



BRP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
FOR THE THREE-MONTH PERIOD ENDED APRIL 30, 2015

The following management's discussion and analysis ("MD&A") provides information concerning financial condition and results of operations of BRP Inc. (the "Company" or "BRP") for the first quarter of the fiscal year ending January 31, 2016. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three-month period ended April 30, 2015 and the annual consolidated financial statements and MD&A for the year ended January 31, 2015. Some of the information contained in this discussion and analysis contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from underlying forward-looking statements as a result of various factors, including those described in "Forward-Looking Statements" section of this MD&A. This MD&A reflects information available to the Company as at June 10, 2015.

Basis of Presentation

The unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with IAS 34 "Interim Financial Reporting". All amounts presented are in Canadian dollars unless otherwise indicated. The Company's fiscal year is the twelve-month period ending January 31. All references in this MD&A to "Fiscal 2016" are to the Company's fiscal year ending January 31, 2016, to "Fiscal 2015" are to the Company's fiscal year ended January 31, 2015 and to "Fiscal 2014" are to the Company's fiscal year ended January 31, 2014.

This MD&A, approved by the Board of Directors on June 10, 2015, is based on the Company's unaudited condensed consolidated interim financial statements and accompanying notes thereto for the three-month periods ended April 30, 2015 and 2014.

The Company's Year-Round Products consist of all-terrain vehicles (referred to as "ATVs"), side-by-side vehicles (referred to as "SSVs") and roadsters; the Company's Seasonal Products consist of snowmobiles and personal watercraft (referred to as "PWCs"); and the Company's Propulsion Systems consist of outboard and jet boat engines, kart, motorcycle and recreational aircraft engines sold to third parties. The Company's "PAC" business includes parts, accessories and clothing and other services sold to third parties.

Forward-Looking Statements

Certain statements in this MD&A about the Company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct or that the Company's business guidance, objectives, plans and strategic priorities will be achieved.



Many factors could cause the Company's actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors: impact of adverse economic conditions on consumer spending; decline in social acceptability of the Company's products; fluctuations in foreign currency exchange rates; high levels of indebtedness; unavailability of additional capital; unfavourable weather conditions; seasonal sales fluctuations; the Company's ability to comply with product safety, health, environmental and noise pollution laws; dependence on dealers, distributors, suppliers, financing sources and other strategic partners who may be sensitive to economic conditions; large fixed cost base; inability of Company's dealers and distributors to secure adequate access to capital; supply problems, termination or interruption of supply arrangements or increases in the cost of materials; covenants in the Company's financing and other material agreements; competition in product lines; loss of the service of members of management team or employees who possess specialized market knowledge and technical skills; inability to maintain and enhance reputation and brands; adverse determination in any significant product liability claim against the Company; significant product repair and/or replacement due to product warranty claims or product recalls; reliance on a network of independent dealers and distributors to manage the retail distribution of its products; dependence on customer relationships for the sale of original equipment manufacturer products; unsuccessful management of inventory levels; risks associated with international operations; inability to enhance existing products and develop and market new products; inability to protect its intellectual property; failure of information technology systems; declining prices for used versions of products and oversupply by competitors; unsuccessful execution of manufacturing strategy; changes in tax laws and unanticipated tax liabilities; higher fuel costs; deterioration in relationships with employees; pension plan liabilities; natural disasters; failure to carry proper insurance coverage. These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully.

The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities regulations. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS measures including Normalized EBITDA, Normalized Net Income, Normalized basic earnings per share and Normalized diluted earnings per share to provide investors with supplemental measures of the Company's operating performance. The Company believes non-IFRS measures are important supplemental measures of operating performance because they eliminate items that have less bearing on the Company's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of companies, many of which present similar metrics when reporting their results. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess the Company's ability to meet its future debt service, capital expenditure and working capital requirements. Because other companies may calculate these non-IFRS measures differently than the Company does, these metrics are not comparable to similarly titled measures reported by other companies. The Company refers the reader to the "Selected Consolidated Financial Information" section of this MD&A for the definitions and reconciliations of Normalized EBITDA and Normalized Net Income presented by the Company to the most directly comparable IFRS measure.



Overview

BRP is a global leader in the design, development, manufacturing, distribution and marketing of powersports vehicles and propulsion systems. The Company is one of the most diversified manufacturers of powersports vehicles and propulsion systems, providing enthusiasts with a variety of exhilarating, stylish and powerful products for all year use on a variety of terrains. The Company's diversified portfolio of brands and products includes *Can-Am* ATVs, SSVs and roadsters, *Ski-Doo* and *Lynx* snowmobiles, *Sea-Doo* PWCs, and propulsion systems consisting of *Evinrude* outboard boat engines and *Rotax* engines for jet boats, karts, motorcycles and recreational aircraft. Additionally, the Company supports its line of products with a dedicated PAC business.

The Company employs approximately 7,600 people mainly in manufacturing and distribution sites in Canada, Mexico, Austria, the United States and Finland. The Company sells its products in 107 countries. The products are sold directly through a network of approximately 3,280 dealers in 21 countries as well as through approximately 190 distributors serving approximately 930 additional dealers.

Over its history, the Company has promoted a portfolio of globally recognized brands and products that achieved market leading positions, establishing the Company as a brand of choice for true powersports enthusiasts. *Ski-Doo* and *Sea-Doo*, through decades of sustained product innovation and development, have become synonymous with snowmobiles and PWCs. Over the years, the Company has successfully leveraged its market leading position and reputation to develop renowned brands such as *Can-Am*, *Evinrude*, *Rotax* and *Lynx*, which are also known for high quality and innovation.

Highlights of the three-month period ended April 30, 2015

For the three-month period ended April 30, 2015, the Company's financial performance was the following when compared to the three-month period ended April 30, 2014:

- Revenues of \$898.1 million, an increase of \$139.5 million;
- Gross profit of \$212.9 million representing 23.7% of revenues, an increase of \$39.5 million;
- Normalized EBITDA of \$91.5 million representing 10.2% of revenues, an increase of \$34.9 million;
- Net income of \$83.1 million, an increase of \$55.1 million, which resulted in a diluted earnings per share of \$0.70, an increase of \$0.46 per share;
- Normalized net income of \$37.2 million, an increase of \$20.6 million, which resulted in a normalized diluted earnings per share of \$0.31, an increase of \$0.17 per share.

In addition, after the three-month period ended April 30, 2015:

- On May 29, 2015, the Company amended its U.S. \$1,050.0 million term facility agreement to reduce by 0.25% the interest rate applicable on the outstanding nominal of U.S. \$792.0 million. All other conditions of the term facility agreement remained unchanged.



Factors Affecting the Company's Results of Operations

Revenues and Sales Program Costs

The Company's revenues are derived primarily from the wholesale activities of the Company's manufactured vehicles, including Year-Round Products, Seasonal Products, as well as Propulsion Systems and related PAC to dealers and distributors. Revenue recognition normally occurs when products are shipped to dealers or distributors from the Company's facilities.

