Third quarterly report

NINE MONTHS ENDED OCTOBER 31, 2001

Report to Shareholders

CONSOLIDATED RESULTS

Consolidated revenues of Bombardier Inc. amounted to $5.0 billion in the third quarter ended October 31, 2001, compared to $3.9 billion for the same period of the previous year, an increase of 30% resulting mainly from the consolidation of the accounts of Bombardier Transportation GmbH (Adtranz) and of those relating to the acquisition of the assets of Outboard Marine Corporation (OMC). Before special items, income taxes and goodwill amortization, income increased by 12%, to $379.8 million for the third quarter ended October 31, 2001 from $338.3 million last year.

For the nine months ended October 31, 2001, consolidated revenues grew by 32%, totaling $14.0 billion compared to $10.5 billion for the same period last year, mainly due to growth in the aerospace segment and the consolidation of Adtranz and OMC accounts. Before special items, income taxes and goodwill amortization, income increased by 24% to reach $1.2 billion for the first nine months ended October 31, 2001 compared to $945.2 million for the first nine months of the previous year.

Before special items and goodwill amortization, income increased by 12% in the third quarter, reaching $252.8 million or $0.18 per share compared to $225.9 million or $0.16 per share for the same period last year. For the nine months ended October 31, 2001, income increased by 26% to $792.4 million or $0.57 per share compared to $631.1 million or $0.45 per share for the same period last year.

A net loss of $367.6 million or $0.27 per share was recorded in the third quarter ended October 31, 2001 against net income of $225.9 million or $0.16 per share in the third quarter of last year. Net income for the nine months ended October 31, 2001 was $161.3 million, or $0.11 per share, compared to $627.4 million, or $0.45 per share, for the nine months ended October 31, 2000.

The Corporation recorded an income tax benefit of $228.1 million in the third quarter, against a charge of $112.4 million for the same period last year. Year to date income taxes amounted to $23.4 million compared to $288.1 million for the first nine months of last year. The effective consolidated income tax rate for the Corporation's worldwide operations before special items and goodwill amortization for the nine months ended October 31, 2001 was 32.32% compared to 33.24% for the corresponding period of the previous year (12.66% and 31.47% after special items and goodwill amortization for the nine months ended October 31, 2001 and October 31, 2000, respectively).

As at October 31, 2001, the order backlog was $45.9 billion. Excluding Adtranz, order backlog grew by 9%, to $33.1 billion as at October 31, 2001 from $30.5 billion as at October 31, 2000, mainly driven by the aerospace segment.

BOMBARDIER AEROSPACE

For the third quarter ended October 31, 2001, Bombardier Aerospace's revenues before intersegment eliminations were $2.6 billion, compared with $2.5 billion for the quarter ended October 31, 2000. The small increase in revenues is attributable to higher commercial aircraft deliveries offset by lower business aircraft deliveries. For the first nine months ended October 31, 2001, revenues before intersegment eliminations grew by 18%, to $7.9 billion this year from $6.7 billion last year, mainly attributable to increased new commercial aircraft deliveries and used aircraft sales in the first nine months of the year.

Income before special items and income taxes reached $239.8 million for the third quarter ended October 31, 2001, a 16% decrease over the $286.9 million recorded for the same period last year. The margin for income before special items and income taxes was 9.3% for the third quarter ended October 31, 2001 compared with 11.3% for the same period last year. This decrease results primarily from the change in the mix of new aircraft deliveries, higher level of used aircraft activities and increased interest charges. For the first nine months ended October 31, 2001, income before special items and income taxes totalled $879.1 million, a 11.1% margin, compared with $774.3 million, a 11.5% margin, for the same period last year. The lower margin percentage is due to the increased interest charges.

On September 26, 2001, the Corporation announced its decision to reduce employment levels, production rates and deliveries in the aerospace sector to adjust to current market conditions. As a result, a $45.0 million special charge was announced, of which $32.1 million was recorded during the third quarter for severance and other involuntary termination costs. In addition, due to the overall outlook for turboprops, a special charge of $264.0 million relating to the write-off of the carrying value of the non-recurring costs of the Bombardier Q400* aircraft was also recorded during the third quarter ended October 31, 2001.

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

The aerospace order backlog grew to $24.9 billion as at October 31, 2001 from $22.7 billion as at October 31, 2000.

Business and regional aircraft deliveries were as follows:

Business Aircraft Deliveries

	Deliveries for the nine month period ended October 31, 2001	Deliveries for the nine month period ended October 31, 2000
Bombardier Learjet 31A*	**7**	17
Bombardier Learjet 45*	**42**	48
Bombardier Learjet 60*	**20**	21
Bombardier Challenger 604*	**26**	26
Bombardier Global Express*	**16**	23
TOTAL	**111**	135

Due to the market slowdown, which has accelerated following the September 11, 2001 events, the Corporation announced, on September 26, 2001, the reduction of the delivery and production levels for business aircraft. These events have also negatively impacted order intake for business aircraft.

Regional Aircraft Deliveries

	Deliveries for the nine month period ended October 31, 2001	Deliveries for the nine month period ended October 31, 2000
Bombardier CRJ100*/CRJ200*	**86**	68
Bombardier CRJ700*	**16**	---
Bombardier Q100*/Q200*	**1**	5
Bombardier Q300*	**10**	10
Bombardier Q400	**18**	16
TOTAL	**131**	99

One Bombardier Canadair 415* turboprop amphibious aircraft was delivered in the nine month period ended October 31, 2001 compared to five for the nine month period ended October 31, 2000. On September 26, 2001, the Corporation announced the suspension of production of the Canadair 415 turboprop amphibious aircraft until such time as the order book warrants restarting the assembly line.

In the third quarter ended October 31, 2001, Bombardier Aerospace signed a total of five regional aircraft firm new orders.

During the nine months ended October 31, 2001, Bombardier Aerospace signed firm orders for 152 Bombardier CRJ100/200, 20 Bombardier CRJ700, 20 Bombardier CRJ900* aircraft, three Bombardier Q300 and 10 Bombardier Q400 turboprop aircraft compared to 114 CRJ100/200, 60 CRJ700, 10 CRJ900 aircraft, two Bombardier Q200, 32 Bombardier Q300 and one Bombardier Q400 turboprop aircraft for the same period in the previous year.

