BOMBARDIER INC. 2001-2002 ANNUAL REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OVERVIEW

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".

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

OVERVIEW

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.

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.

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 discussion and analysis that follows is based on the reported earnings in accordance with Canadian generally accepted accounting principles (GAAP). Management's discussion and analysis is also based on earnings before interest and income taxes ("EBIT"), earnings before income taxes ("EBT") and net earnings, excluding special items and goodwill amortization. Special items are viewed by Management as items that do not arise as part of the normal day-to-day business operations or that are unusual in nature and that could potentially distort the analysis of trends. Goodwill amortization is also excluded from these additional earnings measures because goodwill will no longer be amortized under the new accounting policy that took effect February 1, 2002. These earnings measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

Total consolidated revenues amounted to $21.6 billion for the year ended January 31, 2002, compared with $15.9 billion for the preceding year after reclassification of certain BC segment revenues as disclosed in note 26 to the Consolidated Financial Statements. This represents an increase of 36% mainly due to the acquisition of DaimlerChrysler Rail Systems GmbH (Adtranz) and the inclusion of outboard engine activities, as well as higher revenues in the aerospace segment related to a change in mix of new aircraft and aircraft interior completion deliveries, in addition to higher sales of used business aircraft sales.

EBIT before special items and goodwill amortization reached $1.8 billion for 2001-02, a 22% increase over $1.5 billion for 2000-01. All segments have contributed to this increase, which reflects the inclusion of Adtranz and outboard engine results. Before special items and goodwill amortization, EBIT margin for 2001-02 stands at 8.4% compared to 9.4% for 2000-01. The decrease is explained by the higher weight of the transportation segment and a reduction in aerospace EBIT margins.

Net interest expense increased from $64.6 million in 2000-01 to $146.9 million in 2001-02 reflecting higher debt levels resulting from the acquisition of Adtranz and the outboard engine assets and their working capital requirements, as well as the impact of reduced production rates in the aerospace segment following the September 11, 2001 events. The increase in interest expense was partially offset by lower interest rates.

EBT before special items and goodwill amortization for 2001-02 was $1.7 billion or 7.7% revenues for a 17% increase over the $1.4 billion or 9.0% recorded in 2000-01.

For the year ended January 31, 2002, the Corporation recorded special items of $1.1 billion. As a result of its decision to withdraw from the retail finance businesses, a special charge of $662.5 million ($405.1 million after tax) was provided for in the third quarter in BC. In the aerospace segment, due to the overall outlook for turboprops, a special charge of $264.0 million ($176.9 million after tax) was recorded relating to the write-off of the carrying value of development costs for the Bombardier Q400 aircraft. In addition, a $69.5 million ($46.6 million after tax) special charge was recorded for severance and other involuntary termination costs relative to reductions in aerospace employment levels. Finally, in the transportation segment, a special restructuring charge relating to the integration of Adtranz of $74.2 million ($63.0 million after tax) was recorded as of January 31, 2002.

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). In addition, a special charge of $79.5 million ($47.7 million after tax) was recorded by BC relating to additional provisions for credit losses relative to the small ticket finance portfolio.

In 2001-02, the Corporation's income taxes before special items and goodwill amortization totalled $545.5 million or 32.58% of EBT before special items and goodwill amortization against $448.8 million or 31.43% the previous year. After special items, the Corporation's income taxes were $167.0 million of 29.93% of EBT in 2001-02 compared to $422.8 million or 30.24% in 2000-01. The details of the components of the income tax expenses are provided in note 21 to the Consolidated Financial Statements.

Net income before special items and goodwill amortization for 2001-02 reached $1.1 billion, or $0.81 per share on an average of 1.4 million shares, compared to $979.1 million, or $0.70 per share on an average of 1.4 million shares for the year ended January 31, 2001. Net income for 2001-02 amounted to $390.9 million, or $0.27 per share, compared to net income of $975.4 million, or $0.70 per share for the year ended January 31, 2001.

Diluted earnings per share before goodwill amortization amounted to $0.30 for the year ended January 31, 2002 against $0.69 the previous year. After goodwill amortization, diluted earnings per share amounted to $0.27 for 2001-02 compared to $0.69 the previous year. The computation of 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 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 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. Beginning in February 2001, the Corporation ceased to allocate corporate interest charges to the BC segment. This allocation basis is used by Management in evaluating performance and making operative decisions for each segment. The effect of this modification was a decrease in interest expense allocated to the BC segment of $36.2 million for 2001-02. The corresponding increase in the allocation of interest expense was mostly borne by the aerospace segment.

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

AEROSPACE

Bombardier Aerospace is a world leader in the design and manufacture of innovative aviation products and services for the regional, business and amphibious aircraft markets. It also offers Bombardier Flexjet fractional ownership, aircraft charter and management, technical services, aircraft maintenance and pilot training for business, regional airline and military customers.

Bombardier Aerospace's revenues amounted to $12.0 billion for the year ended January 31, 2002, compared with $10.6 billion for the preceding year, a year-to-year increase of 14%. The net rise in revenues was attributable to a change in mix of new aircraft and aircraft interior completion deliveries, in addition to higher used aircraft sales.

Before special items, EBIT amounted to $1.5 billion or 12.1% of revenues for the year ended January 31, 2002 compared to $1.4 billion or 13.4% of revenues for the previous year. The lower margin percentages result primarily from the change in mix of new aircraft deliveries and higher level of used aircraft activities which generate low margins.

Despite a lower interest rate environment in 2001-02, growth in net assets, mainly driven by impacts of changes in production levels, investments in new programs and in capital expenditures, combined with the change in corporate interest allocation methodology, resulted in interest expense increasing from $175.0 million in 2000-01 to $251.6 million in 2001-02.

EBT before special items was $1.2 billion or 10.0% of revenues for the year ended January 31, 2002 compared with $1.2 billion or 11.7% of revenues for the previous year.

Due to the market slowdown, which was exacerbated following the September 11 events, the Corporation announced on September 26, its decision to reduce employment levels, production rates and deliveries to adjust to market conditions. As a result, a $69.5 million ($46.6 million after tax) special charge was recorded for severance and other involuntary termination benefits.

In addition, in light of the overall outlook for turboprop aircraft, the Corporation decided to record a special charge of $264.0 million ($176.9 million after tax) relating to the write-off of the carrying value of non-recurring costs of the Bombardier Q400 aircraft.

During 2000-01, a special item was recorded by Bombardier Aerospace relating to the divestiture of Bombardier Services (UK) Limited's defence services business, resulting in the recording of a net gain on sale of businesses of $49.8 million ($44.0 million after tax).

During the year ended January 31, 2002, 206 regional aircraft, 162 business jets and two amphibious aircraft were delivered for a total of 370 units, compared with 157, 203 and 10 units respectively for a total of 370 units in 2000-01.

During the fiscal year, Bombardier Aerospace focused its product development activities on the Bombardier CRJ900 and the Bombardier Continental, which both achieved first flight during the year and are progressing as expected. Development activities were undertaken on the Bombardier Global 5000 program, which was officially launched in February 2002.

As at January 31, 2002, the order backlog totaled $23.7 billion, compared with $23.0 billion as at January 31, 2001. The backlog reflects the growth in commercial aircraft firm orders offset by a reduction in business aircraft demand due to the economic environment.

BUSINESS AIRCRAFT

The business jets offered by Bombardier Aerospace include the light Bombardier Learjet 31A, the super-light Learjet 45, the mid-size Learjet 60, the super mid-size Bombardier Continental, the wide-body Challenger 604, the super-large Global 5000, the ultra long-range Global Express and corporate variants of the CRJ Series.

Deliveries

In 2001-02, Bombardier Aerospace delivered a total of 162 business aircraft, compared to 203 the previous year, for a 20% decrease mainly attributable to the general economic slowdown in the U.S., which is the primary market for Bombardier business jets. The deliveries detailed in the following table include the aircraft sold to customers of the North American Flexjet program, which enables individuals or companies to purchase a share in a Bombardier business jet.

Business Aircraft Deliveries

	Deliveries in 2001-02	Deliveries in 2000-01
Bombardier Learjet 31A	**16**	26
Bombardier Learjet 45	**54**	67
Bombardier Learjet 60	**26**	36
Bombardier Challenger 604	**45**	38
Bombardier Global Express	**21**	36
TOTAL	**162**	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.

In calendar year 2001, the overall market increased from 759 units to 777 units. Bombardier Aerospace obtained a 23% unit market share compared to 27% in 2000. The market segment in which Bombardier Aerospace is active decreased from 634 units in 2000 to 583 units in 2001. Bombardier's market share in this segment decreased from 33% in 2000 to 30% in 2001.

The Bombardier Learjet 31A market share in the light business jet segment decreased to 13% of 127 total light jet deliveries, down from 20% of 138 total light jet deliveries in the previous year. Bombardier Learjet 45 deliveries accounted for 42% of a 146-unit market in the super-light segment, compared to 47% of a 150-unit market in 2000. In the mid-size business jet segment, the Bombardier Learjet 60 attained 33% of an 89-unit market, compared to 28% of a 125-unit market the previous year.

The Bombardier Challenger 604 share of the large and super-large business aircraft segment was 30% of a 139-unit market, compared to 30% of a 131-unit market in 2000.

The Bombardier Global Express obtained 33% of an 82-unit market in the ultra long-range segment, compared to 39% of a 90-unit market in 2000.

Product Development

The Bombardier Continental program, which was launched in June 1999, is progressing as expected, with the first aircraft having successfully completed its inaugural flight on August 14, 2001. Type certification is expected in the third quarter of 2002-03.

The Bombardier Global 5000 was introduced in October 2001. Production of the first test aircraft was begun and first flight is scheduled for the first quarter of 2003-04, with entry into service expected in 2004-05.

Market and Prospects

With the addition of the Bombardier Continental and the Bombardier Global 5000, Bombardier Aerospace offers the most comprehensive range of business jets, covering the light to ultra long-range segments. These aircraft enhance Bombardier Aerospace's product offering in the higher-end segments, particularly in the super mid-size and super-large segments, where the majority of the industry's revenues are concentrated.

The business jet market is driven by individual wealth, the economic situation and the convenience of direct, on-demand air travel. In addition, a large fleet of older aircraft will continue to be replaced by new products offering significant value and cost advantages. While the general economic slowdown in the U.S. has had an impact on business aircraft demand during 2001-02, Bombardier Aerospace is very well positioned to take advantage of a recovery with the broadest range of product offerings on the market.

BOMBARDIER FLEXJET PROGRAM

Through the Bombardier Flexjet program in North America, owners have access to an aircraft with all operations and support managed by Bombardier Aerospace, including flight crew, maintenance, hangar fees and insurance. Through Flexjet's European program, customers purchase hours of flight time instead of a physical share of an aircraft. In December 2001, Bombardier Aerospace launched Flexjet Asia in partnership with charter operators, maintenance companies and individual aircraft owners, thereby continuing its commitment to expanding its worldwide portfolio of business jet solutions.

As at January 31, 2002, the Bombardier Flexjet program included 105 aircraft in service in North America and eight in Europe compared to 109 and six aircraft respectively as at January 31, 2001. This reduction in the number of aircraft in service results from the reassignment of customers to unsold aircraft fractions in order to optimize fleet utilization. During the year, the number of North American customers with annual flight time entitlement rose by 19%, totalling 661 as at January 31, 2002, compared to 555 as at January 31, 2001. The North American Flexjet program inducted 164 new customers during 2001-02, for an increase of more than 29% over last year. This represents a record high for annual owner induction in Flexjet's six-year history.

Bombardier’s North American Flexjet program sold shares for the equivalent of 22 aircraft, including 10 new and 12 used aircraft in 2001-02, as compared to 29 new aircraft in the previous year.

Market and Prospects

Following a growth rate of 33% last year, the North American fractional ownership market has experienced a 14% decline in aircraft sold or delivered, mainly attributable to the general economic slowdown in the U.S. Flexjet holds the number-two position among the fractional ownership programs currently available in that market.

The North American fractional ownership market is mainly affected by the same factors that drive the business jet market. Through the investments it has made in its product line, Bombardier Aerospace will further its advantage of being the aircraft manufacturer offering a complete range of business aircraft and a wide range of support services. It expects that the combination of these elements will have a positive effect on Bombardier Flexjet’s market share.

REGIONAL AIRCRAFT

The Bombardier Aerospace line of regional aircraft includes the 40-, 44- and 50-passenger Bombardier CRJ100/200, the 70-passenger CRJ700, the 86-passenger CRJ900 regional jets and the Bombardier Q Series family of turboprops, consisting of the 37-passenger Q100*/200, the 50-passenger Q300 and the 68- to 78-passenger Q400.

Regional Aircraft Deliveries

	Deliveries in 2001-02	Deliveries in 2000-01
Bombardier CRJ 100/200	**136**	103
Bombardier CRJ700	**29**	2
Bombardier Q100/200	**3**	7
Bombardier Q300	**15**	17
Bombardier Q400	**23**	28
TOTAL	**206**	157

Deliveries

In 2001-02, Bombardier Aerospace delivered 165 Bombardier CRJ100/200 and Bombardier CRJ700 regional jet aircraft, compared to 105 in 2000-01.

Customers took delivery of 41 Bombardier Q Series turboprop aircraft in 2001-02, compared with 52 in the previous year.

Regional Aircraft Orders

	Orders in 2001-02 (1)	Orders in 2000-01 (1)
Bombardier CRJ 100/200	**150**	178
Bombardier CRJ700	**20**	71
Bombardier CRJ900	**20**	10
Bombardier Q100/200	**0**	2
Bombardier Q300	**7**	34
Bombardier Q400	**12**	1
TOTAL	**209**	296

(1) *Net of cancellations*

Orders and Backlog

Following a very strong first six months in 2001-02, order intake was reduced after the September 11 events.

In 2001-02, Bombardier Aerospace received firm orders for a total of 209 regional aircraft, compared to 296 in 2000-01. In addition, 307 options and conditional orders were recorded during the year, compared to 773 in 2000-01.

Northwest Airlines and Air Wisconsin placed the largest firm orders, for 75 and 51 Bombardier CRJ200 respectively. In addition, China Yunnan and Eurowings of Germany became new CRJ200 customers during the year. Mesa Air Group became a Bombardier CRJ700 customer and was also the first airline to order Bombardier CRJ900 aircraft.

In 2001-02, Bombardier Aerospace received a total of 19 Bombardier Q Series aircraft firm orders, compared to 37 the previous year. The Bombardier Q400 saw its first orders from Canada and Japan in 2001-02, specifically from Hydro Québec and Japan Air System Co., Ltd. respectively.

As at January 31, 2002, Bombardier Aerospace's order backlog for regional aircraft consisted of firm orders for 577 aircraft. In addition, options and conditional orders accounted for another 1,363 units. Historically, the conversion rate of options into firm orders has been in the range of 80%.

Regional Aircraft in Order Backlog as at January 31, 2002

	Aircraft on Firm Order	**Options and Conditional Orders or Letters of Agreement**	**Total**
Bombardier CRJ 100/200	**340**	**842**	**1,182**
Bombardier CRJ700	**164**	**354**	**518**
Bombardier CRJ900	**30**	**82**	**112**
Bombardier Q100/200	**1**	**2**	**3**
Bombardier Q300	**20**	**31**	**51**
Bombardier Q400	**22**	**52**	**74**
TOTAL	**577**	**1,363**	**1,940**

The downturn in the airline industry following the events of September 11 led Bombardier Aerospace to revise its expected deliveries for 2002-03, from 165 Bombardier CRJ200 aircraft to 145. Bombardier CRJ700 deliveries are expected to increase from 29 units in 2001-02 to 45 units in 2002-03.

In addition, the overall outlook for turboprops and the general downturn in the airline industry have resulted in production rate adjustments for the Bombardier Q Series. For 2002-03, the production rate has been adjusted to 36 aircraft.

In August 2001, the new facility at Montréal's Mirabel Airport for final assembly of Bombardier CRJ700 and Bombardier CRJ900 began production.

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, which does not correspond to Bombardier's fiscal-year order intake.

In the 2001 calendar year, the Bombardier CRJ Series had a 76% market share of the jet segment in the 20- to 90-seat regional aircraft market, accounting for 230 of the 301 units ordered. This compares to a 34% market share, or 234 of the 689 units ordered in 2000.

In the turboprop segment, 43 units were ordered in the 20- to 90-seat market during 2001, compared to 68 units in 2000. The Bombardier Q Series market share was 42% of the turboprop segment with 18 firm orders during calendar year 2001, compared to a 62% market share last year, with 42 firm orders placed.

The combined order intake for Bombardier CRJ and Bombardier Q Series aircraft earned Bombardier Aerospace a 72% unit share of the overall 20- to 90-seat segment of the regional airliner market during calendar year 2001, accounting for 247 of the 343 units ordered, compared to 36% of 757 units ordered in 2000.

Product Development

The Bombardier CRJ900 program is progressing as expected with the prototype having made its first flight in February 2001. The first flight of a production standard CRJ900 took place successfully in October 2001. The program schedule anticipates initial type certification at the end of 2002-03, with first delivery scheduled for 2003-04.

Market and Prospects

Bombardier Aerospace believes that the fundamentals of regional airlines and regional aircraft remain strong in the current market. Regional aircraft provide the most cost-effective way for airlines to maintain market presence in low to medium-volume markets, and have proven themselves in both positive and difficult market conditions.

The falling passenger traffic resulting from the economic slowdown in the U.S. was amplified by the September 11 events. As a response, the industry reduced capacity by grounding older, less efficient aircraft and by postponing fleet acquisition programs. Despite these industry problems, the regional airline segment continued to grow during the 2001 calendar year. At the end of 2001, regional jet departures operated on behalf of the six largest U.S. airlines had increased by 39% over the previous year. The 11 largest U.S. regional airlines experienced a 2.9% year-over-year increase in traffic and a 4.7% average increase in capacity for 2001. This compares to the U.S. major airlines, which experienced a 6.6% year-over-year decline in traffic and a 3.4% average decline in capacity for 2001.

The regional airline industry is expected to continue growing in the coming years, although at a reduced rate due to the impact of the economic slowdown and the September 11 events. Growth in the industry should be primarily driven by additions to the regional jet fleet, and mostly fuelled by the introduction of larger regional jet models. With the introduction of the Bombardier CRJ900, Bombardier Aerospace is well positioned to take advantage of industry growth.

In the short term, considerable market uncertainties, such as timing of the economic recovery, pilot scope clause issues and industry profitability and creditworthiness, will affect the timing and volume of order intake in the industry. While post-September 11 industry order intake greatly decreased, Bombardier Aerospace experienced no firm order cancellations and only short-term delivery delays from its customers.

Bombardier Aerospace anticipates that there will be a continued need for new turboprops, although at a lower rate of delivery, because of their very low operating costs and the need for airlines to replace older turboprops and small jets in short- to medium-haul sectors.

AMPHIBIOUS AIRCRAFT

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

Bombardier Aerospace delivered two Bombardier 415 aircraft in 2001-02 compared to 10 in 2000-01. In September, production of the aircraft was suspended until such time as the orderbook warrants. As at January 31, 2002, there was no backlog.

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.

Customer Training

Bombardier Aerospace offers, through joint ventures, a complete range of pilot and maintenance training programs for the Bombardier CRJ Series aircraft in Montréal, Canada, in Qingdao, China and in Berlin, Germany.

In the business aircraft segment, Bombardier Aerospace officially inaugurated its customer training centre in Dallas/Fort Worth in April 2001. Fully certified, the centre offers pilot and maintenance training for the Bombardier Learjet 31A, Learjet 45 and Learjet 60. Combined with two simulators and two fixed training devices for the Bombardier Global Express and the Bombardier Challenger 604 located in Montréal, Bombardier Aerospace has the capacity to train more than 3,000 pilots and 2,000 maintenance technicians per year.

In addition, Bombardier Aerospace provides maintenance and support services for military pilot training. The NATO Flying Training in Canada (NFTC) program is in full operation with Denmark, the U.K., the Republic of Singapore, Italy and Canada as participating nations.

Business Aircraft Completions

During the year, 173 aircraft were completed at Bombardier Aerospace's two business aircraft completion centres located in Montréal, Québec and Tucson, Arizona, as well as at authorized completion centres. By comparison, 184 aircraft were completed in 2000-01.

Business Aircraft Completions	**2001-02**	2000-01
Bombardier Learjet 31A	**15**	28
Bombardier Learjet 45	**53**	67
Bombardier Learjet 60	**31**	31
Bombardier Challenger 604	**40**	41
Bombardier Global Express	**34**	17
TOTAL	**173**	184

Aircraft Maintenance and Spare Parts Services

Bombardier Aerospace's Fort Lauderdale, Florida, Indianapolis, Indiana, and Hartford, Connecticut service centres have been expanded to add services for Bombardier Challenger 604 and Bombardier Global Express aircraft. Bombardier Aerospace provides similar services in Europe and in the Middle East, and is also associated with 32 authorized service centres worldwide to provide complete services to operators.

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

Bombardier Aerospace also operates spare parts services through depots strategically located around the world. The service facility in the Middle East will house a new spare parts depot to serve operators throughout this region.

Market and Prospects

The market for business aviation services is driven by a combination of business aircraft fleet size and utilization. Due to the general economic slowdown in the U.S. and the events of September 11, business aircraft fleet utilization experienced a decline over last year. Demand for business aviation services, aircraft completions and pilot training will be sustained through Bombardier Aerospace aircraft deliveries in the coming years.

OTHER ACTIVITIES

Other activities carried out by Bombardier Aerospace include component manufacturing for third parties at facilities in Montréal, Québec, and in Belfast, Northern Ireland, where most of the design, development and manufacture of major airframe structures is undertaken.