In order to support the wholesale activities of the Company and the retail activities of dealers and distributors, the Company may provide support in the form of various sales programs consisting of cash and non-cash incentives. The cash incentives consist mainly of rebates given to dealers, distributors and consumers, volume discounts to dealers and distributors, free or extended coverage period under dealer and distributor inventory financing programs and retail financing programs. The cost of these cash incentives is recorded as a reduction of revenues. The non-cash incentives consist mainly of extended warranty coverage or free PAC. The cost of these non-cash incentives is recorded in cost of sales.

The support provided to dealers, distributors and consumers tends to increase when general economic conditions are difficult, when changing market conditions require the launch of new or more aggressive programs or when dealer and distributor inventory is above appropriate levels.

Under dealer and distributor inventory financing arrangements, the Company could be required to repossess new and unused products in certain cases of default by dealers or distributors. The cost of repossession tends to increase when dealers or distributors are facing challenging and prolonged difficult retail conditions and when their inventory level is high. During the current fiscal year and previous fiscal year, the Company did not experience significant repossessions from its limited guarantee provided to financing companies in connection with the dealer and distributor inventory financing arrangements. Refer to the "Off-Balance Sheet Arrangements" section of this MD&A for more information on dealer and distributor inventory financing arrangements.

Commodity Costs

Approximately 70% of the Company's cost of sales consists of material used in the manufacturing process. Therefore, the Company is exposed to the fluctuation of prices of certain raw materials such as aluminum, steel, plastic, resins, stainless steel, copper, rubber and certain rare earth metals. Additionally, the Company is exposed to fuel price fluctuations related to its procurement and distribution activities. The Company does not hedge its exposure to the fluctuation of prices of raw materials and fuel. Therefore, an increase in commodity prices could negatively impact the Company's operating results if it is not able to transfer these cost increases to dealers, distributors or consumers.

Warranty Costs

The Company's manufacturer product warranties generally cover periods ranging from 6 months to 3 years for most products. In certain circumstances, the Company provides extended warranty coverage as a result of sales programs, under certain commercial accounts, or as required by local regulations. During the warranty period, the Company reimburses dealers and distributors the entire cost of repair or replacement performed on the products (mainly composed of parts or accessories provided by the Company and labour costs incurred by dealers or distributors). In addition, the Company sells in the normal course of business and provides under certain sales programs, extended product warranties.

During its product development process, the Company ensures that high quality standards are maintained at each development stage of a new product. This includes the development of detailed product specifications, the evaluation of the quality of the supply chain and the manufacturing methods and detailed testing requirements over the development stage of the products. Additionally, product quality is ensured by quality inspections during and after the manufacturing process.



The Company records a warranty provision when products are sold. Management believes that, based on available information, the Company has adequate provisions to cover any future warranty or extended warranty claims on products sold. However, future claim amounts can differ significantly from provisions that are recorded in the condensed consolidated interim statements of financial position.

Foreign Exchange

The Company's revenues are reported in Canadian dollars but are mostly generated in U.S. dollars, Canadian dollars and Euros. The Company's revenues reported in Canadian dollars are to a lesser extent exposed to foreign exchange fluctuations with the Australian dollar, the Brazilian Real, the Swedish Krona and the Norwegian Krone. The costs incurred by the Company are mainly denominated in Canadian dollars, U.S. dollars and Euros and to a lesser extent in Mexican pesos. Therefore recorded revenues, gross profit and operating income in Canadian dollars are exposed to foreign exchange fluctuations. The Company's manufacturing facilities are located in several different countries which helps mitigate some of its foreign currency exposure.

The Company has an outstanding U.S. \$792.0 million under its U.S. \$1,050.0 million term facility agreement (the "Term Facility" or the "Term Credit Agreement") which results in a gain or loss in net income when the U.S. dollar/Canadian dollar exchange rate at the end of the period is different from the opening period rate. Additionally, the Company's interest expense on the Term Facility is exposed to U.S. dollar/Canadian dollar exchange rate fluctuations. The Company does not currently hedge the U.S. dollar/Canadian dollar exchange rate fluctuation exposures related to its Term Facility, and therefore, an increase in the value of the U.S. dollar against the Canadian dollar could negatively impact the Company's net income.

For further details relating to the Company's exposure to foreign currency fluctuations, see "Financial Instruments – Foreign Exchange Risk" section of this MD&A.

Net Financing Costs (Financing Costs less Financing Income)

Net financing costs are incurred principally on long-term debt, defined benefit pension plan liabilities and revolving credit facilities. As at April 30, 2015, the Company's long-term debt of \$990.1 million was mainly comprised of the Term Facility which bears interest at LIBOR plus 3.00% with a LIBOR floor rate of 1.00%. Due to current LIBOR rates level and the current low interest volatility environment, the Company does not believe to be significantly exposed to increased interest rates in the short-term.

Income Taxes

The Company is subject to federal, state and provincial income taxes in jurisdictions in which it conducts business. The Canadian income tax statutory rate was 26.9% for the three-month period ended April 30, 2015. However, the Company's effective consolidated tax rate is influenced by the mix of accounting profits or losses before income tax among tax jurisdictions it operates in and by the foreign exchange gain or loss on the Term Facility. The Company expects to pay cash taxes in all tax jurisdictions for the fiscal year ending January 31, 2016, except in Canada and the United States where the Company plans to utilize its tax attributes to offset taxable income or income taxes payable.

Seasonality

The Company's revenues and operating income experience substantial fluctuations from quarter to quarter. In general, wholesale sales of the Company's products are highest in the period immediately preceding and during their particular season of use. However, the mix of product sales may vary considerably from time to time as a result of changes in seasonal and geographic demand, the introduction of new products and models and production scheduling for particular types of products. As a result, the Company may not be able to accurately predict its quarterly revenues and operating income and the Company's results are likely to fluctuate significantly from period to period.



Selected Consolidated Financial Information

The selected consolidated financial information set out below for the three-month periods ended April 30, 2015 and 2014, has been derived from the unaudited condensed consolidated interim financial statements and related notes approved on June 10, 2015.

Net Income data

(in millions of Canadian dollars)	Three-month periods ended	
	April 30, 2015	April 30, 2014
Revenues by category		
Year-Round Products	\$ 398.1	\$ 365.4
Seasonal Products	271.2	184.6
Propulsion Systems	102.5	97.3
PAC	126.3	111.3
Total Revenues	898.1	758.6
Cost of sales	685.2	585.2
Gross profit	212.9	173.4
<i>As a percentage of revenues</i>	<i>23.7%</i>	<i>22.9%</i>
Operating expenses		
Selling and marketing	74.8	67.3
Research and development	39.7	41.6
General and administrative	30.8	36.8
Other operating expenses (income)	3.8	(0.7)
Total operating expenses	149.1	145.0
Operating income	63.8	28.4
Net financing costs	13.8	13.6
Foreign exchange gain on long-term debt	(46.0)	(12.3)
Income before income taxes	96.0	27.1
Income taxes expense (recovery)	12.9	(0.9)
Net income	\$ 83.1	\$ 28.0
Attributable to shareholders	\$ 83.1	\$ 28.0
Attributable to non-controlling interest	—	—
Normalized EBITDA ^[1]	\$ 91.5	\$ 56.6
Normalized net income ^[1]	37.2	16.6

^[1] For a reconciliation of net income to Normalized Net Income and Normalized EBITDA, see the Reconciliation Tables herein.

