate increases as well as additions to fixed assets. Total assets, excluding cash and cash equivalents and investment in and advances to BC, remained stable at 62% of revenues.

BOMBARDIER'S INVENTORY TURNOVER (sales to year-end inventory)



(Years ended January 31)

Capital Resources

Cash and cash equivalents reached $1.4 billion as at January 31, 2001 compared to $1.5 billion at the end of the previous year. Excess cash classified as cash equivalent assets is invested only in highly liquid instruments of investment grade quality 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 determined on a contract by contract basis are reported as liabilities.

Total inventories as at January 31, 2001 were $6.4 billion, compared to $5.4 billion at the end of the previous year, an increase of $1.0 billion. This increase arose mainly from investments in new programs, namely the CRJ700 and 900 Series and the Bombardier Continental Business Jet aircraft, and from the ramp-up in the production capacity for the CRJ100 and 200 Series. Inventories in the aerospace segment, before deducting advances and progress billings, represented 75% of total inventory as at January 31, 2001 as compared to 74% at the end of the previous year.

Management periodically reviews the estimates used to value aerospace programs. However, recovery of the carrying value of aerospace program assets remains subject to measurement uncertainties. Note 4 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 non-recurring costs for those not yet under commercial production. In total, these costs represent 22% of aerospace segment revenues as compared to 27% as at January 31, 2000.

Total advances and progress billings decreased from $6.7 billion to $6.4 billion. An amount of $4.0 billion of advances and progress billings is deducted against inventory as at January 31, 2001 as compared to $4.1 billion at the end of the previous fiscal year. Advances and progress billings in excess of related costs, shown as liabilities, have decreased to $2.4 billion at the end of fiscal year 2001 compared to $2.6 billion at the end of the previous year. This reduction results mainly from progress in contract completion in the transportation segment.

Bombardier intends to maintain BC's on- and off-balance sheet debt-to-equity ratio (including subordinated debt) at approximately 9 to 1. As a consequence of the substantial growth in assets under management sustained by BC and of its related debt financing, Bombardier invested an additional amount of $331.8 million in BC's equity and subordinated debt during fiscal year 2001 as compared to $256.0 million for the previous year. In addition, Bombardier lent a portion of its excess cash to BC on a short-term basis. The outstanding amount of short-term advances to BC was $205.5 million as at January 31, 2001 compared to $459.8 million as at January 31, 2000.

The increase in accounts payable and accrued liabilities was $714.8 million or 23% for fiscal year 2001. This growth reflects mainly the increase in the overall activities of the aerospace segment in the fourth quarter of fiscal 2000-2001. The increase in other liabilities of $880.9 million for fiscal year 2001 results mainly from an additional $492.1 million in the accrued benefit liability and higher deferred income taxes of $367.0 million. The additional accrued benefit liability is largely attributable to a $303.1 million increase in the provision for employee future benefits as at February 1, 2000 arising from the adoption of the new accounting rules described in note 1 to the Consolidated Financial Statements. The incremental deferred income taxes recorded during the year stem in large part from temporary differences arising from accelerated tax deductions for inventory-related items.

During fiscal year 2001, the total outstanding amount of long-term debt decreased to $879.4 million from $971.4 million as at January 31, 2000. Bombardier's debt-to-capital ratio, before taking into consideration the cash and cash equivalents, was 19% as at January 31, 2001 compared to a debt-to-capital ratio of 21% as at January 31, 2000. Total cash and cash equivalents at the end of fiscal year 2001 exceeded debt by $479.4 million as compared to an excess of

$577.3 million at the end of the previous year. On February 22, 2001, Bombardier issued notes amounting to $697.5 million (€500 million) and $388.8 million (£175 million) maturing in February 2008 and February 2006, respectively, on the European markets. After giving effect to the issuance of the notes, the total outstanding debt would have been $2.0 billion and the debt-to-capital ratio would have been 34% as at January 31, 2001. The proceeds from this borrowing will be used to finance the ongoing operations of Bombardier. This new foreign-currency liability will effectively hedge the Corporation's exposure to foreign currency fluctuations arising from its permanent investments in European operating entities.

Deferred translation adjustments included in shareholders' equity was a debit amount of $17.6 million as at January 31, 2001 as compared to a credit of $57.0 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 variation is mainly attributable to the Canadian dollar strengthening against the pound sterling and euro during fiscal year 2001.

BC

The portfolios of asset-based financing items, which represent BC's most important assets, amounted to $8.9 billion as at January 31, 2001, compared with $7.1 billion as at January 31, 2000, an increase of 25% mainly due to the growth in BC's activities particularly in connection with the aircraft and manufactured housing financing portfolios. The growth in the manufactured housing portfolios results from management's decision to structure securitization transactions as financing transactions as opposed to sales of the underlying loans, effective as of the beginning of fiscal year 1999-2000. Including off-balance sheet asset-based financing items, assets under management amounted to $13.3 billion and $10.8 billion as of January 31, 2001 and 2000, a year-to-year growth of 23%. This growth results mainly from the aircraft, inventory finance, manufactured housing and railcar leasing portfolios. Note 3 to the Consolidated Financial Statements provides the details of the components of the asset-based financing portfolios.

BC's financial leverage, determined as the ratio of debt and off-balance-sheet debt to shareholders' equity and subordinated debt from Bombardier, is maintained at a higher level than what it would be for manufacturing operations. This ratio as at January 31, 2001 and as at January 31, 2000 was 8.7 to 1 and 9.1 to 1, respectively. As previously indicated, Bombardier targets a ratio of 9 to 1 for this type of business. Notes 7 and 9 to the Consolidated Financial Statements provide details of the short-term borrowings and long-term debt of BC.

OTHER SIGNIFICANT CASH FLOW INFORMATION

BOMBARDIER CONSOLIDATED

During fiscal year 2001, Bombardier purchased, in the normal course of its activities, an aggregate of 15.9 million of its Class A (Multiple Voting) and Class B (Subordinate Voting) common shares for $303.8 million. The cash required for the buy-back program was provided by the net cash flows generated by the operations.

Based on the current rate of the dividends for the Class A (Multiple Voting) and Class B (Subordinate Voting) common shares and the rate set in the articles of Amalgamation of the Corporation for the Series 2 Preferred Shares as well as the number of outstanding shares as at January 31, 2001, dividend payments would be $202.5 million in fiscal year 2002.

BOMBARDIER

Cash flows from operations before changes in non-cash balances related to operations amounted to $1.5 billion for fiscal year 2001 compared to $1.2 billion the previous year, a year-to-year increase of 28%, mostly as a result of higher net income and increase in deferred income tax expense. Cash flows used for non cash balances related to operations for fiscal 2000-2001 amounted to $629.4 million compared to $321.0 million last year. This usage resulted from a reduction in advances and progress billings in excess of related costs in the transportation segment and an increase in inventory, partially offset by an increase in accounts payable and accrued liabilities in the aerospace segment. Note 18 to the Consolidated Financial Statements provides the details of the net changes in non-cash balances related to operations. After changes in non-cash balances related to operations, cash flows from operating activities increased to $913.0 million for the year ended January 31, 2001, compared to $880.1 million for the preceding year. Cash flows used for payment of income taxes amounted to $76.0 million for fiscal year 2001, as compared to $48.2 million for the previous year.

Capital expenditures related to fixed assets increased to $395.4 million in 2000-2001 as against $382.2 million in 1999-2000. In the aerospace segment, additions to fixed assets were $307.2 million in 2000-2001, compared with $266.5 million the previous year. The largest investments were made for the expansion of the production capacity for the CRJ100/200, the construction of a manufacturing facility in Mirabel and of a terminal at Belfast City Airport and the expansion of the maintenance and servicing facilities to support the growing aircraft fleet. In the recreational products segment, additions to fixed assets amounted to $32.0 million in 2000-2001, compared with $23.9 million the previous year, mostly related to ongoing investments for machinery and equipment to support the growth of the ATV business and for the development of the four-stroke engine at Rotax. In the transportation segment, additions to fixed assets amounted to $56.2 million in 2000-2001, as against $91.8 million the previous year mainly to modernize its manufacturing facilities and related equipment. Note 23 to the Consolidated Financial Statements provides the distribution of fixed assets by geographic location.

Capital expenditures for fiscal year 2001 were partially financed by cash of $66.1 million generated in the second quarter from the sale of Bombardier Services (UK) Limited's defence service business. During the fourth quarter of fiscal year 2000, a cash inflow of $145.6 million arose 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 $589.6 million in 2000-2001, compared with $553.0 million in 1999-2000. This use of funds results mainly from the repurchase of 15.9 million Class A (Multiple Voting) and Class B (Subordinate Voting) common shares for $303.8 million, dividend payments of $202.8 million and repayments of long-term debt amounting to $139.0 million including $100.0 million which was repaid before maturity. For fiscal year 1999-2000, redemption of the convertible notes amounting to $243.2 million, dividend payments amounting to $168.8 million and repayments of long-term debt of $128.8 million decreased cash flows from financing activities. Proceeds from issuance of long-term debt amounted to $38.4 million compared to $3.5 million the previous year. Issuance of shares to employees in relation to the share option plans for cash totalled $17.6 million (4.3 million shares) in 2000-2001, compared with $16.8 million (11.3 million shares) the previous year. The number of shares presented above has been split on a two-for-one basis to give retroactive effect to the July 7, 2000 share capital split.

As a result of the above items and the reduction in cash and cash equivalents resulting from the effect of exchange rate changes for an amount of $87.7 million, Bombardier's cash and cash equivalents decreased slightly to $1.4 billion as at January 31, 2001 compared to $1.5 billion at the end of the previous year.

BC

Cash flows used by operating activities amounted to $13.1 million for the year ended January 31, 2001, compared to cash flows from operating activities of $0.6 million for the previous year. These figures were impacted by the net loss of $56.8 million for fiscal 2001 compared to a net income of $16.6 million for fiscal 2000. The cash flows used for non-cash balances related to operations amounted to $200.7 million for the year ended January 31, 2001 compared to $142.3 million for the previous year due to an increase in receivables for an amount of $154.0 million for fiscal year 2000-2001.

The increase of $1.8 billion in asset-based financing items during fiscal year 2001 was financed through increases in long-term debt of $1.4 billion and short-term borrowings of $458.1 million, for the year ended January 31, 2001. These amounts compare with increases of $2.3 billion in asset-based financing items and $2.5 billion in long-term debt and a decrease of $251.5 million in short-term borrowings the year before. Investment in and advances to BC increased by $77.5 million during the year compared to $257.3 million last year. The increase is composed of investment of $331.8 million in subordinated debt and equity of BC offset by a reduction of advances from Bombardier for an amount of $254.3 million.

The corresponding amounts for last year were an increase of $256.0 million of investment in subordinated debt and equity of BC and higher advances from Bombardier of $1.3 million. The investment in subordinated debt and equity of BC was made to maintain a debt-to-equity ratio of approximately 9 to 1. In addition, $3.3 billion of asset-based financing items were financed off-balance-sheet through securitization programs as at January 31, 2001 compared to $2.8 billion at the same date the previous year, for which BC remains the servicer.

CAPITAL RESOURCES

During the year, the Corporation actively managed its credit facilities to secure availability of resources for capital investments and acquisition opportunities, and to deal effectively with contingencies.

BOMBARDIER

The Corporation has further rationalized its North American banking facilities by consolidating and extending the maturity and increasing the available amount of its main North American syndicated bank credit facility. In September 2000, the Corporation and its North American manufacturing subsidiaries replaced their Canadian and U.S. facilities with a five-year $1.0 billion and a 364-day $750 million, unsecured, revolving line of credit with a syndicate of leading North American banking institutions. It is available for cash drawings in Canadian dollars, US dollars or euros, for the issuance of letters of credit or as backup to the Corporation's $1.0 billion commercial paper program, which has been increased during the year from $450 million as at January 31, 2000. To free the amounts available under its lines of credit, the Corporation successfully insured with a group of premier international insurance and re-insurance companies some $969 million of stand-by letters of credit initially issued under its North American credit facility. In transferring the related risk to the insurance community, the Corporation freed-up an equivalent amount of availability under its bank syndicated lines of credit.