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

	Aircraft on Firm Order	**Options and Conditional Orders or Letters of Agreement**	**Total Backlog**
Bombardier CRJ100/200	**392**	**842**	**1,234**
Bombardier CRJ700	**177**	**357**	**534**
Bombardier CRJ900	**30**	**82**	**112**
Bombardier Q100/200	**3**	**2**	**5**
Bombardier Q300	**21**	**47**	**68**
Bombardier Q400	**25**	**36**	**61**
TOTAL	**648**	**1,366**	**2,014**

BOMBARDIER TRANSPORTATION

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

For the third quarter ended October 31, 2001, Bombardier Transportation's revenues before intersegment eliminations amounted to $1.7 billion, compared with $648.1 million for the third quarter last year. Year to date revenues for the current year increased by 94%, to $4.2 billion compared to $2.2 billion for the first nine months of last year. These increases are mainly attributable to the consolidation of the results of Adtranz for a five month period as well as a higher level of activity for the New York subway and Virgin Rail contracts.

Before income taxes and goodwill amortization, income amounted to $82.2 million for the third quarter ended October 31, 2001 compared to $18.4 million for the corresponding period of the previous year. This increase arises mainly from the consolidation of Adtranz accounts. Before income taxes and goodwill amortization, income for the nine month period ended October 31, 2001 totalled $186.4 million, a 96% increase over $95.1 million for the same period last year. The margin for the year to date income before income taxes and goodwill amortization was 4.5% compared to 4.4% last year.

As at October 31, 2001, the value of Bombardier Transportation's order backlog, totalled $21.0 billion, consisting of $17.3 billion for operations and $3.7 billion for maintenance services. This compares with $5.7 billion for operations and $2.1 billion for maintenance services for a total of $7.8 billion as at October 31, 2000.

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

Client	Product	Number of Units	Value (in millions of Canadian dollars)
Deutsche Bahn	Double-deck vehicles	117	165
Netherlands Railways	VIRM vehicles	126	315
Istanbul Transportation Company	Low-floor trams	55	112
Swiss Federal Railways	Intercity tilting trains ICN	70	153
Porterbrook Leasing Company Ltd	Double-deck vehicles	42	77
Austrian Federal Railway	Electrical multiple units	51	231
Transit Authority of Dresden, Germany	Low-floor street-trams	20	54
RATP	MF-2000	90	71
Netherlands Railways	SGM III	180	132
Houston	CX-100 vehicle	10	71
AENA	People mover system	19	150
Taiwan Railway	Automatic train system	--	125
GOVIA	Electrostar cars	240	465
Spanish National Railways (RENFE)	High-speed power heads	32	197
Hungarian State Railways (MAV)	Suburban passenger railway coaches refurbishment	136	58
SBB Cargo	Freight locomotive	10	42

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

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

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

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

During the third quarter ended October 31, 2001, a number of new elements resulted in changes to the preliminary purchase price allocation. The audit of the Adtranz April 30, 2001 closing balance sheet was completed, giving rise to contract adjustments mainly impacting inventories and accrued liabilities. In addition, the Corporation finalized its plan to integrate the operations of Adtranz with the transportation segment. This resulted in a restructuring charge of $113.8 million recorded in the preliminary purchase price allocation. This plan combined with tax planning initiatives also enabled the Corporation to record deferred income tax assets. Finally, a review of Adtranz intangible assets was undertaken resulting in the identification and preliminary valuation of such assets.

On September 26, 2001, the Corporation announced a special restructuring charge estimated at $180.0 million related to the manufacturing strategy of the transportation segment in addition to the $113.8 million recorded in the preliminary purchase price allocation. This charge will include severance and other involuntary termination costs as well as write-down in the value of certain manufacturing assets resulting from the consolidation of manufacturing operations. No special charge, relating to this announcement, was recorded in the third quarter ended October 31, 2001.

The first phase of the manufacturing strategy, primarily impacting European manufacturing sites, was unveiled on November 13, 2001 and represents $136.1 million of the $180.0 million special charge and $58.5 million of the $113.8 million restructuring charge included in the preliminary purchase price allocation.

BOMBARDIER RECREATIONAL PRODUCTS

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

For the third quarter ended October 31, 2001, revenues of Bombardier Recreational Products before intersegment eliminations amounted to $550.0 million, compared with $480.8 million for the third quarter ended October 31, 2000, a growth of 14%. For the nine month period ended October 31, 2001, revenues before intersegment eliminations totalled $1.3 billion, a 19% increase over the $1.1 billion for the same period last year. These increases are mainly attributable to the inclusion of outboard engine activities since March 9, 2001.

Income before income taxes totalled $44.9 million, a 8.2% margin, for the third quarter ended October 31, 2001 compared to $20.8 million, a 4.3% margin, for the quarter ended October 31, 2000. Income before income taxes for the nine months ended October 31, 2001 reached $92.5 million, a 6.9% margin, compared with $42.0 million, a 3.7% margin, for the same period last year. These margin increases result from inclusion of outboard engine activities in addition to continued operational efficiency improvements.

BOMBARDIER CAPITAL

For the third quarter ended October 31, 2001, Bombardier Capital's revenues before intersegment eliminations amounted to $239.9 million, a reduction of 9% over the $263.3 million recorded for the quarter ended October 31, 2000, mainly driven by lower interest rates. Revenues before intersegment eliminations grew to $762.1 million for the nine month period ended October 31, 2001 from $730.5 million for the nine month period ended October 31, 2000. Revenue increases were mainly driven by growth in continuing portfolios, partially offset by the impact of lower interest rates.