Normalized EBITDA and Normalized Net Income are non-IFRS measures that the Company uses to assess its operating performance. Normalized EBITDA is defined as net income before financing costs, financing income, income taxes expense (recovery), depreciation expense and normalized elements. Normalized Net Income is defined as net income before normalized elements adjusted to reflect the tax effect on these elements. See "Non-IFRS Measures" section.



Financial Position data

As at (in millions of Canadian dollars)	April 30, 2015	January 31, 2015
Cash	\$ 235.3	\$ 232.0
Working capital	320.8	291.8
Property, plant and equipment	582.1	586.9
Total assets	2,230.0	2,347.9
Total non-current financial liabilities	1,010.4	1,058.7
Total liabilities	2,181.6	2,374.8
Shareholders equity (deficit)	48.4	(26.9)

Other Financial data

(in millions of Canadian dollars, except per share data)	Three-month periods ended	
	April 30, 2015	April 30, 2014
Revenues by geography		
United States	\$ 494.6	\$ 375.6
Canada	148.7	126.8
International ^[1]	254.8	256.2
	\$ 898.1	\$ 758.6
Weighted average number of shares – basic	118,380,779	118,179,487
Weighted average number of shares – diluted	118,902,510	118,939,914
Earnings per share - basic	\$ 0.70	\$ 0.24
Earnings per share - diluted	0.70	0.24
Normalized earnings per share – basic ^[2]	0.31	0.14
Normalized earnings per share – diluted ^[2]	0.31	0.14

^[1] International is defined as all jurisdictions except the United States and Canada.

^[2] Normalized earnings per share - basic and normalized earnings per share – diluted are calculated respectively by dividing the normalized net income by the weighted average number of shares – basic and the weighted average number of shares – diluted.



Reconciliation Tables

The following table presents the reconciliation of Net income to Normalized net income and Normalized EBITDA.

(in millions of Canadian dollars)	Three-month periods ended	
	April 30, 2015	April 30, 2014
Net income	\$ 83.1	\$ 28.0
Normalized elements		
Foreign exchange gain on long-term debt	(46.0)	(12.3)
Restructuring costs reversal ^[1]	—	(0.4)
Reversal of gain from insurance recovery ^[2]	—	1.4
Other elements ^[3]	0.6	0.6
Income taxes adjustment	(0.5)	(0.7)
Normalized net income	37.2	16.6
Normalized income taxes expense (recovery)	13.4	(0.2)
Financing costs	14.6	14.1
Financing income	(0.8)	(0.5)
Depreciation expense	27.1	26.6
Normalized EBITDA	\$ 91.5	\$ 56.6

^[1] During the three-month period ended April 30, 2014, the Company revised its estimates related to the exit of the sport boat business and reversed in net income restructuring costs of \$0.4 million. These costs were previously recorded during the twelve-month period ended January 31, 2013.

^[2] During the three-month period ended April 30, 2014, the Company revised its estimates in relation with the insurance recovery for the damages which occurred during the twelve-month period ended January 31, 2013 at the research & development centre located in Valcourt, Canada and reversed in net income \$1.4 million of the gain that was previously recorded during the twelve-month period ended January 31, 2014.

^[3] Other normalized elements are retention salaries related to the transfer of the assembly of PWC from Canada to Mexico and the outsourcing of the majority of the North American powersports PAC distribution to a third-party logistics provider.



Results of operations

Analysis of Results for the first quarter of Fiscal 2016

The following section provides an overview of the financial performance of the Company for the three-month period ended April 30, 2015 compared to the same period ended April 30, 2014.

Revenues

Revenues increased by \$139.5 million, or 18.4%, to \$898.1 million for the three-month period ended April 30, 2015, compared with \$758.6 million for the corresponding period ended April 30, 2014. The revenue increase was mainly due to higher wholesale in Seasonal Products. The increase includes a favourable foreign exchange rate variation of \$36 million mainly due to the strengthening of the U.S. dollar against the Canadian dollar, partially offset by the strengthening of the Canadian dollar against the Euro.

The Company's North American retail sales for the three-month period ended April 30, 2015 increased by 8% compared with the three-month period ended April 30, 2014.

As at April 30, 2015, North American dealer inventories increased by 21% compared to April 30, 2014, driven mainly by additional PWC attributable to the completion of the production ramp-up at the Querétaro, Mexico facility and additional *Sea-Doo Spark* delivery to support the upcoming retail season. To a lower extent, the increase is explained by higher inventory in snowmobiles from an all-time low level last year.

Significant trends by category were as follows:

Year-Round Products

Revenues from Year-Round Products increased by \$32.7 million, or 8.9%, to \$398.1 million for the three-month period ended April 30, 2015, compared with \$365.4 million for the corresponding period ended April 30, 2014. The increase was primarily attributable to SSV due to the introduction of the *Maverick X DS* and the expected industry growth. The increase in revenues includes a favourable foreign exchange rate variation of \$20 million.

North American Year-Round Products retail sales increased on a percentage basis by mid-single digit compared with the three-month period ended April 30, 2014.

Seasonal Products

Revenues from Seasonal Products increased by \$86.6 million, or 46.9%, to \$271.2 million for the three-month period ended April 30, 2015, compared with \$184.6 million for the corresponding period ended April 30, 2014. The increase resulted primarily from a higher volume of PWC sold due to earlier shipments attributable to the completion of the production ramp-up at the Querétaro, Mexico facility and from additional deliveries to sustain the expected retail increase during the upcoming season. The increase in revenues includes a favourable foreign exchange rate variation of \$12 million.

North American Seasonal Products retail sales increased by high-single digit compared with the three-month period ended April 30, 2014.

Propulsion Systems

Revenues from Propulsion Systems increased by \$5.2 million, or 5.3%, to \$102.5 million for the three-month period ended April 30, 2015, compared with \$97.3 million for the corresponding period ended April 30, 2014. The increase in revenues was primarily attributable to a favourable mix of outboard engines sold driven by the *E-TEC G2* introduction and a favourable foreign exchange rate variation of \$2 million.



PAC

Revenues from PAC increased by \$15.0 million, or 13.5%, to \$126.3 million for the three-month period ended April 30, 2015, compared with \$111.3 million for the corresponding period ended April 30, 2014. The increase was mainly attributable to a higher volume of Year-Round Products and outboard engines PAC resulting from new product introductions. The increase includes a favourable foreign exchange rate variation of \$2 million.

Significant geographical trends were as follows:

United States

Revenues from the United States increased by \$119.0 million, or 31.7%, to \$494.6 million for the three-month period ended April 30, 2015, compared with \$375.6 million for the corresponding period ended April 30, 2014. The increase is due to higher wholesale of PWC and to a lower extent from higher wholesale of SSV. The increase includes a favourable foreign exchange impact of \$59 million due to the strengthening of the U.S. dollar against the Canadian dollar. The United States represented 55.0% and 49.5% of revenues during the three-month periods ended April 30, 2015 and 2014, respectively.

Canada

Revenues from Canada increased by \$21.9 million, or 17.3%, to \$148.7 million for the three-month period ended April 30, 2015, compared with \$126.8 million for the corresponding period ended April 30, 2014. The increase was mainly driven by higher PWC wholesale. Canada represented 16.6% and 16.7% of revenues during the three-month periods ended April 30, 2015 and 2014, respectively.