During fiscal year 2000, Bombardier extended the maturity and increased the amount of its European banking facilities. The Corporation and its European manufacturing subsidiaries signed in June 1999 a €1.7 billion, committed, six-year, revolving line of credit with a syndicate of leading European banks. This transaction enabled Bombardier to rationalize and increase its access to bank credit in Europe. The facility is available in various currencies in the form of cash advances or the issuance of stand-by letters of credit.

The details of the available and outstanding amounts under the credit facilities as at January 31, 2001 and 2000 are provided in note 7 to the Consolidated Financial Statements.

BC

BC continued to be active in the capital markets during fiscal year 2001 as it renegotiated its bank credit facilities, issued more notes under its two medium-term notes programs and continued to access the securitization markets. In August 2000, Bombardier Capital Ltd. signed a 364-day, committed, revolving line of credit in the amount of $700.0 million with a syndicate of leading Canadian banks. It also increased its commercial paper program to an equivalent amount. During the year, Bombardier Capital Ltd. drew twice on its medium-term notes program to issue some $250.0 million of fixed- and floating-rate notes maturing in fiscal year 2003 and 2004.

Bombardier Capital Inc. also renewed its bank credit facilities and signed in July 2000 a five-year, committed, revolving credit agreement in the amount of $600 million US and a 364-day, $600 million US, committed, revolving credit agreement with a syndicate of top ranking U.S. banks, and renewed its $1.2 billion US commercial paper program. During the fiscal year, Bombardier Capital Inc. made two medium-term notes issues on the private placement market for an amount of $670.1 million ($450.0 million US) of fixed-and floating-rate debt maturing in 2002 and 2005. The Canadian and U.S. medium-term notes programs provide for identical covenant and "Keep-Well" packages from the Corporation introduced in 1999, in line with those applicable to the bank credit facilities.

In the continuing effort to optimize its funding sources, Bombardier Capital Inc. remained active in the securitization markets with public and private transactions for inventory, consumer and manufactured housing loans. A public $400 million US and a private $265 million US asset-backed security transactions were conducted in September 2000 and January 2001 for inventory and consumer loans respectively. These securitizations were recorded as sales of the underlying loans. Also in January 2001, a $285 million US public asset-backed security transaction was completed for manufactured housing loans. This transaction was accounted for as debt financing. In addition, Bombardier Capital Inc. had separate private asset-backed security conduits totalling $1.1 billion US as at January 31, 2001 as compared to conduits of $1.2 billion US as at January 31, 2000 for the three asset classes, of which $645 million US was utilized as at January 31, 2001. Finally, Bombardier Capital Ltd. increased the available amount of its asset-backed security conduits by $90 million during fiscal year 2000-2001 to $340 million, of which $330 million was utilized as at January 31, 2001, compared to conduits of $250 million the previous year.

The Corporation considers that its present cash resources, the expected cash flows from operations and the sources of financing for Bombardier and for BC will enable the implementation of their investment programs, the development of new aircraft models, the support of the growth of their activities in Canada and abroad, the payment of dividends and meeting all of their current financial obligations.

ADOPTION OF THE EURO

Bombardier is implementing a plan, elaborated in fiscal 1998-1999, to convert to the single currency in Europe in January 2002. 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 industry segments with a variety of inherent 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, the approval of new products by regulatory authorities, compliance with contractual commitments for delivery, product performance warranty, 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 foreign government support to export sales, fuel prices, political instability and economic growth.

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

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 the use of derivative contracts to hedge the exposure to future cash flows in various currencies and asset/liability management involving mostly borrowing in foreign currencies to hedge foreign currency exposure arising from permanent investments in foreign countries. 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. To manage such currency risk, the Corporation enters into foreign exchange contracts with maturities ranging up to three years. Note 19 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 affected income before income taxes by an approximate amount of $22.8 million before taking into account any effect of derivative instruments. For the year ended January 31, 2001, the US dollar traded at an average of $1.4902 Cdn, compared with $1.4799 Cdn during 1999-2000, for an average appreciation of 0.7%.

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 fixed or variable rates) 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 uses derivatives as an integral part of its asset/liability management program to reduce its overall 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 BC's portfolios. However, management believes that the diversity of BC's portfolios presented in note 3 to the Consolidated Financial Statements offers reasonable protection.

COMMITMENTS AND CONTINGENCIES

In connection with the sale of aircraft, the Corporation occasionally provides various forms of financial support to its customers as described in note 21 to the Consolidated Financial Statements. 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 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.

CHANGES IN ACCOUNTING PRINCIPLES

EARNINGS PER SHARE

Effective February 1, 2001, the Corporation retroactively adopted the new accounting recommendations published by the Canadian Institute of Chartered Accountants (the "CICA") relating to the method of calculation and the presentation and disclosure requirements for earnings per share. The new recommendations, which are essentially aligned with the requirements of the US Financial Accounting Standards Board Statement No. 128 on this subject, require the use of the treasury stock method instead of the imputed earnings method for calculating fully diluted earnings per share. The impact of the adoption of the new recommendations on the fully diluted earnings per share computation is not significant.

TRANSFER OF RECEIVABLES

Effective April 1, 2001, the Corporation intends to prospectively adopt the new CICA accounting recommendations applicable to the transfer of receivables. The new recommendations are consistent with the requirements of the US Financial Accounting Standards Board Statement No. 140 on this subject. The effect of adopting the new recommendations on the Corporation's consolidated income, financial position and cash flows for the year ending January 31, 2002 is not expected to be material.

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

Selected Quarterly Financial Information

	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
For the year ended January 31, 2001					
External revenues	**$16,100.6**	**$ 3,266.7**	**$ 3,423.4**	**$ 3,856.3**	**$ 5,554.2**
Net income	**$ 975.4**	**$ 147.4**	**$ 254.1**	**$ 225.9**	**$ 348.0**
Earnings per share					
Basic	**$ 0.70**	**$ 0.10**	**$ 0.19**	**$ 0.16**	**$ 0.25**
Fully diluted	**$ 0.69**	**$ 0.10**	**$ 0.18**	**$ 0.16**	**$ 0.25**
For the year ended January 31, 2000					
External revenues	$13,618.5	$ 2,850.6	$ 3,180.8	$ 3,183.2	$ 4,403.9
Net income	$ 718.8	$ 144.5	$ 169.1	$ 151.1	$ 254.1
Earnings per share					
Basic	$ 0.51	$ 0.10	$ 0.12	$ 0.11	$ 0.18
Fully diluted	$ 0.50	$ 0.10	$ 0.12	$ 0.10	$ 0.18

Historical Financial Summary

For the years ended January 31	2001	2000	1999

Operations Summary

(millions of Canadian dollars, except per share amounts)

	2001	2000	1999
Revenues			
Aerospace	**$ 10,561.6**	$ 8,126.2	$ 6,444.1
Recreational products	**1,687.1**	1,473.0	1,628.1
Transportation	**3,043.3**	3,446.1	2,966.3
BC	**1,033.0**	738.5	570.6
Intersegment eliminations	**(224.4)**	(165.3)	(109.0)
External revenues	**$ 16,100.6**	$ 13,618.5	$ 11,500.1
Income (loss) before special items and income taxes			
Aerospace	**$ 1,236.8**	$ 903.9	$ 681.9
Recreational products	**86.0**	17.7	(45.5)
Transportation	**120.5**	174.4	147.9
BC	**(15.4)**	28.0	42.6
	1,427.9	1,124.0	826.9
Special items, net	**29.7**	51.1	–
Income before income taxes	**1,398.2**	1,072.9	826.9
Income taxes	**422.8**	354.1	272.9
Net income	**$ 975.4**	$ 718.8[(1)]	$ 554.0
Per common share	**$ 0.70**	$ 0.51[(1)]	$ 0.39

General Information

(millions of Canadian dollars, except per share amounts)

	2001	2000	1999
Export revenues from Canada	**$ 8,432.2**	$ 6,198.3	$ 6,021.7
Additions to fixed assets	**$ 415.1**	$ 419.5	$ 364.2
Depreciation and amortization	**$ 220.5**	$ 227.5	$ 232.6
Dividend per common share			
Class A	**$ 0.135000**	$ 0.110000	$ 0.085000
Class B	**$ 0.136563**	$ 0.111563	$ 0.086563
Number of common shares (millions)	**1,366.1**	1,377.6	1,366.3
Book value per common share	**$ 2.57**	$ 2.40	$ 2.20
Shareholders of record	**12,666**	11,168	10,097

Market Price Range

(Canadian dollars)

	2001	2000	1999
Class A			
High	**$ 26.80**	$ 16.12	$ 11.77
Low	**14.05**	9.55	7.02
Close	**24.70**	14.97	11.07
Class B			
High	**$ 26.70**	$ 16.10	$ 11.87
Low	**13.90**	9.47	7.02
Close	**24.54**	14.65	11.25

(1) The effect of the special items described in note 16 to the Consolidated Financial Statements on net income amounted to $33.6 million ($0.02 per common share). Exclusive of these special items, net income would have been $752.4 million ($0.53 per common share).

(2) The effect of the writedown of investment in Eurotunnel share units on net income amounted to $155.0 million ($0.12 per common share). Exclusive of this writedown, net income would have been $313.0 million ($0.23 per common share).

1998	1997	1996	1995	1994	1993	1992
$ 4,874.1	$ 4,283.8	$ 3,766.9	$ 3,409.6	$ 2,579.0	$ 2,602.9	$ 1,899.8
1,718.5	1,959.0	1,641.8	1,112.1	792.3	556.9	392.2
1,688.1	1,599.4	1,574.7	1,309.6	1,311.5	1,237.6	725.6
352.4	244.6	220.0	166.0	133.5	77.5	63.3
(124.2)	(111.1)	(80.0)	(54.3)	(47.5)	(26.9)	(22.3)
$ 8,508.9	$ 7,975.7	$ 7,123.4	$ 5,943.0	$ 4,768.8	$ 4,448.0	$ 3,058.6
$ 479.6	$ 287.3	$ 162.7	$ 158.2	$ 151.7	$ 192.0	$ 141.7
(1.1)	209.2	175.9	118.0	77.3	28.8	(8.8)
84.6	62.9	99.9	66.0	(24.0)	(71.4)	4.2
64.1	46.9	28.7	11.5	4.8	2.9	(15.7)
627.2	606.3	467.2	353.7	209.8	152.3	121.4
–	–	231.4	–	–	–	–
627.2	606.3	235.8	353.7	209.8	152.3	121.4
207.0	200.1	77.8	106.4	32.5	18.6	13.7
$ 420.2	$ 406.2	$ 158.0[2]	$ 247.3	$ 177.3	$ 133.7	$ 107.7
$ 0.29	$ 0.29	$ 0.11[2]	$ 0.18	$ 0.14	$ 0.10	$ 0.09
$ 4,642.2	$ 4,532.7	$ 3,537.8	$ 2,960.3	$ 2,252.1	$ 1,950.8	$ 1,084.5
$ 262.6	$ 232.4	$ 297.8	$ 176.0	$ 169.8	$ 227.8	$ 161.5
$ 180.1	$ 165.8	$ 158.3	$ 131.6	$ 124.6	$ 101.3	$ 75.3
$ 0.075000	$ 0.050000	$ 0.050000	$ 0.037500	$ 0.025000	$ 0.025000	$ 0.020000
$ 0.076563	$ 0.051563	$ 0.051563	$ 0.039063	$ 0.026563	$ 0.026563	$ 0.021563
1,357.8	1,350.5	1,340.1	1,325.7	1,319.8	1,234.2	1,218.7
$ 1.78	$ 1.50	$ 1.23	$ 1.21	$ 1.01	$ 0.76	$ 0.70
10,781	11,541	9,873	8,776	9,108	9,534	8,735
$ 8.49	$ 6.65	$ 5.09	$ 3.12	$ 2.75	$ 2.17	$ 2.19
6.25	4.44	2.86	2.25	1.20	1.33	1.05
7.06	6.52	5.09	2.86	2.62	1.48	2.14
$ 8.50	$ 6.60	$ 5.03	$ 3.16	$ 2.73	$ 2.16	$ 2.16
6.20	4.37	2.83	2.22	1.20	1.30	0.97
7.02	6.50	4.97	2.84	2.64	1.45	2.14

Consolidated Balance Sheets

(millions of Canadian dollars)

Historical Financial Summary (cont'd)

