



Unaudited Condensed Consolidated Interim Financial Statements

BRP Inc.

For the three and nine-month periods ended October 31, 2016 and 2015

BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME

[Unaudited]
[in millions of Canadian dollars, except per share data]

	Notes	Three-month periods ended		Nine-month periods ended	
		October 31, 2016	October 31, 2015	October 31, 2016	October 31, 2015
Revenues		\$ 1,080.2	\$ 1,010.2	\$ 2,866.2	\$ 2,720.4
Cost of sales		773.0	764.2	2,192.9	2,092.1
Gross profit		307.2	246.0	673.3	628.3
Operating expenses					
Selling and marketing		63.3	64.0	214.5	202.4
Research and development		44.0	38.3	137.4	116.8
General and administrative		38.6	32.8	118.7	100.8
Other operating expenses (income)	13	(1.7)	7.0	63.8	18.3
Total operating expenses		144.2	142.1	534.4	438.3
Operating income		163.0	103.9	138.9	190.0
Financing costs	14	15.8	15.3	48.9	45.7
Financing income	14	0.1	(1.1)	(1.5)	(2.7)
Foreign exchange (gain) loss on long-term debt		24.5	2.8	(56.7)	28.4
Income before income taxes		122.6	86.9	148.2	118.6
Income taxes expense	15	43.9	21.4	27.6	38.3
Net income		\$ 78.7	\$ 65.5	\$ 120.6	\$ 80.3
Attributable to shareholders		\$ 78.7	\$ 65.5	\$ 120.6	\$ 80.3
Attributable to non-controlling interest		—	—	—	—
Basic earnings per share	12	0.70	0.56	1.06	0.68
Diluted earnings per share	12	0.70	0.56	1.06	0.68

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.



BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

[Unaudited]
[in millions of Canadian dollars]

	Three-month periods ended		Nine-month periods ended	
	October 31, 2016	October 31, 2015	October 31, 2016	October 31, 2015
Net income	\$ 78.7	\$ 65.5	\$ 120.6	\$ 80.3
Other comprehensive income (loss)				
Items that will be reclassified subsequently to net income				
Net changes in fair value of derivatives designated as cash flow hedges	(0.7)	0.5	1.0	2.9
Net changes in unrealized gain (loss) on translation of foreign operations	5.0	(1.5)	(7.9)	(6.8)
Income taxes (expense) recovery	0.3	(0.1)	(0.1)	(0.6)
	4.6	(1.1)	(7.0)	(4.5)
Items that will not be reclassified subsequently to net income				
Actuarial gains (losses) on defined benefit pension plan	7.4	25.7	(29.9)	65.6
Income taxes (expense) recovery	(1.9)	(7.0)	7.8	(17.6)
	5.5	18.7	(22.1)	48.0
Total other comprehensive income (loss)	10.1	17.6	(29.1)	43.5
Total comprehensive income	\$ 88.8	\$ 83.1	\$ 91.5	\$ 123.8
Attributable to shareholders	\$ 88.9	\$ 83.2	\$ 91.8	\$ 123.8
Attributable to non-controlling interest	(0.1)	(0.1)	(0.3)	—

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.



BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

[Unaudited]
[in millions of Canadian dollars]
As at

	Notes	October 31, 2016	January 31, 2016
Cash		\$ 45.2	\$ 235.0
Trade and other receivables		279.2	308.4
Income taxes and investment tax credits receivable		45.8	39.6
Other financial assets	4	12.7	8.0
Inventories	5	884.9	685.9
Other current assets		16.4	17.7
Total current assets		1,284.2	1,294.6
Investment tax credits receivable		17.4	33.9
Other financial assets	4	21.3	22.2
Property, plant and equipment		651.7	636.6
Intangible assets		318.0	323.9
Deferred income taxes		130.7	133.3
Other non-current assets		2.7	0.7
Total non-current assets		1,141.8	1,150.6
Total assets		\$ 2,426.0	\$ 2,445.2
Trade payables and accruals		\$ 747.4	\$ 650.3
Provisions	7	218.9	147.5
Other financial liabilities	8	83.0	80.4
Income taxes payable		20.7	32.1
Current portion of long-term debt	9	23.4	14.8
Other current liabilities		7.2	6.2
Total current liabilities		1,100.6	931.3
Long-term debt	9	927.4	1,131.8
Provisions	7	81.6	89.4
Other financial liabilities	8	29.6	31.8
Employee future benefit liabilities		248.1	224.1
Deferred income taxes		6.1	28.8
Other non-current liabilities		21.8	22.1
Total non-current liabilities		1,314.6	1,528.0
Total liabilities		2,415.2	2,459.3
Equity (deficit)		10.8	(14.1)
Total liabilities and equity (deficit)		\$ 2,426.0	\$ 2,445.2