Bombardier Aerospace also operates Belfast City Airport in Northern Ireland. In June 2001, it inaugurated a new $50 million terminal in order to accommodate the airport's current annual total of 1.3 million passengers and 17 daily destinations in the United Kingdom.

LABOUR AND WORKFORCE

During 2001-02, Bombardier Aerospace reduced its employment levels by more than 3,400 people, ending the year with 32,426 employees. The separate labour agreements signed in 2001-02 governing the Wichita, Kansas, Toronto, Ontario, and Belfast, Northern Ireland facilities remain in place and cover the next two to three years. An agreement with Montréal area employees is currently under negotiation.

TRANSPORTATION

Bombardier Transportation is the global leader in the rail equipment, manufacturing and servicing industry. Its wide range of products includes passenger railcars and complete rail transportation systems. It also manufactures locomotives, freight cars, propulsion and controls and provides signalling equipment and systems.

Effective May 1, 2001, the Corporation acquired from DaimlerChrysler AG (DaimlerChrysler) its subsidiary DaimlerChrysler Rail Systems GmbH (Adtranz). The following analysis takes this transaction into account.

For the year ended January 31, 2002, Bombardier Transportation's revenues amounted to $7.0 billion, compared with $3.0 billion for the year ended January 31, 2001. This increase in revenues is mainly attributable to the consolidation of Adtranz results over an eight-month period, as well as a higher level of activity for the New York subway and Virgin Trains contracts.

EBIT before special items and goodwill amortization for 2001-02 amounted to $147.6 million or 2.1% of revenues compared with a loss of $44.4 million for the year ended January 31, 2001. This increase arises mainly from the acquisition of Adtranz, partially offset by losses on the Acela high-speed trainset contract in the U.S.

Given the nature of its business, Bombardier Transportation earns interest income on its average negative net assets. This interest income decreased to $129.4 million in 2001-02 from $164.9 million in 2000-01 due to a lower interest rate environment and to the impact of goodwill resulting from the acquisition of Adtranz on May 1, 2001.

EBT before special items and goodwill amortization reached $277.0 million or 3.9% of revenues for 2001-02, as compared the $120.5 million or 4.0% of revenues the previous year.

For the year ended January 31, 2002, special restructuring charges of $74.2 million ($63.0 million after tax) were recorded as a result of the integration of the manufacturing operations of Bombardier Transportation and Adtranz. The Corporation also recorded a restructuring charge of $189.2 million in the preliminary purchase price allocation in connection with the integration plan of the Adtranz manufacturing facilities for severance and other involuntary termination costs. This restructuring plan, which is part of an overall strategy, contemplates concentrating capital intensive activities into specialized plants, thus ensuring better asset utilization while maintaining a final assembly presence in a large number of markets.

In 2001-02, Bombardier Transportation concentrated its development activities on a number of key areas. It invested in the development of modularization and systems standardization through product family development for light rail vehicles, metros, locomotives and regional and intercity trains, as well as for carbody and bogie technologies.

Bombardier Transportation also focused on the development of signalling and propulsion equipment, such as European Rail Traffic Management System (ERTMS) technologies, which are expected to become the new main line signalling standard in Europe. Modern propulsion applications, including energy storage systems, were developed to reduce life-cycle costs.

In addition, with increasing liberalization of the European market, a major focus has been technology development for integrated services including remote train data transmission and preventive maintenance. Product development activities were also aimed at providing fully integrated system solutions as the market increasingly looks for “turnkey solutions.” Development of the new train concept, Jetrain, which targets the emerging high-speed intercity market in North America, also progressed.

The worldwide market for railway equipment and services represents approximately $82 billion and is dominated by Europe, which remains the largest market with a total share of approximately 51%, while North America represents approximately 19% and Asia/Australia approximately 26%. Today, almost half of this market is accessible to the supply industry, the remaining part being either closed markets, such as Japan, or captive and controlled by public operators.

The European Union Commission continues to push liberalization, which not only allows new private operators free access to freight and passenger traffic, but also allows them to benefit from the separation between management of infrastructure and operations. These operators will focus on their core transport business, increasingly delegating design responsibility and maintenance to suppliers. With its strong industrial base, Bombardier Transportation is well positioned to maintain its market leadership.

As at January 31, 2002, Bombardier Transportation’s order backlog consisted of $16.3 billion for manufacturing operations and $4.1 billion for maintenance services, for a total backlog of $20.4 billion. This compares with $6.7 billion for manufacturing operations and $2.0 billion for maintenance services for a total backlog of $8.7 billion in the previous year. The acquisition of Adtranz was the main contributor to this increase.

SIGNIFICANT EVENTS

Pursuant to the terms of the sale and purchase agreement (SPA) for the acquisition of Adtranz, a purchase price of $725 million US ($1.1 billion) was agreed upon. The SPA also contemplates an adjustment to the purchase price for a maximum of €150.0 million based on the carrying value of the adjusted net assets acquired established under U.S. generally accepted accounting principles (U.S. GAAP) as at April 30, 2001 (the “Net Asset Amount”), provided that the minimum Net Asset Amount was delivered on the closing date.

Starting in May 2001, Adtranz, under the ownership of Bombardier, prepared its April 30, 2001 closing balance sheet under U.S. GAAP, in accordance with the provisions of the SPA for the purpose of establishing the Net Asset Amount. The resulting Net Asset

Amount did not meet the minimum value contemplated in the SPA due to significant adjustments pertaining to the application of U.S. GAAP and to unrecorded costs required to complete contracts with third parties.

Bombardier announced on February 14, 2002 that discussions with DaimlerChrysler had failed to result in an agreement as to the value of the Net Asset Amount delivered at closing. Under these circumstances, Bombardier has notified DaimlerChrysler that it will file a claim against it for damages under the arbitration process of the International Chamber of Commerce, as set forth in the SPA. It is expected that the claim will be filed within four to six months.

Under the SPA, DaimlerChrysler made contractual representations and guarantees to Bombardier, including a written confirmation that the minimum Net Asset Amount was met on the closing date of April 30, 2001. Bombardier's claim for damages is largely based on material breaches of contractual representations and guarantees, including a significant deficiency in the value of the Net Asset Amount. Such deficiency results from the application of U.S. GAAP and from unrecorded costs required to complete contracts with third parties. Bombardier's claim will be in the order of €1 billion ($1.4 billion), and its resolution will result in a reduction of goodwill of which $205.6 million (€150.0 million) was recorded by Bombardier.

On November 8, 2001, the Corporation filed a claim against Amtrak in the United States District Court for the District of Columbia. The claim seeks damages in excess of $200 million US ($317.5 million) as compensation for additional costs incurred in relation to the Acela high-speed trainsets and locomotives contracts, including costs incurred as a result of Amtrak's failure to upgrade its infrastructure to accommodate the new equipment. On December 3, 2001, Amtrak filed a Motion to Dismiss, alleging that Bombardier had failed to follow contractual dispute resolution proceedings. The Corporation has vigorously contested the Motion to Dismiss, which is currently pending before the Court.

ROLLING STOCK

Rolling stock includes commuter and regional trains, intercity and high-speed trains, metro/rapid transit, light rail vehicles and locomotives and freightcars. During 2001-02, Bombardier Transportation received orders for a total of $5.1 billion for all product lines, compared to $3.1 billion the previous year.

Commuter/Regional Rail

Bombardier Transportation offers a wide range of railcars for suburban and regional markets. The product line includes single and double-deck electrical multiple units (EMU), diesel multiple units (DMU) and coaches.

Deliveries and work in process

In Europe, Bombardier Transportation delivered 44 double-deck coaches, 242 single-deck EMUs, 121 DMUs and 76 commuter cars to Deutsche Bahn of Germany. Work continued on orders from SNCB, SNCF, NS Reizigers and Deutsche Bahn.

In North America, in 2001-02, 40 commuter cars were completed for Seattle and the Southern California Regional Rail Authority. Work progressed on the Metropolitan Transportation Authority/Long Island Rail Road contract.

Orders

Major orders received during the year were:

Client	Product	Number of cars	Value (in millions of dollars)
Société Nationale des Chemins de Fer français (SNCF)	High-capacity Regional Express Trains (type AGC)	597	980
Deutsche Bahn	EMUs	160	156
Netherlands Railways (NS Reizigers)	VIRM double-deck trains	126	315
Deutsche Bahn	Double-deck cars	117	165
Austrian Federal Railways (ÖBB)	EMUs	193	169

Intercity/High-Speed Trains

Bombardier Transportation's product line includes intercity and high-speed electric and diesel-electric multiple units.

Deliveries and work in process

In Europe, a first series of 128 diesel-electric cars was delivered to Virgin Trains for the United Kingdom’s CrossCountry services. The first six high-speed TGV Duplex 10-car trainsets were delivered to SNCF during the last quarter of the year. Work continued on orders from SNCF from private operators in the U.K. and from other European customers.

In North America, a total of 169 of 182 Acela Express cars have now been delivered to Amtrak, of which 95 were delivered this year. There are 13 remaining cars to be delivered.

In Asia, work progressed on a contract through a joint venture with Sifang and Power Pacific Corporation Limited for the supply of 300 high-grade intercity passenger coaches to the China Ministry of Railways.

Orders

Major orders received during the year were:

Client	Product	Number of cars	Value (in millions of dollars)
GOVIA	EMUs	240	465
Swiss Federal Railways	Electric high-speed / intercity trains tilting ICN	140	347
National Express & Victoria State Government	DMUs	58	339

Metro/Rapid Transit

Bombardier Transportation offers a full range of technologies geared for rapid transit systems that are suitable for diverse electrical and mechanical infrastructures.

Deliveries and work in process

In Europe, Bombardier Transportation delivered 72 car trains for the Berlin metro, 75 car trains for the Prague metro and 108 car trains to the Stockholm Public Transport Authority (SL). Work progressed on orders from Hamburg Hochbahn in Germany and Metrorex in Bucharest, Romania.

In North America, a total of 364 metro rapid cars were delivered to the New York City Transit Authority and the Toronto Transit Commission. Work continues on these orders.

In Asia, through a consortium, Bombardier Transportation delivered 53 six-car trains for the Shanghai metro.

Orders

As part of a consortium, Bombardier Transportation received an order from RATP of Paris, for which its share is $300 million for the manufacture of 1,610 bogies, 805 passenger cars and 322 driving cabs. A major order was received from the Stockholm Public Transport Authority for 210 metro cars, valued at $269 million. Through a joint venture with the Changchun Car Company, Bombardier Transportation received an order from the Shenzhen Metro Co. for 114 metro cars. Its share of the contract is worth $141 million.

Light Rail Vehicles

Bombardier Transportation's family of light rail vehicles, which includes street-trams, city-trams and tram-trains, combines adaptability and low cost.

Deliveries and work in process

Bombardier Transportation delivered 18 street-trams to the city of Graz in Austria and 23 city-trams to the city of Rotterdam in the Netherlands. Work continued on orders for the cities of Cologne, Mannheim, Heidelberg and Ludwigshafen in Germany, as well as for the city of Caen in France.

In North America, Bombardier Transportation delivered 30 light rail vehicles to the Port Authority of New York and New Jersey. Work continued on the contract for the Minneapolis Hiawatha Corridor light rail system.

Orders

A major order was received during the year from the Istanbul Transportation Company for 55 low-floor trams, valued at $112 million.

Locomotives and Freight

Locomotives are offered for use in intercity, regional and freight traffic. Bombardier Transportation offers electric and diesel-electric locomotives to suit the specific needs of railway operators.

Deliveries and work in process

Bombardier Transportation delivered 63 electric locomotives to Deutsche Bahn, 16 to private operators in Germany and 36 to Trenitalia in Italy.

Gunderson-Concarril of Mexico, a 50-50 joint venture between Bombardier Transportation and The Greenbrier Companies, delivered 558 freight cars to clients in Mexico and the U.S., compared to 1,097 freight cars in 2000-01.

Pursuant to an agreement with General Motor’s Electro-Motive Division in the U.S., Bombardier Transportation assembled 240 diesel-electric freight locomotives in Mexico, compared to 170 the previous year.

Orders

Through a consortium with Patentes Talgo, Bombardier Transportation received an order from RENFE of Spain for 32 high-speed power heads, valued at $197 million. Trenitalia of Italy placed an order for 100 locomotives, valued at $280 million.

Rolling Stock Market and Prospects

Bombardier Transportation determines its annual market share as an average based on the total value of orders in the industry over the past three years. In the past, market size and market share were calculated based on number of cars, but Bombardier Transportation has changed its method of calculation to account for the variety of prices for each type of car. Accordingly, Bombardier Transportation achieved a 38% market share in Europe, compared to 12% last year. In North America, it continues to hold a strong position with a 37% market share for passenger rail cars as compared to 31% last year. Bombardier Transportation's metro market share in Asia, where it had a very small presence in the previous year, currently stands at 24%.

The worldwide rail equipment and services market accessible to Bombardier Transportation represents approximately $32 billion per year with rolling stock accounting for 53% of this total. Europe constitutes by far the largest portion of this market with approximately 52%. Europe is also the largest passenger rolling stock market with 60% of the worldwide passenger rail market valued at $9 billion per year. The combination of renewal and modernization of the large installed fleet for passenger rail and locomotives and a moderate growth of both passenger and freight traffic continues to make this market a prime focus for Bombardier Transportation. In addition, the emphasis by the European Union Commission on the opening of cross-border passenger and freight traffic supports market growth, encouraging private and commercially oriented operators to further increase their market share while focusing on life-cycle costs and revenue creation.

The North American market, which is comprised of Canada, the United States and Mexico, represents 19% of the worldwide market and is the second most important market for Bombardier Transportation after Europe. Fuelled by airport and highway congestion, easier access to federal funds and urban sprawl, the market is expected to grow to more than 9,100 passenger railcars in terms of ordered cars over the next five years, including options on contracts already awarded. The value of the rail market in North America is approximately $4.6 billion per year.

Asia is a major market for rail equipment and services, representing 26% of the worldwide market. Its rapidly growing megacities will require investments in transportation infrastructures in order to improve quality of life and make these cities accessible to the increasing population. With its line of products and its presence in major Asian markets, such as China and India, Bombardier Transportation is well placed to meet these needs.

TRANSPORTATION SYSTEMS

Bombardier Transportation designs, markets and delivers complete transportation systems from high-capacity urban transit to intensive, short-distance commuter services, including automated transit systems (ATS), airport people movers systems (APM) and light rapid transit systems (LRT).

Deliveries and work in process

During the year, Bombardier Transportation completed the installation of all electrical and mechanical subsystems of an ATS for the JFK International Airport. Work is progressing on the Dallas/Fort Worth APM, the Las Vegas Monorail and on the Metro do Porto and Nottingham LRT systems.

Orders

A major order received during the year was from Aeropuertos Españoles y Navegación Aérea for a 19-car APM in Madrid, valued at $150 million.

Market and Prospects

Bombardier Transportation determines its annual market share as an average based on the total value of orders in the industry over the past five years, consistent with industry practice.

Fuelled by Asian market recovery, urbanization and population growth, as well as increased federal funding for U.S. commuter and high-speed systems and the commitment from many European countries to improve rail transportation, the transportation systems market is expected to double in value from $25 billion for the last five years to $50 billion over the next five years. In addition, customers requesting turnkey solutions from system integrators will contribute to this growth.

Asia-Pacific, especially with the developing market in China, is expected to be the most significant in terms of volume. The North American market is the most important in terms of number of projects, of which the large majority are for APM systems. In Europe, the strongest growth markets remain in Western Europe, mainly the U.K. and Italy. Bombardier Transportation's average market share for the last five years amounts to 23%. As a leading developer, designer-builder and operator of transportation system projects, Bombardier Transportation is well positioned to respond to the growing requirement for fully integrated transportation solutions, including extended operation and maintenance services.

PROPULSION AND CONTROLS

Bombardier Transportation offers propulsion systems, drives, train control and on-board train computer systems, as well as auxiliary inverters/power systems to both internal railcar manufacturing facilities and external train manufacturers.

Deliveries and work in process

Bombardier Transportation delivered total propulsion equipment to manufacturers whose cars are destined for New York, Washington D.C., Atlanta and Madrid, Spain. Deliveries to internal railcar manufacturing divisions included a large series of propulsion equipment for EMUs, intercity trains, locomotives, metro and light rail vehicles for customers in Europe (U.K., Germany and Scandinavia) and China.

Market and Prospects

The propulsion and control systems market is dominated by the leading passenger railcar manufacturers. Growth is expected to follow the overall new-build rolling stock and refurbishment businesses. The trend towards smaller, more powerful equipment will continue, supported by further standardization and technology progress. High-performance train control equipment will merge with advanced on-board passenger information and safety systems.

Internal sales account for a significant portion of Bombardier Transportation's overall propulsion and control activities.

SERVICES

Bombardier Transportation provides a full range of maintenance services mainly targeted at Bombardier-built vehicles. These services include total train maintenance, spares management, car re-engineering/heavy overhaul and component re-engineering/overhaul.

Work in process

Under a 12-year contract in the U.K., Bombardier Transportation continued to provide maintenance services for Virgin Trains' existing fleet and for the new Bombardier-built trains which are progressively replacing them. Several other maintenance contracts are ongoing with Angel Trains, Connex and other U.K. train operators.

In Australia, Bombardier Transportation is maintaining a fleet of 275 trams for National Express.

In Sweden, as part of a joint venture with Connex Tunnelbanan and Stockholm Lokaltrafik, Bombardier Transportation is also involved in a number of maintenance contracts, including one for the Stockholm underground.

In North America, under a 10-year contract signed in 1998 as part of a joint venture with Alstom, Bombardier Transportation continues to provide maintenance services for Amtrak's Acela high-speed trainsets. Maintenance services were also provided on Go Transit's commuter train fleet in Ontario, Canada and on commuter trains for the city of Los Angeles.

Orders

During the year, Bombardier Transportation was awarded a $58 million contract by the Hungarian State Railways (MÁV) for the refurbishment of 136 suburban passenger railway coaches. It also received an order to overhaul and modernize 60 three-car trainsets for NS Reizigers in the Netherlands, valued at $132 million.

Market and Prospects

Growth in maintenance services outside North America will be fuelled by the increasing number of operators adapting to competitive pressures by outsourcing service and maintenance to the private industry. As a result, the accessible services market outside North America is expected to grow at an annual rate of 10%, thus reaching $15 billion over the next five years. In 2001, Bombardier Transportation achieved an 11% share of this market against a 2% share in 2000. The maintenance services market in North America consists primarily of the servicing of locomotives with a few manufacturers playing a key role. In this market, Bombardier Transportation is mainly involved in the servicing of Bombardier-built passenger rail vehicles.

SIGNALLING

Bombardier Transportation's product portfolio includes integrated operation-control systems, electronic and relay-interlocking, automatic train protection (ATP) and automatic train operation (ATO) radio-based signalling systems and wayside equipment.

Deliveries and work in process

Work continued on the European Rail Traffic Management System (ERTMS) projects for Switzerland and for the Netherlands. In the U.K. market, Bombardier Transportation is installing a new signalling system for the Horsham area, which will be the first application of Bombardier's EBILOCK interlocking technology. In Spain, Bombardier Transportation is the ATP supplier for the Valencia to Barcelona Mediterranean Corridor project.

Orders

Bombardier Transportation obtained a contract from the Taiwan Railway Administration for a complete ATP system, valued at $125 million.

Market and Prospects

The worldwide signalling market is expected to increase from $5.5 billion per year to $8.0 billion per year over the next five years, for an estimated annual growth of 7% to 8%. Bombardier Transportation's market share currently stands at 7%.

With the emerging new European signalling standard, which increases safety and capacity on rail networks, Bombardier Transportation is well positioned to access the ERTMS market, expected to amount to $1.75 billion over the next five years. Bombardier Transportation is already a leader in the development of ERTMS technologies, with pilot projects running in several European countries such as Switzerland, Spain and the Netherlands, which will be among the first to adopt the new standard.

LABOUR AND WORKFORCE

During 2001-02, no collective agreements were due for renewal in North America. Negotiations are currently underway on a collective agreement for maintenance employees in Toronto, Canada. In 2002-03, two collective agreements will be negotiated for clerical and production employees in Thunder Bay, Canada. Throughout Europe, 25 collective agreements will be negotiated covering more than 16,000 employees.

RECREATIONAL PRODUCTS

Bombardier Recreational Products designs, develops, builds, distributes and markets snowmobiles, snowgrooming equipment and multi-purpose tracked vehicles, watercraft, sport boats and all-terrain vehicles (ATVs). It also manufactures Evinrude, Johnson and Rotax engines that power Bombardier and other manufacturers' products. Detailed information on the products and services offered by Bombardier Recreational is provided on pages 20-21.

For the year ended January 31, 2002, the revenues of Bombardier Recreational Products before intersegment eliminations amounted to $2.0 billion, compared with $1.7 billion for the year ended January 31, 2001. This 20% increase is mainly attributable to the inclusion of outboard engine activities since March 2001 and higher sales of snowmobile and watercraft products.

EBIT amounted to $175.0 million or 8.7% of revenues for 2001-02 compared to $102.1 million or 6.1% of revenues for the year ended January 31, 2001. These increases are mainly attributable to higher sales of snowmobiles and watercraft products, operational efficiency improvements and the inclusion of outboard engine results.

Despite a lower interest rate environment in 2001-02, growth in net assets, mainly driven by the relaunch of outboard engine activities, resulted in interest expenses increasing from $16.1 million in 2000-01 to $24.7 million in 2001-02.

EBT reached $150.3 million or 7.4% of revenues in 2001-02 compared to $86.0 million or 5.1% or revenues for the previous year.