As at January 31	2001	2000	1999
Bombardier Inc. consolidated			
Cash and cash equivalents	**$ 1,373.9**	$ 1,664.0	$ 1,738.7
Receivables	**851.2**	641.5	693.8
Asset-based financing items	**8,970.8**	7,194.9	5,169.8
Inventories	**6,413.7**	5,361.5	4,576.2
Fixed assets	**2,090.9**	1,898.7	1,842.7
Other assets	**703.8**	273.5	256.7
Total assets	**$ 20,404.3**	$ 17,034.1	$ 14,277.9
Short-term borrowings	**$ 2,531.2**	$ 2,002.7	$ 2,363.5
Accounts payable and accrued liabilities	**4,036.6**	3,335.2	3,099.7
Advances and progress billings in excess of related costs	**2,362.8**	2,636.8	2,328.6
Long-term debt	**6,131.2**	4,795.0	2,575.9
Other liabilities	**1,530.1**	652.6	421.7
Convertible notes – equity component	**–**	–	180.5
Preferred shares	**300.0**	300.0	300.0
Common shareholders' equity	**3,512.4**	3,311.8	3,008.0
Total liabilities and shareholders' equity	**$ 20,404.3**	$ 17,034.1	$ 14,277.9
Bombardier			
Cash and cash equivalents	**$ 1,358.8**	$ 1,548.7	$ 1,706.3
Receivables	**626.5**	570.7	670.3
Asset-based financing items	**62.0**	57.1	121.1
Inventories	**6,413.7**	5,361.5	4,576.2
Fixed assets	**1,958.1**	1,776.4	1,747.9
Investment in and advances to BC	**1,581.5**	1,531.2	1,285.2
Other assets	**421.6**	146.3	148.3
Total assets	**$ 12,422.2**	$ 10,991.9	$ 10,255.3
Short-term borrowings	**$ –**	$ –	$ 49.3
Accounts payable and accrued liabilities	**3,840.0**	3,125.2	2,845.5
Advances and progress billings in excess of related costs	**2,362.8**	2,636.8	2,328.6
Long-term debt	**879.4**	971.4	1,121.7
Other liabilities	**1,527.6**	646.7	421.7
Convertible notes – equity component	**–**	–	180.5
Preferred shares	**300.0**	300.0	300.0
Common shareholders' equity	**3,512.4**	3,311.8	3,008.0
Total liabilities and shareholders' equity	**$ 12,422.2**	$ 10,991.9	$ 10,255.3
BC			
Cash and cash equivalents	**$ 15.1**	$ 115.3	$ 32.4
Receivables	**224.7**	70.8	23.5
Asset-based financing items	**8,908.8**	7,137.8	5,048.7
Fixed assets	**132.8**	122.3	94.8
Other assets	**282.2**	127.2	108.4
Total assets	**$ 9,563.6**	$ 7,573.4	$ 5,307.8
Short-term borrowings	**$ 2,531.2**	$ 2,002.7	$ 2,314.2
Advances from Bombardier[1]	**205.5**	459.8	458.5
Accounts payable and accrued liabilities	**196.6**	210.0	254.2
Long-term debt	**5,251.8**	3,823.6	1,454.2
Other liabilities	**2.5**	5.9	–
Investment in BC[1]	**1,376.0**	1,071.4	826.7
Total liabilities and shareholders' equity	**$ 9,563.6**	$ 7,573.4	$ 5,307.8

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

1998	1997	1996	1995	1994	1993	1992
$ 1,227.7	$ 895.7	$ 536.6	$ 425.1	$ 633.1	$ 235.1	$ 179.2
693.2	358.4	449.0	667.4	320.8	380.4	360.1
2,989.4	1,811.4	1,456.2	1,121.2	776.6	942.1	640.8
3,790.9	3,455.2	2,594.9	1,914.4	1,738.1	1,782.9	1,200.7
1,646.7	1,200.0	1,142.0	932.1	842.0	813.3	626.8
227.3	229.6	213.9	401.6	144.1	86.4	47.1
$ 10,575.2	$ 7,950.3	$ 6,392.6	$ 5,461.8	$ 4,454.7	$ 4,240.2	$ 3,054.7
$ 2,174.7	$ 1,233.1	$ 812.2	$ 622.0	$ 358.6	$ 828.5	$ 620.8
2,663.0	2,124.6	1,875.0	1,508.8	1,299.8	1,318.2	894.8
851.6	591.4	295.7	195.0	–	–	–
1,639.6	1,524.2	1,311.4	1,185.5	1,184.1	845.8	493.5
357.0	264.4	279.4	184.1	125.6	168.2	56.6
165.8	152.3	139.9	128.6	118.1	108.5	99.7
300.0	30.9	30.9	31.5	33.1	34.1	35.7
2,423.5	2,029.4	1,648.1	1,606.3	1,335.4	936.9	853.6
$ 10,575.2	$ 7,950.3	$ 6,392.6	$ 5,461.8	$ 4,454.7	$ 4,240.2	$ 3,054.7
$ 1,090.2	$ 889.1	$ 532.0	$ 419.7	$ 606.3	$ 233.2	$ 177.6
693.2	358.4	449.0	667.4	320.8	380.4	366.0
496.3	137.3	47.2	–	11.7	–	–
3,790.9	3,455.2	2,594.9	1,914.4	1,738.1	1,782.9	1,200.7
1,574.1	1,138.8	1,079.1	868.2	775.3	774.2	603.8
353.3	288.7	307.0	239.5	222.5	106.5	87.0
182.2	183.6	169.1	357.8	97.1	63.2	47.1
$ 8,180.2	$ 6,451.1	$ 5,178.3	$ 4,467.0	$ 3,771.8	$ 3,340.4	$ 2,482.2
$ 330.0	$ –	$ 11.7	$ 12.7	$ 22.9	$ 232.8	$ 85.8
2,543.7	1,993.0	1,746.7	1,401.8	1,217.9	1,248.3	857.8
851.6	591.4	295.7	195.0	–	–	–
1,204.8	1,400.7	1,047.5	914.8	924.1	612.3	493.5
360.8	253.4	257.8	176.3	120.3	167.5	56.1
165.8	152.3	139.9	128.6	118.1	108.5	99.7
300.0	30.9	30.9	31.5	33.1	34.1	35.7
2,423.5	2,029.4	1,648.1	1,606.3	1,335.4	936.9	853.6
$ 8,180.2	$ 6,451.1	$ 5,178.3	$ 4,467.0	$ 3,771.8	$ 3,340.4	$ 2,482.2
$ 137.5	$ 6.6	$ 4.6	$ 5.4	$ 26.8	$ 1.9	$ 1.6
–	–	–	–	–	–	–
2,493.1	1,674.1	1,409.0	1,121.2	764.9	942.1	640.8
72.6	61.2	62.9	63.9	66.7	39.1	4.1
58.9	46.0	50.1	47.1	47.0	23.2	18.9
$ 2,762.1	$ 1,787.9	$ 1,526.6	$ 1,237.6	$ 905.4	$ 1,006.3	$ 665.4
$ 1,844.7	$ 1,233.1	$ 800.5	$ 609.3	$ 335.7	$ 595.7	$ 535.0
–	–	–	–	–	–	–
119.3	131.6	128.3	107.0	81.9	69.9	42.9
434.8	123.5	263.9	270.7	260.0	233.5	–
10.0	11.0	26.9	11.1	5.3	0.7	0.5
353.3	288.7	307.0	239.5	222.5	106.5	87.0
$ 2,762.1	$ 1,787.9	$ 1,526.6	$ 1,237.6	$ 905.4	$ 1,006.3	$ 665.4

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

Historical Financial Summary (cont'd)

For the years ended January 31	2001 Total	2000 Total	2001 First Quarter
Revenues			
Aerospace	$ 10,561.6	$ 8,126.2	$ 2,011.0
Recreational products	1,687.1	1,473.0	315.4
Transportation	3,043.3	3,446.1	763.1
BC	1,033.0	738.5	222.0
Intersegment eliminations	(224.4)	(165.3)	(44.8)
External revenues	$ 16,100.6	$ 13,618.5	$ 3,266.7
Income (loss) before special items and income taxes			
Aerospace	$ 1,236.8	$ 903.9	$ 234.0
Recreational products	86.0	17.7	9.1
Transportation	120.5	174.4	39.1
BC	(15.4)	28.0	10.0
	1,427.9	1,124.0	292.2
Special items, net	29.7	51.1	79.5
Income before income taxes	1,398.2	1,072.9	212.7
Income taxes	422.8	354.1	65.3
Net income	$ 975.4	$ 718.8	$ 147.4

	2001 Total	2000 Total	2001 First Quarter
Per common share			
Net income	$ 0.70	$ 0.51	$ 0.10
Dividend – Class B Share	0.136563	0.111563	0.035313
Market price range of Class B Share			
High	26.70	32.20	20.50
Low	13.90	18.95	13.90

	2001 Total	2000 Total	2001 First Quarter
Net segmented assets			
Aerospace			$ 3,702.3
Recreational products			167.0
Transportation			(771.8)
BC			1,052.5
			4,150.0
Accounts payable and accrued liabilities			3,268.1
Advances and progress billings in excess of related costs			2,255.1
Accrued benefit liability			–
Advances to BC			578.0
Deferred income taxes			–
Cash and cash equivalents			701.5
Total assets – Bombardier			10,952.7
Investment in and advances to BC			(1,630.5)
Total assets – BC			8,217.3
Total assets – Bombardier Inc. consolidated			$ 17,539.5

2000 First Quarter	2001 Second Quarter	2000 Second Quarter	2001 Third Quarter	2000 Third Quarter	2001 Fourth Quarter	2000 Fourth Quarter
$ 1,571.0	$ 2,145.5	$ 1,846.7	$ 2,549.8	$ 1,879.4	$ 3,855.3	$ 2,829.1
316.0	329.9	239.3	480.8	406.2	561.0	511.5
841.4	752.7	959.2	648.1	788.5	879.4	857.0
155.8	245.2	173.9	263.3	176.8	302.5	232.0
(33.6)	(49.9)	(38.3)	(85.7)	(67.7)	(44.0)	(25.7)
$ 2,850.6	$ 3,423.4	$ 3,180.8	$ 3,856.3	$ 3,183.2	$ 5,554.2	$ 4,403.9
$ 166.5	$ 253.4	$ 194.8	$ 286.9	$ 201.2	$ 462.5	$ 341.4
–	12.1	1.1	20.8	4.7	44.0	11.9
43.8	37.6	50.4	18.4	39.6	25.4	40.6
5.4	11.6	6.1	12.2	13.7	(49.2)	2.8
215.7	314.7	252.4	338.3	259.2	482.7	396.7
–	(49.8)	–	–	33.7	–	17.4
215.7	364.5	252.4	338.3	225.5	482.7	379.3
71.2	110.4	83.3	112.4	74.4	134.7	125.2
$ 144.5	$ 254.1	$ 169.1	$ 225.9	$ 151.1	$ 348.0	$ 254.1
$ 0.10	$ 0.19	$ 0.12	$ 0.16	$ 0.11	$ 0.25	$ 0.18
0.029063	0.033750	0.027500	0.033750	0.027500	0.033750	0.027500
23.35	24.50	24.50	26.70	26.00	25.80	32.20
19.25	18.45	21.10	22.40	18.95	20.85	25.35
$ 3,591.3	$ 4,107.7	$ 3,921.8	$ 4,580.8	$ 3,862.0	$ 3,231.0	$ 2,938.0
284.1	272.8	331.4	216.3	277.2	62.4	103.2
(930.2)	(644.6)	(941.1)	(481.5)	(965.2)	(615.9)	(891.2)
877.1	1,069.3	933.1	1,221.2	1,021.3	1,376.0	1,071.4
3,822.3	4,805.2	4,245.2	5,536.8	4,195.3	4,053.5	3,221.4
2,912.6	2,958.3	2,938.7	3,220.4	2,915.5	3,840.0	3,125.2
2,044.5	2,451.6	2,175.5	2,386.1	2,393.5	2,362.8	2,636.8
–	–	–	–	–	492.1	–
587.2	170.2	572.1	149.4	249.9	205.5	459.8
–	–	–	–	–	109.5	–
677.9	521.2	662.2	419.5	1,089.1	1,358.8	1,548.7
10,044.5	10,906.5	10,593.7	11,712.2	10,843.3	12,422.2	10,991.9
(1,464.3)	(1,239.5)	(1,505.2)	(1,370.6)	(1,271.2)	(1,581.5)	(1,531.2)
5,595.5	8,561.9	5,938.5	8,536.8	6,966.8	9,563.6	7,573.4
$ 14,175.7	$ 18,228.9	$ 15,027.0	$ 18,878.4	$ 16,538.9	$ 20,404.3	$ 17,034.1

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 accounting principles generally accepted in Canada. 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 auditing standards generally accepted in Canada on behalf of the shareholders. The external auditors have full and free access to the Audit Committee.