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.



BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

[Unaudited]
[in millions of Canadian dollars]

For the nine-month period ended October 31, 2016

	Attributed to shareholders						Non-controlling interests	Total equity (deficit)
	Capital Stock	Contributed surplus	Retained losses	Translation of foreign operations	Cash-flow hedges	Total		
Balance as at January 31, 2016	\$ 331.3	\$ 21.5	\$ (393.6)	\$ 24.5	\$ (3.0)	\$ (19.3)	\$ 5.2	\$ (14.1)
Net income	—	—	120.6	—	—	120.6	—	120.6
Other comprehensive income (loss)	—	—	(22.1)	(7.6)	0.9	(28.8)	(0.3)	(29.1)
Total comprehensive income (loss)	—	—	98.5	(7.6)	0.9	91.8	(0.3)	91.5
Issuance of subordinate shares	0.4	(0.3)	—	—	—	0.1	—	0.1
Repurchase of subordinate shares (Note 10)	(30.7)	—	(41.2)	—	—	(71.9)	—	(71.9)
Stock-based compensation	—	5.2 ^[a]	—	—	—	5.2	—	5.2
Balance as at October 31, 2016	\$ 301.0	\$ 26.4	\$ (336.3)	\$ 16.9	\$ (2.1)	\$ 5.9	\$ 4.9	\$ 10.8

^[a] Includes \$0.1 million of income taxes recovery.

For the nine-month period ended October 31, 2015

	Attributed to shareholders						Non-controlling interests	Total equity (deficit)
	Capital Stock	Contributed surplus	Retained losses	Translation of foreign operations	Cash-flow hedges	Total		
Balance as at January 31, 2015	\$ 361.9	\$ 16.4	\$ (418.8)	\$ 13.1	\$ (2.2)	\$ (29.6)	\$ 2.7	\$ (26.9)
Net income	—	—	80.3	—	—	80.3	—	80.3
Other comprehensive income (loss)	—	—	48.0	(6.8)	2.3	43.5	—	43.5
Total comprehensive income (loss)	—	—	128.3	(6.8)	2.3	123.8	—	123.8
Issuance of subordinate shares	2.7	(1.2)	—	—	—	1.5	—	1.5
Repurchase of subordinate shares	(26.1)	—	(52.3)	—	—	(78.4)	—	(78.4)
Subordinate shares subject to repurchase	—	(14.6)	—	—	—	(14.6)	—	(14.6)
Stock-based compensation	—	5.2	—	—	—	5.2	—	5.2
Contribution	—	—	—	—	—	—	1.5	1.5
Balance as at October 31, 2015	\$ 338.5	\$ 5.8	\$ (342.8)	\$ 6.3	\$ 0.1	\$ 7.9	\$ 4.2	\$ 12.1

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.



BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

[Unaudited]
[in millions of Canadian dollars]