During the year, Bombardier Recreational Products incurred $97.2 million in industrial design and product development. This compares with $75.6 million in 2000-01. Major projects included the ongoing development of a new generation of Rotax engines with environmentally cleaner technologies, the development of an off-power-assisted steering system for personal watercraft and continued investment to expand the ATV product offering. A design and innovation centre has been established to monitor new markets and trends and to foster development of new product concepts and prototypes.

SNOWMOBILES

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

Market and Prospects

The snowmobile market is driven largely by climatic and economic conditions. It is expected that snowmobile industry retail sales in Canada and the U.S. will total an estimated 180,000 units for the selling season ending March 31, 2002, compared with 187,600 units for the season ended March 31, 2001. During this period, Ski-Doo snowmobiles should obtain an estimated market share of 30% in Canada and the U.S., up from an actual of 29% the previous season. Following a mild winter in some markets this year, market size should remain at about the same level for next year.

In Europe, an estimated 21,000 snowmobiles are expected to be sold during the selling season ending March 31, 2002, compared with 20,000 units during the previous season. Bombardier Recreational Products should maintain its leadership position, obtaining an estimated 47% of the European market with its Ski-Doo and Lynx snowmobiles, compared with 46% in 2000-01.

Product Development

Two new models, the MX Z Renegade in the cross-country segment and the Legend in the grand sport segment were launched and favourably received. Ski-Doo snowmobiles should establish a stronger position in the industry with the introduction of five new engines with cleaner technologies, in addition to the MX Z REV model.

WATERCRAFT

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

Market and Prospects

During the year, North American watercraft sales totalled 85,500 units for the selling season ended September 30, 2001, a 12% decline from the 97,000 units sold during the previous year. The general economic slowdown in the U.S. impacted overall marine industry sales, although watercraft products were affected to a lesser extent. During this period, Bombardier Recreational Products increased its share of the North American watercraft market, with 43% compared to 40% last year. In the international market, retail sales are estimated at 23,000 units in 2001, compared to the 22,000 units sold in 2000.

While worldwide industry sales decreased by 8%, Bombardier Recreational Products was able to increase its worldwide market share from 42% to 45%.

Providing economic conditions do not deteriorate, the watercraft industry is expected to be stable for the 2002 season. In addition, the introduction of four-stroke technologies should stimulate market demand. Based on its predominant market share, Sea-Doo watercraft is well positioned to benefit from the introduction of new products.

Product Development

The most important watercraft product introduced by Bombardier Recreational Products in 2001 was the 155-horsepower GTX 4-TEC, its first four-stroke watercraft, which is more fuel efficient and exceeds American federal environmental emissions standards. Bombardier Recreational Products also introduced the Sea-Doo O.P.A.S. (off-power assisted steering) system, which provides added manoeuvrability by assisting the steering of the watercraft in both off-power and off-throttle situations.

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 2001, the North American ATV market grew by 12% with estimated retail sales of 812,000 units, compared to 724,000 units in 2000. International industry sales also grew, with sales going from 48,000 units to 55,000 units, representing a 15% growth. Bombardier Recreational Products entered its third year of manufacturing ATVs with 25,000 vehicles produced during 2001-02, compared to 19,000 vehicles the previous year.

The North American ATV industry is still expected to grow in 2002. Bombardier Recreational Products anticipates that it will continue to expand its market share through the introduction of new and differentiated products and increased brand awareness among ATV owners.

Product Development

Consistent with its intention to cover all segments, Bombardier Recreational Products introduced six new ATVs in 2001-02. In the sport utility segment, it introduced the Quest 650 and 500, continuous variable transmission-based ATVs targeted at recreational users; in the grand sport segment, the DS Baja, a performance-enhanced model of the DS 650; and in the youth segment, the DS50 cc two-stroke, the DS90 cc two-stroke and the DS90 cc four-stroke.

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 2001-02, deliveries of Rotax engines totalled 231,000 units compared to 254,500 the previous year. Deliveries for the year included 137,000 engines for Bombardier-manufactured products and 94,000 engines for other manufacturers' products, compared to 137,000 units and 117,500 units respectively for the previous year. Reduction in deliveries was mainly attributable to the softening of the scooter engine market.

Growth in the Rotax engine market is expected to be driven primarily by Bombardier Recreational Products' expanding presence in the ATV market. The growth should also be spurred by several contracts with third parties for which engines are currently in development. The innovative four-stroke engine family offers various additional opportunities for future applications.

Product Development

In line with its objective to offer environmentally-friendly products, and to meet changing emission-reduction regulations set by regulatory bodies, Bombardier Recreational Products actively pursues development activities for its new generation of four-stroke and direct fuel-injection two-stroke engines.

During 2001-02, Bombardier Recreational Products finalized the development of five new engines for ATVs and Sea-Doo watercraft, which are now in production.

OUTBOARD ENGINES

On March 9, 2001, the Corporation acquired for $87.1 million most of the net assets of the engine manufacturing operations of Outboard Marine Corporation (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 Johnson and Evinrude as well as the Ficht fuel-injection technology.

The acquisition of OMC's outboard engine assets provides Bombardier Recreational Products with the opportunity to enter an important new segment of the motorized recreation industry on the foundation of the Johnson and Evinrude brands, proven fuel-injection technology and a strong core of former OMC personnel. Bombardier Recreational Products has consolidated the manufacturing operations, and has focused the short-term product development efforts on quality improvements. The relaunch of the Johnson and Evinrude brands is well underway and the first Bombardier-built engine was shipped on October 16, 2001 from a new manufacturing and assembly facility located in Sturtevant, Wisconsin.

Market and Prospects

In the 2001 season, the worldwide market for outboard engines was estimated at 735,000 units, a 9% decrease from the 2000 season. Despite the fact that Bombardier Recreational Products started production in the fall of 2001, it was able to capture a 13% share of 338,000 total units in the North American market and an 8% share of 397,000 total units in the international market.

For 2002, the outboard engine market is expected to remain at the same level as last year. Bombardier Recreational Products is ramping up production and expects to significantly grow its market share over the next few years.

Product Development

Bombardier Recreational Products is focusing its development efforts on expanding its product line to cover all horsepower ranges of the outboard market, and on the continued expansion of clean technologies.

SPORT BOATS

Bombardier Recreational Products offers a line of nine 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.

The Fish Hawk line, which is powered by Johnson and Evinrude engines and includes eight models of fishing boats ranging from 17 to 23 feet, was introduced at the end of the 2001 season. The Utopia, an 18-foot jet-propelled sport boat, was also launched in the 2001 season.

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 2001-02, Bombardier Recreational Products exited the European utility vehicles market to better focus on the North American market, where it continues to maintain its leadership position.

CAPITAL

BC offers secured financing and leasing solutions to manufacturers, retailers and other commercial businesses, primarily in North American markets. BC targets industry sectors and asset classes related to its specialized core competencies, and those of Bombardier's manufacturing segments.

In 2001-02, management continued to realign BC's activities to concentrate on areas where it has demonstrated know-how and experience. In addition, as described below, BC exited the retail sector of its businesses, leaving its remaining core activities more closely aligned with the product and service expertise of Bombardier's manufacturing segments. These core activities are managed in three separate businesses: asset services, inventory finance and railcar leasing. Notes 4 and 5 to the Consolidated Financial Statements present BC's continued activities in three portfolio categories: commercial, comprised of loans, finance leases and third-party receivables; floorplan receivables for dealers of consumer durable goods; and assets under operating leases.

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. Accordingly, BC discontinued new loan origination activities in these businesses on November 26, 2001, with the exception of certain consumer finance activities related to the sales of Bombardier recreational products, which will cease when another source of third-party financing for those products is identified. BC will continue to service existing accounts as part of a plan to liquidate these portfolios over the next several years. This decision resulted in a special charge of $662.5 million ($405.1 million after tax), which was provided for in the third quarter ended October 31, 2001. This special charge related primarily to additional provisions for credit losses, the write-down of assets, credit support costs and severance.

During the previous year ended January 31, 2001, involuntary proceedings were filed against the principal recourse lessor providing credit support for the small ticket finance portfolio. 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, related to additional provisions for credit losses.

The following analysis refers to revenue-generating assets, which are defined as finance receivables and operating lease portfolios, on which BC earns interest revenues and lease income. Operating lease portfolios include on-balance sheet assets under operating leases and railcar assets under sale and leaseback. In addition to revenue-generating assets, assets under management include securitized loans and lease receivables sold to third parties on which BC earns servicing fees. Publicly securitized manufactured housing loans are excluded from assets under management following the Corporation's decision to completely withdraw from this business.

Finance receivables and assets under operating leases before allowance for credit losses amounted to $8.5 billion as at January 31, 2002, a 6% decrease from the $9.0 billion as at January 31, 2001. This decrease was due to the exit from the manufactured housing and consumer finance businesses as well as the continued liquidation of winding-down portfolios, partially offset by growth in asset services related to increased factoring of receivables from third parties and by the weakening of the Canadian dollar compared to the U.S. dollar.

Assets under management before allowance for credit losses amounted to $11.9 billion as at January 31, 2002, compared with $13.4 billion as at January 31, 2001. This 12% decrease was also mainly due to the Corporation's decision to withdraw from the manufactured housing and consumer finance businesses and the continued liquidation of the winding-down portfolios. This decrease was partially offset by growth in the asset services portfolio due to increases in third-party receivables factoring, as well as by the weakening of the Canadian dollar.

Average revenue-generating assets amounted to $9.8 billion for the year ended January 31, 2002, compared with $7.9 billion for the year ended January 31, 2001.

In 2001-02, BC's revenues before intersegment eliminations amounted to $966.8 million, or 9.9% of average revenue-generating assets, as compared to $935.9 million, or 11.8% of average revenue-generating assets for 2000-01. The increase in revenues was mainly attributable to the growth in average revenue-generating assets and exchange rate variations, partially offset by lower interest rates.

EBT before corporate interest allocation and special items amounted to $41.4 million, or 4.3% of revenues, for 2001-02, a significant increase over the $23.0 million, or 2.5% of revenues, in 2000-01. This increase was primarily driven by growth in asset services activities as previously described, partially offset by lower inventory finance and railcar leasing activities due to the impact of the general economic slowdown in the U.S.

Effective February 2001, the Corporation ceased to allocate corporate interest charges to BC. As a result, EBT before special items at January 31, 2002 was $41.4 million compared to a loss of $15.4 million the previous year, after a corporate interest allocation of $38.4 million.

ASSET SERVICES

In line with BC's strategic mandate to create closer alignment with Bombardier's manufacturing operations, the asset services business puts strong emphasis on leveraging synergies with Bombardier's transportation and aerospace segments. The asset services portfolio growth in 2001-02 reflected this commitment.

BC's asset services activities provide asset-based financing in the form of loans and receivables mostly related to third-party financing of business aircraft and related products, third-party interim financing of commercial aircraft, leases for new and pre-owned business and commercial aircraft, as well as factoring of receivables from third parties for the Corporation’s manufacturing segments. This portfolio accounted for $5.9 billion or 69% of BC’s finance receivables and assets under operating leases at year-end, compared with $4.6 billion, or 51% the previous year. The impact of foreign currency fluctuations accounted for $343.2 million of the increase in 2001-02. At year-end, this portfolio represented 49% of assets under management as compared to 34% the previous year.

Of the total asset services portfolio of $5.9 billion, the business aircraft portfolio amounted to $2.2 billion ($1.4 billion US) as at January 31, 2002, representing 26% of BC’s finance receivables and assets under operating leases with a loan-to-value ratio of approximately 84%. This compares to $1.9 billion ($1.3 billion US) or 21% of finance receivables and assets under operating leases and a 80% loan-to-value ratio as at January 31, 2001. The commercial aircraft portfolio amounted to $1.0 billion, representing 12% of finance receivables and assets under operating leases against $966.0 million or 11% the previous year. This portfolio included $395.9 million ($248.6 million US) of interim financing of commercial aircraft and $630.2 million ($395.8 million US) principally comprised of long-term leasing of used aircraft compared to $372.0 million ($248.0 million US) and $594.0 million ($396.0 million US) respectively the previous year. In addition, asset services finances third-party receivables for Bombardier manufacturing segments. This portfolio amounted to $2.5 billion as at January 31, 2002, representing 29% of BC’s finance receivables and assets under operating leases, compared to $1.7 billion or 19% the previous year with the growth mainly attributable to the transportation segment.

INVENTORY FINANCE

BC’s inventory finance activities provide floorplan financing on a secured basis to retailers purchasing inventory products in the U.S. and Canada. Primary markets are marine products, Bombardier-manufactured recreational products, manufactured housing and motorized recreational vehicles.

As at January 31, 2002, on-balance sheet inventory finance portfolios represented $1.0 billion, or 11% of BC’s finance receivables and assets under operating leases, compared to $1.0 billion, or 11% the previous year. Including $1.9 billion of securitized portfolios, the inventory finance activities totalled $2.9 billion or 24% of assets under management, compared to $2.9 billion or 22% the previous year. Bombardier recreational products represent 28% of the inventory finance portfolio in assets under management in 2001-02 compared to 23% in the previous year.

After taking into consideration increases due to foreign currency fluctuations of $166.1 million, the inventory finance portfolio decreased in 2001-02 due to the impact of the general economic slowdown in the U.S.

RAILCAR LEASING

BC’s railcar leasing activities provide third-party railroad freight car leasing as well as full service maintenance and/or management services to owners and users of railroad freight cars in North American markets. In the railcar leasing arrangement, BC purchases freight railcars, typically from a third-party manufacturer, and subsequently enters into a sale/leaseback with a financial institution. The financial institution assumes ownership of the asset with BC as the lessee. BC then sub-leases the asset to the actual user of the equipment. The sublease is typically for three to seven years.

As at January 31, 2002, on-balance sheet railcar leasing activities represented $65.8 million, or 1% of BC's finance receivables and assets under operating leases, compared to $173.7 million, or 2% the previous year. As at January 31, 2002, railcar leasing activities accounted for $1.1 billion or 10% of assets under management, including a $65.7 million increase due to foreign currency fluctuations in 2001-02, compared with $1.1 billion or 8% as at January 31, 2001.

The railcar leasing portfolio growth slowed in 2001-02 due to the general economic slowdown in the U.S. and a focus on maintaining current acceptable utilization rates in light of softening demand. A total of 525 cars were added to the fleet, which now stands at 15,669 units. The average utilization rates were 89% compared to 93% the previous year. With an established market presence and a fleet of new high-capacity railcars, this business should benefit from economic recovery in North America.

DISCONTINUED PORTFOLIOS

Due to the withdrawal from the manufactured housing and consumer finance businesses, related on-balance sheet portfolios decreased from $2.3 billion or 26% of finance receivables and assets under operating leases in 2000-01 to $1.1 billion or 13% in 2001-02. These portfolios amounted to $1.4 billion or 12% of assets under management, including a $79.2 million increase due to foreign currency fluctuations, as compared to $3.7 billion or 28% the previous year. Management expects the manufactured housing portfolios to achieve substantial wind-down within several years, and the consumer finance portfolios to achieve wind-down in three to four years.

BC also continues to wind down its technology management and finance, mid-market commercial equipment finance, and small ticket finance portfolios. The wind-down of these portfolios is expected to be substantially completed within two to three years. As at January 31, 2002, these on-balance sheet portfolios represented $533.0 million, or 6% of BC's finance receivables and assets under operating leases compared to $878.2 million, or 10% the previous year. These portfolios amounted to $622.8 million or 5% of assets under management, as compared to $1.1 billion or 8% the previous year.

FUNDING HIGHLIGHTS

Funding highlights for BC are detailed in "Liquidity and Capital Resources."

RISK MANAGEMENT

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

BC controls the credit risk of its 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.

BC strives to minimize its overall debt costs while ensuring that interest margins are protected from adverse interest rate movements. To achieve this objective, BC seeks to maintain a portfolio that is matched funded by matching the interest rate characteristics of its assets and liabilities.

BC uses derivatives as part of its asset/liability management program to reduce its overall financial risk. These derivatives, primarily interest rate swap agreements, are used to alter the interest rate sensitivity of the underlying assets or liabilities to achieve matched funding. BC's activities in the derivatives market are entirely related to accomplishing the risk management objectives arising from normal business operations. BC is not an interest rate swap dealer, nor is it a trader in derivative securities, and has not used speculative derivative products for the purposes of generating earnings from changes in market conditions.

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. BC regularly assesses its exposure to residual values and has put in place systems and procedures to monitor and mitigate this risk.

BC 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, BC considers that financing its assets under management with a 9 to 1 on- and off-balance sheet debt to equity (including subordinated debt from Bombardier) ratio is adequate.

REAL ESTATE SERVICES

Through Bombardier's real estate services, BC 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, which involves the establishment of an urban residential community with integrated commercial and service infrastructures on land adjacent to the Bombardier Aerospace facilities in Montréal, Québec.

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

Bombardier

Total consolidated assets for the manufacturing segments amounted to $19.9 billion as at January 31, 2002 compared to $12.4 billion as at January 31, 2001, for an increase of 60%. The increase results mainly from the consolidation of the Adtranz accounts and the related goodwill. In addition, higher inventories in the aerospace segment caused by the reduction in production rates and investments in new programs, namely the Bombardier CRJ900 and the Bombardier Continental, investments in property, plant and equipment, and the launch of the outboard engine activities following the acquisition of the assets of OMC, contributed to this increase. Total assets, excluding cash and cash equivalents, goodwill and investment in and advances to BC represented 73% of revenues compared to 62% for the previous year. This increase is due to higher aerospace inventory and the consolidation of the Adtranz revenues for eight months only.

Short-term borrowings less cash and cash equivalents amounted to $878.9 million as at January 31, 2002, compared to cash and cash equivalents liquidities of $1.4 billion at the end of the previous year. This $2.2 billion reduction in cash and cash equivalents is mainly attributable to increases in inventory of $2.5 billion, payments for the acquisitions of outboard engine assets and Adtranz and investments in property, plant and equipment, partially offset by the issuance of $1.2 billion of long-term debt.

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, 2002 were $9.0 billion, compared to $6.4 billion the previous year for an increase of $2.5 billion. This increase is mainly attributable to higher inventory levels caused by the reduction in production rates in the aerospace segment resulting from the impact of the general economic slowdown in the U.S. as well as the September 11 events. Inventories are expected to return to normal levels as the supply chain adjusts to the new production rates. In addition, investments in new programs, namely the Bombardier CRJ900 and the Bombardier Continental, the launch of the activities of outboard engines and the acquisition of Adtranz have contributed to this increase. Inventories in the aerospace segment, before deducting advances and progress billings, represented 69% of total inventory as at January 31, 2002, as compared to 75% at the end of the previous year, while inventories in the transportation segment represented 27%.

Management periodically reviews the assumptions used for aerospace programs. The recovery of the carrying value of aerospace program assets remains subject to measurement uncertainties. Note 6 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 in commercial production, and non-recurring costs for those not yet in commercial production. In total, these costs represent 24% of aerospace segment revenues as at January 31, 2002 compared to 22% as at January 31, 2001. This increase is mainly attributable to the higher non-recurring costs on programs not yet under commercial production. While the percentage of revenues remained relatively stable, the value of non-recurring and excess over-average production costs for which recovery depends on future firm customer orders for programs in commercial production grew from $2.1 billion in 2000-01 to $2.5 billion in 2001-02. This increase resulted from lower firm orders in business aircraft as well as from the impact of aircraft programs still in their early stage of delivery.

Total advances and progress billings increased from $6.4 billion in 2000-01 to $7.6 billion in 2001-02 due to the inclusion of $2.7 billion of advances from the acquisition of Adtranz, partially offset by $761.3 million relating to the progress made on existing contracts in the transportation segment. In addition, advances decreased by $743.1 million in the aerospace segment mainly due to lower business aircraft orders on hand. An amount of $4.6 billion of advances and progress billings is deducted against inventory as at January 31, 2002, compared to $4.0 billion at the end of the previous year. Advances and progress billings in excess of related costs, shown as liabilities, have increased to $3.0 billion at the end of 2001-02, from $2.4 billion at the end of the previous year.

As at January 31, 2002, goodwill relating to the acquisition of Adtranz was $2.7 billion.

Other assets as at January 31, 2002 were $1.5 billion, compared to $421.6 million as at January 31, 2001. This increase is mainly attributable to intangible assets, deferred income taxes and accrued benefit assets related to the Adtranz acquisition.

Bombardier intends to maintain BC's on- and off-balance sheet debt-to-equity (including subordinated debt) ratio at approximately 9 to 1. As a result of the net loss incurred during the year due to special items, Bombardier increased its equity and subordinated debt investments in BC by $347.5 million during 2001-02, compared to $331.8 million the previous year. Short-term advances to BC were $20.0 million as at January 31, 2002, compared to $205.5 million as at January 31, 2001.

Accounts payable and accrued liabilities increased by $3.5 billion for 2001-02, mainly resulting from the acquisition of Adtranz. Other liabilities increased by $431.1 million for 2001-02, mainly due to an additional $544.1 million in accrued benefit liability largely attributable to the acquisition of Adtranz, partially offset by lower income taxes payable of $62.0 million and lower deferred income taxes of $76.4 million.

During 2001-02, the total outstanding amount of long-term debt increased to $2.1 billion from $879.4 million as at January 31, 2001. Bombardier's debt-to-capital ratio, including cash and cash equivalents, was 42% as at January 31, 2002. Bombardier expects its debt-to-capital ratio to be approximately 30% by the end of 2002-03 following the return of aerospace inventory to normal levels.