Bombardier Capital reported income before special items and income taxes of $12.9 million for the quarter ended October 31, 2001 compared to $12.2 million for the same period last year. Before special items and income taxes, income was $12.9 million for the first nine months ended October 31, 2001 compared with $33.8 million for the same period last year. Beginning in February 2001, the Corporation ceased to allocate corporate interest charges to Bombardier Capital. The cumulative effect of this change was a $28.1 million decrease in interest expense for the nine month period. The reduction in profitability for the first nine months of the current year results from losses incurred in the Manufactured Housing and Consumer Finance portfolios.

On September 26, 2001, the Corporation announced its decision to withdraw completely from the manufactured housing and consumer finance sectors because of their disappointing results. As a result of this decision, the Corporation will discontinue loan origination activities in these businesses on November 26, 2001. The Corporation will continue to service existing accounts as part of a plan to liquidate these portfolios over several years. Management expects that this decision will enable Bombardier Capital to return to profitability. These decisions result in a special charge of $662.5 million provided for in the third quarter ended October 31, 2001. This special charge relates primarily to additional provisions for credit losses, the write-down of assets, credit support costs and severance.

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

As disclosed last year, the Corporation continues to wind down the technology management and finance, the mid-market equipment commercial finance and the small ticket finance portfolios. Bombardier Capital expects the gradual wind-down of these portfolios to be completed within two to three years. As at October 31, 2001, these portfolios represented $722.8 million, or 6% of Bombardier Capital's total assets under management compared to $1.1 billion, or 8% as at January 31, 2001.

FINANCIAL POSITION

Bombardier

Short-term borrowings net of cash and cash equivalents were $1.5 billion as at October 31, 2001 compared to a net cash position of $1.4 billion at the end of the previous year. This $2.9 billion reduction in net cash is mainly attributable to increases in inventory of $3.0 billion, payments for the acquisition of OMC and Adtranz amounting to $673.0 million and investments in fixed assets of $557.9 million, partially offset by the issuance of $1.2 billion of long-term debt.

Total inventories as at October 31, 2001 were $9.2 billion, compared to $6.4 billion at the end of the previous fiscal year, an increase of $2.8 billion. This increase is mainly attributable to higher inventory levels caused by the reduction in production rates in the aerospace segment. Inventories are expected to return to normal levels as the supply chain adjusts to these new production rates. In addition, to a lesser extent, investments in new programs, namely the Bombardier CRJ900 Series and the Bombardier Continental* business jet, and the consolidation of the inventory of OMC and Adtranz have contributed to this increase. Total advances and progress billings grew by 39%, to $8.9 billion from $6.4 billion as at the end of the previous year, with Adtranz contributing a large portion of the increase. An amount of $5.6 billion of advances and progress billings is deducted against inventory as at October 31, 2001 as compared to $4.0 billion at the end of the previous fiscal year. Advances and progress billings in excess of related costs, shown as liabilities, have increased to $3.3 billion as at October 31, 2001 compared to $2.4 billion at the end of the previous year.

Fixed assets have increased to $3.3 billion as at October 31, 2001 from $2.0 billion as at January 31, 2001. This increase is due to the consolidation of Adtranz fixed assets and to investments in the aerospace segment for the construction of a manufacturing facility for the Bombardier CRJ700 and Bombardier CRJ900 production, for the Bombardier CRJ100/200 expansion of production capacity and for the construction of a new terminal at Belfast City Airport. In addition, the recreational products segment invested in new manufacturing facilities and related tooling to restart the production of the Johnson and Evinrude engine business. Finally, the transportation segment invested in a service center facility for the Virgin contract and in equipment to support other new contracts.

As of October 31, 2001, goodwill relating to the acquisition of Adtranz was $2.7 billion, taking into account amortization and exchange rate variations.

Other assets as at October 31, 2001 were $1.4 billion, compared to $421.6 million as at January 31, 2001. The increase is primarily due to deferred income taxes and accrued benefit assets related to the Adtranz acquisition.

As at October 31, 2001, the total outstanding long-term debt increased to $2.1 billion from $879.4 million as at January 31, 2001.

On February 22, 2001, notes amounting to $697.5 million (€500 million) and $388.8 million (£175 million) maturing in February 2008 and February 2006, respectively, were issued on the European markets.

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

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

Consistent with the growth in assets, the recent acquisitions and the impact of the special items on equity, Bombardier's debt-to-capital ratio was 47.7% as at October 31, 2001.

BC

The portfolios of asset-based financing items amounted to $8.4 billion as at October 31, 2001, compared with $8.9 billion as at January 31, 2001, a decrease of 5%. Including off-balance sheet asset-based financing items, assets under management declined by 12% to $11.7 billion from $13.3 billion as at January 31, 2001. Both declines were attributable to Management's decision to withdraw from the manufactured housing sector partially offset by foreign exchange rate fluctuations. As a result of this decision, manufactured housing securitization assets are no longer deemed to be assets under management.

BC's financial leverage, determined as the ratio of debt and off-balance-sheet debt to shareholders' equity and subordinated debt from Bombardier, as at October 31, 2001 and January 31, 2001 was 8.3 to 1 and 8.7 to 1, respectively. Bombardier targets a ratio of 9 to 1 for this type of business.

CHANGES IN ACCOUNTING PRINCIPLES

As described in note 2 to the consolidated financial statements for the third quarter ended October 31, 2001, the Corporation intends to adopt the new accounting rules for Business Combinations and Goodwill and other Intangible Assets. In addition, the Corporation intends to adopt the new accounting recommendations published by the Canadian Institute of Chartered Accountants relating to stock-based compensation and other stock-based payments, hedging relationship and those related to the amendment to Section 1650 “Foreign Currency Translation”, effective February 1, 2002. The adoption of the new recommendations on the Corporation’s consolidated financial statements is not expected to be material except for the effect on net income of ceasing to amortize goodwill.

Robert E. Brown
President and Chief Executive Officer

November 26, 2001

FORWARD LOOKING STATEMENTS
This report includes “forward looking statements” that are subject to risks and uncertainties. For information identifying legislative or regulatory, economic, climatic, currency, technological, competitive and other important factors that could cause actual results to differ materially from those anticipated in the forward looking statements, see Bombardier’s Annual Report under the heading Risks and Uncertainties in the Management’s Discussion and Analysis section.