	Notes	Nine-month periods ended	
		October 31, 2016	October 31, 2015
OPERATING ACTIVITIES			
Net income		\$ 120.6	\$ 80.3
Non-cash and non-operating items:			
Depreciation expense		97.4	89.5
Income taxes expense	15	27.6	38.3
Foreign exchange (gain) loss on long-term debt		(56.7)	28.4
Interest expense	14	40.6	39.9
Other		4.1	19.3
Cash flows generated from operations before changes in working capital		233.6	295.7
Changes in working capital:			
Decrease in trade and other receivables		24.4	8.7
Increase in inventories		(210.4)	(100.7)
Increase in other assets		(8.3)	(16.2)
Increase (decrease) in trade payables and accruals		113.2	(51.5)
Increase (decrease) in other financial liabilities		1.7	(2.5)
Increase in provisions		69.4	9.3
Decrease in other liabilities		(0.4)	(4.0)
Cash flows generated from operations		223.2	138.8
Income taxes paid, net of refunds		(37.6)	(21.4)
Net cash flows generated from operating activities		185.6	117.4
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(111.3)	(137.9)
Additions to intangible assets		(7.9)	(11.5)
Proceeds on disposal of property, plant and equipment		—	0.3
Other		1.6	0.7
Net cash flows used in investing activities		(117.6)	(148.4)
FINANCING ACTIVITIES			
Revolving credit facilities amendment fees	6	(2.6)	—
Issuance of long-term debt	9	0.2	2.4
Long-term debt amendment fees	9	(18.4)	(1.2)
Repayment of long-term debt		(128.3)	(7.0)
Interest paid		(38.3)	(32.1)
Issuance of subordinate voting shares		0.1	1.5
Repurchase of subordinate voting shares		(72.9)	(76.7)
Other		(1.5)	1.3
Net cash flows used in financing activities		(261.7)	(111.8)
Effect of exchange rate changes on cash		3.9	5.2
Net decrease in cash		(189.8)	(137.6)
Cash at beginning of year		235.0	232.0
Cash at the end of period		\$ 45.2	\$ 94.4

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended October 31, 2016 and 2015

[Unaudited]

[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

1. NATURE OF OPERATIONS

BRP Inc. (“BRP” or the “Company”) is incorporated under the laws of Canada. BRP’s multiple voting shares are owned by Beaudier Inc. and 4338618 Canada Inc. (collectively, “Beaudier group”), Bain Capital Luxembourg Investments S.à r.l. (“Bain Capital”) and La Caisse de dépôt et placement du Québec (“CDPQ”), (collectively, the “Principal Shareholders”) whereas BRP’s subordinate voting shares are listed on the Toronto Stock Exchange under the symbol DOO.

BRP and its subsidiaries design, develop, manufacture and sell Year-Round Products consisting of all-terrain vehicles, side-by-side vehicles and roadsters; Seasonal Products consisting of snowmobiles and personal watercraft; and Propulsion Systems consisting of engines for outboard and jet boats, karts, motorcycles and recreational aircraft. Additionally, the Company supports its lines of products with a dedicated parts, accessories, clothing and other services business. The Company’s products are sold mainly through a network of independent dealers, independent distributors and to original equipment manufacturers. The Company distributes its products worldwide and manufactures them in Canada, Mexico, Austria, the United States and Finland.

The Company’s headquarters is located at 726 Saint-Joseph Street, Valcourt, Québec, J0E 2L0.

2. BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements for the three and nine-month periods ended October 31, 2016 and 2015 have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with *IAS 34 “Interim Financial Reporting”*. These unaudited condensed consolidated interim financial statements for the three and nine-month periods ended October 31, 2016 and 2015 follow the same accounting policies as the audited consolidated financial statements for the year ended January 31, 2016 and, as such, should be read in conjunction with them.

These unaudited condensed consolidated interim financial statements include the financial statements of BRP and its subsidiaries. BRP controls all of its subsidiaries that are wholly owned through voting equity interests (except for Regionales Innovations Centrum GmbH in Austria for which a non-controlling interest of 25% is recorded upon consolidation and BRP Commerce & Trade Co. Ltd in China for which a non-controlling interest of 20% is recorded upon consolidation). All inter-company transactions and balances have been eliminated upon consolidation.

The Company’s revenues and operating income experience substantial fluctuations from quarter to quarter. In general, wholesale of the Company’s products are higher 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.

On December 8, 2016, the Board of Directors of the Company approved these unaudited condensed consolidated interim financial statements for the three and nine-month periods ended October 31, 2016 and 2015.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended October 31, 2016 and 2015

[Unaudited]

[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

3. FUTURE ACCOUNTING CHANGES

In May 2014, the International Accounting Standards Board's ("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. The effective date of IFRS 15 for the Company is February 1st, 2018. The Company is currently assessing the impact on its consolidated financial statements of this new pronouncement.