On March 8, 2002, the Corporation issued 9,400,000 Series 4 Preferred Shares (6.25% dividend rate) for a net consideration of $227.6 million. After giving effect to this issue, Bombardier's debt-to-capital ratio would have been 39% as at January 31, 2002.

Deferred translation adjustments included in shareholders' equity was a credit amount of $108.5 million as at January 31, 2002, as compared to a debit of $17.6 million at the end of the previous year. This variation results from the weakening of the Canadian dollar against the euro and the U.S. dollar in 2001-02.

BC

The portfolios of finance receivables and assets under operating leases before allowance for credit losses, which represent BC's most important assets, amounted to $8.5 billion as at January 31, 2002, compared with $9.0 billion as at January 31, 2001 for a decrease of 6% mainly due to the exit from the manufactured housing and consumer finance businesses, partially offset by growth in core activities. Including securitized loans and serviced lease receivables sold to third parties and the fleet of freightcars under sale and leaseback, assets under management amounted to $11.9 billion and $13.4 billion as of January 31, 2002 and 2001 respectively, for a year-to-year decrease of 12%, also due to the exit from the manufactured housing and consumer finance businesses, partially offset by growth in core activities. Notes 4 and 5 to the Consolidated Financial Statements provide the details of the components of the finance receivables and assets under operating leases.

BC's financial leverage is determined as the ratio of on- and off-balance sheet debt to shareholders' equity and subordinated debt from Bombardier. This ratio as at January 31, 2002 and as at January 31, 2001 was 7.8 to 1 and 8.7 to 1 respectively. As previously indicated, Bombardier targets a ratio of 9 to 1 for this segment. Notes 10 and 12 to the Consolidated Financial Statements provide details of the short-term borrowings and long-term debt of BC.

OTHER SIGNIFICANT CASH FLOW INFORMATION

Bombardier Inc.

Based on the current rate of dividends for Class A (Multiple Voting) and Class B (Subordinate Voting) common shares and the rate set in the articles of Amalgamation of the Corporation for Series 2 Preferred Shares, as well as the number of outstanding shares as at January 31, 2002, dividend payments would be $264.8 million in 2002-03. Giving effect to the Series 4 Preferred Shares issued on March 8, 2002, dividend payments would be $279.5 million in 2002-03.

Bombardier

Cash flows from operations before changes in non-cash balances related to operations amounted to $1.8 billion for 2001-02, compared to $1.5 billion the previous year, a year-to-year increase of 18%, mostly as a result of the increase in income before special items. Cash flows used for non-cash balances related to operations for 2001-02 amounted to $2.7 billion, compared to $629.4 million the previous year. These cash flow requirements mainly related to investments in working capital of Adtranz for $716.9 million in addition to higher inventory levels due to changes in production rates in the aerospace segment and lower business aircraft advances. Note 22 to the Consolidated Financial Statements provides the details of the net changes in non-cash balances related to operations. Cash flows used in operating activities amounted to $882.4 million for the year ended January 31, 2002, compared to cash flows generated from operating activities of $913.0 million for the preceding year. Cash flows used for payment of income taxes amounted to $79.8 million for 2001-02, compared to $76.0 million for the previous year.

Capital expenditures related to property, plant and equipment were $789.8 million in 2001-02 compared to $395.4 million in 2000-01. In the aerospace segment, additions to property, plant and equipment were $311.6 million in 2001-02, compared to $307.2 million the previous year. The largest investments made were for the construction of a new manufacturing facility for the production of the Bombardier CRJ700 and the Bombardier CRJ900, for the expansion of production capacity for the CRJ100/200 and for the construction of a new terminal at Belfast City Airport. The recreational products segment made additions to property, plant and equipment of $172.7 million in 2001-02, compared to $32.0 million the previous year, mostly related to new manufacturing facilities and related tooling for the Johnson and Evinrude engines. Finally, in the transportation segment, additions to property, plant and equipment amounted to $305.5 million in 2001-02, compared to $56.2 million the previous year, related to the construction of a service centre in the United Kingdom for the Virgin Trains contract and to purchase of equipment to support other new contracts. Note 27 to the Consolidated Financial Statements provides the distribution of property, plant and equipment by geographic location.

During the year ended January 31, 2002, Bombardier invested $979.8 million for the acquisition of the assets of OMC and the shares of Adtranz, the details of which are described in note 2 to the Consolidated Financial Statements. No business acquisitions were made in 2000-01.

Cash flows from financing activities reached $1.9 billion in 2001-02, compared with cash flows used in financing activities of $589.6 million in 2000-01. This change results from increases in short-term borrowings of $986.5 million and in long-term debt of $1.2 billion. The $986.5 million increase in short-term borrowings was provided mainly from the issuance of floating-rate notes, maturing on August 1, 2002.

The increase in long-term debt was achieved mainly through the issuance of notes on the European markets amounting to $697.5 million (€500 million) and $388.8 million (£175 million) maturing in February 2008 and February 2006 respectively. The euro portion of the debt liability has been designated as a hedge of the Corporation's exposure to foreign currency fluctuations arising from its investments in European operating entities.

During 2001-02, dividend payments of $264.5 million were made, compared to $202.8 million the previous year. A total of 15.9 million Class A (Multiple Voting) and Class B (Subordinate Voting) common shares were repurchased for an amount of $303.8 million during 2000-01. The repayment of long-term debt amounted to $48.4 million in 2001-02 compared to $139.0 in the previous year. Issuance of shares to employees in relation to the share option plans for cash totalled $26.2 million (4.7 million shares) in 2001-02, compared to $17.6 million (4.3 million shares) the previous year.

As a result of the above items, Bombardier's short-term borrowings less cash and cash equivalents amounted to $878.9 million as at January 31, 2002, compared to cash and cash equivalents of $1.4 billion at the end of the previous year.

BC

Cash flows from operating activities amounted to $193.8 million for the year ended January 31, 2002, compared to cash flows used by operating activities of $13.1 million for the previous year. These figures reflect net income before special items of $24.6 million in 2001-02 compared to a net loss before special items of $9.1 million in 2000-01. The cash flows used for non-cash balances related to operations amounted to $111.3 million for the year ended January 31, 2002 mostly as a result of increases in accounts receivable. This compares to $200.7 million for the previous year.

The increase of $868.2 million in finance receivables during 2001-02 was financed through increases in long-term debt of $2.7 billion for the year ended January 31, 2002, partially offset by reductions in short-term borrowings of $960.5 million. These amounts compare with increases of $1.8 billion in finance receivables, $1.4 billion in long-term debt and $458.1 million in short-term borrowings the previous year. Investment in and advances to BC increased by $90.4 million during the year compared to $77.5 million the previous year. The increase is composed of an investment of $347.5 million in subordinated debt and equity of BC, offset by a reduction of advances from Bombardier for an amount of $185.5 million and of foreign currency translation impacts of $71.4 million. The corresponding amounts for last year were an increase of $331.8 million of investment in subordinated debt and equity of BC and a reduction of advances from Bombardier of $254.3 million. The investment in the subordinated debt and equity of BC was made to maintain a debt-to-equity ratio of approximately 9 to 1.

CAPITAL RESOURCES

Bombardier

The Corporation continues to closely monitor its sources of short-term liquidity, which are considered adequate for its activities. As planned, Bombardier Inc. renewed the committed 364-day, $750.0 million portion of its syndicated North American bank credit facility until September 2002. To maximize amounts available under its credit facilities, Bombardier continued to insure standby letters of credit with a group of premier international insurance and re-insurance companies. As a result, the Corporation freed approximately $600.0 million of usage under its bank credit lines as at January 31, 2002. Bombardier routinely issues standby letters of credit in support of advance payments from customers or related to its performance as a manufacturer.

The Corporation was also active in the term-debt markets over the last year with the issuance of notes in pounds, euro and yen. In February 2001, Bombardier Inc. issued €500 million of fixed-rate notes due in February 2008 and £175 million of fixed-rate notes due in February 2006. In August 2001, Bombardier Inc. issued $250.0 million of 13-month floating-rate notes in the

Canadian markets and, Bombardier Corporation, a wholly owned subsidiary of Bombardier Inc., issued €200 million and ¥20 billion of 13-month floating-rate notes in the Euromarket.

Through the acquisition of Adtranz, Bombardier gained access to 65 individual bank credit facilities used for the issuance of standby letters of credit. The outstanding amount under these facilities was equivalent to $2.3 billion at the time of the acquisition. The Corporation intends to consolidate these lines with its main syndicated credit facilities during 2002-03.

During 2000-01, Bombardier Inc. consolidated its North American bank credit facilities, extended their maturity and increased the available amounts under these facilities. Bombardier Inc. and its North American manufacturing subsidiaries replaced their Canadian and U.S. facilities with five-year $1.0 billion and 364-day $750.0 million unsecured, revolving lines of credit with a syndicate of leading North American banking institutions. During the same period, Bombardier Inc. increased its Canadian commercial paper program from $450.0 million to $1.0 billion. It also initiated its program of insuring standby letters of credit with three transactions worth approximately $969.0 million.

The details of the available and outstanding amounts under the bank credit facilities and the amount of outstanding borrowings at January 31, 2002 and 2001 are provided in notes 10 and 12 to the Consolidated Financial Statements.

BC

BC was active in the capital markets during 2001-02. As planned, Bombardier Capital Ltd. renewed its $700.0 million, committed 364-day syndicated bank credit facilities until September 2002. Bombardier Capital Inc. did the same with the committed, 364-day $600.0 million US portion of its syndicated bank credit facility to the same date.

During the year, Bombardier Capital Ltd. issued the final $100.0 million fixed-rate note under its initial medium-term note program and renewed this program for an additional $1,250.0 million. A total of $200.0 million of fixed-rate notes were issued under the renewed program during the year. Bombardier Capital Inc. completed its initial medium-term note program with the issuance of $750.0 million US of fixed- and floating-rate notes and renewed this program for an additional $4.0 billion US. Under this new program, $510.0 million US and ¥6 billion of floating-rate notes were issued as at January 31, 2002. Bombardier Capital Inc.'s funding program was completed with a $220.0 million US five-year private placement in December 2001.

In 2000-01, Bombardier Capital Ltd. obtained a 364-day revolving line of credit in the amount of $700.0 million with a syndicate of leading Canadian banks, and increased its commercial paper program to an equivalent amount. It proceeded with the issuance of $250.0 million of fixed- and floating-rate notes under its medium-term note program. During the same period, Bombardier Capital Inc. signed a five-year $600.0 million US and a 364-day $600.0 million US committed, revolving credit agreement with a syndicate of top-ranking U.S. banking institutions and Bombardier Capital Inc. renewed its commercial paper program of $1.2 billion US. Bombardier Capital Inc. also issued approximately $450.0 million US of fixed- and floating-rate notes under its medium-term note program during 2000-01.

Credit Support

The U.S. and Canadian medium-term note programs for Bombardier Capital Inc. and Bombardier Capital Ltd. respectively provide for identical covenant and "Keepwell" packages from the Corporation. These were introduced in 1999 and are in line with those applicable to the bank credit facilities. Bombardier's "Keepwell" agreement provides for minimum ownership of 51% in Bombardier Capital Ltd. and Bombardier Capital Inc. It also provides for the injection of equity in the event that certain minimum net worth levels are not met or if a fixed charge coverage ratio falls below 1.2 times. Finally, it provides the undertaking of Bombardier Inc. to maintain certain existing cross default provisions in all of its future public debt.

Off-Balance Sheet Arrangements

In the normal course of business, the Corporation finances certain of its activities off-balance sheet through leases, securitizations and other arrangements.

a) Leases

   Bombardier leases certain of its buildings and equipments and assumes operating lease obligations on trade-in aircraft. Bombardier and BC finance aircraft and freightcars respectively, through sale and leaseback structures. The Corporation's undiscounted minimum lease payments under such leases amount to $2.2 billion for sale and leaseback transactions and $1.6 billion for operating leases as at January 31, 2002 which include $361.5 million of assumed lease obligations on trade-in aircraft. These are disclosed in note 25 to the Consolidated Financial Statements.

b) Securitizations

   BC was less active in the public and private securitization markets this year, largely as a result of the wind-down of its retail financing activities.

   Bombardier Capital Inc. did not enter into new public or private securitizations in relation to its consumer finance and manufactured housing portfolios. Its activities were limited to the renewal of two private conduits that securitized consumer loans, a $147.0 million US facility in December 2001 and a $250.0 million US facility in January 2002. With respect to the inventory finance portfolio, Bombardier Capital Inc. completed a $427.0 million US conduit financing in November 2001. This facility was designed to replace a maturing public inventory finance securitization in the same amount for which the final amortizing principal repayment is scheduled for April 15, 2002. Bombardier Capital Inc. had six separate private asset-backed security conduits and two public programs totalling $2.1 billion US as at January 31, 2002 compared to conduits of $1.9 billion US as at January 31, 2001, of which $1.4 billion US was utilized as at January 31, 2002. These figures are included in the table below.

   Bombardier Capital Ltd. renewed its inventory finance securitization facilities in October 2001 with a Canadian chartered bank, reducing the purchase commitment from $140.0

million to $128.8 million. Total conduit availability for Bombardier Capital Ltd. as at January 31, 2002 was $328.8 million, reduced from $340.0 million as at January 31, 2001, with $218.8 million utilized as at January 31, 2002, which are also included in the table below.

In 2000-01, Bombardier Capital Inc. accessed the securitization markets with public and private transactions for inventory, consumer and manufactured housing loans. A public $400.0 million US and a private $265.0 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 $285.0 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 for the three asset classes, of which $645.0 million US was utilized as at January 31, 2001. During 2000-01, Bombardier Capital Ltd. increased the available amount of its asset-backed security conduits by $90.0 million to $340.0 million, of which $330.0 million was utilized as at January 31, 2001.

The committed and outstanding amounts of securitizations and are as follows:

		2002			2001	
Securitizations		**Committed**	**Outstanding**		Outstanding	
			On-balance sheet	**Off-balance sheet**	On-balance sheet	Off-balance sheet
Public	- Inventory Finance	**$ 1,300.0**	**$ 215.4**	**$1,084.6**	$ 245.7	$1,264.9
	- Manufactured housing (1)	**-**	**-**	**-**	2,067.6	867.2
Private	- Inventory Finance	**1,486.6**	**166.7**	**806.1**	90.6	704.5
	- Consumer Finance	**632.1**	**257.8**	**313.8**	163.3	467.9
	- Manufactured housing	**239.0**	**187.6**	**-**	-	-
Total		**$ 3,657.7**	**$ 827.5**	**$2,204.5**	$2,567.2	$3,304.5

(1) The public manufactured housing securitizations are no longer considered assets under management following Management's decision to exit this business in September 2001. Therefore, these portfolios are not included in the above table (see note 4 to the Consolidated Financial Statements).

The maximum exposure from credit enhancements provided in connection with off-balance sheet securitization structures is disclosed in note 4 to the Consolidated Financial Statements and amounts to $621.9 as at January 31, 2002. Potential losses expected to arise from credit enhancements have been recorded as a provision for credit losses. The expected losses have been estimated using the same methodology as that used to assess BC's finance receivables losses. The Corporation is not committed to provide liquidity or any form of financial support other than the credit enhancements referred to above.

c) Other arrangements

BC services a portfolio of lease receivables related to the discontinued technology management and finance unit. The outstanding amount of this portfolio as at January 31, 2002 was $89.9 million ($194.2 million as at January 31, 2001).

The Corporation's aerospace segment has entered into various agreements with third parties through which it sells rights under certain manufacturing contracts on an ongoing basis. The amount of the rights sold totals $424.0 million as at January 31, 2002 compared to $880.0 million as at January 31, 2001 and are accounted for as advances received and deducted from inventories or presented as advances in excess of related costs. In connection with these sales, the Corporation has provided recourse to one purchaser amounting to $27.9 million as at January 31, 2002.

The Corporation's maximum exposure under this recourse is included in note 25 a) to the Consolidated Financial Statements. Revenues and related profits on sales of aircraft are recognized on delivery and the sale of rights do not result in acceleration of revenues and profit recognition.

The Corporation provides administrative services to an unrelated special purpose entity created for the purpose of financing certain aircraft sales of the Corporation in return for a market fee. As at January 31, 2002, the Corporation had no financial support to this special purpose entity.

Credit Events

Certain of the Corporation's financial commitments include provisions that could become effective in the event of the Corporation undergoing rating downgrades. In the event of a rating downgrade below investment grade, some of these provisions might have an incidence on Bombardier's cash requirements. These provisions include the wind-down of securitization conduits from normal course collection. Although this would not represent a demand on cash flows, the Corporation might have to replace these sources of off-balance sheet financing. The conduits affected by these provisions amount to a Canadian dollar equivalent of $984.8 million, of which a Canadian dollar equivalent of $667.8 million was outstanding as at January 31, 2002. A rating downgrade below investment grade could also result in the reimbursement of advances amounting to $279.2 million in the aerospace segment.

In the event of a downgrade below investment grade, the Corporation might also have to provide standby letters of credit, surety bonds or other collateral in support of some of the contingent liabilities reported in note 25 to the Consolidated Financial Statements. The maximum exposure of the Corporation in such circumstances is a Canadian dollar equivalent of $481.9 million as at January 31, 2002.

The Corporation believes it maintains available and committed alternate liquidity for these situations. Bombardier's senior unsecured debt is currently rated A- by Standard and Poor's and A3 by Moody's Investor Service.

Liquidity

The Corporation considers that its present and expected capital resources and current credit facilities will enable the implementation of its investment programs, the development of new products, the support of the growth of its activities, the payment of dividends and meeting all other current and expected financial requirements.

Term-debt maturing in 2002-03 include floating-rate notes issued by Bombardier in August 2001 in the amount of $250.0 million, €200 million and ¥20 billion maturing in August 2002, a fixed-rate note of $150.0 million issued by Bombardier Capital Ltd. maturing in June 2002 and approximately $2.0 billion ($1.3 billion US) of fixed- and floating-rate notes issued by Bombardier Capital Inc. maturing from June to December 2002. The Corporation has adequate access to the Canadian, European and U.S. markets, to proactively and successfully refinance these debt maturities and expects to maintain such access in the foreseeable future.

RISKS AND UNCERTAINTIES

The Corporation operates in industry segments that have a variety of risk factors and uncertainties, which are carefully considered in the Corporation's management policies.

Operational

The activities conducted by the Corporation's segments are subject to operational risks including competition from other businesses, performance of key suppliers, product performance warranty, settling of disputes concerning collective agreements and their renewal, regulatory risks, successful integration of new acquisitions, dependence on key personnel and reliance on information systems, all of which could affect the ability of the Corporation to meet its obligations.

External Business Environment

The Corporation faces a number of external risk factors, specifically general economic conditions, government policies related to import and export restrictions, changing priorities and possible spending cuts by government agencies, foreign government support to export sales, volatility of fuel prices and political instability. The recreational product segment also bears the risks associated with volatile demand for consumer products, weather conditions as well as legislation and regulations on safety and the environment.

Foreign Currency Fluctuations

The Corporation is exposed to risks resulting from foreign currency fluctuations arising either from carrying its businesses from Canada in foreign currencies or through establishments operated in foreign countries. In an effort to mitigate these risks, the Corporation makes use of derivative contracts to hedge the exposure to future cash flows in various currencies and asset/liability management. This involves mostly borrowing in foreign currencies to safeguard against foreign currency exposure arising from permanent investments in foreign countries.

Developing New Products and Services

The principal markets in which the Corporation's manufacturing businesses operate experience changes due to the introduction of new technologies. To meet its customers' needs in these businesses, the Corporation must continuously design new and update existing products and services, and invest in and develop new technologies. Introducing new products requires a significant commitment to research and development, which may not be successful. The Corporation's sales may suffer if it invests in products that are not accepted in the marketplace, are not approved by regulatory authorities, or if the products are not brought to market in a timely manner or become obsolete.

Fixed-Term Commitments

The Corporation's manufacturing segments have historically offered and will continue to offer a portion of their products on fixed-term contracts, rather than contracts in which payment is determined solely on a time-and-materials basis. The Corporation generally may not terminate these contracts unilaterally. Although the Corporation often relies on tools and methodologies and past experience to reduce the risks associated with estimating, planning and undertaking these projects, in certain circumstances, the Corporation bears the risk of cost overruns and may be subject to late delivery penalties.

Liquidity and Access to Capital Resources

The Corporation's financing and leasing subsidiary, BC, requires continued access to the capital markets to support its activities, including selling asset-backed securities. To satisfy its financing needs, BC relies on long-term and short-term debt and cash flows generated from operations. Any impediments to BC's ability to access the capital markets, including significant changes in market interest rates, general economic conditions or the perception in the capital markets of BC's financial condition or prospects, could have a material adverse effect on BC's financial condition and results of operations.

Delinquencies and Credit Losses

Like all finance companies, BC faces the risk that it may not be able to collect on its finance receivables. This risk is mainly driven by the economic condition of the environment in which BC conducts its business.

Change in Interest Rates

BC's profitability may be directly affected by the level of and fluctuations in interest rates. 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. Detailed information on risks that could affect the performance of BC is provided on page XX.

COMMITMENTS & CONTINGENCIES

In connection with the sale of aircraft, the Corporation occasionally provides various forms of financial support to its customers as described in note 25 to the Consolidated Financial Statements. The risks related to these guarantees depend on many factors such as the financial health of its customers, 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 regarding each of these risks and carefully monitors any changes.

The Corporation is occasionally involved in legal litigation, claims, investigations and other legal matters. It is the Corporation's opinion that these contingencies have not had, and will not have a material impact on its financial position except for the potential effect of its claims against Amtrak and DaimlerChysler described in notes 25 and 2 respectively to the Consolidated Financial Statements.