Louis Morin

Louis Morin, CA
Senior Vice President and Chief Financial Officer
March 15, 2001

Auditors' Report

To the Shareholders of **Bombardier Inc.**

We have audited the consolidated balance sheets of **Bombardier Inc.** as at January 31, 2001 and 2000 and the consolidated statements of income, shareholders' equity 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, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Chartered Accountants
Montréal, Canada
February 23, 2001 (except for note 24c, which is as at March 9, 2001)

As at January 31, 2001 and 2000 (millions of Canadian dollars)

Consolidated Balance Sheets

	Notes	**2001**	2000	**2001**	2000	**2001**	2000
		Bombardier Inc. consolidated		**Bombardier**		**BC**	
Assets							
Cash and cash equivalents		**$ 1,373.9**	$ 1,664.0	**$ 1,358.8**	$ 1,548.7	**$ 15.1**	$ 115.3
Receivables	2	**851.2**	641.5	**626.5**	570.7	**224.7**	70.8
Asset-based financing items	3	**8,970.8**	7,194.9	**62.0**	57.1	**8,908.8**	7,137.8
Inventories	4	**6,413.7**	5,361.5	**6,413.7**	5,361.5	**–**	–
Fixed assets	5	**2,090.9**	1,898.7	**1,958.1**	1,776.4	**132.8**	122.3
Investment in and advances to BC		**–**	–	**1,581.5**	1,531.2	**–**	–
Other assets	6	**703.8**	273.5	**421.6**	146.3	**282.2**	127.2
		$ 20,404.3	$ 17,034.1	**$ 12,422.2**	$ 10,991.9	**$ 9,563.6**	$ 7,573.4
Liabilities							
Short-term borrowings	7	**$ 2,531.2**	$ 2,002.7	**$ –**	$ –	**$ 2,531.2**	$ 2,002.7
Advances from Bombardier		**–**	–	**–**	–	**205.5**	459.8
Accounts payable and accrued liabilities	8	**4,036.6**	3,335.2	**3,840.0**	3,125.2	**196.6**	210.0
Advances and progress billings in excess of related costs		**2,362.8**	2,636.8	**2,362.8**	2,636.8	**–**	–
Long-term debt	9	**6,131.2**	4,795.0	**879.4**	971.4	**5,251.8**	3,823.6
Other liabilities	10	**1,530.1**	652.6	**1,527.6**	646.7	**2.5**	5.9
		16,591.9	13,422.3	**8,609.8**	7,380.1	**8,187.6**	6,502.0
Shareholders' equity (Investment in BC)	1	**3,812.4**	3,611.8	**3,812.4**	3,611.8	**1,376.0**	1,071.4
		$ 20,404.3	$ 17,034.1	**$ 12,422.2**	$ 10,991.9	**$ 9,563.6**	$ 7,573.4

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,

Robert E. Brown
Director

Donald C. Lowe
Director

Consolidated Statements of Shareholders' Equity

	Notes	2001		2000	
		Number (in thousands)	**Amount**	Number (in thousands)	Amount
Share capital	12				
Preferred shares – Series 2		**12,000**	**$ 300.0**	12,000	$ 300.0
Common shares					
Class A (Multiple Voting) Shares					
Balance at beginning of year		**351,594**	**48.6**	353,415	49.1
Redemption of shares		**(4,015)**	**(0.5)**	–	–
Converted to Class B		**(153)**	**–**	(1,821)	(0.5)
Balance at end of year		**347,426**	**48.1**	351,594	48.6
Class B (Subordinate Voting) Shares					
Balance at beginning of year		**1,026,024**	**813.7**	1,012,931	796.4
Issued under the share option plans	13	**4,299**	**17.6**	11,271	16.8
Issued to employees for cash		**–**	**–**	1	–
Redemption of shares		**(11,851)**	**(9.4)**	–	–
Converted from Class A		**153**	**–**	1,821	0.5
Balance at end of year		**1,018,625**	**821.9**	1,026,024	813.7
Balance at end of year – common shares		**1,366,051**	**870.0**	1,377,618	862.3
Total – share capital			**1,170.0**		1,162.3
Retained earnings					
Balance at beginning of year			**2,392.5**		1,900.4
Effect of change of accounting policy for employee future benefits	1		**(210.6)**		–
Balance at beginning of year – adjusted			**2,181.9**		1,900.4
Net income			**975.4**		718.8
Dividends:					
Preferred shares			**(16.5)**		(16.5)
Common shares			**(186.3)**		(152.3)
Excess of redemption price of common shares over stated value			**(293.9)**		–
Redemption of convertible notes	11		**–**		(51.5)
Other			**(0.6)**		(6.4)
Balance at end of year			**2,660.0**		2,392.5
Deferred translation adjustment			**(17.6)**		57.0
Total – shareholders' equity			**$ 3,812.4**		$ 3,611.8

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

Consolidated Statements of Income

	Notes	2001	2000	2001	2000	2001	2000
		Bombardier Inc. consolidated		Bombardier		BC	
Revenues		**$ 16,100.6**	$ 13,618.5	**$ 15,274.2**	$ 13,028.5	**$ 1,033.0**	$ 738.5
Expenses							
Cost of sales and operating expenses	14, 15	**14,387.6**	12,220.4	**13,594.7**	11,700.9	**999.5**	668.0
Depreciation and amortization		**220.5**	227.5	**210.0**	218.7	**10.5**	8.8
Interest expense	15	**108.2**	94.9	**69.8**	61.2	**38.4**	33.7
Interest income		**(43.6)**	(48.3)	**(43.6)**	(48.3)	**–**	–
Net loss (income) from BC before BC's special item		**–**	–	**9.1**	(16.6)	**–**	–
		14,672.7	12,494.5	**13,840.0**	11,915.9	**1,048.4**	710.5
Income (loss) before special items and income taxes		**1,427.9**	1,124.0	**1,434.2**	1,112.6	**(15.4)**	28.0
Special items, net – Bombardier	16	**29.7**	51.1	**(49.8)**	51.1	**–**	–
– BC	16	**–**	–	**47.7**	–	**79.5**	–
Income (loss) before income taxes		**1,398.2**	1,072.9	**1,436.3**	1,061.5	**(94.9)**	28.0
Income taxes	17	**422.8**	354.1	**460.9**	342.7	**(38.1)**	11.4
Net income (loss)		**$ 975.4**	$ 718.8	**$ 975.4**	$ 718.8	**$ (56.8)**	$ 16.6
Earnings per share:							
Basic		**$ 0.70**	$ 0.51				
Fully diluted		**$ 0.69**	$ 0.50				
Average number of common shares outstanding during the year (in thousands)		**1,369,021**	1,368,984				

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.

For the years ended January 31, 2001 and 2000 (millions of Canadian dollars)

Consolidated Statements of Cash Flows

	Notes	2001	2000	2001	2000	2001	2000
		Bombardier Inc. consolidated		**Bombardier**		**BC**	
Operating activities							
Net income (loss)		**$ 975.4**	$ 718.8	**$ 975.4**	$ 718.8	**$ (56.8)**	$ 16.6
Non-cash items:							
Depreciation and amortization		**302.3**	253.3	**210.0**	218.7	**92.3**	34.6
Net loss (income) from BC		**–**	–	**56.8**	(16.6)	**–**	–
Provision for credit losses	3	**150.8**	79.9	**–**	–	**150.8**	79.9
Deferred income taxes	17	**271.8**	240.9	**350.0**	229.1	**(78.2)**	11.8
Special items, net	16	**29.7**	51.1	**(49.8)**	51.1	**79.5**	–
Net changes in non-cash balances related to operations	18	**(830.1)**	(463.3)	**(629.4)**	(321.0)	**(200.7)**	(142.3)
Cash flows from operating activities		**899.9**	880.7	**913.0**	880.1	**(13.1)**	0.6
Investing activities							
Additions to fixed assets		**(415.1)**	(419.5)	**(395.4)**	(382.2)	**(19.7)**	(37.3)
Net investment in asset-based financing items		**(1,835.2)**	(2,251.4)	**(4.8)**	63.9	**(1,830.4)**	(2,315.3)
Investment in and advances to BC		**–**	–	**(77.5)**	(257.3)	**77.5**	257.3
Disposal of businesses	16	**66.1**	145.6	**66.1**	145.6	**–**	–
Other		**(60.9)**	(27.7)	**(14.0)**	20.2	**(46.9)**	(47.9)
Cash flows from investing activities		**(2,245.1)**	(2,553.0)	**(425.6)**	(409.8)	**(1,819.5)**	(2,143.2)
Financing activities							
Net variation in short-term borrowings		**458.1**	(284.0)	**–**	(32.5)	**458.1**	(251.5)
Proceeds from issuance of long-term debt		**1,425.3**	2,464.5	**38.4**	3.5	**1,386.9**	2,461.0
Repayment of long-term debt		**(220.2)**	(133.1)	**(139.0)**	(128.8)	**(81.2)**	(4.3)
Redemption of convertible notes	11	**–**	(243.2)	**–**	(243.2)	**–**	–
Issuance of shares, net of related costs		**17.6**	16.8	**17.6**	16.8	**–**	–
Redemption of shares	12	**(303.8)**	–	**(303.8)**	–	**–**	–
Dividends paid		**(202.8)**	(168.8)	**(202.8)**	(168.8)	**–**	–
Cash flows from financing activities		**1,174.2**	1,652.2	**(589.6)**	(553.0)	**1,763.8**	2,205.2
Effect of exchange rate changes on cash and cash equivalents		**(119.1)**	(54.6)	**(87.7)**	(74.9)	**(31.4)**	20.3
Net increase (decrease) in cash and cash equivalents		**(290.1)**	(74.7)	**(189.9)**	(157.6)	**(100.2)**	82.9
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 at end of year		**$ 1,373.9**	$ 1,664.0	**$ 1,358.8**	$ 1,548.7	**$ 15.1**	$ 115.3
Supplemental information							
Cash paid for – interest		**$ 582.2**	$ 344.8				
– income taxes		**$ 76.0**	$ 48.2				

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

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, recreational products and transportation). 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.

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 accounting principles generally accepted in Canada 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.

Summary of Significant Accounting Policies (cont'd)

SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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. BC's rental income from assets under operating leases is recognized over the life of the lease on a straight-line basis, net of depreciation expense.

INCOME TAXES

The Corporation follows the liability method of tax allocation in accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws expected to be in effect when the differences reverse.

EARNINGS PER SHARE

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

EMPLOYEE FUTURE BENEFITS

The cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Plan obligations are discounted using current market interest rates and plan assets are presented at fair value.

ALLOWANCE FOR CREDIT LOSSES AND IMPAIRED LOANS AND RECEIVABLES

Loans and receivables are considered impaired when, in the opinion of Management, there is reasonable doubt as to the ultimate collectibility of a portion of principal and interest. 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.

The Corporation maintains an allowance for credit losses in an amount sufficient to provide adequate protection against losses. The level of allowance is based on Management's assessment of the risks associated with each of the Corporation's portfolios, including 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.

Summary of Significant Accounting Policies (cont'd)

BOMBARDIER INC. CONSOLIDATED

SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

REVENUE RECOGNITION

Revenues from long-term contracts are recognized using the percentage-of-completion method of accounting in accordance with Statement of Position 81-1 "Accounting for Performance of Construction-Type and Certain Production-Type Contracts", published by the American Institute of Certified Public Accountants (AICPA). For the transportation segment, 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, whereas for new business aircraft, it is determined in relation to green aircraft deliveries.

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.

Revenues from commercial aircraft and other products and services are recognized upon delivery of products or when the services are rendered.

COST OF SALES

- Aerospace programs

  Cost of sales for commercial and business aircraft 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. Non-recurring costs are amortized 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 costs incurred for each unit delivered. This excess over average production costs is recovered from 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.

  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 estimate of the number of units to be sold.