In July 2014, the 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.

In January 2016, the IASB issued *IFRS 16 "Leases"* which sets out the principles for recognition, measurement, presentation and disclosure of leases for both lessee and lessor. IFRS 16 introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases, except when the term is twelve months or less or when the underlying asset has a low value. The effective date of IFRS 16 for the Company is February 1st, 2019. The Company is currently assessing the impact on its consolidated financial statements of this new pronouncement.

In January 2016, the IASB issued amendments to *IAS 7 "Statement of cash flows"* which require companies to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The effective date of the amendments for the Company is February 1st, 2017. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

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

4. OTHER FINANCIAL ASSETS

The Company's other financial assets were as follows, as at:

	October 31, 2016	January 31, 2016
Restricted investments ^[a]	\$ 17.2	\$ 17.7
Derivative financial instruments	8.5	4.3
Other	8.3	8.2
Total other financial assets	\$ 34.0	\$ 30.2
Current	12.7	8.0
Non-current	21.3	22.2
Total other financial assets	\$ 34.0	\$ 30.2

^[a] The restricted investments are publicly traded bonds that can only be used for severance payments and pension costs associated with Austrian pension plans, and are not available for general corporate use.

The non-current portion is mainly attributable to the restricted investments.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended October 31, 2016 and 2015

[Unaudited]

[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

5. INVENTORIES

The Company's inventories were as follows, as at:

	October 31, 2016	January 31, 2016
Materials and work in progress	\$ 363.3	\$ 302.7
Finished products	353.5	214.9
Parts, accessories and clothing	168.1	168.3
Total inventories	\$ 884.9	\$ 685.9

The Company recognized in the condensed consolidated interim statements of net income during the three and nine-month periods ended October 31, 2016, a write-down on inventories of \$3.2 million and \$13.6 million respectively (\$5.0 million and \$8.6 million respectively during the three and nine-month periods ended October 31, 2015).

6. REVOLVING CREDIT FACILITIES

On June 30, 2016, the Company amended and restated its \$350.0 million revolving credit facilities to increase the availability by \$75.0 million for a total availability of \$425.0 million, to extend the maturity from May 2018 to June 2021 and to reduce the cost of borrowing by 0.25%. The Company incurred transaction fees of \$2.6 million which are amortized over the expected life of the revolving credit facilities.

The applicable interest rates vary depending on a leverage ratio. The leverage ratio is defined in the revolving credit facilities agreement by the ratio of net debt to consolidated cash flows of the Company's subsidiary, Bombardier Recreational Products Inc. (the "Leverage ratio"). Following the amendment, the applicable interest rates are as follows:

- (i) U.S. dollars at either
 - (a) LIBOR plus 1.75% to 3.50% per annum; or
 - (b) U.S. Base Rate plus 0.75% to 2.50% per annum; or
 - (c) U.S. Prime Rate plus 0.75% to 2.50% per annum;
- (ii) Canadian dollars at either
 - (a) Bankers' Acceptances plus 1.75% to 3.50% per annum; or
 - (b) Canadian Prime Rate plus 0.75% to 2.50% per annum
- (iii) Euros at Euro LIBOR plus 1.75% to 3.50% per annum.

In addition, the Company incurs commitment fees of 0.30% to 0.45% per annum on the undrawn amount of the revolving credit facilities.

As at October 31, 2016, the cost of borrowing under the revolving credit facilities was as follows:

- (i) U.S. dollars at either
 - (a) LIBOR plus 2.25% per annum; or
 - (b) U.S. Base Rate plus 1.25% per annum; or
 - (c) U.S. Prime Rate plus 1.25% per annum;
- (ii) Canadian dollars at either
 - (a) Bankers' Acceptances plus 2.25% per annum; or
 - (b) Canadian Prime Rate plus 1.25% per annum
- (iii) Euros at Euro LIBOR plus 2.25% per annum.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended October 31, 2016 and 2015

[Unaudited]

[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

6. REVOLVING CREDIT FACILITIES [CONTINUED]

The Company is required to maintain, under certain conditions, a minimum fixed charge coverage ratio. Additionally, the total available borrowing under the revolving credit facilities is subject to a borrowing base calculation representing 75% of the carrying amount of trade and other receivables plus 50% of the carrying amount of inventories.