CHANGES IN ACCOUNTING PRINCIPLES

Stock-based compensation and other stock-based payments

Effective February 1, 2002, the Corporation prospectively adopted the new accounting recommendations published by the Canadian Institute of Chartered Accountants (the "CICA") relating to stock-based compensation and other stock-based payments made in exchange of goods and services. The effect of adopting the new recommendations on the Corporation's consolidated income, financial position and cash flows for the year ending January 31, 2003 is not expected to be material.

Goodwill and other intangible assets

Effective February 1, 2002, the Corporation prospectively adopted the new recommendations of the CICA relating to goodwill and other intangible assets. Accordingly, the Corporation will cease amortizing goodwill from February 1, 2002 and will adopt the goodwill impairment model introduced by the new accounting rules. Goodwill amortization amounted to $46.6 million for the year ended January 31, 2002 (nil for the year ended January 31, 2001). Management does not expect any write-down of its goodwill arising from the application of the impairment model upon adoption of these new recommendations.

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

Operations Summary

For the years ended January 31	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Revenues										
Aerospace	$ 12 042,5	$ 10 561,6	$ 8 126,2	$ 6 444,1	$ 4 874,1	$ 4 283,8	$ 3 766,9	$ 3 409,6	$ 2 579,0	$ 2 602,9
Recreational products	2 017,5	1 687,1	1 473,0	1 628,1	1 718,5	1 959,0	1 641,8	1 112,1	792,3	556,9
Transportation	7 019,5	3 043,3	3 446,1	2 966,3	1 688,1	1 599,4	1 574,7	1 309,6	1 311,5	1 237,6
BC	966,8	935,9	536,5	356,7	177,3	187,6	174,0	142,0	133,5	77,5
Intersegment eliminations	(412,5)	(284,2)	(165,3)	(109,0)	(124,2)	(111,1)	(80,0)	(54,3)	(47,5)	(26,9)
External revenues	$ 21 633,8	$ 15 943,7	$ 13 416,5	$ 11 286,2	$ 8 333,8	$ 7 918,7	$ 7 077,4	$ 5 919,0	$ 4 768,8	$ 4 448,0
Income (loss) before special items, income taxes and goodwill amortization										
Aerospace	$ 1 206,0	$ 1 236,8	$ 903,9	$ 681,9	$ 479,6	$ 287,3	$ 162,7	$ 158,2	$ 151,7	$ 192,0
Recreational products	150,3	86,0	17,7	(45,5)	(1,1)	209,2	175,9	118,0	77,3	28,8
Transportation	277,0	120,5	174,4	147,9	84,6	62,9	99,9	66,0	(24,0)	(71,4)
BC	41,4	(15,4)	28,0	42,6	64,1	46,9	28,7	11,5	4,8	2,9
	1 674,7	1 427,9	1 124,0	826,9	627,2	606,3	467,2	353,7	209,8	152,3
Special items	1 070,2	29,7	51,1	—	—	—	231,4	—	—	—
Income before income taxes and goodwill amortization	604,5	1 398,2	1 072,9	826,9	627,2	606,3	235,8	353,7	209,8	152,3
Income taxes	167,0	422,8	354,1	272,9	207,0	200,1	77,8	106,4	32,5	18,6
Income before goodwill amortization	$ 437,5	$ 975,4	$ 718,8	$ 554,0	$ 420,2	$ 406,2	$ 158,0 (2)	$ 247,3	$ 177,3	$ 133,7
Goodwill amortization	46,6	—	—	—	—	—	—	—	—	—
Net income	$ 390,9 (1)	$ 975,4 (1)	$ 718,8	$ 554,0	$ 420,2	$ 406,2	$ 158,0 (2)	$ 247,3	$ 177,3	$ 133,7
Per common share	$ 0,27 (1)	$ 0,70 (1)	$ 0,51	$ 0,39	$ 0,29	$ 0,29	$ 0,11 (2)	$ 0,18	$ 0,14	$ 0,10
General Information										
Export revenues from Canada	$ 9 394,2	$ 8 432,2	$ 6 198,3	$ 6 021,7	$ 4 642,2	$ 4 532,7	$ 3 537,8	$ 2 960,3	$ 2 252,1	$ 1 950,8
Additions to property, plant and equipment	$ 838,8	$ 415,1	$ 419,5	$ 364,2	$ 262,6	$ 232,4	$ 297,8	$ 176,0	$ 169,8	$ 227,8
Depreciation and amortization	$ 381,4	$ 220,5	$ 227,5	$ 232,6	$ 180,1	$ 165,8	$ 158,3	$ 131,6	$ 124,6	$ 101,3
Dividend per common share										
Class A	$ 0,180000	$ 0,135000	$ 0,110000	$ 0,085000	$ 0,075000	$ 0,050000	$ 0,050000	$ 0,037500	$ 0,025000	$ 0,025000
Class B	$ 0,181563	$ 0,136563	$ 0,111563	$ 0,086563	$ 0,076563	$ 0,051563	$ 0,051563	$ 0,039063	$ 0,026563	$ 0,026563
Number of common shares (millions)	1 370,8	1 366,1	1 377,6	1 366,3	1 357,8	1 350,5	1 340,1	1 325,7	1 319,8	1 234,2
Book value per common share	$ 2,76	$ 2,57	$ 2,40	$ 2,20	$ 1,78	$ 1,50	$ 1,23	$ 1,21	$ 1,01	$ 0,76
Shareholders of record	11 310	12 666	11 168	10 097	10 781	11 541	9 873	8 776	9 108	9 534
MARKET PRICE RANGE										
Class A										
High	$ 24,60	$ 26,80	$ 16,12	$ 11,77	$ 8,49	$ 6,65	$ 5,09	$ 3,12	$ 2,75	$ 2,17
Low	9,25	14,05	9,55	7,02	6,25	4,44	2,86	2,25	1,20	1,33
Close	14,72	24,70	14,97	11,07	7,06	6,52	5,09	2,86	2,62	1,48
Class B										
High	$ 24,65	$ 26,70	$ 16,10	$ 11,87	$ 8,50	$ 6,60	$ 5,03	$ 3,16	$ 2,73	$ 2,16
Low	9,19	13,90	9,47	7,02	6,20	4,37	2,83	2,22	1,20	1,30
Close	14,70	24,54	14,65	11,25	7,02	6,50	4,97	2,84	2,64	1,45

(1) The effect of the special items described in note 20 to the consolidated financial statements on net income amounts to $691.6 million or $0.50 per common share for the year ended January 31, 2002 ($3.7 million or $0.003 per common share for the year ended January 31, 2001). Exclusive of these special items and goodwill amortization, net income would be $1129.1 million or $0.81 per common share for the year ended January 31, 2002 ($979.1 million or $0.70 per common share for the year ended January 31, 2001).

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

CONSOLIDATED BALANCE SHEETS
(millions of Canadian dollars)

	As at January 31	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	
BOMBARDIER INC. CONSOLIDATED	Cash and cash equivalents	$ **462,8**	$ 1 373,9	$ 1 664,0	$ 1 738,7	$ 1 227,7	$ 895,7	$ 536,6	$ 425,1	$ 633,1	$ 235,1	$
	Receivables	**1 902,1**	851,2	641,5	693,8	693,2	358,4	449,0	667,4	320,8	380,4	
	Finance receivables	**6 461,7**	7 202,7	6 290,1	4 561,3	2 683,0	1 461,0	1 260,7	873,0	585,7	854,7	
	Assets under operating leases	**1 831,2**	1 768,1	904,8	608,5	306,4	350,4	195,5	248,2	190,9	87,4	
	Inventories	**8 956,5**	6 413,7	5 361,5	4 576,2	3 790,9	3 455,2	2 594,9	1 914,4	1 738,1	1 782,9	
	Property, plant and equipment	**3 408,4**	2 090,9	1 898,7	1 842,7	1 646,7	1 200,0	1 142,0	932,1	842,0	813,3	
	Goodwill	**2 712,9**	—	—	—	—	—	—	—	—	—	
	Other assets	**2 017,0**	703,8	273,5	256,7	227,3	229,6	213,9	401,6	144,1	86,4	
	Total assets	$ 27 752,6	$ 20 404,3	$ 17 034,1	$ 14 277,9	$ 10 575,2	$ 7 950,3	$ 6 392,6	$ 5 461,8	$ 4 454,7	$ 4 240,2	$
	Short-term borrowings	$ **3 037,0**	$ 2 531,2	$ 2 002,7	$ 2 363,5	$ 2 174,7	$ 1 233,1	$ 812,2	$ 622,0	$ 358,6	$ 828,5	$
	Accounts payable and accrued liabilities	**7 779,4**	4 036,6	3 335,2	3 099,7	2 663,0	2 124,6	1 875,0	1 508,8	1 299,8	1 318,2	
	Advances and progress billings in excess of related costs	**3 019,0**	2 362,8	2 636,8	2 328,6	851,6	591,4	295,7	195,0	—	—	
	Long-term debt	**7 857,7**	6 131,2	4 795,0	2 575,9	1 639,6	1 524,2	1 311,4	1 185,5	1 184,1	845,8	
	Other liabilities	**1 969,5**	1 530,1	652,6	421,7	357,0	264,4	279,4	184,1	125,6	168,2	
	Convertible notes – equity component	**—**	—	—	180,5	165,8	152,3	139,9	128,6	118,1	108,5	
	Preferred shares	**300,0**	300,0	300,0	300,0	300,0	30,9	30,9	31,5	33,1	34,1	
	Common shareholders' equity	**3 790,0**	3 512,4	3 311,8	3 008,0	2 423,5	2 029,4	1 648,1	1 606,3	1 335,4	936,9	
	Total liabilities and shareholders' equity	$ 27 752,6	$ 20 404,3	$ 17 034,1	$ 14 277,9	$ 10 575,2	$ 7 950,3	$ 6 392,6	$ 5 461,8	$ 4 454,7	$ 4 240,2	$
BOMBARDIER	Cash and cash equivalents	$ **462,8**	$ 1 358,8	$ 1 548,7	$ 1 706,3	$ 1 090,2	$ 889,1	$ 532,0	$ 419,7	$ 606,3	$ 233,2	$
	Receivables	**1 590,7**	626,5	570,7	670,3	693,2	358,4	449,0	667,4	320,8	380,4	
	Finance receivables	**63,4**	62,0	39,5	32,1	360,6	20,7	13,3	—	—	—	
	Assets under operating leases	**—**	—	17,6	89,0	135,7	116,6	33,9	—	11,7	—	
	Inventories	**8 956,5**	6 413,7	5 361,5	4 576,2	3 790,9	3 455,2	2 594,9	1 914,4	1 738,1	1 782,9	
	Property, plant and equipment	**3 245,3**	1 958,1	1 776,4	1 747,9	1 574,1	1 138,8	1 079,1	868,2	775,3	774,2	
	Goodwill	**2 712,9**	—	—	—	—	—	—	—	—	—	
	Investment in and advances to BC	**1 363,0**	1 581,5	1 531,2	1 285,2	353,3	288,7	307,0	239,5	222,5	106,5	
	Other assets	**1 456,4**	421,6	146,3	148,3	182,2	183,6	169,1	357,8	97,1	63,2	
	Total assets	$ 19 851,0	$ 12 422,2	$ 10 991,9	$ 10 255,3	$ 8 180,2	$ 6 451,1	$ 5 178,3	$ 4 467,0	$ 3 771,8	$ 3 340,4	$
	Short-term borrowings	$ **1 341,7**	$ —	$ —	$ 49,3	$ 330,0	$ —	$ 11,7	$ 12,7	$ 22,9	$ 232,8	$
	Accounts payable and accrued liabilities	**7 360,9**	3 840,0	3 125,2	2 845,5	2 543,7	1 993,0	1 746,7	1 401,8	1 217,9	1 248,3	
	Advances and progress billings in excess of related costs	**3 019,0**	2 362,8	2 636,8	2 328,6	851,6	591,4	295,7	195,0	—	—	
	Long-term debt	**2 080,7**	879,4	971,4	1 121,7	1 204,8	1 400,7	1 047,5	914,8	924,1	612,3	
	Other liabilities	**1 958,7**	1 527,6	646,7	421,7	360,8	253,4	257,8	176,3	120,3	167,5	
	Convertible notes – equity component	**—**	—	—	180,5	165,8	152,3	139,9	128,6	118,1	108,5	
	Preferred shares	**300,0**	300,0	300,0	300,0	300,0	30,9	30,9	31,5	33,1	34,1	
	Common shareholders' equity	**3 790,0**	3 512,4	3 311,8	3 008,0	2 423,5	2 029,4	1 648,1	1 606,3	1 335,4	936,9	
	Total liabilities and shareholders' equity	$ 19 851,0	$ 12 422,2	$ 10 991,9	$ 10 255,3	$ 8 180,2	$ 6 451,1	$ 5 178,3	$ 4 467,0	$ 3 771,8	$ 3 340,4	$
BC	Cash and cash equivalents	$ **—**	$ 15,1	$ 115,3	$ 32,4	$ 137,5	$ 6,6	$ 4,6	$ 5,4	$ 26,8	$ 1,9	$
	Receivables	**311,4**	224,7	70,8	23,5	—	—	—	—	—	—	
	Finance receivables	**6 398,3**	7 140,7	6 250,6	4 529,2	2 322,4	1 440,3	1 247,4	873,0	585,7	854,7	
	Assets under operating leases	**1 831,2**	1 768,1	887,2	519,5	170,7	233,8	161,6	248,2	179,2	87,4	
	Property, plant and equipment	**163,1**	132,8	122,3	94,8	72,6	61,2	62,9	63,9	66,7	39,1	
	Other assets	**560,6**	282,2	127,2	108,4	58,9	46,0	50,1	47,1	47,0	23,2	
	Total assets	$ 9 264,6	$ 9 563,6	$ 7 573,4	$ 5 307,8	$ 2 762,1	$ 1 787,9	$ 1 526,6	$ 1 237,6	$ 905,4	$ 1 006,3	$
	Short-term borrowings	$ **1 695,3**	$ 2 531,2	$ 2 002,7	$ 2 314,2	$ 1 844,7	$ 1 233,1	$ 800,5	$ 609,3	$ 335,7	$ 595,7	$
	Advances from Bombardier (1)	**20,0**	205,5	459,8	458,5	—	—	—	—	—	—	
	Accounts payable and accrued liabilities	**418,5**	196,6	210,0	254,2	119,3	131,6	128,3	107,0	81,9	69,9	
	Long-term debt	**5 777,0**	5 251,8	3 823,6	1 454,2	434,8	123,5	263,9	270,7	260,0	233,5	
	Other liabilities	**10,8**	2,5	5,9	—	10,0	11,0	26,9	11,1	5,3	0,7	
	Investment in BC (1)	**1 343,0**	1 376,0	1 071,4	826,7	353,3	288,7	307,0	239,5	222,5	106,5	
	Total liabilities and shareholders' equity	$ 9 264,6	$ 9 563,6	$ 7 573,4	$ 5 307,8	$ 2 762,1	$ 1 787,9	$ 1 526,6	$ 1 237,6	$ 905,4	$ 1 006,3	$

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

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

For the years ended January 31	2002 TOTAL	2001 TOTAL	2002 FIRST QUARTER	2001 FIRST QUARTER	2002 SECOND QUARTER	2001 SECOND QUARTER	2002 THIRD QUARTER	2001 THIRD QUARTER	2002 FOURTH QUARTER	2001 FOURTH QUARTER
Revenues										
Aerospace	$ 12 042,5	$ 10 561,6	$ 2 621,3	$ 2 011,0	$ 2 716,4	$ 2 145,5	$ 2 572,6	$ 2 549,8	$ 4 132,2	$ 3 855,3
Recreational products	2 017,5	1 687,1	370,1	315,4	418,7	329,9	550,0	480,8	678,7	561,0
Transportation	7 019,5	3 043,3	840,7	763,1	1 612,7	752,7	1 733,8	648,1	2 832,3	879,4
BC	966,8	935,9	256,8	195,2	262,1	229,0	233,0	261,5	214,9	250,2
Intersegment eliminations	(412,5)	(284,2)	(100,9)	(57,7)	(102,8)	(63,9)	(109,4)	(102,2)	(99,4)	(60,4)
External revenues	$ 21 633,8	$ 15 943,7	$ 3 988,0	$ 3 227,0	$ 4 907,1	$ 3 393,2	$ 4 980,0	$ 3 838,0	$ 7 758,7	$ 5 485,5
Income before special items, income taxes, and goodwill amortization										
Aerospace	$ 1 206,0	$ 1 236,8	$ 310,2	$ 234,0	$ 329,1	$ 253,4	$ 239,8	$ 286,9	$ 326,9	$ 462,5
Recreational products	150,3	86,0	19,0	9,1	28,6	12,1	44,9	20,8	57,8	44,0
Transportation	277,0	120,5	26,4	39,1	77,8	37,6	82,2	18,4	90,6	25,4
BC	41,4	(15,4)	3,0	10,0	(3,0)	11,6	12,9	12,2	28,5	(49,2)
	1 674,7	1 427,9	358,6	292,2	432,5	314,7	379,8	338,3	503,8	482,7
Special items	1 070,2	29,7	—	79,5	—	(49,8)	958,6	—	111,6	—
Income before income taxes and goodwill amortization	604,5	1 398,2	358,6	212,7	432,5	364,5	(578,8)	338,3	392,2	482,7
Income taxes	167,0	422,8	117,6	65,3	133,9	110,4	(228,1)	112,4	143,6	134,7
Income (loss) before goodwill amortization	$ 437,5	$ 975,4	$ 241,0	$ 147,4	$ 298,6	$ 254,1	$ (350,7)	$ 225,9	$ 248,6	$ 348,0
Goodwill amortization	46,6	—	—	—	10,7	—	16,9	—	19,0	—
Net income (loss)	$ 390,9	$ 975,4	$ 241,0	$ 147,4	$ 287,9	$ 254,1	$ (367,6)	$ 225,9	$ 229,6	$ 348,0
Per common share										
Net income	$ 0,27	$ 0,70	$ 0,17	$ 0,10	$ 0,21	$ 0,19	$ (0,27)	$ 0,16	$ 0,16	$ 0,25
Dividend - Class B share	0,181563	0,136563	0,046563	0,035313	0,045000	0,033750	0,045000	0,033750	0,045000	0,033750
Market price range of Class B Share										
High	24,65	26,70	24,35	20,50	24,65	24,50	22,40	26,70	17,39	25,80
Low	9,19	13,90	18,80	13,90	21,26	18,45	9,19	22,40	9,80	20,85
Net segmented assets										
Aerospace			$ 4 309,2	$ 3 702,3	$ 5 329,4	$ 4 107,7	$ 5 899,8	$ 4 580,8	$ 5 289,6	$ 3 231,0
Recreational products			512,5	167,0	374,8	272,8	399,1	216,3	388,2	62,4
Transportation			261,3	(771,8)	479,3	(644,6)	294,7	(481,5)	322,7	(615,9)
BC			1 405,5	1 052,5	1 394,3	1 069,3	1 238,2	1 221,2	1 343,0	1 376,0
			6 488,5	4 150,0	7 577,8	4 805,2	7 831,8	5 536,8	7 343,5	4 053,5
Accounts payable and accrued liabilities			3 837,7	3 268,1	6 214,0	2 958,3	6 639,9	3 220,4	7 360,9	3 840,0
Advances and progress billings in excess of related costs			2 089,0	2 255,1	3 213,7	2 451,6	3 318,5	2 386,1	3 019,0	2 362,8
Accrued benefit liability and other			509,7	—	880,7	—	1 007,0	—	1 061,6	492,1
Advances to BC			522,0	578,0	99,6	170,2	83,0	149,4	20,0	205,5
Deferred income taxes			82,0	—	430,4	—	767,4	—	583,2	109,5
Cash and cash equivalents			411,0	701,5	647,1	521,2	259,7	419,5	462,8	1 358,8
Total assets – Bombardier			13 939,9	10 952,7	19 063,3	10 906,5	19 907,3	11 712,2	19 851,0	12 422,2
Investment in and advances to BC			(1 927,5)	(1 630,5)	(1 493,9)	(1 239,5)	(1 321,2)	(1 370,6)	(1 363,0)	(1 581,5)
Total assets – BC			10 253,9	8 217,3	10 993,2	8 561,9	9 481,7	8 536,8	9 264,6	9 563,6
Total assets – Bombardier Inc. consolidated			$ 22 266,3	$ 17 539,5	$ 28 562,6	$ 18 228,9	$ 28 067,8	$ 18 878,4	$ 27 752,6	$ 20 404,3

Management's responsibility for Financial Reporting

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

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

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

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

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

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

Louis Morin, CA
Senior Vice President and
Chief Financial Officer

March 19, 2002

AUDITORS' REPORT

To the Shareholders of
Bombardier Inc.

We have audited the consolidated balance sheets of **Bombardier Inc.** as at January 31, 2002 and 2001 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 Canadian generally accepted auditing standards. 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, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Montréal, Canada
February 26, 2002 (except for note 28, which is as at March 8, 2002)

Bombardier Inc.