  Estimates of revenues, unit production costs 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. 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. Adjustments of 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.

- Long-term contracts

  Cost of sales for long-term contracts is established based on the estimated total contract costs, including material, direct labour and manufacturing overhead costs in relation to the percentage of completion. The effect of changes to total estimated profit for each contract is recognized in the period in which the determination is made and losses, if any, are fully recognized when anticipated.

Summary of Significant Accounting Policies (cont'd)

BOMBARDIER

SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INVENTORY VALUATION

- Long-term contracts
  Long-term contract inventory is computed under the percentage-of-completion method of accounting and includes material, direct labour and related manufacturing overhead costs.
- Aerospace programs
  Inventory costs determined under the program accounting method include raw materials, direct labour and related manufacturing overhead and non-recurring costs (development, pre-production and tooling costs), production costs and excess over average production costs.
  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.
- Other inventories
  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 manufacturing overhead.
- 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.

SALES OF LOANS AND FINANCE RECEIVABLES

BC sells loans and finance receivable portfolios to third-party investors and retains certain servicing rights and participates in certain excess cash flows resulting from such sales.

Loans and finance receivables are recognized as sales when the significant risks and rewards of ownership have been transferred to the purchaser. Otherwise, the transfer is accounted for as a financing transaction.

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 are computed based on the expected cash flows from the securitized assets, less normal servicing fees, and are recognized in income at the time of sale. Expected cash flows are determined using current market conditions. In subsequent periods, these estimates are revised as necessary and resulting gains and losses are recorded in income.

DEFERRED ORIGINATION COSTS

BC defers the 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

1. CHANGES IN ACCOUNTING POLICIES

INCOME TAXES

Effective February 1, 2000, the Corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. Under the new recommendations, the liability method of tax allocation is used to account for income taxes. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws expected to be in effect when the differences reverse.

Prior to February 1, 2000, the Corporation followed the deferred income tax allocation method. Under this method, timing differences between income for accounting purposes and income for tax purposes gave rise to deferred income taxes. Deferred income taxes were determined using tax rates prevailing at the time the provisions for deferred income taxes were recorded.

The Corporation has adopted the new recommendations retroactively without restating prior years. The cumulative effect of adopting the new recommendations as at February 1, 2000 on retained earnings and its effect on the Corporation's consolidated financial statements for the year ended January 31, 2001 was immaterial.

EMPLOYEE FUTURE BENEFITS

Also, effective February 1, 2000, the Corporation retroactively adopted the new method of accounting for employee future benefits required by the Canadian Institute of Chartered Accountants, without restating prior years. Under the new recommendations, the cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Plan obligations are discounted using current market interest rates. Previously, costs for employee future benefits other than pension were mainly expensed as incurred and pension cost obligations were discounted using the expected long-term rate of return on plan assets.

As a result of this change, the accrued benefit liability increased by $303.1 million, the deferred income tax liability decreased by $92.5 million and retained earnings decreased by $210.6 million as at February 1, 2000.

2. RECEIVABLES

Bombardier's receivables essentially comprise trade accounts receivable. These receivables were concentrated in the transportation and aerospace segments (73% and 22%, respectively, as at January 31, 2001; 78% and 19%, respectively, as at January 31, 2000) and were mainly located in Europe and in North America (54% and 39%, respectively, as at January 31, 2001; 68% and 22%, respectively, as at January 31, 2000).

BC's receivables consist mainly of interest and operating lease receivables.

Notes to Consolidated Financial Statements (cont'd)

3. ASSET-BASED FINANCING ITEMS

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

		2001	2000
Bombardier			
Assets under operating leases and commercial loans		**$ 62.0**	$ 57.1
BC			
Consumer Products Finance			
Manufactured housing	– loans	**2,067.6**	1,545.4
Inventory	– finance receivables	**972.1**	1,071.7
Consumer	– loans	**274.9**	451.1
		3,314.6	3,068.2
Capital Services			
Aircraft	– loans	**2,803.6**	1,924.6
	– operating leases	**1,494.6**	631.5
	– direct financing leases	**284.3**	73.3
		4,582.5	2,629.4
Railcar	– operating leases	**172.2**	187.9
	– other	**1.5**	79.2
		173.7	267.1
Industrial equipment	– direct financing leases	**57.7**	58.7
	– loans	**32.1**	15.9
	– operating leases	**22.5**	3.6
		112.3	78.2
		4,868.5	2,974.7
Winding down portfolios	– direct financing leases	**610.9**	868.9
	– loans	**169.0**	218.3
	– operating leases	**78.8**	64.2
		858.7	1,151.4
		9,041.8	7,194.3
Allowance for credit losses		**(133.0)**	(56.5)
		8,908.8	7,137.8
		$ 8,970.8	$ 7,194.9

WINDING DOWN PORTFOLIOS – BC

The winding down portfolios include the technology management and finance, mid-market equipment commercial finance and small ticket finance portfolios.

Notes to Consolidated Financial Statements (cont'd)

3. ASSET-BASED FINANCING ITEMS (CONT'D)

PRODUCT DESCRIPTION – BC

Loans

i. Commercial loans

Commercial loans include aircraft, industrial equipment and winding down portfolio loans mostly related to financing of aircraft and related products. They are generally collateralized by the related assets.

BC's commercial loans were as follows:

	2001			2000		
		Weighted average			Weighted average	
	$	**Rate**	**Maturity**	$	Rate	Maturity
United States	**1,297.5**	**9.3%**	**50 months**	1,188.6	9.2%	37 months
Canada	**1,366.4**	**8.6%**	**18 months**	823.6	8.7%	23 months
Other	**340.8**	**9.2%**	**24 months**	146.6	9.9%	49 months
	3,004.7			2,158.8		

ii. Manufactured housing loans

Manufactured housing 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. BC obtains a security interest in the housing units purchased. The portfolios bore interest at a weighted average rate of 10.7% as at January 31, 2001 (10.6% as at January 31, 2000) and had a weighted average maturity of 315 months as at January 31, 2001 (324 months as at January 31, 2000).

iii. Consumer finance loans

Consumer finance loans relate mainly to the secured financing of recreational products to consumers in the United States. The weighted average financing term of such loans was 91 months as at January 31, 2001 (74 months as at January 31, 2000) and the portfolios bore interest at a weighted average rate of 13.5% as at January 31, 2001 (14.9% as at January 31, 2000).

Inventory finance receivables

Inventory finance receivables arise mainly from the financing of products owned by retailers and are collateralized by the related inventory as well as generally secured by repurchase agreements with distributors or manufacturers. In case of default, BC may repossess the products from a retailer 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 outstanding balance.

BC's inventory finance receivables were as follows:

	2001			2000		
		Weighted average			Weighted average	
	$	**Rate**	**Maturity**	$	Rate	Maturity
United States	**681.3**	**12.0%**	**5 months**	814.8	12.0%	5 months
Canada	**150.6**	**10.0%**	**9 months**	170.2	9.0%	9 months
Other	**140.2**	**10.3%**	**10 months**	86.7	10.8%	9 months
	972.1			1,071.7		

BC had outstanding lines of credit with its customers totalling $796.0 million and $2,589.5 million US as at January 31, 2001 ($754.0 million and $2,415.3 million US as at January 31, 2000) which may be reduced or revoked at any time depending on the credit status of the retailers, distributors or manufacturers.

During the year ended January 31, 2001, BC purchased two portfolios of inventory finance receivables for a cash consideration of $107.4 million.

Notes to Consolidated Financial Statements (cont'd)

3. ASSET-BASED FINANCING ITEMS (CONT'D)

Net investment in direct financing leases

Net investment in direct financing leases consisted of the following:

	2001	2000
Total minimum lease payments	**$ 1,129.7**	$ 1,170.5
Unearned income	**(176.8)**	(169.6)
	$ 952.9	$ 1,000.9

The minimum lease payments for the next five years are as follows: 2002 – $405.7 million; 2003 – $393.8 million; 2004 – $167.8 million; 2005 – $75.9 million and 2006 – $32.9 million.

The weighted average maturity of the net investment in direct financing leases was 32 months as at January 31, 2001 (41 months as at January 31, 2000). The portfolios bore interest at a weighted average rate of 8.9% as at January 31, 2001 (9.1% as at January 31, 2000).

Assets under operating leases

	2001	2000
Cost	**$ 1,857.6**	$ 919.9
Accumulated depreciation	**(89.5)**	(32.7)
	$ 1,768.1	$ 887.2

The weighted average maturity of the operating leases was 53 months as at January 31, 2001 (118 months as at January 31, 2000).

ASSETS UNDER MANAGEMENT – BC

	2001	2000
Asset-based financing items	**$ 8,908.8**	$ 7,137.8
Asset-based financing items – sold to third parties and serviced by BC:		
Loans and finance receivables:		
Inventory	**1,969.4**	1,450.4
Manufactured housing	**867.2**	1,003.7
Consumer	**467.9**	370.1
Aircraft	**–**	61.2
Assets under operating leases:		
Railcar	**917.8**	511.1
Industrial equipment	**–**	44.1
Direct financing leases:		
Winding down portfolios	**194.2**	269.2
	4,416.5	3,709.8
Assets under management	**$ 13,325.3**	$ 10,847.6

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

Starting with the year ended January 31, 2000, securitization transactions for manufactured housing loans were accounted for as financing transactions rather than sales of the underlying loans. Revenue is 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 9.

For loans and finance receivables sold to third parties, the excess of amounts transferred over the amounts recorded as sales totalled $674.0 million as at January 31, 2001 ($658.3 million as at January 31, 2000). These amounts are presented with each portfolio and include BC's retained interest in the portfolios transferred, overcollateralization amounts and cash reserve accounts.

Notes to Consolidated Financial Statements (cont'd)

3. ASSET-BASED FINANCING ITEMS (CONT'D)

BC remains exposed to certain risks of default from the loans and finance receivables sold through various credit enhancements provided in the form of cash reserve funds, overcollateralization and subordination of certain of its retained interests. Such credit enhancements amounted to $595.4 million as at January 31, 2001.

Credit risk for assets under management

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

2001	Canada		United States		Other		Total	
	$	%	$	%	$	%	$	%
Consumer Products Finance								
Manufactured housing	–	–	2,934.8	36	–	–	2,934.8	27
Inventory	480.6	23	2,320.7	29	140.2	23	2,941.5	27
Consumer	–	–	742.8	9	–	–	742.8	7
	480.6	23	5,998.3	74	140.2	23	6,619.1	61
Capital Services								
Aircraft	1,291.6	62	1,418.3	18	378.0	63	3,087.9	29
Railcar	–	–	1.5	–	–	–	1.5	–
Industrial equipment	13.6	1	19.5	–	56.7	10	89.8	1
	1,305.2	63	1,439.3	18	434.7	73	3,179.2	30
Winding down portfolios	282.3	14	668.2	8	23.6	4	974.1	9
	2,068.1	100	8,105.8	100	598.5	100	10,772.4	100
Allowance for credit losses							(133.0)	
							10,639.4	

2000	Canada		United States		Other		Total	
	$	%	$	%	$	%	$	%
Consumer Products Finance								
Manufactured housing	–	–	2,549.1	34	–	–	2,549.1	27
Inventory	420.2	27	2,015.2	27	86.7	23	2,522.1	26
Consumer	–	–	821.2	11	–	–	821.2	9
	420.2	27	5,385.5	72	86.7	23	5,892.4	62
Capital Services								
Aircraft	765.5	49	1,031.5	14	262.1	69	2,059.1	22
Railcar	–	–	79.2	1	–	–	79.2	1
Industrial equipment	3.6	–	71.0	1	–	–	74.6	1
	769.1	49	1,181.7	16	262.1	69	2,212.9	24
Winding down portfolios	362.2	24	961.1	12	33.1	8	1,356.4	14
	1,551.5	100	7,528.3	100	381.9	100	9,461.7	100
Allowance for credit losses							(56.5)	
							9,405.2	

No single customer represented more than 10% of BC's assets under management as at January 31, 2001 and 2000.

Notes to Consolidated Financial Statements (cont'd)

3. ASSET-BASED FINANCING ITEMS (CONT'D)

Allowance for credit losses and impaired loans and receivables

Changes in the allowance for credit losses are as follows:

	2001	2000
Allowance at beginning of year	**$ 56.5**	$ 24.8
Provision for credit losses	**230.3**	79.9
Amounts charged off – net of recoveries	**(153.8)**	(48.2)
Allowance at end of year	**$ 133.0**	$ 56.5

The provision for credit losses for the year ended January 31, 2001, includes a special charge of $79.5 million described in note 16.