7. PROVISIONS

The Company's provisions were as follows, as at:

	October 31, 2016	January 31, 2016
Product-related	\$ 219.6	\$ 217.1
Restructuring	0.7	3.1
Other	80.2	16.7
Total provisions	\$ 300.5	\$ 236.9
Current	218.9	147.5
Non-current	81.6	89.4
Total provisions	\$ 300.5	\$ 236.9

Product-related provisions include provisions for regular and extended warranty coverage on products sold, product liability provisions and provisions related to sales programs offered by the Company to its independent dealers, distributors or customers in order to support the retail activity.

The non-current portion of provisions is mainly attributable to product-related provisions.

The changes in provisions were as follows:

	Product-related	Restructuring	Other	Total
Balance as at January 31, 2016	\$ 217.1	\$ 3.1	\$ 16.7	\$ 236.9
Expensed during the period	321.5	—	68.4 ^[a]	389.9
Paid during the period	(303.1)	(1.5)	(6.5)	(311.1)
Reversed during the period	(8.9)	(0.8)	(0.5)	(10.2)
Effect of foreign currency exchange rate changes	(6.7)	(0.1)	2.1	(4.7)
Unwinding of discount and effect of changes in discounting estimates	(0.3)	—	—	(0.3)
Balance as at October 31, 2016	\$ 219.6	\$ 0.7	\$ 80.2	\$ 300.5

^[a] Includes a \$62.9 million expense related to the litigation described in Note 13.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended October 31, 2016 and 2015

[Unaudited]

[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

8. OTHER FINANCIAL LIABILITIES

The Company's other financial liabilities were as follows, as at:

	October 31, 2016	January 31, 2016
Dealer holdback programs and customers deposits	\$ 73.8	\$ 72.5
Due to Bombardier Inc.	22.4	22.6
Derivative financial instruments	7.3	6.2
Due to a pension management company	5.3	8.6
Other	3.8	2.3
Total other financial liabilities	\$ 112.6	\$ 112.2
Current	83.0	80.4
Non-current	29.6	31.8
Total other financial liabilities	\$ 112.6	\$ 112.2

The non-current portion is mainly comprised of the amount due to Bombardier Inc. in connection with indemnification related to income taxes.

9. LONG-TERM DEBT

As at October 31, 2016 and January 31, 2016, the maturity dates, interest rates, outstanding nominal amounts and carrying amounts of long-term debt were as follows:

						October 31, 2016
	Maturity date	Contractual interest rate	Effective interest rate	Outstanding nominal amount	Carrying amount	
Term Facility	June 2023	3.75%	4.32%	U.S. \$700.0	\$ 907.7	^[a]
Term Loans	Dec. 2016 to Mar. 2022	0.75% to 2.19%	1.50% to 8.60%	Euro 21.6	30.3	
Finance lease liabilities	Jan. 2018 to Dec. 2030	8.00%	8.00%	\$ 17.3	12.8	
Total long-term debt					\$ 950.8	
Current					23.4	
Non-current					927.4	
Total long-term debt					\$ 950.8	

^[a] Net of unamortized transaction costs of \$30.5 million.

						January 31, 2016
	Maturity date	Contractual interest rate	Effective interest rate	Outstanding nominal amount	Carrying amount	
Term Facility	Jan. 2019	3.75%	4.66%	U.S. \$792.0	\$ 1,095.5	^[a]
Term Loans	Sept. 2016 to Mar. 2022	0.75% to 2.17%	1.25% to 8.60%	Euro 26.0	37.2	
Finance lease liabilities	Jan. 2018 to Dec. 2030	8.00%	8.00%	\$ 19.2	13.9	
Total long-term debt					\$ 1,146.6	
Current					14.8	
Non-current					1,131.8	
Total long-term debt					\$ 1,146.6	

^[a] Net of unamortized transaction costs of \$19.6 million.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended October 31, 2016 and 2015