CONSOLIDATED BALANCE SHEETS

As at January 31, 2002 and 2001
(millions of Canadian dollars)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**2002**	2001	**2002**	2001	**2002**	2001
ASSETS							
Cash and cash equivalents		**$ 462,8**	$ 1 373,9	**$ 462,8**	$ 1 358,8	**$ —**	$ 15,1
Receivables	3	**1 902,1**	851,2	**1 590,7**	626,5	**311,4**	224,7
Finance receivables	4	**6 461,7**	7 202,7	**63,4**	62,0	**6 398,3**	7 140,7
Assets under operating leases	5	**1 831,2**	1 768,1	**—**	—	**1 831,2**	1 768,1
Inventories	6	**8 956,5**	6 413,7	**8 956,5**	6 413,7	**—**	—
Property, plant and equipment	7	**3 408,4**	2 090,9	**3 245,3**	1 958,1	**163,1**	132,8
Goodwill	8	**2 712,9**	—	**2 712,9**	—	**—**	—
Investment in and advances to BC		**—**	—	**1 363,0**	1 581,5	**—**	—
Other assets	9	**2 017,0**	703,8	**1 456,4**	421,6	**560,6**	282,2
		$ 27 752,6	$ 20 404,3	**$ 19 851,0**	$ 12 422,2	**$ 9 264,6**	$ 9 563,6
LIABILITIES							
Short-term borrowings	10	**$ 3 037,0**	$ 2 531,2	**$ 1 341,7**	$ —	**$ 1 695,3**	$ 2 531,2
Advances from Bombardier		**—**	—	**—**	—	**20,0**	205,5
Accounts payable and accrued liabilities	11	**7 779,4**	4 036,6	**7 360,9**	3 840,0	**418,5**	196,6
Advances and progress billings in excess of related costs	6	**3 019,0**	2 362,8	**3 019,0**	2 362,8	**—**	—
Long-term debt	12	**7 857,7**	6 131,2	**2 080,7**	879,4	**5 777,0**	5 251,8
Other liabilities	13	**1 969,5**	1 530,1	**1 958,7**	1 527,6	**10,8**	2,5
		23 662,6	16 591,9	**15 761,0**	8 609,8	**7 921,6**	8 187,6
SHAREHOLDERS' EQUITY (INVESTMENT IN BC)		**4 090,0**	3 812,4	**4 090,0**	3 812,4	**1 343,0**	1 376,0
		$ 27 752,6	$ 20 404,3	**$ 19 851,0**	$ 12 422,2	**$ 9 264,6**	$ 9 563,6

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

Bombardier Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended January 31, 2002 and 2001
(millions of Canadian dollars)

		2002		2001	
	Notes	**Number**	**Amount**	Number	Amount
		(in thousands)		(in thousands)	
SHARE CAPITAL	14				
Preferred shares – Series 2		**12,000**	**$ 300.0**	12,000	$ 300.0
Common shares					
Class A (Multiple Voting) Shares					
Balance at beginning of year		**347,426**	**48.1**	351,594	48.6
Redemption of shares		**—**	**—**	(4,015)	(0.5)
Converted to Class B		**(5,059)**	**(0.7)**	(153)	—
Balance at end of year		**342,367**	**47.4**	347,426	48.1
Class B (Subordinate Voting) Shares					
Balance at beginning of year		**1,018,625**	**821.9**	1,026,024	813.7
Issued under the share option plans	15	**4,720**	**26.2**	4,299	17.6
Redemption of shares		**—**	**—**	(11,851)	(9.4)
Converted from Class A		**5,059**	**0.7**	153	—
Balance at end of year		**1,028,404**	**848.8**	1,018,625	821.9
Balance at end of year – common shares		**1,370,771**	**896.2**	1,366,051	870.0
Total – share capital			**1,196.2**		1,170.0
RETAINED EARNINGS					
Balance at beginning of year			**2,660.0**		2,392.5
Effect of change of accounting policy for employee future benefits			**—**		(210.6)
Balance at beginning of year – adjusted			**2,660.0**		2,181.9
Net income			**390.9**		975.4
Dividends:					
Preferred shares			**(16.5)**		(16.5)
Common shares			**(248.0)**		(186.3)
Excess of redemption price of common shares over stated value			**—**		(293.9)
Other			**(1.1)**		(0.6)
Balance at end of year			**2,785.3**		2,660.0
DEFERRED TRANSLATION ADJUSTMENT			**108.5**		(17.6)
TOTAL – SHAREHOLDERS' EQUITY			**$ 4,090.0**		$ 3,812.4

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.

Bombardier Inc.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended January 31, 2002 and 2001
(millions of Canadian dollars, except per share amounts)

		Bombardier Inc. consolidated		Bombardier		BC	
	Notes	**2002**	2001	**2002**	2001	**2002**	2001
REVENUES	26	**$ 21,633.8**	$ 15,943.7	**$ 21,056.4**	$ 15,274.2	**$ 966.8**	$ 935.9
Cost of sales and operating expenses	17, 18	**19,480.6**	14,323.9	**18,954.1**	13,594.7	**915.9**	995.6
Depreciation and amortization	26	**467.1**	302.3	**322.1**	210.0	**145.0**	92.3
Interest expense	18	**182.0**	108.2	**182.0**	69.8	**—**	38.4
Other income	19, 26	**(170.6)**	(218.6)	**(35.1)**	(43.6)	**(135.5)**	(175.0)
Net loss (income) from BC before BC's special items		**—**	—	**(24.6)**	9.1	**—**	—
		19,959.1	14,515.8	**19,398.5**	13,840.0	**925.4**	951.3
Income (loss) before special items, income taxes and goodwill amortization		**1,674.7**	1,427.9	**1,657.9**	1,434.2	**41.4**	(15.4)
Special items	20	**1,070.2**	29.7	**812.8**	(2.1)	**662.5**	79.5
Income (loss) before income taxes and goodwill amortization		**604.5**	1,398.2	**845.1**	1,436.3	**(621.1)**	(94.9)
Income taxes	21	**167.0**	422.8	**407.6**	460.9	**(240.6)**	(38.1)
Income (loss) before goodwill amortization		**437.5**	975.4	**437.5**	975.4	**(380.5)**	(56.8)
Goodwill amortization		**46.6**	—	**46.6**	—	**—**	—
NET INCOME (LOSS)		**$ 390.9**	$ 975.4	**$ 390.9**	$ 975.4	**$ (380.5)**	$ (56.8)
EARNINGS PER SHARE:	16						
Basic		**$ 0.27**	$ 0.70				
Diluted		**$ 0.27**	$ 0.69				
EARNINGS PER SHARE, BEFORE GOODWILL AMORTIZATION:	16						
Basic		**$ 0.31**	$ 0.70				
Diluted		**$ 0.30**	$ 0.69				

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended January 31, 2002 and 2001 (millions of Canadian dollars)

	Notes	Bombardier Inc. consolidated 2002	Bombardier Inc. consolidated 2001	Bombardier 2002	Bombardier 2001	BC 2002	BC 2001
OPERATING ACTIVITIES							
Net income (loss)		**$ 390.9**	$ 975.4	**$ 390.9**	$ 975.4	**$ (380.5)**	$ (56.8)
Non-cash items:							
Depreciation and amortization		**513.7**	302.3	**368.7**	210.0	**145.0**	92.3
Net loss from BC		**—**	—	**380.5**	56.8	**—**	—
Provision for credit losses	4	**117.5**	150.8	**—**	—	**117.5**	150.8
Deferred income taxes	21	**34.1**	271.8	**273.5**	350.0	**(239.4)**	(78.2)
Special items	20	**1,070.2**	29.7	**407.7**	(49.8)	**662.5**	79.5
Net changes in non-cash balances related to operations	22	**(2,815.0)**	(830.1)	**(2,703.7)**	(629.4)	**(111.3)**	(200.7)
Cash flows from operating activities		**(688.6)**	899.9	**(882.4)**	913.0	**193.8**	(13.1)
INVESTING ACTIVITIES							
Additions to property, plant and equipment		**(838.8)**	(415.1)	**(789.8)**	(395.4)	**(49.0)**	(19.7)
Net investment in finance receivables		**(869.7)**	(1,061.7)	**(1.5)**	(4.8)	**(868.2)**	(1,056.9)
Additions to assets under operating leases		**(1,021.1)**	(2,201.0)	**—**	—	**(1,021.1)**	(2,201.0)
Disposal of assets under operating leases		**924.2**	1,427.5	**—**	—	**924.2**	1,427.5
Business acquisitions, net of cash acquired	2	**(979.8)**	—	**(979.8)**	—	**—**	—
Disposal of businesses	20	**—**	66.1	**—**	66.1	**—**	—
Investment in and advances to BC		**—**	—	**(90.4)**	(77.5)	**90.4**	77.5
Other		**(122.5)**	(60.9)	**(80.6)**	(14.0)	**(41.9)**	(46.9)
Cash flows from investing activities		**(2,907.7)**	(2,245.1)	**(1,942.1)**	(425.6)	**(965.6)**	(1,819.5)
FINANCING ACTIVITIES							
Net variation in short-term borrowings		**26.0**	458.1	**986.5**	—	**(960.5)**	458.1
Proceeds from issuance of long-term debt		**3,881.9**	1,425.3	**1,210.4**	38.4	**2,671.5**	1,386.9
Repayment of long-term debt		**(1,009.7)**	(220.2)	**(48.4)**	(139.0)	**(961.3)**	(81.2)
Issuance of shares, net of related costs		**26.2**	17.6	**26.2**	17.6	**—**	—
Redemption of shares	14	**—**	(303.8)	**—**	(303.8)	**—**	—
Dividends paid		**(264.5)**	(202.8)	**(264.5)**	(202.8)	**—**	—
Cash flows from financing activities		**2,659.9**	1,174.2	**1,910.2**	(589.6)	**749.7**	1,763.8
Effect of exchange rate changes on cash and cash equivalents		**25.3**	(119.1)	**18.3**	(87.7)	**7.0**	(31.4)
Net decrease in cash and cash equivalents		**(911.1)**	(290.1)	**(896.0)**	(189.9)	**(15.1)**	(100.2)
Cash and cash equivalents at beginning of year		**1,373.9**	1,664.0	**1,358.8**	1,548.7	**15.1**	115.3
Cash and cash equivalents at end of year		**$ 462.8**	$ 1,373.9	**$ 462.8**	$ 1,358.8	**$ —**	$ 15.1
Supplemental information							
Cash paid for - interest		**$ 477.3**	$ 582.2				
- income taxes		**$ 79.8**	$ 76.0				

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the years ended January 31, 2002 and 2001

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, in this column, 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. 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.

Use of estimates

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

Translation of foreign currencies

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

(a) Self-sustaining foreign operations

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

(b) Accounts in foreign currencies

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

Cash and cash equivalents

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

Bombardier Inc. consolidated – Significant Accounting Policies (cont'd)

Property, plant and equipment

Property, plant and equipment 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

Depreciation of assets under construction commences when they are ready for their intended use.

Income taxes

Income taxes are provided for using the liability method. Under this method, deferred income tax assets and liabilities are determined based on all significant differences between the carrying amounts and tax bases of assets and liabilities using substantively enacted tax rates and laws expected to be in effect when the differences reverse.

Earnings per share

Basic earnings per share and basic earnings per share before goodwill amortization are computed based on net income less dividends on preferred shares and net income before goodwill amortization less dividends on preferred shares, respectively, divided by the weighted average number of Class A (Multiple Voting) Shares and Class B (Subordinate Voting) Shares outstanding during the year. Diluted earnings per share are computed using the treasury stock method, giving 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 health care costs. Plan obligations are discounted using current market interest rates and plan assets are presented at fair value. The excess of net actuarial gains and losses over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized to income over the estimated average remaining service life of participants.

Bombardier Inc. consolidated – Significant Accounting Policies (cont'd)

Allowance for credit losses

Finance receivables and trade receivables are classified as 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, interest-rate swap agreements and cross-currency 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 and cross-currency interest rate swap agreements are recognized as adjustments to interest expense.

Environmental obligations

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

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 mostly 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, or based on the units of delivery method when more appropriate.

Estimated revenues from long-term contracts include future revenues from claims when it is probable 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.

New business aircraft contracts are segmented between green aircraft (i.e. before interiors and optional avionics are installed) and completion of interiors. Revenues are recognized based on green aircraft deliveries and upon final acceptance of interiors by the customers.

Revenues from the sale of commercial aircraft, fractional interests in business 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.

Bombardier – Significant Accounting Policies (cont'd)

Cost of sales (cont'd)

- 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.

Inventory valuation

- Long-term contracts

  Long-term contract inventory is mostly computed under the percentage-of-completion method of accounting or under the units of delivery method when more appropriate. It includes material, direct labour, related manufacturing overhead costs and, in the case of contracts accounted for using the percentage-of-completion method, estimated margins.

- Aerospace programs

  Inventory costs determined under the program accounting method include raw materials, direct labour and related manufacturing overhead as well as non-recurring costs (development, pre-production and tooling 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 received and progress billings on long-term contracts and aerospace programs are deducted from related costs in inventories. Advances and progress billings in excess of related contract costs are shown as liabilities.

Bombardier – Significant Accounting Policies (cont'd)

Goodwill

Goodwill represents the difference between the purchase price, including acquisition costs, of businesses acquired and the fair value of the identifiable net assets acquired. Goodwill is amortized on a straight-line basis over its useful life over 40 years. The carrying value of goodwill is reviewed periodically for impairment based on an estimate of the undiscounted cash flows of the related acquired businesses over the remaining period of amortization. Effective February 1, 2002, the Corporation prospectively adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") relating to goodwill and other intangible assets and therefore ceased amortizing goodwill as of that date and adopted the goodwill impairment model introduced by the new accounting rules.

Intangible assets

Intangible assets represent the cost of acquired licenses, patents and trademarks and are amortized over their estimated useful lives, not exceeding 20 years. The carrying value of intangible assets is reviewed periodically for impairment based on an estimate of the undiscounted cash flows over the remaining period of amortization.

BC – Significant Accounting Policies

Interest income

Interest income related to finance receivables is recognized on an accrual basis computed on the average daily finance receivables balance outstanding and is recorded in revenues.

Sales of finance receivables

Since April 1, 2001, transfers of finance receivables in securitization transactions are recognized as sales when BC is deemed to have surrendered control over these assets and consideration other than beneficial interests in the transferred assets was received by BC. Assets retained may include interest-only strips, subordinated tranches of securities, servicing rights, overcollateralization amounts and cash reserve accounts, all of which are included in retained interests in the securitized receivables. When the transfer is considered a sale, BC derecognizes all assets sold, recognizes at fair value the assets received and the liabilities incurred and records the gain or loss on the sale in other income. Such gain or loss depends in part on the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer. Fair values are obtained from quoted market prices, when available. However, quotes are generally not available for retained interests and BC generally estimates fair values based on the present value of future expected cash flows using Management's best estimates for credit losses, rate of prepayment, forward yield curves, and discount rates commensurate with the risks involved.

Prior to April 1, 2001 finance receivables transferred were recognized as sales when the significant risks and rewards of ownership were transferred to the purchaser. Transactions entered into prior to April 1, 2001 or completed subsequently pursuant to a commitment made prior to April 1, 2001 were accounted for under the former accounting standard.

BC – Significant Accounting Policies (cont’d)

Deferred origination costs

BC defers the direct origination costs of finance receivables. These costs are amortized on a yield basis over the expected term of the finance receivables.

Lease receivables

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 and is recorded in revenues.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended January 31, 2002 and 2001
(tabular figures in millions of Canadian dollars, except share capital and share option plans)

1. CHANGES IN ACCOUNTING POLICIES

Earnings per share

Effective February 1, 2001, the Corporation retroactively adopted the new recommendations published by 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 diluted earnings per share. The impact of the adoption of the new recommendations on the computation of basic and diluted earnings per share is not material for the current and prior years.

Transfer of receivables

Effective April 1, 2001, the Corporation prospectively adopted the new CICA recommendations applicable to the transfer of receivables. The new recommendations are essentially consistent with the requirements of the US Financial Accounting Standards Board Statement No. 140. The effect of adopting the new recommendations on the Corporation's consolidated income, financial position and cash flows is not material for the current year.

2. BUSINESS ACQUISITIONS

ADTRANZ

Effective May 1, 2001, the Corporation acquired from DaimlerChrysler AG ("DaimlerChrysler") of Stuttgart, Germany, all of the common shares of its subsidiary DaimlerChrysler Rail Systems GmbH ("Adtranz") based in Berlin, an integrated manufacturer of transportation equipment, for a cash consideration of $725 million US ($1.1 billion). The terms of the sale and purchase agreement ("SPA") provide for a purchase price based on the carrying value of the adjusted net assets acquired as at April 30, 2001 (the "Net Asset Amount") as determined under US generally accepted accounting principles ("US GAAP"). The SPA also contemplates a maximum purchase price adjustment of €150.0 million, provided that the minimum Net Asset Amount was delivered at closing of the transaction. Under the SPA, on April 30, 2001, DaimlerChrysler made contractual representations and guarantees to the Corporation, including a written confirmation that the minimum level of Net Asset Amount was met.

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. The resulting Net Asset Amount did not meet the minimum value contemplated in the SPA due to significant adjustments pertaining to the application of US GAAP and unrecorded costs required to complete contracts with third parties. The SPA provides for a negotiation procedure, and, if warranted, for an arbitration process.

2. BUSINESS ACQUISITIONS (cont'd)

Discussions with DaimlerChrysler have failed to result in an agreement on the value of the Net Asset Amount at closing and, accordingly, the Corporation has notified DaimlerChrysler that it will file a claim against it for damages under the arbitration process governed by the rules of arbitration of the International Chamber of Commerce, as set forth in the SPA. The Corporation's claim will be in the order of € 1.0 billion ($1.4 billion). The claim for damages is largely based on material breaches of contractual representations and guarantees, including a significant deficiency in the Net Asset Amount. The ultimate outcome of the above-mentioned disagreement cannot be determined at this time. Bombardier has recorded an initial adjustment of $205.6 million (€150.0 million) as a reduction of goodwill in connection with the purchase price adjustment clause of the SPA. Resolution of the claim in excess of €150.0 million will be accounted for as an additional reduction of goodwill.

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:

Cash and cash equivalents	**$ 279.5**
Receivables	**1,195.3**
Inventories (net of advances of $1,145.2)	**618.0**
Property, plant and equipment	**729.1**
Deferred income taxes	**823.5**
Other assets	**396.2**
	4,041.6
Intercompany balance with DaimlerChrysler	**(374.3)**
Accounts payable and accrued liabilities	**(3,231.0)**
Advances and progress billings in excess of related costs	**(1,571.0)**
Long-term debt	**(29.1)**
Other liabilities	**(428.2)**
	(5,633.6)
Identifiable net assets at fair value	**(1,592.0)**
Goodwill	**2,764.2**
Purchase consideration	**$ 1,172.2**

Management has established the preliminary purchase price allocation taking into account all relevant information at the time of preparing these consolidated financial statements. However, the preliminary purchase price allocation is subject to further refinements. A provision for restructuring costs amounting to $189.2 million, of which $78.1 million relates to the write down of acquired property, plant and equipment, has been recorded in the purchase equation. The remaining amount of the provision relates to anticipated employee severance and other involuntary termination costs as well as other exit costs.

The Corporation has not recognized, in its preliminary purchase price allocation, future income tax benefits amounting to approximately $645.0 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.

2. BUSINESS ACQUISITIONS (cont'd)

OMC

On March 9, 2001, the Corporation acquired for a cash consideration of $53.8 million US ($83.3 million), before acquisition costs of $3.8 million, most of the net assets of the engine manufacturing operations of Outboard Marine Corporation ("OMC"). This acquisition 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.

Net assets acquired at fair value

Receivables	**$ 8.3**
Inventories	**76.3**
Property, plant and equipment	**73.8**
	158.4
Accounts payable and accrued liabilities	**(71.3)**
Purchase consideration	**$ 87.1**

3. RECEIVABLES

Bombardier's receivables essentially comprise trade accounts receivable. These receivables were concentrated in the transportation and aerospace segments (86% and 9%, respectively, as at January 31, 2002; 73% and 22%, respectively, as at January 31, 2001) and were mainly located in Europe and in North America (72% and 19%, respectively, as at January 31, 2002; 54% and 39%, respectively, as at January 31, 2001).

4. FINANCE RECEIVABLES

	2002			2001		
	Total	**Weighted average maturity (months)**	**Weighted average rate (%)**	Total	Weighted average maturity (months)	Weighted average rate (%)
BC						
Commercial						
- Loans	**$ 1,164.4**	**58**	**6.9**	$ 1,166.7	61	9.2
- Receivables	**2,481.7**	**12**	**4.6**	1,670.5	12	8.6
- Lease receivables	**504.6**	**35**	**5.9**	342.0	36	8.9
	4,150.7	**28**	**5.4**	3,179.2	32	8.9
Floor plan						
- Receivables	**973.7**	**6**	**9.6**	972.1	6	11.4
	5,124.4			4,151.3		
Allowance for credit losses	**(32.3)**			(22.2)		
Total - continued portfolios	**5,092.1**			4,129.1		
Discontinued portfolios (1)						
Manufactured housing loans	**630.7**	**267**	**11.7**	2,067.6	315	10.7
Consumer loans	**443.9**	**98**	**11.5**	274.9	91	13.5
Other (2)						
- Loans	**131.5**			169.0		
- Lease receivables	**341.1**			610.9		
	472.6	**28**	**8.6**	779.9	36	8.9
	1,547.2			3,122.4		
Allowance for credit losses	**(241.0)**			(110.8)		
Total - discontinued portfolios	**1,306.2**			3,011.6		
	6,398.3			7,140.7		
Bombardier						
Finance receivables	**63.4**			62.0		
Total	**$ 6,461.7**			$ 7,202.7		

(1) During the year ended January 31, 2002, Management decided to exit the manufactured housing and consumer finance activities. As a result, these portfolios have been reclassified as discontinued portfolios.

(2) Includes the technology management and finance, mid-market equipment commercial finance and small ticket finance portfolios.