International

Revenues from International decreased by \$1.4 million, or 0.5%, to \$254.8 million for the three-month period ended April 30, 2015, compared with \$256.2 million for the corresponding period ended April 30, 2014. This decrease primarily resulted from an unfavourable foreign exchange impact of \$23 million due to the weakening of the Euro against the Canadian dollar and lower deliveries in Russia. The decrease was partially offset by higher wholesale volume in Seasonal Products, mainly in Scandinavia and Western Europe. International represented 28.4% and 33.8% of revenues during the three-month periods ended April 30, 2015 and 2014, respectively.

Gross Profit

Gross profit increased by \$39.5 million, or 22.8%, to \$212.9 million for the three-month period ended April 30, 2015, compared with \$173.4 million for the corresponding period ended April 30, 2014. The gross profit increase includes a favourable foreign exchange rate variation of \$6 million. Gross profit margin percentage increased by 80 basis points to 23.7% from 22.9% for the three-month period ended April 30, 2014. The increase in gross profit margin percentage was primarily due to an increase volume of PWC sold, partially offset by an unfavourable mix in PWC and roadsters.

Operating Expenses

Operating expenses increased by \$4.1 million, or 2.8%, to \$149.1 million for the three-month period ended April 30, 2015, compared with \$145.0 million for the three-month period ended April 30, 2014. This increase was mainly due to an unfavourable foreign exchange impact of \$10 million.

Normalized EBITDA

Normalized EBITDA increased by \$34.9 million, or 61.7%, to \$91.5 million for the three-month period ended April 30, 2015, compared with \$56.6 million for the three-month period ended April 30, 2014. The increase was primarily due to an increased volume of products sold. The increase was partially offset by an unfavourable foreign exchange rate variation of \$5 million.



Net Financing Costs

Net financing costs remained stable at \$13.8 million for the three-month period ended April 30, 2015, compared with \$13.6 million for the three-month period ended April 30, 2014.

Foreign Exchange

The key average exchange rates used to translate foreign-denominated revenues and expenses, excluding any effect of the Company's hedging program, were as follows for the three-month periods ended April 30, 2015 and 2014:

	April 30, 2015		April 30, 2014	
U.S. dollars	1.2491	\$CA/\$US	1.1053	\$CA/\$US
Euro	1.3732	\$CA/Euro	1.5218	\$CA/Euro

The key period-end exchange rates used to translate foreign-denominated assets and liabilities were as follows:

	April 30, 2015		January 31, 2015	
U.S. dollars	1.2119	\$CA/\$US	1.2717	\$CA/\$US
Euro	1.3527	\$CA/Euro	1.4357	\$CA/Euro

When comparing the operating income and the income before income tax for the three-month period ended April 30, 2015 to the corresponding period ended April 30, 2014, the foreign exchange fluctuations impact was the following:

	Foreign exchange (gain) loss
(in millions of Canadian dollars)	Three-month period
Gross profit	\$ (5.7)
Operating expenses	9.9
Impact of foreign exchange fluctuations on operating income	4.2
Long-term debt	(33.7)
Net financing costs	1.1
Impact of foreign exchange fluctuations on income before income taxes	\$ (28.4)

Income Taxes

Income taxes expense increased by \$13.8 million to an income taxes expense of \$12.9 million for the three-month period ended April 30, 2015, compared with an income taxes recovery of \$0.9 million for the three-month period ended April 30, 2014. The increase was primarily due to a higher operating income. The income taxes as a percentage of income before income taxes amounted to 13.4% for the three-month period ended April 30, 2015 compared with (3.3)% for the three-month period ended April 30, 2014. The increase resulted primarily from an unfavourable mix of accounting profits and losses between tax jurisdictions.

Net Income

Net income increased by \$55.1 million to \$83.1 million for the three-month period ended April 30, 2015, compared with \$28.0 million for the three-month period ended April 30, 2014. The increase was primarily due to higher operating income and a higher foreign exchange gain on the U.S. denominated long-term debt, partially offset by higher income taxes expense.



Summary of Consolidated Quarterly Results

	Three-month periods ended							
	April 30, 2015	January 31, 2015	October 31, 2014	July 31, 2014	April 30, 2014	January 31, 2014	October 31, 2013	July 31, 2013
(millions of Canadian dollars, except per share data)	Fiscal 2016	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 2014	Fiscal 2014	Fiscal 2014
Revenues by category								
Year-Round Products	\$ 398.1	\$ 416.0	\$ 227.5	\$ 297.4	\$ 365.4	\$ 272.5	\$ 249.6	\$ 278.1
Seasonal Products	271.2	391.6	452.9	259.8	184.6	406.4	382.5	140.6
Propulsion Systems	102.5	108.7	83.3	84.4	97.3	75.3	89.6	85.9
PAC	126.3	151.8	154.3	138.4	111.3	148.7	144.3	116.3
Total Revenues	898.1	1,068.1	918.0	780.0	758.6	902.9	866.0	620.9
Gross profit	212.9	289.7	239.6	142.9	173.4	223.2	223.9	142.6
<i>As a percentage of revenues</i>	23.7%	<i>27.1%</i>	<i>26.1%</i>	<i>18.3%</i>	<i>22.9%</i>	<i>24.7%</i>	<i>25.9%</i>	<i>23.0%</i>
Net income (loss)	83.1	8.5	37.2	(3.6)	28.0	(6.3)	48.2	(7.9)
Normalized EBITDA	91.5	199.3	134.1	31.3	56.6	106.0	119.0	47.4
Normalized net income (loss)	37.2	116.5	71.9	(8.8)	16.6	48.3	59.0	7.6
Basic earnings (loss) per share	0.70	0.07	0.31	(0.03)	0.24	(0.05)	0.41	(0.07)
Diluted earnings (loss) per share	0.70	0.07	0.31	(0.03)	0.24	(0.05)	0.41	(0.07)
Normalized basic earnings (loss) per share	0.31	0.98	0.61	(0.07)	0.14	0.41	0.50	0.07
Normalized diluted earnings (loss) per share	\$ 0.31	\$ 0.98	\$ 0.60	\$ (0.07)	\$ 0.14	\$ 0.41	\$ 0.50	\$ 0.07