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

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

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	October 31 2001	January 31 2001	October 31 2001	January 31 2001	October 31 2001	January 31 2001
		(Unaudited)		(Unaudited)		(Unaudited)	
Assets							
Cash and cash equivalents		$ 261.7	$ 1,373.9	$ 259.7	$ 1,358.8	$ 2.0	$ 15.1
Receivables		2,092.8	851.2	1,712.9	626.5	379.9	224.7
Asset-based financing items	3	8,499.5	8,970.8	62.6	62.0	8,436.9	8,908.8
Inventories	4	9,168.0	6,413.7	9,168.0	6,413.7	—	—
Fixed assets		3,422.6	2,090.9	3,260.5	1,958.1	162.1	132.8
Goodwill	2	2,711.9	—	2,711.9	—	—	—
Investment in and advances to BC		—	—	1,321.2	1,581.5	—	—
Other assets		1,911.3	703.8	1,410.5	421.6	500.8	282.2
		$ 28,067.8	$ 20,404.3	$ 19,907.3	$ 12,422.2	$ 9,481.7	$ 9,563.6
Liabilities							
Short-term borrowings		$ 4,156.7	$ 2,531.2	$ 1,737.1	$ —	$ 2,419.6	$ 2,531.2
Advances from Bombardier		—	—	—	—	83.0	205.5
Accounts payable and accrued liabilities		7,032.5	4,036.6	6,639.9	3,840.0	392.6	196.6
Advances and progress billings in excess of related costs		3,318.5	2,362.8	3,318.5	2,362.8	—	—
Long-term debt	5	7,454.5	6,131.2	2,110.8	879.4	5,343.7	5,251.8
Other liabilities		2,166.5	1,530.1	2,161.9	1,527.6	4.6	2.5
		24,128.7	16,591.9	15,968.2	8,609.8	8,243.5	8,187.6
Shareholders' equity (Investment in BC)							
Preferred shares							
Issued and outstanding:							
Series 2: 12,000,000		300.0	300.0	300.0	300.0	—	—
Common shares							
Issued and outstanding:							
Class A: 343,900,593 (347,426,366 as at January 31, 2001)		47.6	48.1	47.6	48.1	—	—
Class B: 1,025,605,125 (1,018,624,370 as at January 31, 2001)		841.0	821.9	841.0	821.9	—	—
Retained earnings		2,622.0	2,660.0	2,622.0	2,660.0	—	—
Deferred translation adjustment		128.5	(17.6)	128.5	(17.6)	—	—
Investment in BC		—	—	—	—	1,238.2	1,376.0
		3,939.1	3,812.4	3,939.1	3,812.4	1,238.2	1,376.0
		$ 28,067.8	$ 20,404.3	$ 19,907.3	$ 12,422.2	$ 9,481.7	$ 9,563.6

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

BOMBARDIER INC.

Consolidated Statements of Income

(Unaudited)
For the three months ended October 31
(millions of Canadian dollars)

			Bombardier Inc. consolidated				***Bombardier***				***BC***	
	Notes		2001		2000		2001		2000		2001		2000
Revenues		$	5,013.0	$	3,856.3	$	4,850.2	$	3,648.2	$	239.9	$	263.3
Expenses													
Cost of sales and operating expenses			4,478.5		3,445.8		4,331.7		3,260.6		223.9		240.4
Depreciation and amortization			113.6		53.5		110.5		51.1		3.1		2.4
Interest expense			93.7		30.4		93.7		22.1		—		8.3
Interest income			(52.6)		(11.7)		(52.6)		(11.7)		—		—
Net income from BC before BC's special item			—		—		(7.7)		(7.2)		—		—
			4,633.2		3,518.0		4,475.6		3,314.9		227.0		251.1
Income before special items, income taxes and goodwill amortization			379.8		338.3		374.6		333.3		12.9		12.2
Special items	6		958.6		—		701.2		—		662.5		—
Income (loss) before income taxes and goodwill amortization			(578.8)		338.3		(326.6)		333.3		(649.6)		12.2
Income taxes			(228.1)		112.4		24.1		107.4		(252.2)		5.0
Income (loss) before goodwill amortization			(350.7)		225.9		(350.7)		225.9		(397.4)		7.2
Goodwill amortization, net of tax			16.9		—		16.9		—		—		—
Net income (loss)		$	(367.6)	$	225.9	$	(367.6)	$	225.9	$	(397.4)	$	7.2
Earnings (loss) per share:													
Basic		$	(0.27)	$	0.16								
Fully diluted		$	(0.27)	$	0.16								
Earnings (loss) per share, before goodwill amortization:													
Basic		$	(0.26)	$	0.16								
Fully diluted		$	(0.26)	$	0.16								
Average number of common shares outstanding during the period (in thousands)			1,369,323		1,364,369								

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

BOMBARDIER INC.

Consolidated Statements of Income

(Unaudited)
For the nine months ended October 31
(millions of Canadian dollars)

		Bombardier Inc. consolidated		***Bombardier***		***BC***	
	Notes	2001	2000	2001	2000	2001	2000
Revenues		$ 13,964.5	$ 10,546.4	$ 13,418.5	$ 9,957.2	$ 762.1	$ 730.5
Expenses							
Cost of sales and operating expenses		12,446.5	9,404.0	11,922.5	8,881.8	740.1	663.5
Depreciation and amortization		250.1	161.1	241.0	153.8	9.1	7.3
Interest expense		166.7	74.4	166.7	48.5	—	25.9
Interest income		(69.7)	(38.3)	(69.7)	(38.3)	—	—
Net income from BC before BC's special items		—	—	(7.7)	(19.9)	—	—
		12,793.6	9,601.2	12,252.8	9,025.9	749.2	696.7
Income before special items, income taxes and goodwill amortization		1,170.9	945.2	1,165.7	931.3	12.9	33.8
Special items	6	958.6	29.7	701.2	(2.1)	662.5	79.5
Income (loss) before income taxes and goodwill amortization		212.3	915.5	464.5	933.4	(649.6)	(45.7)
Income taxes		23.4	288.1	275.6	306.0	(252.2)	(17.9)
Income (loss) before goodwill amortization		188.9	627.4	188.9	627.4	(397.4)	(27.8)
Goodwill amortization, net of tax		27.6	—	27.6	—	—	—
Net income (loss)		$ 161.3	$ 627.4	$ 161.3	$ 627.4	$ (397.4)	$ (27.8)
Earnings per share:							
Basic		$ 0.11	$ 0.45				
Fully diluted		$ 0.11	$ 0.44				
Earnings per share, before goodwill amortization:							
Basic		$ 0.13	$ 0.45				
Fully diluted		$ 0.13	$ 0.44				
Average number of common shares outstanding during the period (in thousands)		1,368,000	1,370,068				

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

BOMBARDIER INC.