Impaired loans and receivables amounted to $382.1 million as at January 31, 2001 ($230.2 million as at January 31, 2000). The allowance for credit losses has been established after taking into consideration expected recoveries from impaired loan collections of principal and interest and from collateral realizations.

4. INVENTORIES

	2001	2000
Raw materials and work in process	**$ 395.0**	$ 286.7
Long-term contracts and aerospace programs	**9,485.3**	8,453.3
Finished products	**581.8**	699.0
	10,462.1	9,439.0
Advances and progress billings	**(4,048.4)**	(4,077.5)
	$ 6,413.7	$ 5,361.5

Inventory costs include non-recurring and excess over average production costs for which recovery depends on future firm customer orders. As at January 31, 2001, costs to be recovered from future firm customer orders amounted to $2,137.0 million ($1,839.0 million as at January 31, 2000) for programs under commercial production. For programs not yet under commercial production namely the Bombardier Continental Business Jet and the Canadair Regional Jet Series 900, non-recurring costs amounted to $233.6 million as at January 31, 2001 ($330.2 million as at January 31, 2000 for the Bombardier Continental Jet and the Canadair Regional Jet Series 700 and 900).

Anticipated proceeds from future sales of aircraft for each program exceeded the related costs in inventory as at January 31, 2001 and 2000, 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 a given year if fewer than the aircraft program quantity 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.

Notes to Consolidated Financial Statements (cont'd)

5. FIXED ASSETS

	2001		2000	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Bombardier				
Land	$ 109.9	$ –	$ 123.0	$ –
Buildings	1,251.7	347.3	1,218.0	363.2
Equipment	1,867.2	1,071.3	1,696.5	1,005.2
Other	205.5	57.6	140.8	33.5
	3,434.3	1,476.2	3,178.3	1,401.9
BC	172.5	39.7	153.4	31.1
	3,606.8	$ 1,515.9	3,331.7	$ 1,433.0
Accumulated depreciation	(1,515.9)		(1,433.0)	
	$ 2,090.9		$ 1,898.7	

6. OTHER ASSETS

	2001		2000	
	Bombardier	BC	Bombardier	BC
Deferred income taxes	$ 109.5	$ 72.3	$ –	$ –
Prepaid expenses	96.4	75.9	64.0	35.2
Accrued benefit asset	146.6	–	19.9	–
Other	69.1	134.0	62.4	92.0
	$ 421.6	$ 282.2	$ 146.3	$ 127.2

7. SHORT-TERM BORROWINGS

	2001	2000
Bombardier	$ –	$ –
BC	2,531.2	2,002.7
	$ 2,531.2	$ 2,002.7

Under banking syndicate agreements, Bombardier Inc. and some of its subsidiaries must maintain certain financial ratios, a condition which had been met as at January 31, 2001 and 2000.

Notes to Consolidated Financial Statements (cont'd)

7. SHORT-TERM BORROWINGS (CONT'D)

Bombardier

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

	2001				
		Credit facilities		Average rate	
	Available	Outstanding		for the year	Maturity
		Cash	Letters of credit		
European facility	**$ 2,373.7**	**$ –**	**$ 1,190.1**	**6.3%**	**2006**
North American facility	**1,750.0**	**–**	**346.6**	**6.0%**	**2001-2006**
	$ 4,123.7	**$ –**	**$ 1,536.7**		

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

In September 2000, Bombardier Inc. renewed and increased its Canadian syndicated bank credit facility and consolidated therein its U.S. lines of credit previously available only to Learjet Inc. Amounts may be drawn under the North American facility in Canadian or U.S. dollars or in euros at variable rates based on the Canadian prime rate, U.S. base rate, LIBOR, or banker's acceptance discount rate. Bombardier may also require the issuance of letters of credit under this facility. The facility may also be used as a liquidity back-up for the Corporation's $1.0 billion commercial paper program.

In addition to the outstanding letters of credit shown in the table above, Bombardier had outstanding letters of credit amounting to $703.1 million as at January 31, 2001 ($580.6 million as at January 31, 2000).

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 and 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.

Notes to Consolidated Financial Statements (cont'd)

7. SHORT-TERM BORROWINGS (CONT'D)

BC

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

	2001					
	Credit facilities					
	Available	**Outstanding**		**Average rate**		**Maturity**
			(US $ component)	**Year-end**	**For the year**	
Revolving lines	**$ 2,500.0**	**$ 2,221.5**	**($1,431.7 US)**	**7.0%**	**6.7%**	**2002-2006**
Bank loans	**142.5**	**142.5**	**($95.0 US)**	**6.2%**	**7.2%**	**2002**
Other	**240.0**	**167.2**	**($23.6 US)**	**6.4%**	**6.5%**	**2002**
	$ 2,882.5	**$ 2,531.2**				

	2000					
	Credit facilities					
	Available	Outstanding		Average rate		Maturity
			(US $ component)	Year-end	For the year	
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				

Revolving credit facilities

On July 11, 2000 Bombardier Capital Inc. entered into a $1.8 billion ($1.2 billion US) committed, unsecured, revolving credit facility with a syndicate of banks ("the U.S. Facility"). The U.S. Facility is split into two equal tranches: a 364-day tranche maturing July 10, 2001 and a 5-year tranche maturing July 10, 2005. On August 25, 2000, Bombardier Capital Ltd. entered into a $700 million committed, unsecured, revolving, 364-day credit facility with a syndicate of banks ("the Canadian Facility"). Together, these credit facilities replaced the previous consolidated North American Credit Agreement that was available to both companies. They also each serve as liquidity back-up for the borrowers' respective commercial paper programs which amount to a maximum of $1.8 billion ($1.2 billion US) for Bombardier Capital Inc. and $700 million for Bombardier Capital Ltd.

Amounts may be drawn under the Canadian Facility in Canadian dollars or U.S. dollars at variable rates based on the Canadian prime rate, U.S. base rate, LIBOR or banker's acceptance discount rate. Amounts may be drawn under the U.S. Facility at variable rates based on the U.S. base rate or LIBOR. The outstanding amount under these facilities included $2,221.5 million ($1,793.1 million in 2000) of commercial paper borrowings, with maturities of up to 6 months (2 months in 2000).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2001		2000	
	Bombardier	**BC**	Bombardier	BC
Accounts payable	**$ 2,079.7**	**$ 62.6**	$ 1,605.0	$ 103.2
Payroll related liabilities	**358.8**	**0.6**	370.5	11.9
Accrued liabilities	**1,401.5**	**133.4**	1,149.7	94.9
	$ 3,840.0	**$ 196.6**	$ 3,125.2	$ 210.0

Notes to Consolidated Financial Statements (cont'd)

9. LONG-TERM DEBT

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

	2001			
	$	**US $ component**	**Average rate**	**Maturity**
Bombardier				
Debentures	**450.0**	**–**	**7.4%**	**2004-2027**
Notes	**312.9**	**175.9**	**6.6%**	**2004-2012**
Other loans	**116.5**	**10.8**	**4.5%**	**2002-2029**
	879.4	**186.7**		
BC				
Notes	**3,025.0**	**1,750.0**	**7.0%**	**2002-2006**
Asset-backed bonds	**1,490.1**	**993.4**	**7.8%**	**2002-2030**
Capital Trust Securities	**300.0**	**200.0**	**7.1%**	**2033**
Debentures	**250.0**	**–**	**7.2%**	**2004**
Other loans	**186.7**	**84.1**	**8.3%**	**2002-2017**
	5,251.8	**3,027.5**		
	6,131.2	**3,214.2**		

	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		

BC's Capital Trust Securities bear interest at variable rates based on LIBOR unless remarketed as a junior fixed rate Subordinated Security. As at January 31, 2001, the remainder of the Corporation's long-term debt bears interest at fixed rates except for $525.0 million of BC's notes and $142.5 million of BC's asset-backed bonds (nil and $188.8 million as at January 31, 2000).

Average rates are based on year-end balances and interest rates, after giving effect to the $2,941.3 million of interest-rate and cross-currency interest rate swap agreements ($2,326.5 million as at January 31, 2000) described in note 19.

Notes to Consolidated Financial Statements (cont'd)

9. LONG-TERM DEBT (CONT'D)

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

	Bombardier Inc. consolidated	Bombardier	BC
2002	$ 974.6	$ 33.0	$ 941.6
2003	1,427.4	31.6	1,395.8
2004	670.7	179.6	491.1
2005	731.3	22.3	709.0
2006	639.6	244.4	395.2

As at January 31, 2001 and 2000, the Corporation had complied with the restrictive covenants contained in its various financing agreements.

10. OTHER LIABILITIES

	2001		2000	
	Bombardier	BC	Bombardier	BC
Income taxes payable	$ 91.1	$ 0.2	$ 69.3	$ –
Accrued benefit liability (note 1)	492.1	2.3	–	–
Deferred income taxes	944.4	–	577.4	5.9
	$ 1,527.6	$ 2.5	$ 646.7	$ 5.9

11. CONVERTIBLE NOTES

Convertible notes previously accounted for as equity amounting to $165.0 million US were redeemed in October 1999 at their nominal value of $165.0 million US ($243.2 million). The amount of $51.5 million paid in Canadian dollars in excess of the carrying value of the convertible notes accounted for at historical exchange rates has been recorded as an adjustment to retained earnings.

12. SHARE CAPITAL

Share split

On June 20, 2000, the shareholders of the Corporation approved a Class A (Multiple Voting) and Class B (Subordinate Voting) common share split on a two-for-one basis, effective as of the close of business on July 7, 2000. The number of shares and per share amounts included in these consolidated financial statements have been adjusted to give retroactive effect to the share split.

12. SHARE CAPITAL (CONT'D)

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

1,792,000,000 Class A (Multiple Voting) Shares, without nominal or par value, ten votes each, convertible at the option of the holder into one Class B (Subordinate Voting) Share; and

1,792,000,000 Class B (Subordinate Voting) Shares, without nominal or par value, one vote each, with an annual non-cumulative preferential dividend of \$0.001563 per share, and convertible, at the option of the holder, into one Class A (Multiple Voting) Share, after the occurrence of one of the following events: (i) an offer made to Class A (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 (Multiple Voting) Shares of the Corporation.

Share repurchase program

The Board of Directors authorized the Corporation to repurchase in the normal course of its activities during the period starting January 24, 2000 and terminating on the earlier of January 23, 2001 or such date as the Corporation completed its purchases, up to a maximum aggregate amount of 16,000,000 Class A (Multiple Voting) Shares and Class B (Subordinate Voting) Shares in the open market. During the year ended January 31, 2001, the Corporation repurchased 15,866,300 shares of its common shares for an aggregate purchase price of \$303.8 million.

Notes to Consolidated Financial Statements (cont'd)

13. 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. Of the 135,782,688 Class B (Subordinate Voting) Shares initially reserved for issuance, 75,348,194 were available for issuance under these share option plans as at January 31, 2001. 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 348,000 outstanding 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, 2001 is as follows:

	Issued and outstanding			Exercisable	
Exercise price range	Number of options	Average remaining life (years)	Average exercise price	Number of options	Average exercise price
$0 to $5	**19,415,758**	**3.76**	**$ 3.55**	**16,518,508**	**$ 3.28**
$6 to $10	**15,505,376**	**7.40**	**9.01**	**2,522,329**	**7.45**
$11 to $15	**3,759,000**	**8.44**	**11.25**	**8,000**	**11.55**
$16 to $20	**4,461,000**	**9.21**	**18.62**	**–**	**–**
$21 to $25	**1,086,500**	**9.66**	**24.15**	**–**	**–**
	44,227,634			**19,048,837**	

The number of options has varied as follows:

	2001		2000	
	Number of options	**Average exercise price**	Number of options	Average exercise price
Balance at beginning of year	**44,727,660**	**$ 6.36**	45,180,100	$ 4.04
Granted	**5,747,500**	**19.72**	11,277,000	10.91
Exercised	**(4,299,020)**	**4.11**	(11,270,840)	1.50
Cancelled	**(1,948,506)**	**10.31**	(458,600)	8.33
Balance at end of year	**44,227,634**	**$ 8.14**	44,727,660	$ 6.36
Options exercisable at end of year	**19,048,837**	**$ 3.84**	17,831,774	$ 3.19

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, 2001 amounted to $11.5 million ($3.0 million for the year ended January 31, 2000).0

Notes to Consolidated Financial Statements (cont'd)

14. RESEARCH AND DEVELOPMENT EXPENSES

Bombardier's cost of sales and operating expenses include research and development expenses, excluding those incurred under contracts and programs, amounting to $123.4 million for the year ended January 31, 2001 ($132.2 million for the year ended January 31, 2000).