Reconciliation Table for Consolidated Quarterly Results

	Three-month periods ended							
	April 30, 2015	January 31, 2015	October 31, 2014	July 31, 2014	April 30, 2014	January 31, 2014	October 31, 2013	July 31, 2013
	Fiscal 2016	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 2014	Fiscal 2014	Fiscal 2014
(millions of Canadian dollars)								
Net income (loss)	\$ 83.1	\$ 8.5	\$ 37.2	\$ (3.6)	\$ 28.0	\$ (6.3)	\$ 48.2	\$ (7.9)
Normalized elements								
Foreign exchange (gain) loss on long-term debt	(46.0)	111.5	29.8	(5.1)	(12.3)	52.9	10.9	24.3
Restructuring costs reversal ^[1]	—	(0.1)	(0.4)	(0.2)	(0.4)	(0.5)	(1.1)	—
Impairment charge reversal ^[2]	—	—	—	—	—	—	—	(0.3)
(Gain) reversal from insurance recovery ^[3]	—	—	—	—	1.4	—	—	(11.0)
Other elements ^[4]	0.6	(5.5)	7.3	0.4	0.6	0.5	1.2	0.6
Depreciation expense adjustment ^[5]	—	—	—	—	—	1.7	—	—
Income taxes adjustment	(0.5)	2.1	(2.0)	(0.3)	(0.7)	—	(0.2)	1.9
Normalized net income (loss)	37.2	116.5	71.9	(8.8)	16.6	48.3	59.0	7.6
Normalized income taxes expense (recovery)	13.4	37.9	19.3	(1.7)	(0.2)	16.5	21.1	2.5
Financing costs	14.6	15.1	15.2	14.9	14.1	15.6	15.3	15.5
Financing income	(0.8)	(0.8)	(0.8)	(0.6)	(0.5)	(0.5)	(0.3)	(0.5)
Depreciation expense, as adjusted	27.1	30.6	28.5	27.5	26.6	26.1	23.9	22.3
Normalized EBITDA	\$ 91.5	\$ 199.3	\$ 134.1	\$ 31.3	\$ 56.6	\$ 106.0	\$ 119.0	\$ 47.4

^[1] In Fiscal 2015 and 2014, the Company reversed respectively \$1.1 million and \$1.6 million of the restructuring costs recorded during the twelve-month period ended January 31, 2013 related to the Company's decision to exit the sport boat business, to transfer the assembly of PWC from Canada to Mexico and to outsource the majority of its North American powersports PAC distribution to a third-party logistics provider.

^[2] In Fiscal 2014, the Company reversed \$0.3 million of the impairment charge recorded during the twelve-month period ended January 31, 2013 following the Company's decision to exit the sport boat business.

^[3] In Fiscal 2015, the Company reversed \$1.4 million of the \$11.0 million gain that was recorded in Fiscal 2014 for the insurance recovery in relation with damages which occurred at the Company's research & development centre in Valcourt, Canada, during the twelve-month period ended January 31, 2013.

^[4] Other elements include retention salaries of \$0.6 million for the three-month period ended April 30, 2015, \$2.2 million for Fiscal 2015 and \$1.9 million for Fiscal 2014 related to the transfer of the assembly of PWC from Canada to Mexico and the assignment of the majority of its North American powersports PAC distribution to a third-party logistics provider. Other elements include \$7.2 million of employee severances following the Company's decision to optimize its worldwide workforce in Fiscal 2015. Other elements include gains of \$5.2 million for Fiscal 2015 and \$0.5 million for Fiscal 2014 related to the termination of the defined benefit plan coverage of most of the Company's Austrian employees. In Fiscal 2015, other elements include also a \$1.4 million gain related to the disposal of land in Austria. In Fiscal 2014, other elements include also \$0.9 million of fees and expenses related to the two secondary offerings.

^[5] In Fiscal 2014, the Company recorded a non-recurring depreciation charge of \$1.7 million related to the damaged assets of the Company's research & development centre in Valcourt, Canada.



Liquidity and Capital Resources

Liquidity

The Company's primary sources of cash consist of existing cash balances, operating activities and available borrowings under the Revolving Credit Facilities and Term Facility.

The Company's primary uses of cash are to fund operations, working capital requirements and capital expenditures in connection with product development and manufacturing infrastructure. The fluctuation of working capital requirements is primarily due to the seasonality of the Company's production schedule and product shipments. Working capital requirements typically peak during the second quarter of a fiscal year.

A summary of net cash flows by activities is presented below for the three-month periods ended April 30, 2015 and 2014:

	Three-month periods ended	
	April 30, 2015	April 30, 2014
(millions of Canadian dollars)		
Net cash flows generated from operating activities	\$ 44.1	\$ 36.0
Net cash flows used in investing activities	(37.7)	(22.8)
Net cash flows used in financing activities	(9.8)	(9.3)
Effect of exchange rate changes on cash	6.7	(2.4)
Net increase in cash	3.3	1.5
Cash at beginning of period	232.0	75.4
Cash at end of period	\$ 235.3	\$ 76.9

Net Cash Flows Generated from Operating Activities

Net cash flows generated from operating activities totalled \$44.1 million for the three-month period ended April 30, 2015 compared with \$36.0 million for the three-month period ended April 30, 2014. The \$8.1 million increase in net cash flows generated was mainly due to increased operating income, partially offset by unfavourable changes in working capital of \$36.8 million. The unfavourable changes in working capital were primarily driven by Trade payables and accruals due to a different production timeline and different payment terms, partially offset by lower investment in Inventories.

Net Cash Flows Used in Investing Activities

Net cash flows used in investing activities totalled \$37.7 million for the three-month period ended April 30, 2015 compared to \$22.8 million for the three-month period ended April 30, 2014. The increase of \$14.9 million was mainly attributable to investments in the new manufacturing facility located in Juárez, Mexico.

Net Cash Flows Used in Financing Activities

Net cash flows used in financing activities remained stable at \$9.8 million for the three-month period ended April 30, 2015 compared with \$9.3 million for the three-month period ended April 30, 2014.



Contractual Obligations

The following table summarizes the Company's significant contractual obligations as at April 30, 2015, including commitments related to leasing contracts:

(millions of Canadian dollars)	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total amount
Commitments					
Operating lease agreements	\$ 25.0	\$ 45.4	\$ 35.4	\$ 92.2	\$ 198.0
Financial obligations					
Trade payables and accruals	560.6	—	—	—	560.6
Long-term debt (including interest)	44.4	106.1	1,004.5	5.0	1,160.0
Derivative financial instruments	2.9	—	—	2.2	5.1
Other financial liabilities (including interest)	78.1	5.6	1.0	22.4	107.1
	686.0	111.7	1,005.5	29.6	1,832.8
Total obligations	\$ 711.0	\$ 157.1	\$ 1,040.9	\$ 121.8	\$ 2,030.8

The Company enters into purchasing agreements with suppliers related to material used in production. These agreements are usually entered into before production begins and may specify a fixed or variable quantity of material to be purchased. Due to the uncertainty as to the amount and pricing of material that may be purchased, the Company is not able to determine with precision its commitments in connection with these supply agreements.

Management believes that the Company's operating activities and available financing capacity will provide adequate sources of liquidity to meet its short-term and long-term needs.

Capital Resources

Revolving Credit Facilities

As at April 30, 2015, the revolving credit facilities agreement provided the Company a maximum availability of \$350.0 million until May 2018 (the "Revolving Credit Facilities"). The Revolving Credit Facilities are subject to a borrowing base calculation, based on 75% of Trade and other receivables and 50% of Inventories. The Revolving Credit Facilities are available to finance working capital requirements and capital expenditures, or for other general corporate purposes.

As at April 30, 2015, the Company had no outstanding indebtedness under the Revolving Credit Facilities. The applicable cost of borrowing for the quarter ended April 30, 2015 was the following based on:

- (i) U.S. dollars at either
 - (a) LIBOR plus 2.50% per annum; or
 - (b) U.S. Base Rate plus 1.50% per annum; or
 - (c) U.S. Prime Rate plus 1.50% per annum;
- (ii) Canadian dollars at either
 - (a) Bankers' Acceptances plus 2.50% per annum; or
 - (b) Canadian Prime Rate plus 1.50% per annum
- (iii) Euros at Euro LIBOR plus 2.50% per annum.