Consolidated Statements of Retained Earnings

(Unaudited)

For the nine months ended October 31

(millions of Canadian dollars)

	Bombardier Inc. consolidated	
	2001	2000
Balance at beginning of period	$ 2,660.0	$ 2,392.5
Effect of change of accounting policy for employee future benefits	—	(210.6)
Balance at beginning of period - adjusted	2,660.0	2,181.9
Net income	161.3	627.4
Dividends:		
Preferred shares	(12.4)	(12.4)
Common shares	(186.3)	(140.2)
Excess of redemption price of common shares over stated value	—	(293.8)
Other	(0.6)	(0.2)
Balance at end of period	$ 2,622.0	$ 2,362.7

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

BOMBARDIER INC.

Consolidated Statements of Cash Flows

(Unaudited)

For the three months ended October 31

(millions of Canadian dollars)

		Bombardier Inc. consolidated		***Bombardier***		***BC***	
	Notes	2001	2000	2001	2000	2001	2000
Operating activities							
Net income (loss)		$ (367.6)	$ 225.9	$ (367.6)	$ 225.9	$ (397.4)	$ 7.2
Non-cash items:							
Depreciation and amortization		138.2	84.9	99.8	51.1	38.4	33.8
Net loss (income) from BC		—	—	397.4	(7.2)	—	—
Provision for credit losses	3	30.8	16.4	—	—	30.8	16.4
Deferred income taxes		(213.0)	80.3	50.7	89.3	(263.7)	(9.0)
Special items	6	958.6	—	296.1	—	662.5	—
Net changes in non-cash balances related to operations		(918.8)	(515.7)	(787.1)	(524.7)	(131.7)	9.0
Cash flows from operating activities		(371.8)	(108.2)	(310.7)	(165.6)	(61.1)	57.4
Investing activities							
Additions to fixed assets		(230.9)	(131.9)	(213.0)	(125.3)	(17.9)	(6.6)
Net investment in asset-based financing items		240.1	306.0	(10.2)	5.0	250.3	301.0
Investment in and advances to BC		—	—	(178.4)	(97.1)	178.4	97.1
Other		(41.4)	(18.3)	(29.6)	10.8	(11.8)	(29.1)
Cash flows from investing activities		(32.2)	155.8	(431.2)	(206.6)	399.0	362.4
Financing activities							
Net variation in short-term borrowings		163.1	(298.6)	504.6	338.2	(341.5)	(636.8)
Net variation in long-term debt	5	(41.9)	247.4	(17.4)	(12.8)	(24.5)	260.2
Issuance of shares, net of related costs		3.5	5.0	3.5	5.0	—	—
Redemption of shares		—	(9.7)	—	(9.7)	—	—
Dividends paid		(65.8)	(49.9)	(65.8)	(49.9)	—	—
Cash flows from financing activities		58.9	(105.8)	424.9	270.8	(366.0)	(376.6)
Effect of exchange rate changes on cash and cash equivalents		(55.9)	9.2	(70.4)	(0.3)	14.5	9.5
Net increase (decrease) in cash and cash equivalents		(401.0)	(49.0)	(387.4)	(101.7)	(13.6)	52.7
Cash and cash equivalents at beginning of period		662.7	585.1	647.1	521.2	15.6	63.9
Cash and cash equivalents at October 31		$ 261.7	$ 536.1	$ 259.7	$ 419.5	$ 2.0	$ 116.6

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

BOMBARDIER INC.

Consolidated Statements of Cash Flows

(Unaudited)

For the nine months ended October 31

(millions of Canadian dollars)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	2001	2000	2001	2000	2001	2000
Operating activities							
Net income (loss)		$ 161.3	$ 627.4	$ 161.3	$ 627.4	$ (397.4)	$ (27.8)
Non-cash items:							
Depreciation and amortization		346.8	219.4	241.0	153.8	105.8	65.6
Net loss from BC		—	—	397.4	27.8	—	—
Provision for credit losses	3	94.6	44.1	—	—	94.6	44.1
Deferred income taxes		(57.2)	194.7	223.3	238.3	(280.5)	(43.6)
Special items	6	958.6	29.7	296.1	(49.8)	662.5	79.5
Net changes in non-cash balances related to operations		(3,509.3)	(2,028.1)	(3,343.8)	(2,023.0)	(165.5)	(5.1)
Cash flows from operating activities		(2,005.2)	(912.8)	(2,024.7)	(1,025.5)	19.5	112.7
Investing activities							
Additions to fixed assets		(602.5)	(312.0)	(557.9)	(299.1)	(44.6)	(12.9)
Net investment in asset-based financing items		(1,096.2)	(649.8)	(0.6)	5.4	(1,095.6)	(655.2)
Business acquisitions, net of cash acquired	2	(979.8)	—	(979.8)	—	—	—
Disposal of businesses		—	66.1	—	66.1	—	—
Investment in and advances to BC		—	—	(67.8)	182.0	67.8	(182.0)
Other		(59.9)	(18.2)	(63.4)	9.4	3.5	(27.6)
Cash flows from investing activities		(2,738.4)	(913.9)	(1,669.5)	(36.2)	(1,068.9)	(877.7)
Financing activities							
Net variation in short-term borrowings		1,111.6	380.4	1,362.8	442.3	(251.2)	(61.9)
Net variation in long-term debt	5	2,426.8	825.4	1,151.4	2.9	1,275.4	822.5
Issuance of shares, net of related costs		18.6	13.9	18.6	13.9	—	—
Redemption of shares		—	(303.8)	—	(303.8)	—	—
Dividends paid		(198.9)	(152.4)	(198.9)	(152.4)	—	—
Balance of purchase price - Adtranz		306.8	—	306.8	—	—	—
Cash flows from financing activities		3,664.9	763.5	2,640.7	2.9	1,024.2	760.6
Effect of exchange rate changes on cash and cash equivalents		(33.5)	(64.7)	(45.6)	(70.4)	12.1	5.7
Net increase (decrease) in cash and cash equivalents		(1,112.2)	(1,127.9)	(1,099.1)	(1,129.2)	(13.1)	1.3
Cash and cash equivalents at beginning of period		1,373.9	1,664.0	1,358.8	1,548.7	15.1	115.3
Cash and cash equivalents at October 31		$ 261.7	$ 536.1	$ 259.7	$ 419.5	$ 2.0	$ 116.6