15. INTEREST EXPENSE

	2001		2000	
	Bombardier	**BC**	Bombardier	BC
Interest on long-term debt	**$ 72.2**	**$ 321.8**	$ 78.0	$ 149.3
Interest on short-term borrowings	**36.0**	**177.2**	16.9	150.9
	108.2	**499.0**	94.9	300.2
Allocated to BC	**(38.4)**	**38.4**	(33.7)	33.7
	$ 69.8	**$ 537.4**	$ 61.2	$ 333.9

BC's interest expense of $499.0 million for the year ended January 31, 2001 ($300.2 million for the year ended January 31, 2000) is classified as cost of sales and operating expenses.

16. SPECIAL ITEMS

The Corporation recorded the following pre-tax special items:

		2001	2000
Provision for credit losses	– BC	**$ 79.5**	$ –
Restructuring charges	– transportation	**–**	117.7
	– aerospace	**–**	44.5
		79.5	162.2
Net gain on sale	– aerospace	**(49.8)**	(111.1)
Special items, net		**$ 29.7**	$ 51.1

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 the year ended January 31, 2001, 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).

During the year ended January 31, 2001, 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 year ended January 31, 2001, related to additional provision for credit losses.

Notes to Consolidated Financial Statements (cont'd)

16. SPECIAL ITEMS (CONT'D)

During the year ended January 31, 2000, Bombardier Transportation decided to implement a plan to reduce its work force 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 located in Germany and Belgium. The restructuring plan was mostly carried out during the year ended January 31, 2001.

Restructuring charges amounting to $44.5 million ($26.7 million after tax) were also recorded during the year ended January 31, 2000, 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 than anticipated level of activity. Most of these charges related 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 during the year ended January 31, 2000 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.

17. INCOME TAXES

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

	2001		2000	
	$	**%**	$	%
Income taxes calculated at statutory rates	**553.2**	**39.6**	427.7	39.9
Increase (decrease) resulting from:				
Manufacturing and processing credit	**(69.4)**	**(5.0)**	(46.1)	(4.3)
Income tax rate differential of foreign investees	**(45.7)**	**(3.3)**	(23.2)	(2.2)
Non-recognition of tax benefits related to foreign investees' losses and temporary differences	**20.4**	**1.5**	72.0	6.7
Recognition of unrecorded tax benefits	**(16.4)**	**(1.2)**	(68.4)	(6.4)
Tax-exempt items	**(26.5)**	**(1.9)**	(60.4)	(5.6)
Other	**7.2**	**0.5**	52.5	4.9
	422.8	**30.2**	354.1	33.0
Current income taxes	**151.0**			
Deferred income taxes				
– Temporary differences	**288.2**			
– Recognition of unrecorded tax benefits	**(16.4)**			
	422.8			

For the year ended January 31, 2000, the income tax expense comprised $113.2 million of current income taxes and $240.9 of deferred income taxes.

Notes to Consolidated Financial Statements (cont'd)

17. INCOME TAXES (CONT'D)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation's deferred income tax asset (liability) as at January 31 were as follows:

	2001
Inventories	$ (1,175.0)
Loss carryforwards	702.7
Warranty and other provisions	179.3
Asset-based financing items	(125.8)
Accrued benefit liability	114.0
Other	(111.9)
	(416.7)
Valuation allowance	(345.9)
Net amount	$ (762.6)

The net amount of deferred income tax is presented on the Corporation's balance sheet as follows:

	2001
Deferred income tax liability	$ (944.4)
Deferred income tax asset	181.8
Net amount	$ (762.6)

Losses carried forward and other deductions which are available to reduce future taxable income of certain European subsidiaries for which no related income tax benefits have been recognized amounted to $849.5 million as at January 31, 2001 ($844.9 million as at January 31, 2000), mostly with no specified expiry dates.

Undistributed earnings of the Corporation's foreign subsidiaries are considered to be indefinitely reinvested and, accordingly, no provision for income taxes has been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, the Corporation may be subject to withholding taxes.

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

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

	2001	2000
Bombardier		
Receivables	$ (76.5)	$ 87.1
Inventories	(1,057.2)	(904.9)
Accounts payable and accrued liabilities	745.0	234.8
Income taxes payable	21.8	39.5
Advances and progress billings in excess of related costs	(273.9)	308.2
Other	11.4	(85.7)
	(629.4)	(321.0)
BC		
Receivables	(154.0)	(47.3)
Accounts payable and accrued liabilities	(13.4)	(44.2)
Other	(33.3)	(50.8)
	(200.7)	(142.3)
	$ (830.1)	$ (463.3)

Notes to Consolidated Financial Statements (cont'd)

19. 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 whereby it sells or buys specific amounts of currencies at predetermined dates and exchange rates. These contracts are matched with anticipated operational cash flows in various currencies, the amount of which are estimated based on existing orders from customers, current conditions in the Corporation's markets and past experience.

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

	2001			2000		
Maturity	**Cdn $**	**£**	**€**	Cdn $	£	€
Less than 1 year	**3,118.8** **(813.4)**	**810.0**	**190.2**	3,123.6 (362.9)	264.2	113.1
Average rate	**1.47** **(1.49)**	**0.65**	**0.96**	1.43 (1.46)	0.63	0.88
One to three years	**2,547.9** **(328.9)**	**994.7**	**–**	1,404.1 (133.0)	48.0	94.1
Average rate	**1.49** **(1.48)**	**0.66**	**–**	1.47 (1.47)	0.61	0.92

In addition, the Corporation is a party to various foreign exchange contracts mostly involving the sale of euros against the U.S. dollar (€51.1 million at an average rate of $1.13 US) and the purchase of euros against the Cdn dollar (€61.9 million at an average rate of $1.86 Cdn). The corresponding amounts as at January 31, 2000 were €116.5 million at an average rate of $1.12 US and €116.6 million at an average rate of $1.85 Cdn respectively.

Interest-rate swap agreements – BC

BC enters into interest-rate swap agreements to convert from fixed to variable interest rates certain long-term debts and certain loans and direct financing lease receivables. As at January 31, 2001 and 2000, the interest-rate swap agreements were as follows:

	2001			
Purpose	**Notional amount (US $ component)**	**Range of fixed rates**	**Variable rates**	**Maturity**
Asset hedge	**$ 1,700.7 ($964.6 US)**	**5.0% – 8.7%**	**LIBOR or Banker's Acceptance**	**2002-2018**
Debt hedge	**$ 2,691.3 ($1,527.5 US)**	**5.1% – 7.0%**	**LIBOR or Banker's Acceptance**	**2002-2006**

Notes to Consolidated Financial Statements (cont'd)

19. FINANCIAL INSTRUMENTS (CONT'D)

2000					
Purpose		Notional amount (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

Cross-currency interest rate swap agreements – BC

BC enters into cross-currency interest rate swap agreements that modify the characteristics of certain long-term debts from the Canadian dollar to the U.S. dollar and from fixed to variable interest rates to match those of its asset-based financing items. The nominal amount of the cross-currency interest rate swap agreements outstanding as at January 31, 2001 was $250.0 million (nil as at January 31, 2000). These contracts mature in 2003-2004.

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, receivables, 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 variable-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. The fair value of loans, finance receivables and net investment in direct financing leases as at January 31, 2001 was $7,096.4 million compared to a carrying amount of $7,176.1 million ($6,177.4 million compared to $6,210.9 million as at January 31, 2000).

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, 2001 was $6,248.2 million compared to a carrying amount of $6,131.2 million ($4,769.7 million compared to $4,795.0 million as at January 31, 2000).

Foreign exchange contracts and interest-rate and cross-currency 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 and cross-currency interest rate swap agreements.

The fair values of favorable and unfavorable foreign exchange contracts were respectively $59.8 million and $275.0 million as at January 31, 2001 (respectively $104.1 million and $172.6 million as at January 31, 2000). The fair values of favorable and unfavorable interest-rate and cross-currency interest rate swap agreements were respectively $60.1 million and $28.2 million as at January 31, 2001 (respectively $48.9 million and $86.5 million as at January 31, 2000).

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 readily determinable.

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.

Notes to Consolidated Financial Statements (cont'd)

20. EMPLOYEE FUTURE BENEFITS

The Corporation sponsors several defined benefit qualified and nonqualified pension plans and other post-retirement benefit plans for its employees.

The significant actuarial assumptions adopted to determine the Corporation's accrued benefit obligations are as follows (weighted-average assumptions as at the December 31, 2000 measurement date):

	2001	
	Pension Benefits	**Other Benefits**
Discount rate	**6.70%**	**7.09%**
Expected long-term rate of return on plan assets	**8.00%**	**–**
Rate of compensation increase	**4.25%**	**4.60%**
Health care cost trend	**–**	**5.39%**

In Canada, a 7.50% annual rate of increase in the per capita cost of covered health care benefits was assumed for the year ending January 31, 2002. This rate is assumed to decrease gradually to 5.50% for fiscal 2004 and to remain at that level thereafter. In other countries, the health care cost trend remains constant.

For the year ended January 31, 2001

The following tables provide a reconciliation of the changes in the plans' accrued benefit obligations and fair value of assets over the year ended January 31, 2001, and a statement of the funded status as at January 31:

	2001	
	Pension Benefits	**Other Benefits**
Accrued benefit obligations		
Obligation at beginning of year	**$ 2,600.8**	**$ 214.0**
Current service cost	**108.8**	**12.3**
Employee contributions	**35.6**	**–**
Interest cost	**177.6**	**16.1**
Plan amendments	**63.6**	**–**
Actuarial loss	**59.7**	**9.2**
Benefits paid	**(106.4)**	**(9.8)**
Effect of foreign currency exchange rate changes	**(52.9)**	**0.7**
Obligation at end of year	**$ 2,886.8**	**$ 242.5**

Notes to Consolidated Financial Statements (cont'd)

20. EMPLOYEE FUTURE BENEFITS (CONT'D)

	2001	
	Pension Benefits	Other Benefits
Plan assets		
Fair value at beginning of year	$ 2,531.9	
Actual return on plan assets	12.2	
Employer contributions	63.8	
Employee contributions	35.6	
Benefits paid	(106.4)	
Effect of foreign currency exchange rate changes	(48.4)	
Fair value at end of year	$ 2,488.7	
Funded status		
Plan deficit	$ (398.1)	$ (242.5)
Unrecognized amounts	282.8	10.0
Net recognized amount	$ (115.3)	$ (232.5)

The following table provides the amounts recognized in the balance sheet as at January 31:

	2001	
	Pension Benefits	Other Benefits
Accrued benefit asset	$ 146.6	$ –
Accrued benefit liability	(261.9)	(232.5)
Net amount recognized	$ (115.3)	$ (232.5)

The accrued benefit obligations and fair value of plan assets, for pension plans with accrued benefit obligations in excess of plan assets, were $2,247.4 million and $1,807.3 million, respectively, as at January 31, 2001. The Corporation's plans for post-retirement benefits other than pensions are all unfunded.

The following table provides components of the net benefit plan cost for the year ended January 31:

	2001	
	Pension Benefits	Other Benefits
Current service cost	$ 108.8	$ 12.3
Interest cost	177.6	16.1
Expected return on plan assets	(198.8)	–
Other	1.9	–
Net benefit plan cost	$ 89.5	$ 28.4

Notes to Consolidated Financial Statements (cont'd)

20. EMPLOYEE FUTURE BENEFITS (CONT'D)

For the year ended January 31, 2000

The present value of accrued pension benefit obligations attributed to services rendered up to the balance sheet dates and the net assets available to provide for these obligations, at market-related values, were as follows as at January 31:

	2000
Pension fund assets	$ 2,507.5
Accrued pension benefit obligations	$ 2,077.6

21. 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 2019, were as follows as at January 31:

	2001	2000
Maximum credit risk	**$ 722.3**	$ 642.2
Less: provisions	**283.5**	217.2
Off-balance-sheet risk	**438.8**	425.0
Less: net benefit of the estimated resale value	**350.2**	306.2
Net credit risk	**$ 88.6**	$ 118.8

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

As at January 31, 2001, the Corporation was also committed in relation to guarantees on future sales of aircraft for an amount of $260.8 million after deducting the net benefit of the estimated resale value amounting to $332.7 million ($168.9 million after deducting the net benefit of the estimated resale value amounting to $315.8 million as at January 31, 2000). 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. Financial support relating to a commercial airline customer reached 17% of total financial support as at January 31, 2001. This concentration resulted from consolidation in the U.S. commercial airline industry.