For future periods, the cost of borrowing could increase by up to 1.25% or decrease by 0.50% depending on the leverage ratio represented by the ratio of net debt to consolidated cash flows of BRP's subsidiary Bombardier Recreational Products Inc.

In addition, the Company incurs commitment fees of 0.45% to 0.50% per annum on the undrawn amount of the Revolving Credit Facilities.



Under certain conditions, the Company is required to maintain a minimum fixed charges ratio in order to have full access to its Revolving Credit Facilities.

As at April 30, 2015, the Company had issued letters of credit for an amount of \$5.4 million under the Revolving Credit Facilities (\$5.7 million as at January 31, 2015). In addition, \$2.2 million of letters of credit were outstanding under other agreements as at April 30, 2015, (\$2.4 million as at January 31, 2015).

Term Facility

As at April 30, 2015, the outstanding amount of the Term Facility was U.S. \$792.0 million under a U.S. \$1,050.0 million agreement with the option to increase the amount of borrowing by U.S. \$150.0 million under certain conditions. The cost of borrowing under the Term Facility was the following as at April 30, 2015:

- (i) LIBOR plus 3.00% per annum, with a LIBOR floor of 1.00%; or
- (ii) U.S. Base Rate plus 2.00%; or
- (iii) U.S. Prime Rate plus 2.00%

Under the Term Facility, the cost of borrowing in U.S. Base Rate or U.S. Prime Rate cannot be lower than the cost of borrowing in LIBOR.

In the event that Bombardier Recreational Products Inc. has an excess cash position at the end of the fiscal year and its leverage ratio is above a certain threshold level, the Company may be required to repay a portion of the Term Facility. The Term Facility agreement contains customary representations and warranties but does not include any financial maintenance covenants.

On May 29, 2015, the Company amended its U.S. \$1,050.0 million term facility agreement to reduce by 0.25% the interest rate applicable on the outstanding nominal amount of U.S. \$792.0 million. All other conditions of the term facility agreement remained unchanged.

Austrian Term Loans

During the three-month period ended April 30, 2015, the Company entered into a term loan agreement at favourable interest rates under an Austrian government program. This program supports research and development projects based on the Company's incurred expenses in Austria. The term loan has a nominal amount of Euro 1.6 million (\$2.1 million) with an interest rate of Euribor three-months plus 1.50% and a maturity date on March 30, 2020.

As at April 30, 2015, after taking into consideration this new loan, the Company had Euro 32.4 million outstanding under its Austrian term loans bearing interest at a range between 1.00% and 2.13% and maturing between December 2015 and March 2020.

Normal Course Issuer Bid Program ("NCIB")

In March 2015, the Company announced its plan to repurchase up to 3,703,442 of its outstanding subordinate voting shares through a NCIB. During the three-month period ended April 30, 2015, the Company repurchased a total of 44,000 subordinate voting shares for a total cost of \$1.2 million.

As at April 30, 2015, a \$6.4 million liability, with a corresponding amount in equity, was recorded in the condensed consolidated interim statements of financial position in relation with the NCIB. This liability represented the value of subordinate voting shares expected to be repurchased by a designated broker under an automatic share purchase plan from May 1st to June 14, 2015. This automatic share purchase plan allows for the purchase of subordinate voting shares under pre-set conditions at times when the Company would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods.



Consolidated Financial Position

The following table shows the main variances that have occurred in the unaudited condensed consolidated interim statements of financial position of the Company between April 30, 2015 and January 31, 2015, the impact of the fluctuation of exchange rates on such variance, the related net variance (excluding the impact of the fluctuation of exchange rates on such variance) as well as explanations for the net variance:

(millions of Canadian dollars)	April 30, 2015	January 31, 2015	Variance	Exchange Rate Impact	Net Variance	Explanation of Net Variance
Trade and other receivables	\$ 231.8	\$ 306.8	\$ (75.0)	\$ 14.1	\$ (60.9)	Mostly explained by collection of Snowmobiles' trade receivables in Scandinavia
Inventories	613.9	630.2	(16.3)	23.6	7.3	No significant variances
Property, plant and equipment	582.1	586.9	(4.8)	14.0	9.2	No significant variances
Trade payables and accruals	560.6	678.4	(117.8)	22.8	(95.0)	Mostly explained by different payment terms
Long-term debt, including current portion	990.1	1,035.5	(45.4)	48.4	3.0	No significant variances
Employee future benefit liabilities	239.9	267.5	(27.6)	7.5	(20.1)	Mostly explained by the increase of approximately 35 basis points of the discount rate on Canadian defined benefit obligations

Off-Balance Sheet Arrangements

Dealer and Distributor Financing Arrangements

The Company, most of its independent dealers and some of its independent distributors are parties to agreements with third-party financing service providers. These agreements provide financing to facilitate the purchase of the Company's products and improve the Company's working capital by allowing an earlier collection of accounts receivable from dealers and distributors. Approximately two-thirds of the Company's sales are made under such agreements. The parties listed above have agreements with TCF Inventory Finance Inc. and TCF Commercial Finance Canada Inc. (collectively, "TCF"), to provide financing facilities in North America and Latin America, and with GE Capital Bank Limited, GE Commercial Corporation (Australia) Pty Ltd and GE Finance and Insurance (GE Capital) (collectively "GE Group") for financing facilities in Europe, Australia and New Zealand. The agreement between the Company and TCF will expire in January 31, 2020. For the contracts with GE Group, the maximum commitment period is up to January 31, 2017.

The total amount of financing provided to the Company's independent dealers and distributors totalled \$665.1 million for the three-month period ended April 30, 2015, compared to \$522.3 million for the three-month period ended April 30, 2014. The outstanding financing between the Company's independent dealers and distributors and third-party finance companies amounted to \$1,317.2 million and \$1,245.1 million as at April 30, 2015, and January 31, 2015, respectively.



The breakdown of outstanding amounts by country and local currency between the Company's independent dealers and distributors with third-party finance companies were as follows:

(in millions)	Currency	April 30, 2015	January 31, 2015
Total outstanding as at	CAD	\$ 1,317	\$ 1,245
United States	USD	754	670
Canada	CAD	322	299
Europe	Euro	35	32
Australia and New Zealand	AUD	34	45
Latin America	USD	2	3

The costs incurred by the Company under the dealers' and distributors' financing agreements totalled \$7.4 million for the three-month period ended April 30, 2015 compared with \$4.5 million for the three-month period ended April 30, 2014. The increase is primarily due to higher volume of units sold and higher North American dealer inventories.

Under the dealer and distributor financing agreements, in the event of default, the Company may be required to purchase, from the finance companies, repossessed new and unused products at the total unpaid principal balance of the dealer or distributor to the finance companies. In North America, the obligation is limited to the greater of U.S. \$25.0 million (\$30.3 million) or 10% of the last twelve-month average amount of financing outstanding under the financing agreements, whereas in Europe, the obligation is limited to the greater of U.S. \$10.0 million (\$12.1 million) or 10% of the last twelve-month average amount of financing outstanding under the financing agreements. In Australia and New Zealand, the obligation to repossess new and unused products is limited to the greater of AUD \$5.0 million (\$4.8 million) or 10% of the last twelve-month average amount of financing outstanding under the financing agreements.