4. FINANCE RECEIVABLES (cont'd)

PRODUCT DESCRIPTION – BC

i. Commercial loans and receivables

Commercial loans and receivables include aircraft, transportation and industrial equipment loans and receivables mostly related to third-party financing of business aircraft and related products, railcar financing and interim financing of commercial aircraft. Receivables mostly arise from the factoring of the Bombardier manufacturing segments' receivables from third parties. They are generally collateralized by the related assets.

ii. Floor plan receivables

Floor plan 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.

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

iii. 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.

In connection with BC's decision to exit completely from the manufactured housing finance activity as described in note 20, modifications were made to certain securitization transactions for manufactured housing portfolios. As a result, these portfolios, previously securitized and accounted for as financing transactions, and their corresponding asset-backed bonds recorded as long-term debt, are no longer presented on the Corporation's balance sheet.

iv. Consumer loans

Consumer loans relate primarily to the financing of third-party recreational products in the form of revolving credit and installment loans secured by the related recreational products to consumers in the United States. This portfolio was discontinued during the year ended January 31, 2002.

4. FINANCE RECEIVABLES (cont'd)

v. Lease receivables

Lease receivables consist of the following:

	2002	2001
Total minimum lease payments	**$ 955.2**	$1,072.2
Unearned income	**(144.3)**	(176.8)
Unguaranteed residual value	**34.8**	57.5
	$ 845.7	$ 952.9

The minimum lease payments for the next five years are as follows: 2003 – $473.3 million; 2004 – $160.6 million; 2005 – $98.5 million; 2006 – $58.1 million and 2007 – $52.4 million.

vi. Credit facilities

BC has provided certain of its third-party customers with lines of credit totalling $703.0 million and $2,582.0 million US as at January 31, 2002 ($796.0 million and $2,589.5 million US as at January 31, 2001). The unused portion of these facilities amounted to $268.9 million and $1,055.7 million US as at January 31, 2002 ($414.2 million and $1,042.0 million US as at January 31, 2001).

ALLOWANCE FOR CREDIT LOSSES

Changes in the allowance for credit losses were as follows:

	2002	2001
Balance at beginning of year	**$ 133.0**	$ 56.5
Provision for credit losses	**657.9**	230.3
Amounts charged off – net of recoveries	**(517.6)**	(153.8)
Balance at end of year	**$ 273.3**	$ 133.0

The provision for credit losses included a special charge of $540.4 million for the year ended January 31, 2002 and $79.5 million for the year ended January 31, 2001 as described in note 20 .

Impaired finance receivables amounted to $106.1 million and $187.5 million as at January 31, 2002 for continued and discontinued portfolios respectively ($25.8 million and $356.4 million as at January 31, 2001). Repossessed assets amounted to $41.3 million and $84.1 million as at January 31, 2002 and 2001 respectively. The allowance for credit losses has been established after taking into consideration expected recoveries from impaired finance receivable collections of principal and interest and from collateral realizations.

4. FINANCE RECEIVABLES (cont'd)

GEOGRAPHIC DISTRIBUTION – BC

The geographic distribution of BC's finance receivables, before allowance for credit losses, was as follows:

	2002				
	Canada	**United States**	**Western Europe**	**Other**	**Total**
Loans	**$ 149.6**	**$ 1,792.5**	**$ 288.3**	**$ 140.1**	**$ 2,370.5**
Receivables	**1,145.0**	**2,090.6**	**219.8**	**—**	**3,455.4**
Lease receivables	**105.8**	**470.1**	**145.7**	**124.1**	**845.7**
	$ 1,400.4	**$ 4,353.2**	**$ 653.8**	**$ 264.2**	**$ 6,671.6**

	2001				
	Canada	United States	Western Europe	Other	Total
Loans	$ 515.5	$ 2,821.8	$ 90.9	$ 250.0	$ 3,678.2
Receivables	1,001.5	1,500.9	140.2	—	2,642.6
Lease receivables	163.1	672.4	23.5	93.9	952.9
	$ 1,680.1	$ 4,995.1	$ 254.6	$ 343.9	$ 7,273.7

No single customer represented more than 10% of BC's finance receivables as at January 31, 2002 and 2001.

4. FINANCE RECEIVABLES (cont'd)

SECURITIZATIONS AND OTHER TRANSFERS OF RECEIVABLES

BC periodically sells finance receivables to third-party special purpose entities ("SPEs"). The SPEs issue various asset-backed securities representing interests in the assets transferred. During the years ended January 31, 2002 and 2001, BC sold $3,860.0 million and $4,106.7 million of floor plan finance receivables to revolving securitization SPEs. In addition to the finance receivables presented on its balance sheet, BC was servicing $1,890.7 million as at January 31, 2002 ($1,969.4 million as at January 31, 2001) of securitized floor plan finance receivables. It also continues to service $313.8 million as at January 31, 2002 ($1,335.1 million as at January 31, 2001) of finance receivables related to securitized discontinued portfolios. In addition, an amount of $2,635.3 million as at January 31, 2002 of manufactured housing loans in public securitization vehicles are serviced by BC but are not considered assets under management, following Management's September 26, 2001 decision to exit this business.

BC retains interests in the finance receivables sold to SPEs, including interest-only strips (representing the present value of the SPEs' expected future excess cash flows), subordinated tranches of securities, servicing rights, overcollateralization amounts, cash reserve accounts and transferor interests. BC retained interests amounting to $827.5 million as at January 31, 2002 ($674.0 million as at January 31, 2001) in the finance receivables sold to SPEs. BC records fee income in connection with the retained servicing rights. BC's retained interests are presented with the related finance receivable portfolios.

BC provides credit enhancements in order to achieve certain credit ratings for the asset-backed securities issued by the SPEs by way of subordination of a portion of its retained interests. Credit enhancements amounted to $621.9 million as at January 31, 2002. The holders of asset-backed securities and the securitization SPEs have no recourse to BC's other assets.

In addition, BC services a portfolio of lease receivables sold to third parties related to its discontinued technology management and finance portfolio, amounting to $89.9 million as at January 31, 2002 ($194.2 million as at January 31, 2001).

5. ASSETS UNDER OPERATING LEASES

BC's assets under operating leases were as follows:

		2002	2001
Aircraft	- Business	**$ 1,133.0**	$1,032.2
	- Commercial	**645.2**	521.8
Freightcars	- Assets held for resale	**81.0**	184.0
Industrial equipment		**61.7**	25.2
Discontinued portfolios (note 4)		**88.7**	94.4
		2,009.6	1,857.6
Accumulated depreciation		**(178.4)**	(89.5)
		$ 1,831.2	$1,768.1

Freightcars held temporarily, pending their financing through sale and leaseback transactions, are presented as assets held for resale. For the purpose of establishing the assets under management, the portfolio of off-balance sheet freightcars amounted to $1,067.9 million as at January 31, 2002 ($917.8 million as at January 31, 2001) which represents the net present value of the minimum lease payments of $1,974.4 million as at January 31, 2002 ($1,737.7 million as at January 31, 2001), pursuant to sale and leaseback transactions disclosed in note 25 b).

The weighted average maturity of the operating leases was 52 months as at January 31, 2002 (53 months as at January 31, 2001).

Depreciation of assets under operating leases was $132.4 million for the year ended January 31, 2002 ($81.8 million for the year ended January 31, 2001) and is included in depreciation and amortization.

6. INVENTORIES

		2002		2001
Raw materials and work in process	**$**	**545.4**	$	395.0
Long-term contracts and aerospace programs		**7,087.8**		5,436.9
Finished products		**1,323.3**		581.8
	$	**8,956.5**	$	6,413.7

AEROSPACE PROGRAMS

Inventory costs include non-recurring and excess over average production costs for which recovery depends on future firm customer orders. As at January 31, 2002, costs to be recovered from future firm customer orders amounted to $2,498.4 million ($2,137.0 million as at January 31, 2001) for programs under commercial production. For programs not yet under commercial production, namely the Bombardier Continental, the Bombardier Global 5000 and the Canadair Regional Jet Series 900, non-recurring costs amounted to $433.5 million as at January 31, 2002 ($233.6 million as at January 31, 2001 for the Bombardier Continental and the Bombardier CRJ 900).

Anticipated proceeds from future sales of aircraft for each program exceeded the related costs in inventory as at January 31, 2002 and 2001, 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. During the year ended January 31, 2002, an amount of $264.0 million of non-recurring costs for the Bombardier Q400 aircraft was written off (see note 20).

ADVANCES AND PROGRESS BILLINGS

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.

Costs incurred and accrued margins related to long-term contracts and costs incurred related to on-going aerospace programs amounted to $11,693.2 million as at January 31, 2002 ($9,485.3 million as at January 31, 2001). Advances received and progress billings on long-term contracts and on-going aerospace programs amounted to $7,624.4 million as at January 31, 2002 ($6,411.2 million as at January 31, 2001) of which $3,019.0 million represents a liability disclosed as advances and progress billings in excess of related costs as at January 31, 2002 ($2,362.8 million as at January 31, 2001).

7. PROPERTY, PLANT AND EQUIPMENT

	2002		2001	
	Cost	**Accumulated depreciation**	Cost	Accumulated depreciation
Bombardier				
Land	**$ 213.8**	**$ —**	$ 109.9	$ —
Buildings	**2,062.2**	**417.1**	1,251.7	347.3
Equipment	**2,295.3**	**1,162.7**	1,867.2	1,071.3
Other	**367.5**	**113.7**	205.5	57.6
	4,938.8	**1,693.5**	3,434.3	1,476.2
BC	**213.7**	**50.6**	172.5	39.7
	5,152.5	**$ 1,744.1**	3,606.8	$ 1,515.9
Accumulated depreciation	**(1,744.1)**		(1,515.9)	
	$ 3,408.4		$ 2,090.9	

Included in the above are assets under construction and development amounting to $357.2 million as at January 31, 2002 ($360.2 million as at January 31, 2001).

8. GOODWILL

Goodwill amounted to $2,712.9 million, net of accumulated amortization of $45.7 million, as at January 31, 2002 (nil as at January 31, 2001). Goodwill is related to the Adtranz acquisition described in note 2.

9. OTHER ASSETS

	2002		2001	
	Bombardier	**BC**	Bombardier	BC
Licenses, patents and trademarks (net of accumulated amortization of $12.3 million)	**$ 257.2**	**$ —**	$ —	$ —
Deferred income taxes	**583.2**	**325.5**	109.5	72.3
Prepaid expenses	**159.9**	**86.7**	96.4	75.9
Accrued benefit asset	**246.4**	**—**	146.6	—
Other	**209.7**	**148.4**	69.1	134.0
	$ 1,456.4	**$ 560.6**	$ 421.6	$ 282.2

10. SHORT-TERM BORROWINGS

	2002	2001
Bombardier	**$ 1,341.7**	$ —
BC	**1,695.3**	2,531.2
	$ 3,037.0	$ 2,531.2

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, 2002 and 2001.

Bombardier

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

2002							
	Available	**Drawn**			**Rate**		**Maturity**
		Cash	**(Currency component)**	**Letters of credit**	**Year-end**	**Average for the year**	
Credit facilities:							
European	**$ 2,325.9**	**$ 414.9**	**(300.0 €)**	**$ 985.7**	**3.6%**	**4.2%**	**2006**
North American	**1,750.0**	**165.4**		**145.5**	**2.2%**	**3.7%**	**2003-2006**
	$ 4,075.9	**580.3**		**$ 1,131.2**			
Borrowings:							
Notes		**761.4**	**(200.0 € 20,000.0 ¥)**		**2.4%**	**2.7%**	**2003**
		$ 1,341.7					

2001						
	Available	Drawn		Rate		Maturity
		Cash	Letters of credit	Year-end	Average for the year	
Credit facilities:						
European	$ 2,373.7	$ —	$ 1,190.1	—	6.3%	2006
North American	1,750.0	—	346.6	—	6.0%	2002-2006
	$ 4,123.7	$ —	$ 1,536.7			

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.

During the year ended January 31, 2002, the Corporation renewed the committed 364-day, $750.0 million portion of its syndicated North American bank credit facility until September 2002. 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 or the facility may be used for the issuance of letters of credit. The facility may also be used as a liquidity back-up for the Corporation's $1.0 billion Commercial Paper program.

10. SHORT-TERM BORROWINGS (cont'd)

In August 2001, Bombardier Inc. issued $250.0 million of 13-month floating-rate notes in the Canadian market and Bombardier Corporation, a wholly owned subsidiary of the Corporation, issued $518.3 million (€200 million and ¥ 20 billion) of 13-month floating-rate notes in the Euromarket.

In addition, standby letters of credit were assumed as a result of the Adtranz acquisition described in note 2, amounting to $2,449.4 million as at January 31, 2002 and Bombardier had $1,213.9 million of outstanding letters of credit as at January 31, 2002 ($703.1 million as at January 31, 2001) in addition to the outstanding letters of credit shown in the table above.

BC

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

		2002					
	Available	**Drawn (Cash)**		**Rate**		**Maturity**
			(US $ component)	**Year-end**	**Average for the year**	
Credit facilities:						
Revolving lines	**$ 2,610.8**	**$ 1,277.3**	**($749.5 US)**	**2.1%**	**4.3%**	**2003-2006**
Bank loans	**286.6**	**215.3**	**($95.0 US)**	**2.9%**	**4.6%**	**2003**
Other	**796.3**	**202.7**	**($124.4 US)**	**2.0%**	**2.6%**	**2003**
	$ 3,693.7	**$ 1,695.3**				

		2001				
	Available	Drawn (Cash)		Rate		Maturity
			(US $ component)	Year-end	Average for the year	
Credit facilities:						
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				

10. SHORT-TERM BORROWINGS (cont'd)

Revolving lines

Bombardier Capital Inc. has a $1.9 billion ($1.2 billion US) committed, unsecured, revolving credit facility with a syndicate of banks (the "U.S. Facility"). This facility is composed of two equal tranches: a 364-day tranche maturing September 2002 and a 5-year tranche maturing July 10, 2005. Bombardier Capital Ltd. has a $700.0 million committed, unsecured, revolving, 364-day credit facility with a syndicate of banks (the "Canadian Facility") maturing in September 2002. They also serve as liquidity back-up for the borrowers' respective commercial paper programs for a maximum amount of $1.9 billion ($1.2 billion US) for Bombardier Capital Inc. and $700.0 million for Bombardier Capital Ltd.

Under the U.S. Facility, amounts may be drawn at variable rates based on the U.S. base rate or LIBOR, while, under the Canadian Facility amounts may be drawn 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. The outstanding amounts under these facilities included $1,277.3 million as at January 31, 2002 ($2,221.5 million as at January 31, 2001) of commercial paper borrowings, with maturities of up to 6 months.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2002		2001	
	Bombardier	**BC**	Bombardier	BC
Accounts payable	**$ 2,990.2**	**$ 94.7**	$ 1,868.8	$ 62.6
Payroll-related liabilities	**447.7**	**0.3**	358.8	0.6
Accrued liabilities	**3,923.0**	**323.5**	1,612.4	133.4
	$ 7,360.9	**$ 418.5**	$ 3,840.0	$ 196.6

12. LONG-TERM DEBT

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

	2002			
	$	**Currency component**	**Average rate**	**Maturity**
Bombardier				
Debentures	**1,527.6**	**500.0 €** **175.0 £**	**6.4%**	**2004-2027**
Notes	**315.4**	**$ 167.3 US**	**6.6%**	**2004-2012**
Other loans	**237.7**	**$ 64.9 US** **32.6 €**	**4.0%**	**2003-2029**
	2,080.7			
BC				
Notes	**5,047.0**	**$ 2,730.0 US**	**3.0%**	**2003-2008**
Capital Trust Securities	**310.5**	**$ 195.0 US**	**2.4%**	**2033**
Debentures	**250.0**	**—**	**2.9%**	**2004**
Other loans	**169.5**	**$ 70.0 US**	**6.6%**	**2003-2017**
	5,777.0			
	7,857.7			

12. LONG-TERM DEBT (cont'd)

	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		

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, 2002, the remainder of the Corporation's long-term debt bears interest at fixed rates except for $172.1 million of Bombardier's other loans, $1,360.1 million of BC's notes and $26.0 million of other loans ($52.7 million of Bombardier's other loans, $525.0 million of BC's notes and $142.5 million of asset-backed bonds as at January 31, 2001).

Average rates are based on year-end balances and interest rates, after giving effect to the $5,683.9 million of interest-rate and cross-currency interest rate swap agreements ($2,941.3 million as at January 31, 2001) described in note 23.

As of January 31, 2002, BC no longer presents the asset-backed bonds related to the discontinued manufactured housing portfolios previously securitized to third parties on its balance sheet (see note 4).

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

	Bombardier Inc. consolidated	**Bombardier**	**BC**
2003	**$ 2,234.4**	**$ 50.3**	**$ 2,184.1**
2004	**1,394.1**	**184.3**	**1,209.8**
2005	**757.6**	**24.5**	**733.1**
2006	**585.4**	**257.2**	**328.2**
2007	**1,479.4**	**559.2**	**920.2**

As at January 31, 2002 and 2001, the Corporation had complied with the restrictive covenants contained in its various financing agreements.

13. OTHER LIABILITIES

	2002		2001	
	Bombardier	**BC**	Bombardier	BC
Income taxes payable	**$ 29.1**	**$ 2.6**	$ 91.1	$ 0.2
Accrued benefit liability	**1,036.2**	**3.3**	492.1	2.3
Deferred income taxes	**868.0**	**4.9**	944.4	—
Other	**25.4**	**—**	—	—
	$ 1,958.7	**$ 10.8**	$1,527.6	$ 2.5

14. SHARE CAPITAL

Preferred shares

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

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

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

14. SHARE CAPITAL (cont'd)

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

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.

15. 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, 71,013,694 were available for issuance under these share option plans as at January 31, 2002. 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, 2002 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 $5	**16,630,466**	**2.79**	**$ 3.57**	**16,630,466**	**$ 3.57**
$6 to $10	**13,507,768**	**6.46**	**9.10**	**4,324,915**	**8.14**
$11 to $15	**3,072,750**	**7.52**	**11.27**	**1,148,750**	**11.26**
$16 to $20	**4,285,000**	**8.21**	**18.62**	**—**	**—**
$21 to $25	**6,346,000**	**9.23**	**21.99**	**—**	**—**
	43,841,984			**22,104,131**	

15. SHARE-BASED PLANS (cont'd)

The number of options has varied as follows:

	2002		2001	
	Number of options	**Average exercise price**	Number of options	Average exercise price
Balance at beginning of year	**44,227,634**	**$ 8.14**	44,727,660	$ 6.36
Granted	**5,827,000**	**21.68**	5,747,500	19.72
Exercised	**(4,720,150)**	**5.55**	(4,299,020)	4.11
Cancelled	**(1,492,500)**	**16.15**	(1,948,506)	10.31
Balance at end of year	**43,841,984**	**$ 9.95**	44,227,634	$ 8.14
Options exercisable at end of year	**22,104,131**	**$ 4.86**	19,048,837	$ 3.84

EMPLOYEE SHARE PURCHASE PLAN

Under the Employee Share Purchase 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, 2002 amounted to $14.1 million ($11.5 million for the year ended January 31, 2001).

16. EARNINGS PER SHARE

The number of shares and options are expressed in thousands.

	2002	2001
Basic and diluted earnings per share		
Net income	**$ 390.9**	$ 975.4
Preferred share dividends after tax	**17.6**	17.1
Net income available to common shareholders	**$ 373.3**	$ 958.3
Weighted average number of common shares outstanding	**1,368,516**	1,369,021
Stock options	**21,683**	27,378
Weighted average diluted number of common shares outstanding	**1,390,199**	1,396,399
Basic	**$ 0.27**	$ 0.70
Diluted	**$ 0.27**	$ 0.69
Basic and diluted earnings per share, before goodwill amortization		
Income before goodwill amortization	**$ 437.5**	$ 975.4
Preferred share dividends after tax	**17.6**	17.1
Income before goodwill amortization available to common shareholders	**$ 419.9**	$ 958.3
Basic	**$ 0.31**	$ 0.70
Diluted	**$ 0.30**	$ 0.69

For the year ended January 31, 2002, a total of 9,119 stock options were excluded from the calculation of diluted earnings per share since the exercise price of these options exceeded the average market value of the Corporation's common shares for the year.

17. RESEARCH AND DEVELOPMENT EXPENSES

Bombardier's cost of sales and operating expenses include research and development expenses amounting to $233.5 million for the year ended January 31, 2002 ($123.4 million for the year ended January 31, 2001) excluding those incurred under contracts and programs.

18. INTEREST EXPENSE

	2002		2001	
	Bombardier	**BC**	Bombardier	BC
Long-term debt	**$ 123.4**	**$ 320.0**	$ 72.2	$ 321.8
Short-term borrowings	**58.6**	**101.2**	36.0	177.2
	182.0	**421.2**	108.2	499.0
Allocated to BC	**—**	**—**	(38.4)	38.4
	$ 182.0	**$ 421.2**	$ 69.8	$ 537.4

BC's interest expense of $421.2 million for the year ended January 31, 2002 ($499.0 million for the year ended January 31, 2001) is classified as cost of sales and operating expenses.