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.

Notes to Consolidated Financial Statements (cont'd)

21. COMMITMENTS AND CONTINGENCIES (CONT'D)

In addition, the Corporation concluded sale and leaseback transactions in respect of aircraft and railcars 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:

	2001	2000
Minimum lease payments		
2001	**$ –**	$ 273.9
2002	**288.3**	133.2
2003	**126.3**	138.6
2004	**121.4**	94.8
2005	**121.0**	84.3
2006	**115.0**	82.6
Thereafter	**1,363.9**	822.3
	$ 2,135.9	$ 1,629.7
Expected receipts		
Aircraft	**$ 329.6**	$ 539.5
Railcars	**1,737.7**	1,024.5
Provision	**68.6**	65.7
	$ 2,135.9	$ 1,629.7
Minimum lease payments		
Aircraft	**$ 398.2**	$ 605.2
Railcars	**1,737.7**	1,024.5
	$ 2,135.9	$ 1,629.7

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 ($1,442.6 million in 2001 and $1,015.2 million in 2000) 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 $141.7 million in 2001 and $301.0 million in 2000.

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 value based upon analyses conducted by third parties.

b) The Corporation leases buildings and equipment under long-term operating leases for which the total minimum lease payments amount to $676.8 million. The annual minimum lease payments for the next five years are as follows: 2002 – $80.1 million; 2003 –$72.9 million; 2004 – $53.2 million; 2005 – $46.5 million and 2006 – $38.0 million.

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.

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.

Notes to Consolidated Financial Statements (cont'd)

22. RECLASSIFICATION

Certain of the 2000 figures have been reclassified to conform to the presentation adopted in 2001.

23. 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 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 Summary of Significant Accounting Policies. Management evaluates performance based on income or loss before special items and income taxes. Intersegment services are accounted for at current market prices as if the services were provided to third parties.

Interest costs are allocated based on each segment's net assets and most corporate office charges are allocated based on each segment's revenues. For the manufacturing segments, 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. 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 an on- and off-balance sheet debt to equity ratio, including subordinated debt, which approximates 9 to 1.

The table containing the detailed segmented data is shown on pages 94-95.

24. ADTRANZ ACQUISITION AND SUBSEQUENT EVENTS

a) On August 4, 2000, the Corporation entered into 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 adjustments based on the financial performance of Adtranz until the closing date of the transaction. Appropriate regulatory approvals are required before completion of the acquisition. Adtranz is an integrated transportation equipment manufacturer with 2000 revenues approximating $5 billion.

b) On February 22, 2001, the Corporation issued notes amounting to $697.5 million (€500 million), 5.75% due February 2008 at a price of 99.467% and notes amounting to $388.8 million (£175 million), 6.25% due February 2006 at a price of 99.442% for aggregate net proceeds of the notes of $1,076.4 million (€495.4 million and £173.4 million).

c) On March 9, 2001, the Corporation acquired for a cash consideration of $83.3 million ($53.8 million US), before acquisition costs, most of the net assets of the engine manufacturing operations of Outboard Marine Corporation ("OMC") 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.

Segment Disclosure

Industry Segments

(millions of Canadian dollars)	2001 Bombardier Inc. consolidated	2000
External revenues	**$ 16,100.6**	$ 13,618.5
Intersegment eliminations	**–**	–
Revenues	**$ 16,100.6**	$ 13,618.5
Expenses		
Cost of sales and operating expenses	**$ 14,387.6**	$ 12,220.4
Depreciation and amortization	**220.5**	227.5
Interest expense (income), net	**64.6**	46.6
	14,672.7	12,494.5
Income (loss) before special items and income taxes	**$ 1,427.9**	$ 1,124.0
Special items, net	**29.7**	51.1
Income before income taxes	**$ 1,398.2**	$ 1,072.9
Net segmented assets	**$ 4,053.5**	$ 3,221.4
Accounts payable and accrued liabilities	**3,840.0**	3,125.2
Advances and progress billings in excess of related costs	**2,362.8**	2,636.8
Accrued benefit liability	**492.1**	–
Advances to BC	**205.5**	459.8
Deferred income taxes	**109.5**	–
Cash and cash equivalents	**1,358.8**	1,548.7
Total assets – Bombardier	**$ 12,422.2**	$ 10,991.9
Investment in and advances to BC	**(1,581.5)**	(1,531.2)
Total assets – BC	**9,563.6**	7,573.4
Total assets – Bombardier Inc. consolidated	**$ 20,404.3**	$ 17,034.1
Additions to fixed assets	**$ 415.1**	$ 419.5

Geographic Information

(millions of Canadian dollars)	2001 Revenues	2000
United States	**$ 8,591.8**	$ 7,138.7
Canada	**1,241.3**	1,012.7
Germany	**1,163.4**	1,414.4
United Kingdom	**862.6**	844.9
France	**495.9**	558.8
Denmark	**486.9**	58.4
Switzerland	**359.0**	295.2
Australia	**243.5**	166.3
Italy	**223.8**	165.2
Greece	**202.3**	181.8
Spain	**199.0**	121.6
Austria	**192.4**	151.4
China	**178.2**	8.2
Belgium	**100.2**	244.7
Other – Europe	**471.6**	325.1
Other – Asia	**292.6**	318.8
Other – South and Central America	**281.4**	296.5
Other	**514.7**	315.8
	$ 16,100.6	$ 13,618.5

	Aerospace 2001	Aerospace 2000	Recreational products 2001	Recreational products 2000	Transportation 2001	Transportation 2000	BC 2001	BC 2000
	$ 10,561.6	$ 8,125.4	**$ 1,687.1**	$ 1,472.8	**$ 3,025.5**	$ 3,430.3	**$ 826.4**	$ 590.0
	–	0.8	**–**	0.2	**17.8**	15.8	**206.6**	148.5
	$ 10,561.6	$ 8,126.2	**$ 1,687.1**	$ 1,473.0	**$ 3,043.3**	$ 3,446.1	**$ 1,033.0**	$ 738.5
	$ 9,037.8	$ 6,940.1	**$ 1,547.4**	$ 1,401.0	**$ 3,027.3**	$ 3,376.6	**$ 999.5**	$ 668.0
	112.0	110.1	**37.6**	35.8	**60.4**	72.8	**10.5**	8.8
	175.0	172.1	**16.1**	18.5	**(164.9)**	(177.7)	**38.4**	33.7
	9,324.8	7,222.3	**1,601.1**	1,455.3	**2,922.8**	3,271.7	**1,048.4**	710.5
	$ 1,236.8	$ 903.9	**$ 86.0**	$ 17.7	**$ 120.5**	$ 174.4	**$ (15.4)**	$ 28.0
	$ 3,231.0	$ 2,938.0	**$ 62.4**	$ 103.2	**$ (615.9)**	$ (891.2)	**$ 1,376.0**	$ 1,071.4
	$ 307.2	$ 266.5	**$ 32.0**	$ 23.9	**$ 56.2**	$ 91.8	**$ 19.7**	$ 37.3

	Fixed assets and goodwill 2001	Fixed assets and goodwill 2000
	$ 389.3	$ 362.9
	1,032.9	886.7
	281.7	297.7
	197.4	182.7
	37.5	35.9
	2.1	–
	21.4	22.0
	–	–
	–	–
	–	–
	–	–
	65.1	60.1
	6.4	–
	17.4	24.1
	26.6	27.5
	–	–
	31.6	23.4
	–	–
	$ 2,109.4	$ 1,923.0

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Telephone: (904) 288-1000
Fax: (904) 288-1920

Bombardier Capital Inc.
261 Mountain View Drive
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United States
Telephone: (802) 654-8100
Fax: (802) 654-8453

Bombardier Credit Receivables Corporation
P.O. Box 5544
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United States
Telephone: (802) 655-2824
Fax: (802) 654-8432

BCI Finance Inc.
261 Mountain View Drive
Colchester, Vermont 05446-0991
United States
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Fax: (802) 654-8432

Bombardier Capital Rail Inc.
6900 Wedgwood Road, Suite 120
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United States
Telephone: (763) 420-8000
Fax: (763) 420-8003

Bombardier Capital Ltd.
5571 chemin de l’Aéroport
Valcourt, Québec
Canada J0E 2L0
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Fax: (450) 532-6910

Bombardier Capital Leasing Ltd.
6400 Auteuil Street, 2nd Floor
Brossard, Québec
Canada J4Z 3P2
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Fax: (450) 443-0136

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
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Bombardier Capital CF II Inc.
261 Mountain View Drive
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Telephone: (802) 654-8100
Fax: (802) 654-2607

Bombardier Capital Insurance Agency Inc.
261 Mountain View Drive
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RJ Finance Corp. Two
261 Mountain View Drive
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Bombardier Capital International B.V.
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Fax: (33 1) 41 34 01 60

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Fax: (514) 335-7007

BOMBARDIER INTERNATIONAL

Bombardier International
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Beijing Representative Office
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Kerry Tower (South Tower)
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Chaoyang District
Beijing 100020
People’s Republic of China
Telephone: (86 10) 8529 9100
Fax: (86 10) 8529 9109

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
Retired Chairman and
Chief Executive Officer
Ingersoll-Rand Company

Paul M. Tellier
President and
Chief Executive Officer
Canadian National

Hugo Uyterhoeven
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 and
Chairman of Bombardier Capital

Richard C. Bradeen
Vice President, Corporate Audit
and Risk Assessment

Roger Carle
Corporate Secretary

Daniel Desjardins
Vice President, Legal Services
and Assistant Secretary

Carroll L'Italien
Senior Vice President

Michel Lord
Vice President, Communications
and Public Relations

Louis Morin
Senior Vice President and
Chief Financial Officer

Barry J. Olivella
Vice President, Special Projects
and Acquisitions

Marie-Claire Simoneau
Executive Assistant
to the Chairman

GROUPS

Michel Baril
President and
Chief Operating Officer
Bombardier Recreational Products

Robert Gillespie
President and
Chief Operating Officer
Bombardier Capital

Michael S. Graff
President and
Chief Operating Officer
Bombardier Aerospace

Robert Greenhill
President and
Chief Operating Officer
Bombardier International

Jean-Yves Leblanc
Chairman
Bombardier Transportation

Pierre Lortie
President and
Chief Operating Officer
Bombardier Transportation

ORFÉ DESIGN & COM INC.

Shareholder Information

SHARE CAPITAL
AUTHORIZED AND ISSUED AS AT JANUARY 31, 2001

	Authorized	Issued
Class A shares	1 792 000 000	347 426 366
Class B shares	1 792 000 000	1 018 624 370
Preferred shares, Series 2	12 000 000	12 000 000

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)

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

TRANSFER AGENT AND REGISTRAR
Computershare Trust Company of Canada
Written correspondence:
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P.O. Box 1900, Station B
Montréal, Québec, Canada H3B 3L6
Address:
1800 McGill College Avenue, 6th Floor
Montréal, Québec, Canada H3A 3K9
Telephone: (514) 982-7555, 1-800-564-6253
Fax: (514) 982-7635
caregistryinfo@computershare.com

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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**

WEBSITE
For more information on our products and services, visit our website at **www.bombardier.com**

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

AUDITORS
Ernst & Young LLP
1 Place Ville-Marie
Montréal, Québec
Canada H3B 3M9

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

ANNUAL MEETING
The annual meeting of shareholders will be held in Montréal, on Tuesday, June 12, 2001 at 10:00 a.m. at the following address:

International Civil Aviation Organization
999 University Street
Montréal, Québec
Canada H3C 5H7

DUPLICATION
Athough 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.

BOMBARDIER

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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 30% post-consumer fiber.

BOMBARDIER
AEROSPACE

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