The maximum amount subject to the Company's obligation to repossess new and unused products from the finance companies was \$122 million as at April 30, 2015 (\$105 million in North America, \$12 million in Europe and \$5 million in Australia and New Zealand) and \$117 million as at January 31, 2015 (\$99 million in North America, \$13 million in Europe and \$5 million in Australia and New Zealand).

The Company did not incur significant losses related to new and unused products repossessed by the finance companies for the three-month periods ended April 30, 2015 and 2014.

Consumer Financing Arrangements

The Company has contractual relationships with third-party financing companies in order to facilitate consumer credit for the purchase of its products in North America. The agreements allow the Company to offer under certain sales programs a subsidized interest rate to consumers for a certain limited period. In Canada, the Company has agreements with TD Financing Services, National Bank of Canada and the Fédération des caisses Desjardins du Québec for such purposes. In the United States, the Company has agreements with Sheffield Financial and Capital One. Under these contracts, the Company's financial obligations are solely related to the commitments made under certain sales programs.



Transactions Between Related Parties

Transactions with Bombardier Inc., a Company Related to Beaudier Group

Pursuant to the purchase agreement entered into in 2003 in connection with the acquisition of the recreational product business of Bombardier Inc., the Company is committed to reimburse to Bombardier Inc. income taxes amounting to \$22.0 million as at April 30, 2015 and \$22.1 million as at January 31, 2015, respectively. The payments will begin when Bombardier Inc. starts making income tax payments in Canada and/or in the United States. The Company does not expect to make any payments to Bombardier Inc. in relation with that obligation for the year ending January 31, 2016.

Financial Instruments

The Company's financial instruments, divided into financial assets and financial liabilities, are measured at the end of each period at fair value or amortized costs using the effective interest method depending on their classification determined by IFRS. By nature, financial assets are exposed to credit risk whereas financial liabilities are exposed to liquidity risk. Additionally, the Company's financial instruments and transactions could be denominated in foreign currency creating a foreign exchange exposure that could be mitigated by the use of derivative financial instruments. The Company is to a lesser extent exposed to interest risk associated to its Revolving Credit Facilities, Term Facility and Austrian term loans.

Foreign Exchange Risk

The elements reported in the consolidated statements of net income, in the consolidated statements of financial position and in the consolidated statements of cash flows presented in the Company's unaudited condensed consolidated interim financial statements in Canadian dollars are significantly exposed to the fluctuation of exchange rates, mainly the Canadian dollar/U.S. dollar rate and the Canadian dollar/Euro rate.

The Company's cash inflows and outflows are mainly comprised of Canadian dollars, U.S. dollars and Euros. The Company intends to maintain, as a result of its business transactions, a certain offset position on U.S. dollars and Euros denominated cash inflows and outflows.

For currencies over which the Company cannot achieve an offset through its recurring business transactions, mainly for the Australian dollar, the Swedish Krona and the Norwegian Krone, the Company uses foreign exchange contracts according to the Company's hedging policy. Under this policy, the Company hedges up to 50% of the budgeted exposure in these currencies during the annual budget period and continually increases the coverage up to 80% six months before the expected exposures arise. Management periodically reviews the relevant hedging position and may hedge at any level within the authorized parameters of the policy, up to the maximum percentage allowed. Those contracts are accounted for under the cash flow hedge model covering highly probable forecasted sales in these currencies and the gains or losses on those derivatives are recorded in net income only when the forecasted sales occur.

The Company does not hedge its exposure to the Brazilian Real.

Finally, the Company reduces the exposure on its net income arising from the revaluation at period-end of U.S. dollar denominated trade payables and accruals by using foreign exchange contracts having the same inception and maturity dates. Those contracts are recorded in net income at each period end in order to mitigate the gains or losses resulting from the revaluation at spot rate of these foreign-denominated liabilities.

While the Company's operating income is protected, to a certain extent, from significant fluctuations of foreign exchange rates resulting from the application of the Company's hedging strategy, the net income



is significantly exposed to Canadian dollar/U.S. dollar rate fluctuations due to the U.S. dollar denominated long-term debt. However, the Company's normalized net income does not take into account the foreign exchange (gain) loss on long-term debt.

Liquidity Risk

The Company is exposed to the risk of encountering difficulty in meeting obligations related to its financial liabilities. In order to manage its liquidity risk accurately, the Company continuously monitor its operating cash requirements taking into account the seasonality of the Company's working capital needs, revenues and expenses. The Company believes the cash flows generated from operations combined with its cash on hand and the availability of funds under its credit facilities ensures its financial flexibility and mitigates its liquidity risk.

Credit Risk

The Company could be exposed, in the normal course of business, to the potential inability of dealers, distributors and other business partners to meet their contractual obligations on financial assets, principally on receivables and amounts guaranteed under dealer and distributor financing arrangements with TCF and GE Group.

The Company considers that its credit risk associated with its trade receivables and its limited responsibilities under the dealer and distributor financing agreements with TCF and GE Group does not represent a significant concentration of risk and loss due to the large number of dealers, distributors and other business partners and their dispersion across many geographic areas. Moreover, the Company mitigates such risk by doing business through its own distribution channels and by monitoring independent dealer's and distributor credit.

Interest Rate Risk

The Company is exposed to the variation of interest rates mainly resulting from the LIBOR on its Term Facility. Due to current LIBOR rates level and the current low interest volatility environment, the Company does not believe to be significantly exposed to increased interest rates in the short-term.

Critical Accounting Estimates

Significant Estimates and Judgments

The preparation of the unaudited condensed consolidated interim financial statements in accordance with the Company's accounting policies requires management to make estimates and judgments that can affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, other comprehensive income and disclosures made.

The Company's best estimates are based on the information, facts and circumstances available at the time estimates are made. Management uses historical experience and information, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from the estimates used and such differences could be significant.

The Company's annual operating budget and operating budget revisions performed during the year (collectively "Budget") and the Company's strategic plan comprise fundamental information used as a basis for some significant estimates necessary to prepare the unaudited condensed consolidated interim financial statements. Management prepares the annual operating budget and strategic plan each year using a process whereby a detailed one-year budget and three-year strategic plan are prepared by each entity and then consolidated.



Cash flows and profitability included in the Budget are based on the existing and future expected sales orders, general market conditions, current cost structures, anticipated cost variations and current agreements with third parties. Management uses the annual operating budget information as well as additional projections or assumptions to derive the expected results for the strategic plan and periods thereafter.

The Budget is approved by senior management and the Board of Directors whereas the strategic plan is approved by senior management and presented to the Board of Directors. Management then tracks performance as compared to the Budget. Significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

Management needs to rely on estimates in order to apply the Company's accounting policies and considers that the most critical ones are the following:

Estimating the Net Realizable Value of Inventory

The net realizable value of materials and work in process is determined by comparing inventory components and value with production needs, current and future product features, expected production costs to be incurred and the expected profitability of finished products. The net realizable value of finished products and parts and accessories is determined by comparing inventory components and value with expected sales prices, sales program and new product features.

Estimating the Useful Life of Tooling

Tooling useful life is estimated by product line based on their expected physical life and on the expected life of the product platform they are related to.