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

Bombardier Inc. is incorporated under the laws of Canada. The consolidated balance sheets are unclassified because Bombardier Inc. and its subsidiaries (the "Corporation") carry out their operations in four distinct segments, each one characterized by a specific operating cycle. Financial services and real estate activities, being distinct from Bombardier's other activities, are shown in a separate column (BC) in the consolidated financial statements.

The following describes the columns shown in these financial statements:

Bombardier Inc. consolidated

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

Bombardier

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

BC

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

1. CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

2. BUSINESS ACQUISITIONS

ADTRANZ

Effective May 1, 2001, the Corporation acquired from DaimlerChrysler AG ("DaimlerChrysler") of Stuttgart, Germany, its subsidiary DaimlerChrysler Rail Systems GmbH ("Adtranz") based in Berlin for an original cash consideration of $725 million US ($1.1 billion). The balance of the purchase price of $200 million US ($318.7 million) was paid on November 7, 2001. The terms of the sale and purchase agreement (SPA) provides for an adjustment to the original purchase price based on the carrying value of the adjusted net assets acquired as at April 30, 2001 (the "Net Asset Amount").

Starting in May 2001, Adtranz, under the ownership of the Corporation, prepared its April 30, 2001 closing balance sheet under US GAAP in accordance with the provisions of the SPA for the purpose of establishing the Net Asset Amount. As a result, adjustments to the Net Asset Amount pertaining to the application of US GAAP were identified, related mainly to the contracts on hand. At this stage, the Corporation and DaimlerChrysler disagree on the Net Asset Amount. In such a case, the SPA provides for a negotiation procedure, which has now commenced, and, if warranted, for an arbitration process to establish the final purchase price. The ultimate outcome of the above-mentioned disagreement cannot be determined at this time. Upon resolution of the issue, any adjustments arising from the definitive purchase price allocation will be reflected as a reduction of goodwill.

2. BUSINESS ACQUISITIONS (cont'd)

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

	(unaudited)
Net assets acquired at fair value	
Cash and cash equivalents	$ 279.5
Receivables	1,299.2
Inventories	1,493.8
Advances and progress billings	(1,467.5)
Fixed assets	800.3
Deferred income taxes	770.0
Other assets	217.9
	3,393.2
Intercompany balance with DaimlerChrysler	(374.3)
Accounts payable and accrued liabilities	(2,496.3)
Advances and progress billings in excess of related costs	(1,476.5)
Long-term debt	(29.1)
Other liabilities	(479.1)
	(4,855.3)
Identifiable net assets at fair value	(1,462.1)
Goodwill	2,634.3
Net assets acquired	$ 1,172.2

Management has established the preliminary purchase price allocation taking into account all relevant information at the time of preparing the unaudited quarterly consolidated financial statements. However, the preliminary purchase price allocation is subject to further refinements, including those arising from the final determination of the purchase price. A provision for restructuring costs amounting to $113.8 million has been recorded in the purchase equation for anticipated employee severance and other involuntary termination costs, other exit costs and the write-down of the carrying value of certain fixed assets. Certain changes and reclassifications to the amounts recorded in the preliminary purchase price allocation have occured during the third quarter ended October 31, 2001 mainly related to contract adjustments impacting inventory, advances and progress billings and accrued liabilities. Also additional deferred income tax and intangible assets have been identified during the quarter.

The excess of the preliminary purchase price over the fair value of identifiable net assets acquired is recorded as goodwill and is being amortized over forty years. Effective February 1, 2002, the Corporation will prospectively adopt the new recommendations of the Canadian Institute of Chartered Accountants relating to goodwill and other intangible assets and will therefore cease amortizing goodwill as of that date and adopt the goodwill impairment model introduced by the new accounting rules.

2. BUSINESS ACQUISITIONS (cont'd)

The Corporation has not recognized, in its preliminary purchase price allocation, future income tax benefits amounting to approximately $700.0 million, relating to acquired losses for tax purposes and other deductible temporary differences. Any subsequent recognition of these unrecorded future income tax benefits will be recorded as a reduction of goodwill related to this acquisition.

OMC

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

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

3. ASSET-BASED FINAN CING ITEMS

	October 31 2001	January 31 2001
	(unaudited)	
Bombardier		
Assets under operating leases and commercial loans	$ 62.6	$ 62.0
BC		
Continuing portfolios		
Aircraft	3,664.1	2,910.0
Receivable factoring	2,446.7	1,672.5
Inventory	760.2	972.1
Railcars	72.9	173.7
Industrial equipment	120.3	112.3
	7,064.2	5,840.6
Discontinued portfolios		
Manufactured housing	617.8	2,067.6
Consumer	457.3	274.9
Other portfolios [1]	611.8	858.7
	1,686.9	3,201.2
	8,751.1	9,041.8
Allowance for credit losses	(314.2)	(133.0)
	8,436.9	8,908.8
	$ 8,499.5	$ 8,970.8

[1] Include the technology management and finance, mid-market equipment commercial finance and small ticket finance portfolios.