19. OTHER INCOME

Other income includes the followings:

	2002	2001
BC		
Gain on sale of finance receivables	**$ 51.7**	$ 82.9
Servicing and other fees	**66.5**	52.3
Other	**17.3**	39.8
	135.5	175.0
Bombardier		
Interest	**35.1**	43.6
	$ 170.6	$ 218.6

20. SPECIAL ITEMS

The Corporation recorded the following special items:

	2002	2001
Aerospace	**$ 333.5**	$ (49.8)
Transportation	**74.2**	—
BC	**662.5**	79.5
Special items, pre-tax	**1,070.2**	29.7
Income taxes on BC special items	**(257.4)**	(31.8)
Special items of Bombardier (1)	**812.8**	(2.1)
Income taxes on Bombardier's special items	**(121.2)**	5.8
Special items, after tax	**$ 691.6**	$ 3.7

(1) after equity pick-up of BC's net income

20. SPECIAL ITEMS (cont'd)

For the year ended January 31, 2002

On September 26, 2001, the Corporation recorded 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 in the aerospace segment. This charge is due to the overall outlook of the turboprop aircraft market. In addition, the Corporation reduced employment levels, production rates and deliveries in this segment to adjust to current market conditions. As a result, a $69.5 million special charge for severance and other involuntary termination benefits was recorded during the year ended January 31, 2002.

The Corporation also recorded a special charge of $74.2 million during the fourth quarter in the transportation segment for restructuring costs related to severance and other involuntary termination costs and to the write-down in the value of certain manufacturing assets in Europe and North America. These charges result from the integration of the transportation manufacturing operations with those of Adtranz. In addition to these restructuring costs, restructuring costs amounting to $189.2 million have been provided for in the Adtranz preliminary purchase price allocation (see note 2).

In addition, the Corporation discontinued 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. BC also 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.

For the year ended January 31, 2001

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.

21. INCOME TAXES

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

	2002		2001	
	$	**%**	$	%
Income taxes calculated at statutory rates	**214.0**	**38.4**	553.2	39.6
Increase (decrease) resulting from:				
Manufacturing and processing credit	**(53.1)**	**(9.5)**	(69.4)	(5.0)
Income tax rates differential of foreign investees	**(51.9)**	**(9.3)**	(45.7)	(3.3)
Non-recognition of tax benefits related to foreign investees' losses and temporary differences	**75.2**	**13.5**	20.4	1.5
Recognition of previously unrecorded tax benefits	**(2.7)**	**(0.5)**	(16.4)	(1.2)
Tax-exempt items	**11.2**	**2.0**	(26.5)	(1.9)
Effect of income tax rate changes	**(40.8)**	**(7.3)**	—	—
Other	**15.1**	**2.6**	7.2	0.5
	167.0	**29.9**	422.8	30.2

	2002	2001
Current income taxes	**132.9**	151.0
Deferred income taxes		
- Temporary differences	**77.6**	288.2
- Effect of income tax rate changes	**(40.8)**	—
- Recognition of previously unrecorded tax benefits	**(2.7)**	(16.4)
	167.0	422.8

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:

21. INCOME TAXES (cont'd)

	2002	2001
Inventories	**$ (1,156.6)**	$(1,175.0)
Loss carryforwards	**2,011.7**	702.7
Warranty and other provisions	**469.0**	179.3
Finance receivables	**169.2**	77.4
Assets under operating leases	**(281.9)**	(203.2)
Accrued benefit liability	**262.1**	114.0
Property, plant and equipment	**47.5**	(1.0)
Intangible assets	**(91.3)**	—
Other	**(164.1)**	(110.9)
	1,265.6	(416.7)
Valuation allowance	**(1,229.8)**	(345.9)
Net amount	**$ 35.8**	$ (762.6)

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

	2002	2001
Deferred income tax liability	**$ (872.9)**	$ (944.4)
Deferred income tax asset	**908.7**	181.8
Net amount	**$ 35.8**	$ (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 $3,373.0 million as at January 31, 2002 ($849.5 million as at January 31, 2001), mostly with no specified expiry dates, of which $1,880.0 million are related to the Adtranz acquisition and $400.0 million has resulted from the favorable outcome of a tax audit.

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.

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

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

	2002	2001
Bombardier		
Receivables	**$ 239.4**	$ (76.5)
Inventories	**(2,112.5)**	(1,057.2)
Accounts payable and accrued liabilities	**105.9**	745.0
Income taxes payable	**(78.9)**	21.8
Advances and progress billings in excess of related costs	**(914.8)**	(273.9)
Other	**57.2**	11.4
	(2,703.7)	(629.4)
BC		
Receivables	**(119.3)**	(154.0)
Accounts payable and accrued liabilities	**23.8**	(13.4)
Other	**(15.8)**	(33.3)
	(111.3)	(200.7)
	$ (2,815.0)	$ (830.1)

23. 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:

23. FINANCIAL INSTRUMENTS (cont'd)

	2002			2001		
Maturity	**Cdn $**	**£**	**€**	Cdn $	£	€
Less than 1 year	**2,798.3**	**995.5**	**162.1**	3,118.8	810.0	190.2
	(184.3)	**—**	**(100.7)**	(813.4)	—	(57.6)
Weighted average rate	**1.50**	**0.68**	**1.06**	1.47	0.65	0.96
	(1.52)	**—**	**(1.14)**	(1.49)	—	(0.89)
One to three years	**1,316.5**	**402.0**	**28.7**	2,547.9	994.7	—
	(25.4)	**—**	**(55.5)**	(328.9)	—	—
Weighted average rate	**1.55**	**0.67**	**1.13**	1.49	0.66	—
	(1.45)	**—**	**(1.09)**	(1.48)	—	—

In addition, the Corporation is party to foreign exchange contracts for the sale of sterling pounds against the Euro amounting to £ 372.9 million at an average rate of 1.62 as at January 31, 2002 (£11.1 million at an average rate of 1.56 as at January 31, 2001) and to various other contracts mostly involving exchanges of Western European currencies having an equivalent total nominal value of $2,138.1 million as at January 31, 2002 ($327.5 million as at January 31, 2001).

The Corporation also entered into a forward exchange contract to hedge the reimbursement of the principal amount of a floating-rate note denominated in Yen which was issued in August 2001. As at January 31, 2002, the notional amount of the contract was of ¥ 20 billion at a rate of 0.0121.

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 finance receivables. As at January 31, 2002 and 2001, the interest-rate swap agreements were as follows:

		2002			
Purpose	**Notional amount**	**(US $ component)**	**Range of fixed rates**	**Variable rates**	**Maturity**
Asset hedge	**$ 1,118.7**	**($ 702.6 US)**	**5.1% - 8.7%**	**LIBOR or Banker's Acceptance**	**2003-2016**
Debt hedge	**$ 5,057.5**	**($2,925.0 US)**	**4.9% - 6.8%**	**LIBOR or Banker's Acceptance**	**2003-2008**

		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

23. FINANCIAL INSTRUMENTS (cont'd)

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, for the year ended January 31, 2002, from the Yen to the US dollar. These contracts also change the interest rate from fixed to variable to match the variable interest of its finance receivables. The nominal amount of the cross-currency interest rate swap agreements outstanding as at January 31, 2002 was an equivalent of $626.4 million ($250.0 million as at January 31, 2001). These contracts mature in 2003 to 2007.

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.

Finance receivables: The fair values of variable-rate finance receivables that reprice frequently and have no significant change in credit risk approximate the carrying values. The fair values of fixed-rate finance receivables are estimated using discounted cash flow analyses, using interest rates offered for finance receivables with similar terms to borrowers of similar credit quality. The fair value of finance receivables as at January 31, 2002 was $6,499.2 million compared to a carrying amount of $6,461.7 million ($7,123.0 million compared to $7,202.7 million as at January 31, 2001).

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, 2002 was $7,980.6 million compared to a carrying amount of $7,857.7 million ($6,248.2 million compared to $6,131.2 million as at January 31, 2001).

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.

	2002	2001
Fair values of foreign exchange contracts		
Favorable	**$ 34.7**	$ 59.8
Unfavorable	**$ 574.5**	$ 275.0
Fair values of interest-rate and cross-currency interest rate swap agreements		
Favorable	**$ 153.6**	$ 60.1
Unfavorable	**$ 83.8**	$ 28.2

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.

23. FINANCIAL INSTRUMENTS (cont'd)

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.

24. EMPLOYEE FUTURE BENEFITS

The Corporation sponsors several defined benefit registered and non-registered 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 measurement date preceding the fiscal year end):

	2002		2001	
	Pension Benefits	**Other Benefits**	Pension Benefits	Other Benefits
Discount rate	**6.10%**	**6.63%**	6.70%	7.09%
Expected long-term rate of return on plan assets	**8.00%**	**—**	8.00%	—
Rate of compensation increase	**3.78%**	**4.08%**	4.25%	4.60%
Health-care cost trend	**—**	**5.11%**	—	5.39%

In Canada, a 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for the year ending January 31, 2003. This rate is assumed to decrease gradually to 5.50% for fiscal 2006 and to remain at that level thereafter. In other countries, the health care cost trend remains constant.

The following tables give effect to the acquisition of Adtranz described in note 2 and provide a reconciliation of the changes in the plans' accrued benefit obligations and fair value of assets and a statement of the funded status as at December 31 measurement date preceding the fiscal year end:

	2002		2001	
	Pension Benefits	**Other Benefits**	Pension Benefits	Other Benefits
Accrued benefit obligations				
Obligation at beginning of year	**$ 2,886.8**	**$ 242.5**	$ 2,600.8	$ 214.0
Current service cost	**158.3**	**14.7**	108.8	12.3
Employee contributions	**50.4**	**—**	35.6	—
Interest cost	**264.6**	**18.0**	177.6	16.1
Plan amendments	**21.6**	**—**	63.6	—
Actuarial loss (gain)	**172.1**	**(0.7)**	59.7	9.2
Benefits paid	**(182.7)**	**(12.2)**	(106.4)	(9.8)
Business acquisition	**1,559.8**	**14.8**	—	—
Curtailment	**(15.9)**	**(8.1)**	—	—
Effect of foreign currency exchange rate changes	**72.6**	**3.4**	(52.9)	0.7
Obligation at end of year	**$ 4,987.6**	**$ 272.4**	$ 2,886.8	$ 242.5

24. EMPLOYEE FUTURE BENEFITS (cont'd)

	2002		2001	
	Pension Benefits	**Other Benefits**	Pension Benefits	Other Benefits
Plan assets				
Fair value at beginning of year	**$ 2,488.7**	**$ —**	$ 2,531.9	$ —
Actual return on plan assets	**(335.9)**	**—**	12.2	—
Employer contributions	**88.5**	**—**	63.8	—
Employee contributions	**50.4**	**—**	35.6	—
Benefits paid	**(182.7)**	**—**	(106.4)	—
Business acquisition	**1,206.7**	**—**	—	—
Effect of foreign currency exchange rate changes	**62.7**	**—**	(48.4)	—
Fair value at end of year	**$ 3,378.4**	**$ —**	$ 2,488.7	$ —
Funded status				
Plan deficit	**$ (1,609.2)**	**$ (272.4)**	$ (398.1)	$ (242.5)
Unrecognized amounts	**1,081.8**(1)	**6.7**	282.8	10.0
Net recognized amount	**$ (527.4)**	**$ (265.7)**	$ (115.3)	$ (232.5)

(1) Includes an amount of $999.0 million for actuarial loss and $76.7 for prior service costs.

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

	2002		2001	
	Pension Benefits	**Other Benefits**	Pension Benefits	Other Benefits
Accrued benefit asset	**$ 246.4**	**$ —**	$ 146.6	$ —
Accrued benefit liability	**(773.8)**	**(265.7)**	(261.9)	(232.5)
Net amount recognized	**$ (527.4)**	**$ (265.7)**	$ (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 $4,777.3 million and $3,140.4 million respectively, as at January 31, 2002 ($2,247.4 million and $1,807.3 million as at January 31, 2001 respectively). The Corporation's plans for post-retirement benefits other than pensions are all unfunded.

Plan assets include $16.7 million of common shares of the Corporation.

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

	2002		2001	
	Pension Benefits	**Other Benefits**	Pension Benefits	Other Benefits
Current service cost	**$ 158.3**	**$ 14.7**	$ 108.8	$ 12.3
Interest cost	**264.6**	**18.0**	177.6	16.1
Expected return on plan assets	**(281.8)**	**—**	(198.8)	—
Amortization of prior service costs	**7.0**	**—**	—	—
Amortization of net actuarial loss	**0.1**	**0.3**	—	—
Curtailment gain	**(1.3)**	**(5.2)**	—	—
Special termination benefits	**3.6**	**—**	—	—
Other	**1.4**	**—**	1.9	—
Net benefit plan cost	**$ 151.9**	**$ 27.8**	$ 89.5	$ 28.4

25. 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) Guarantees

In connection with the sale of aircraft, Bombardier provides financial support in the form of guarantees of third-party financing, lease payments, advances as well as services related to the remarketing of aircraft. The off-balance sheet credit risk from these guarantees, maturing in different periods up to 2019, were as follows as at January 31:

	2002	2001
Maximum credit risk	**$ 917.4**	$ 722.3
Less: provisions	**405.8**	283.5
Off-balance sheet risk	**511.6**	438.8
Less: net benefit of the estimated resale value	**422.3**	350.2
Net credit risk	**$ 89.3**	$ 88.6

The net credit risk represents the unrecorded portion of Bombardier'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, 2002, Bombardier was also committed in relation to guarantees on future sales of aircraft for an amount of $215.0 million after deducting the net benefit of the estimated resale value amounting to $521.0 million ($260.8 million after deducting the net benefit of the estimated resale value amounting to $332.7 million as at January 31, 2001). The provision in relation with these guarantees, if any, will be recorded at the time of the corresponding sale of aircraft.

Substantially all financial support involving potential credit risk is with commercial airline customers. Maximum credit risk relating to two commercial airline customers accounted for 15% each of the total maximum credit risk as at January 31, 2002. This concentration resulted from consolidation in the U.S. commercial airline industry.

25. COMMITMENTS AND CONTINGENCIES (cont'd)

At the expiry date of certain financing and lease agreements, Bombardier has provided guarantees of the residual value of aircraft and transportation equipment. Certain of these guarantees can only be called upon if the above credit risk guarantees have not been called upon. The Corporation estimates its exposure under the residual value guarantees based on independent third-party appraisals of the future value of the related equipment at the time the guarantees are callable. The Corporation's expected losses under these guarantees are not significant as at January 31, 2002.

b) Sale and leaseback

BC and Bombardier concluded third-party sale and leaseback transactions regarding freightcars and aircraft respectively which in most instances were simultaneously leased to operators. Details of minimum lease payments as at January 31, 2002 were as follows:

2003	**$ 309.1**
2004	**109.4**
2005	**101.0**
2006	**101.2**
2007	**101.0**
Thereafter	**1,469.7**
	$ 2,191.4

Minimum lease payments include $1,974.3 million for freightcars and $217.1 million for aircraft.

Minimum sub-lease rentals from operators and the net benefit of the estimated resale value of the equipment approximate the amount of minimum lease payments. Expected minimum sub-lease rentals from operators include the amounts from contracted and anticipated sub-leases. The amount for anticipated sub-leases of $1,584.1 million has 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 $193.0 million.

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.

25. COMMITMENTS AND CONTINGENCIES (cont'd)

c) Operating leases

The Corporation leases buildings and equipment and assumes operating lease obligations on trade-in aircraft for which the total minimum lease payments amount to $1,591.7 million. The annual minimum lease payments for the next five years are as follows: 2003 – $252.8 million; 2004 –$215.7 million; 2005 – $180.2 million; 2006 – $149.7 million and 2007 – $122.4 million.

d) Claims

The Corporation has notified DaimlerChrysler that it will file a claim in the order of € 1.0 billion ($1.4 billion) in connection with the acquisition of Adtranz as described in note 2.

On November 8, 2001, the Corporation filed a claim against Amtrak in the United States District Court for the District of Columbia. The claim seeks damages in excess of US $200.0 million ($317.5 million) as compensation for additional costs incurred during performance of the Acela high-speed trainsets and locomotives contracts, including costs incurred as a result of Amtrak's failure to upgrade its infrastructure to accommodate the new equipment. On December 3, 2001, Amtrak filed a Motion to Dismiss alleging that the Corporation had failed to follow contractual dispute resolution procedures. The Corporation has vigorously contested the Motion to Dismiss, which is currently pending before the Court.

e) Litigations

The Corporation is defendant in certain legal cases currently pending before various courts in relation to product liability and contract disputes with customers and other third parties.

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.

26. RECLASSIFICATION

Certain of the 2001 figures have been reclassified to conform to the presentation adopted in 2002. The most significant changes consist in the presentation of interest income of Bombardier as other income and the reclassification of gain on sale of finance receivables, servicing and other fees and other income of BC from revenues to other income. In addition, BC's depreciation expense related to assets under operating leases previously presented against revenues, is now included in depreciation and amortization.

27. 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, freightcars, 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 offers secured financing and leasing solutions to manufacturers, retailers and other commercial businesses, primarily in North American markets. BC is also offering full service maintenance and/or management services to owners and users of freightcars in North American markets. BC also services the discontinued portfolios described in note 4. 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, 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 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 $36.2 million for the year. The corresponding increase in the allocation of interest expense has been mostly borne by the aerospace segment.

The table containing the detailed segmented data is shown on the following page.

28. SUBSEQUENT EVENT

On March 8, 2002, the Corporation issued 9,400,000 series 4 Cumulative Redeemable Preferred Shares carrying a fixed cumulative preferential cash dividend of 6.25% per annum, payable quarterly. The net proceeds of the issuance amounting to approximately $227.6 million, have been used to repay short-term indebtedness.

SEGMENT DISCLOSURE

(millions of Canadian dollars)

Industry Segments	Bombardier Inc. consolidated 2002	Bombardier Inc. consolidated 2001	Aerospace 2002	Aerospace 2001	Transportation 2002	Transportation 2001	Recreational products 2002	Recreational products 2001	BC 2002	BC 2001
External revenues	**$ 21,633.8**	$ 15,943.7	**$ 12,042.5**	$ 10,561.6	**$ 6,996.4**	$ 3,025.5	**$ 2,017.5**	$ 1,687.1	**$ 577.4**	$ 669.5
Intersegment eliminations	**—**	—	**—**	—	**23.1**	17.8	**—**	—	**389.4**	266.4
Revenues	**21,633.8**	15,943.7	**12,042.5**	10,561.6	**7,019.5**	3,043.3	**2,017.5**	1,687.1	**966.8**	935.9
Expenses										
Cost of sales and operating expenses	**19,480.6**	14,323.9	**10,444.4**	9,037.8	**6,733.1**	3,027.3	**1,799.7**	1,547.4	**915.9**	995.6
Depreciation and amortization	**467.1**	302.3	**140.5**	112.0	**138.8**	60.4	**42.8**	37.6	**145.0**	92.3
Interest expense and other income	**11.4**	(110.4)	**251.6**	175.0	**(129.4)**	(164.9)	**24.7**	16.1	**(135.5)**	(136.6)
	19,959.1	14,515.8	**10,836.5**	9,324.8	**6,742.5**	2,922.8	**1,867.2**	1,601.1	**925.4**	951.3
Income (loss) before special items, income taxes and goodwill amortization	**1,674.7**	1,427.9	**1,206.0**	1,236.8	**277.0**	120.5	**150.3**	86.0	**41.4**	(15.4)
Net segmented assets	**7,343.5**	4,053.5	**5,289.6**	3,231.0	**322.7**	(615.9)	**388.2**	62.4	**1,343.0**	1,376.0
Accounts payable and accrued liabilities	**7,360.9**	3,840.0								
Advances and progress billings in excess of related costs	**3,019.0**	2,362.8								
Accrued benefit liability and other	**1,061.6**	492.1								
Advances to BC	**20.0**	205.5								
Deferred income taxes	**583.2**	109.5								
Cash and cash equivalents	**462.8**	1,358.8								
Total assets – Bombardier	**19,851.0**	12,422.2								
Investment in and advances to BC	**(1,363.0)**	(1,581.5)								
Total assets – BC	**9,264.6**	9,563.6								
Total assets – Bombardier Inc. consolidated	**27,752.6**	20,404.3								
Additions to property, plant and equipment and goodwill										
- excluding business acquisitions	**$ 838.8**	$ 415.1	**$ 311.6**	$ 307.2	**$ 305.5**	$ 56.2	**$ 172.7**	$ 32.0	**$ 49.0**	$ 19.7
- business acquisitions	**3,567.1**	—	**—**	—	**3,493.3**	—	**73.8**	—	**—**	—
	$ 4,405.9	$ 415.1	**$ 311.6**	$ 307.2	**$ 3,798.8**	$ 56.2	**$ 246.5**	$ 32.0	**$ 49.0**	$ 19.7

GEOGRAPHIC INFORMATION

	Revenues 2002	Revenues 2001	Property, plant and equipment and goodwill 2002	Property, plant and equipment and goodwill 2001
United States	**$ 11,096.4**	$ 8,439.5	**$ 712.3**	$ 388.9
Germany	**2,162.9**	1,163.4	**580.3**	281.7
United Kingdom	**1,745.4**	914.6	**438.5**	197.4
Canada	**1,413.5**	1,236.8	**3,964.0**	1,014.8
France	**491.8**	495.9	**35.2**	37.5
Spain	**469.7**	199.0	**9.9**	—
Italy	**464.3**	223.8	**27.7**	—
Switzerland	**446.9**	359.0	**28.9**	21.4
China	**405.3**	178.2	**22.9**	6.4
Sweden	**351.1**	95.5	**62.0**	—
Denmark	**304.6**	486.9	**10.5**	2.1
Austria	**254.8**	192.4	**83.4**	65.1
Australia	**249.8**	243.5	**9.0**	—
Norway	**158.5**	70.8	**1.0**	—
Other – Europe	**644.5**	555.7	**104.9**	44.0
Other – Asia	**520.1**	292.6	**6.4**	—
Other – South and Central America	**262.2**	281.4	**24.4**	31.6
Other	**192.0**	514.7	**—**	—
	$ 21,633.8	$ 15,943.7	**$ 6,121.3**	$ 2,090.9