Estimating Impairment on Property, Plant and Equipment and Intangible Assets

Management assesses the value in use of property, plant and equipment and intangible assets mainly at groups of cash generating unit ("CGU") level using a discounted cash flow approach by product line determined during the annual budget and strategic plan process. When the Company acquired the recreational products business from Bombardier Inc. in 2003, trademarks and goodwill were recorded as part of the business acquisition. As at April 30, 2015, the entire carrying amount of trademarks of \$151.1 million and \$114.7 million of the \$115.8 million carrying amount of goodwill were related to this transaction.

(i) Trademarks Impairment Test

For the purpose of impairment testing, Ski-Doo®, Sea-Doo® and Evinrude® trademarks are allocated to their respective CGU. The carrying amount of trademarks amounting to \$151.1 million is related to *Ski-Doo*, *Sea-Doo* and *Evinrude* for \$63.5 million, \$59.1 million and \$28.5 million respectively.

Recoverable Amount

The Company determines the recoverable amount of these trademarks separately using value-in-use calculation. Value in use uses cash flow projections from the Company's one-year budget and three-year strategic plan, with a terminal value calculated by discounting the final year in perpetuity. These figures used as the basis for the key assumptions in the value in use calculation includes sales volume, sales price, production costs, distribution costs and operating expenses as well as discount rates. This information represents the best available information as at the date of impairment testing. The estimated future cash flows are discounted to their present value. The Company performs sensitivity analysis on the cash flows and growth rate in order to confirm that the trademarks are not impaired.

(ii) Goodwill Impairment Test

For the purpose of impairment testing, goodwill of \$114.7 million created in 2003 was allocated to the group of CGU representing all the Company's product lines.

Recoverable Amount

The group of CGUs' recoverable amount is based on a value-in-use calculation using cash flow projections, which takes into account the Company's one-year budget and three-year strategic plan, with a



terminal value calculated by discounting the final year in perpetuity. These figures used as the basis for the key assumptions in the value in use calculation includes sales volume, sales price, production costs, distribution costs and operating expenses as well as discount rates. This information represents the best available information as at the date of impairment testing. The estimated future cash flows are discounted to their present value. The Company performs sensitivity analysis on the cash flows and growth rate in order to confirm that goodwill is not impaired.

Estimating Recoverability of Deferred Tax Assets

Deferred tax assets are recognized only if management believes it is probable that they will be realized based on annual budget, strategic plan and additional projections to derive the expected results for the periods thereafter.

Estimating Provisions for Product Warranty, Product Liability, Sales Program and Restructuring

The warranty cost is established by product and recorded at the time of sale based on management's best estimate, using historical cost rates and trends. Adjustments to the warranty provision are made when the Company identifies a significant and recurring issue on products sold or when costs and trend differences are identified in the analysis of warranty claims.

The product liability provision at period end is based on management's best estimate of the amounts necessary to resolve existing claims. In addition, the product liability provision at the end of the reporting period includes incurred, but not reported claims based on average historical cost information.

Sales program provision is estimated based on current program features, historical data and expected retail sales for each product line.

Restructuring provision is initially estimated based on restructuring plan estimated costs in relation with the plan features approved by management. Restructuring provision is reviewed at each period end in order to take into account updated information in relation with the realization of the plan. If necessary, the provision is adjusted accordingly.

Estimating the Discount Rates Used in Assessing Defined Benefit Plan Expenses and Liability

In order to select the discount rates used to determine defined benefit plan expenses and liabilities, management consults with external actuarial firms to provide commonly used and applicable discount rates that are based on the yield of high quality corporate fixed income investments with cash flows that match expected benefit payments for each defined benefit plan. Management uses its knowledge and comprehension of general economic factors in order to conclude on the accuracy of the discount rates used.

Significant Judgments in Applying the Company's Accounting Policies

Management needs to make certain judgments in order to apply the Company's accounting policies and the most significant ones are the following:

Impairment of Property, Plant and Equipment and Intangible Assets

The Company operates using a high level of integration and interdependency between design, development, manufacturing and distribution operations. The cash inflows generated by each product line require the use of various assets of the Company, limiting the impairment testing to be done for a single asset. Therefore, management performs impairment testing by grouping CGUs.

Functional Currency

The Company operates worldwide but its design, development, manufacturing and distribution operations are highly integrated, which require significant judgements from management in order to determine the functional currency of each entity using factors provided by IAS 21 "The Effects of Changes in Foreign Exchange Rates". Management established an accounting policy where the functional currency of each entity is deemed to be its local currency unless the assessment of the criteria established by IAS 21 to assess the functional currency leads to the determination of another currency. IAS 21 criteria are reviewed annually for each entity and are based on transactions with third-parties only.



Changes in Accounting Policies

IAS 19 Employee benefits

On February 1st, 2015, the Company adopted the amendment to IAS 19 “Employee benefits” which clarifies the accounting for contributions from employees to defined benefit plans. The adoption of this amendment had no impact on the Company’s condensed consolidated interim financial statements.

Future Accounting Changes

In July 2014, the International Accounting Standards Board’s (“IASB”) published the final version of IFRS 9 “Financial Instruments” which introduced new classification requirements, new measurement requirements and a new hedge accounting model. The final version of the Standard replaces earlier versions of IFRS 9 and completes the IASB project to replace IAS 39 “Financial Instruments: Recognition and Measurement”. The effective date of IFRS 9 for the Company is February 1st, 2018. The Company is currently assessing the impact on its consolidated financial statements of this new pronouncement.

On May 28, 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers”. The objective of this standard is to establish a single comprehensive model for entities to be used in accounting for revenue arising from contracts with customers. Following a decision from the IASB, the effective date of IFRS 15 for the Company has been postponed from February 1st, 2017 to a date to be determined by the IASB. The Company is currently assessing the impact on its consolidated financial statements of this new pronouncement.

The IASB issued other standards or amendment to existing standards which are not expected to have a significant impact on the Company’s financial statements.

Controls and Procedures

Management’s report on internal controls over financial reporting

There were no changes in the Company’s internal controls over financial reporting during the three-month period ended April 30, 2015, that have materially affected, or are reasonably likely to materially affect the Company’s internal controls over financial reporting.

Dividend Policy

The Company does not currently intend to declare any dividend on the shares. Any future determination to pay dividends on the shares of the Company would be at the discretion of the board of directors of the Company (the “Board of Directors”) and would depend on, among other things, the Company’s results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants (including restrictions in the Term Credit Agreement and the Revolving Credit Agreement or other material agreements), solvency tests imposed by corporate law and other factors that the Board of Directors may deem relevant.

Risk Factors

For a detailed description of risk factors associated with the Company, refer to the “Risk factors” section of the Company’s MD&A for the fourth quarter and the fiscal year ended January 31, 2015. The company is not aware of any significant changes to the Company’s risk factors from those disclosed at that time.



Disclosure of Outstanding Shares

As at June 10, 2015, the Company had the following issued and outstanding shares and stock options:

- 79,023,344 multiple voting shares with no par value.
- 39,162,413 subordinate voting shares with no par value.
- 2,117,231 stock options to acquire subordinate voting shares.

Additional Information

Additional information relating to BRP Inc. is available on SEDAR at www.sedar.com.