3. ASSET-BASED FINAN CING ITEMS (cont'd)

ASSETS UNDER MANAGEMENT – BC

	October 31 2001	January 31 2001
	(unaudited)	
Asset-based financing items	$ 8,436.9	$ 8,908.8
Asset-based financing items – sold to third parties and serviced by BC		
Inventory	1,744.6	1,969.4
Railcars	1,030.7	917.8
Discontinued portfolios:		
Consumer	358.9	467.9
Manufactured housing	-	867.2
Other	111.0	194.2
	3,245.2	4,416.5
Assets under management	$ 11,682.1	$ 13,325.3

In connection with BC's decision to withdraw completely from the manufactured housing finance business described in note 6, certain modifications were made to existing on-balance sheet securitization transactions for manufactured housing portfolios. As a result, these portfolios, previously securitized and accounted for on-balance sheet as financing transactions, and their corresponding asset-backed bonds recorded as long-term debt, are no longer presented on the balance sheet in accordance with GAAP. In addition, BC presents its securitized manufactured housing portfolios outside of its assets under management following its decision to exit this business.

ALLOWANCE FOR CREDIT LOSSES

Changes in the allowance for credit losses are as follows:

	Nine months ended October 31 2001	Nine months ended October 31 2000
	(unaudited)	(unaudited)
Allowance at beginning of period	$ 133.0	$ 56.5
Provision for credit losses [1]	635.0	123.6
Amounts charged off – net of recoveries	(453.8)	(95.6)
Allowance at end of period	$ 314.2	$ 84.5

(1) The provision for credit losses includes a special charge of $540.4 million for the period ended October 31, 2001 and of $79.5 million for the period ended October 31, 2000.

4. INVENTORIES

	October 31 2001	January 31 2001
	(unaudited)	
Raw materials and work in process	$ 610.5	$ 395.0
Long-term contracts and aerospace programs	12,519.6	9,485.3
Finished products	1,658.2	581.8
	14,788.3	10,462.1
Advances and progress billings	(5,620.3)	(4,048.4)
	$ 9,168.0	$ 6,413.7

5. LONG-TERM DEBT

During the third quarter of fiscal year 2002, Bombardier Capital no longer presents an amount of $1,486.9 million of asset-backed bonds on its balance sheet corresponding to the manufactured housing portfolios previously securitized to third parties (see note 3).

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

6. SPECIAL ITEMS

The Corporation recorded the following special items:

	Three months ended October 31		Nine months ended October 31	
	2001	2000	2001	2000
	(Unaudited)		(Unaudited)	
Aerospace	$ 296.1	$ —	$ 296.1	$ (49.8)
BC	662.5	—	662.5	79.5
Special items, pre-tax	958.6	—	958.6	29.7
Income tax benefit	(355.1)	—	(355.1)	(26.0)
	$ 603.5	$ —	$ 603.5	$ 3.7

Nine months ended October 31, 2001

A special charge of $264.0 million related to the write-off of the carrying value of the non-recurring costs of the Bombardier Q400 aircraft was recorded during the third quarter of fiscal year 2002 in the aerospace segment. This charge is due to the overall outlook of the turboprop aircraft market. In addition, the Corporation announced its decision to reduce employment levels, production rates and deliveries in this segment to adjust to current market conditions. As a result, a $45.0 million special charge for severance and other involuntary termination benefits was announced, of which, $32.1 million was recorded during the third quarter ended October 31, 2001.

6. SPECIAL ITEMS (cont'd)

On September 26, 2001, the Corporation announced its decision to discontinue loan origination activities for the manufactured housing and the consumer products finance businesses for the BC segment. As a result of this decision and the slowdown of the U.S. economy which negatively affected the credit quality of the portfolios related to these businesses, BC recorded a special charge of $540.4 million related to the impairment of the value of these on and off-balance sheet portfolios. In addition, BC incurred charges of $122.1 million for the write-down of the value of other assets related to the discontinued portfolios and for other related restructuring charges.

On September 26, 2001, the Corporation also announced special restructuring costs in the transportation segment estimated at $180.0 million to be recorded subsequent to the third quarter ended October 31, 2001, when the appropriate recognition requirements under GAAP will be met. These restructuring costs relate to severance and other involuntary termination costs and to the write-down in the value of certain manufacturing assets resulting from the consolidation of the transportation manufacturing operations with those of Adtranz. In addition to these restructuring costs, a restructuring provision amounting to $113.8 million has been provided for in the Adtranz preliminary purchase price allocation (see note 2).

On November 13, 2001, the Corporation unveiled the first phase of the restructuring plan for its European transportation operations which will result in a special restructuring charge of $136.1 million to be recorded over the coming months. An amount of $58.5 million will also be incurred in connection with this first phase of the restructuring plan for costs already provided for as part of the Adtranz preliminary purchase price allocation.

Nine months ended October 31, 2000

During the quarter ended July 31, 2000, the Corporation sold Bombardier Services (UK) Limited's defense service business, including its wholly owned subsidiary Airwork Ltd., an operation located in the United Kingdom. The net sale proceeds of $66.1 million resulted in a net gain of $49.8 million.

A special charge of $79.5 million has been provided for during the quarter ended April 30, 2000, related to additional provision for credit losses for BC's small ticket finance portfolio.

7. CONTINGENCIES

The Corporation is defendant in certain legal cases currently pending before various courts in relation to product liability. The Corporation is also party to several actions associated with waste disposal sites. These actions include possible obligations to remove wastes deposited at various sites or mitigate their negative effects on the environment. There are also some asbestos-related claims to compensate railway workers for various diseases which allegedly result from their workplace exposure to asbestos materials relating to past business involving locomotives.

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

8. SEGMENT DISCLOSURE

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

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

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

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

The capital segment (BC) includes financial services and real estate activities. The financial services are all asset-based lending activities and comprise the aircraft, receivable factoring, inventory, railcar and industrial equipment portfolios as well as the discontinued portfolios described in note 3. The real estate activities of this segment consist in selling land to real estate developers and renting office buildings to Bombardier.

The accounting policies of the segments are the same as those described in the Corporation's annual report for fiscal year 2001. Management evaluates performance based on income or loss before special items, income taxes and goodwill amortization. Intersegment services are accounted for at current market prices as if the services were provided to third parties.

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

Effective February 1, 2001, the Corporation ceased allocation of corporate interest charges to the BC segment. The new allocation basis is now used by Management in evaluating performance and making operating decisions for each segment. The effect of this modification was a decrease of interest expense allocated to the BC segment of $28.1 million for the nine-month period ended October 31, 2001. The corresponding increase in the allocation of interest expense has been mostly borne by the aerospace segment.

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

SEGMENT DISCLOSURE

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

Industry segments	Bombardier Inc. consolidated		Aerospace		Transportation		Recreational Products		BC	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
External revenues	**$ 5,013.0**	$ 3,856.3	**$ 2,572.6**	$ 2,523.4	**$ 1,727.6**	$ 644.0	**$ 550.0**	$ 480.8	**$ 162.8**	$ 208.1
Intersegment eliminations	—	—	—	26.4	**6.2**	4.1	—	—	**77.1**	55.2
Revenues	**$ 5,013.0**	$ 3,856.3	**$ 2,572.6**	$ 2,549.8	**$ 1,733.8**	$ 648.1	**$ 550.0**	$ 480.8	**$ 239.9**	$ 263.3
Expenses										
Cost of sales and operating expenses	**$ 4,478.5**	$ 3,445.8	**$ 2,237.8**	$ 2,189.3	**$ 1,615.0**	$ 655.2	**$ 485.1**	$ 446.6	**$ 223.9**	$ 240.4
Depreciation and amortization [1]	**113.6**	53.5	**33.6**	28.0	**63.3**	14.5	**13.6**	8.6	**3.1**	2.4
Interest expense (income), net	**41.1**	18.7	**61.4**	45.6	**(26.7)**	(40.0)	**6.4**	4.8	—	8.3
	4,633.2	3,518.0	**2,332.8**	2,262.9	**1,651.6**	629.7	**505.1**	460.0	**227.0**	251.1
Income before special items, income taxes and goodwill amortization	**$ 379.8**	$ 338.3	**$ 239.8**	$ 286.9	**$ 82.2**	$ 18.4	**$ 44.9**	$ 20.8	**$ 12.9**	$ 12.2
Special items	**958.6**	—								
Income (loss) before income taxes and goodwill amortization	**$ (578.8)**	$ 338.3								
Additions to fixed assets (excluding business acquisitions)	**$ 230.9**	$ 131.9	**$ 140.5**	$ 104.4	**$ 22.2**	$ 12.5	**$ 50.3**	$ 8.4	**$ 17.9**	$ 6.6

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

SEGMENT DISCLOSURE

(unaudited)
For the nine months ended October 31
(millions of Canadian dollars)

Industry segments	Bombardier Inc. consolidated		Aerospace		Transportation		Recreational Products		BC	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
External revenues	**$ 13,964.5**	$ 10,546.4	**$ 7,910.3**	$ 6,679.7	**$ 4,169.4**	$ 2,151.4	**$ 1,338.8**	$ 1,126.1	**$ 546.0**	$ 589.2
Intersegment eliminations	**—**	—	**—**	26.6	**17.8**	12.5	**—**	—	**216.1**	141.3
Revenues	**$ 13,964.5**	$ 10,546.4	**$ 7,910.3**	$ 6,706.3	**$ 4,187.2**	$ 2,163.9	**$ 1,338.8**	$ 1,126.1	**$ 762.1**	$ 730.5
Expenses										
Cost of sales and operating expenses	**$ 12,446.5**	$ 9,404.0	**$ 6,746.3**	$ 5,726.3	**$ 3,997.1**	$ 2,148.9	**$ 1,196.9**	$ 1,045.7	**$ 740.1**	$ 663.5
Depreciation and amortization [(1)]	**250.1**	161.1	**99.4**	82.2	**111.0**	45.5	**30.6**	26.1	**9.1**	7.3
Interest expense (income), net	**97.0**	36.1	**185.5**	123.5	**(107.3)**	(125.6)	**18.8**	12.3	**—**	25.9
	12,793.6	9,601.2	**7,031.2**	5,932.0	**4,000.8**	2,068.8	**1,246.3**	1,084.1	**749.2**	696.7
Income before special items, income taxes and goodwill amortization	**$ 1,170.9**	$ 945.2	**$ 879.1**	$ 774.3	**$ 186.4**	$ 95.1	**$ 92.5**	$ 42.0	**$ 12.9**	$ 33.8
Special items, net	**958.6**	29.7								
Income before income taxes and goodwill amortization	**$ 212.3**	$ 915.5								
Additions to fixed assets (excluding business acquisitions)	**$ 602.5**	$ 312.0	**$ 304.7**	$ 250.3	**$ 136.4**	$ 30.2	**$ 116.8**	$ 18.6	**$ 44.6**	$ 12.9

As at	**October 31, 2001**	January 31, 2001	**October 31, 2001**	January 31, 2001	**October 31, 2001**	January 31, 2001	**October 31, 2001**	January 31, 2001	**October 31, 2001**	January 31, 2001
Net segmented assets	**$ 7,831.8**	$ 4,053.5	**$ 5,899.8**	$ 3,231.0	**$ 294.7**	$ (615.9)	**$ 399.1**	$ 62.4	**$ 1,238.2**	$ 1,376.0
Accounts payable and accrued liabilities	**6,639.9**	3,840.0								
Advances and progress billings in excess of related costs	**3,318.5**	2,362.8								
Accrued benefit liability	**1,007.0**	492.1								
Advances to BC	**83.0**	205.5								
Deferred income taxes	**767.4**	109.5								
Cash and cash equivalents	**259.7**	1,358.8								
Total assets – Bombardier	**$ 19,907.3**	$ 12,422.2								
Investment in and advances to BC	**(1,321.2)**	(1,581.5)								
Total assets – BC	**9,481.7**	9,563.6								
Total assets – Bombardier Inc. consolidated	**$ 28,067.8**	$ 20,404.3								

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