[Unaudited]

[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

9. LONG-TERM DEBT [CONTINUED]

a) Term Facility

On June 30, 2016, the Company amended and restated its term facility. This amendment and restatement provides an extended term facility of U.S. \$700.0 million maturing in June 2023 with the option for the Company to increase the amount of borrowing by U.S. \$250.0 million under certain conditions (the "Term Facility"). The Term Facility agreement contains customary representations and warranties but includes no financial covenants. The Company incurred transaction costs of \$18.4 million which have been incorporated in the carrying amount of the Term Facility and are amortized over its expected life using the effective interest rate method. As a result of the repayment of U.S. \$92.0 million in the outstanding nominal amount of the previous term facility, \$1.7 million of transaction costs incorporated in the carrying amount were recorded in net income.

As at October 31, 2016, the cost of borrowing under the Term Facility was as follows:

- (i) LIBOR plus 3.00% per annum, with a LIBOR floor of 0.75%; 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.

The Company is required to repay a minimum of 1% of the original nominal amount each year in two equal payments in July and January. Also, the Company may be required to repay a portion of the Term Facility 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.

During the nine-month period ended October 31, 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. The Company incurred amendment fees of \$1.2 million and all other conditions of the term facility remained unchanged.

b) Term Loans

During the nine-month period ended October 31, 2016, the Company received \$0.2 million in relation with a term loan issued during the year ended January 31, 2016.

During the three and nine-month periods ended October 31, 2015, the Company entered into term loan agreements at favourable interest rates under Austrian government programs. These programs support research and development projects based on the Company's incurred expenses in Austria. The term loans have a total nominal amount of Euro 1.8 million (\$2.4 million), interest rates at 0.75% or at Euribor three-months plus 1.50% and maturities between March 2020 and March 2022. The Company recognized a grant of Euro 0.1 million (\$0.2 million) as a reduction of research and development expenses representing the difference between the fair value of the term loans at inception and the cash received.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended October 31, 2016 and 2015

[Unaudited]

[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

10. NORMAL COURSE ISSUER BID PROGRAM (“NCIB”)

In March 2016, the Company announced the renewal of its NCIB to purchase for cancellation up to 3,396,074 of its outstanding subordinate voting shares. During the nine-month period ended October 31, 2016, the Company repurchased the 3,396,074 subordinate voting shares for a total consideration of \$72.9 million.

When the Company was not permitted to purchase subordinate voting shares due to regulatory restrictions or self-imposed blackout periods, an automatic share purchase plan with a designated broker was allowing the purchase of subordinate voting shares under pre-set conditions. During the nine-month period ended October 31, 2016, the Company recognized a loss of \$1.0 million in financing costs related to the automatic share purchase plan. The loss represents the difference between the share price used to establish the financial liability at the end of each quarter and the amount actually paid to repurchase shares during the regulatory restrictions or self-imposed blackout periods.

Of the total consideration of \$72.9 million, \$30.7 million represents the carrying amount of the shares repurchased, \$41.2 million represents the amount charged to retained losses and \$1.0 million represents the loss recognized in net income.

The changes in subordinate voting shares issued and outstanding were as follows:

	Number of shares	Carrying Amount
Balance as at January 31, 2016	35,873,614	\$ 324.9
Issued upon exercise of stock options	89,442	0.4
Repurchased under the NCIB	(3,396,074)	(30.7)
Balance as at October 31, 2016	32,566,982	\$ 294.6

11. STOCK OPTION PLAN

During the nine-month periods ended October 31, 2016 and 2015, the Company granted respectively 761,800 and 636,000 stock options to eligible officers and employees to acquire subordinated voting shares at an average exercise price of \$20.41 and \$27.91 respectively. The fair value of the options at the grant date was respectively \$8.34 and \$12.72. Such stock options are time vesting and 25% of the options will vest on each of the first, second, third and fourth anniversary of the grant. The stock options have a ten-year term at the end of which the options expire.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended October 31, 2016 and 2015

[Unaudited]

[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

12. EARNINGS PER SHARE

a) Basic earnings per share

Details of basic earnings per share were as follows:

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	<u>October 31,</u> <u>2016</u>	<u>October 31,</u> <u>2015</u>	<u>October 31,</u> <u>2016</u>	<u>October 31,</u> <u>2015</u>
Net income attributable to shareholders	\$ 78.7	\$ 65.5	\$ 120.6	\$ 80.3
Weighted average number of shares	111,895,410	116,634,208	113,390,140	117,657,186
Earnings per share - basic	\$ 0.70	\$ 0.56	\$ 1.06	\$ 0.68

b) Diluted earnings per share

Details of diluted earnings per share were as follows:

	<u>Three-month periods ended</u>		<u>Nine-month periods ended</u>	
	<u>October 31,</u> <u>2016</u>	<u>October 31,</u> <u>2015</u>	<u>October 31,</u> <u>2016</u>	<u>October 31,</u> <u>2015</u>
Net income attributable to shareholders	\$ 78.7	\$ 65.5	\$ 120.6	\$ 80.3
Weighted average number of shares	111,895,410	116,634,208	113,390,140	117,657,186
Dilutive effect of stock options	340,064	456,105	265,154	517,416
Weighted average number of diluted shares	112,235,474	117,090,313	113,655,294	118,174,602
Earnings per share - diluted	\$ 0.70	\$ 0.56	\$ 1.06	\$ 0.68



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended October 31, 2016 and 2015

[Unaudited]

[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

13. OTHER OPERATING EXPENSES (INCOME)

Details of other operating expenses (income) were as follows:

	Three-month periods ended		Nine-month periods ended	
	October 31, 2016	October 31, 2015	October 31, 2016	October 31, 2015
Restructuring costs (reversal)	\$ (0.4)	\$ 4.8	\$ (0.8)	\$ 4.8
Loss on litigation	0.3	—	62.9	—
Foreign exchange loss on working capital elements	6.1	3.7	5.3	11.0
(Gain) loss on forward exchange contracts	(7.5)	(0.8)	(3.2)	3.5
Other	(0.2)	(0.7)	(0.4)	(1.0)
Total	\$ (1.7)	\$ 7.0	\$ 63.8	\$ 18.3

The Company is involved in multiple lawsuits with one of its competitors whereby each party is claiming damages for the alleged infringement of some of its patents. On June 1, 2016, a verdict was rendered in one of those lawsuits against the Company for an amount of U.S. \$15.5 million (\$19.5 million) in compensatory damages, which was recorded during the three-month period ended April 30, 2016. On June 13, 2016, the trial judge formalized the verdict rendered on June 1, 2016 and awarded additional damages in favour of the plaintiff. For the three and nine-month periods ended October 31, 2016, the Company recorded as an expense total damages and related costs of respectively \$0.3 million and \$62.9 million. Management believes that the verdict and subsequent decisions are unfounded and unsupported by either law or evidence and filed an appeal on August 23, 2016. Management believes the Company has recorded adequate provisions to cover potential losses in relation to pending legal actions.

In October 2015, the Company initiated the reorganization of its after-sales service, among other things by outsourcing certain activities, resulting in the reduction of the workforce by 60 employees and the closure of some offices. During the three-month period ended October 31, 2015, \$3.8 million of severance and \$1.0 million of other costs were recorded as restructuring. During the three and nine-month periods ended October 31, 2016, the Company revised its estimate and reversed in net income respectively \$0.4 million and \$0.8 million of restructuring costs previously recorded.

14. FINANCING COSTS AND INCOME

Details of financing costs and financing income were as follows:

	Three-month periods ended		Nine-month periods ended	
	October 31, 2016	October 31, 2015	October 31, 2016	October 31, 2015
Interest and amortization of transaction costs on long-term debt	\$ 10.7	\$ 13.0	\$ 37.3	\$ 37.9
Interest and commitment fees on revolving credit facilities	1.6	0.7	3.3	2.0
Net interest on employee future benefit liabilities	1.7	1.8	5.1	5.1
Financial guarantee losses	0.1	—	0.3	—
Unwinding of discount of provisions	0.3	0.2	0.9	0.6
Other	1.4	(0.4)	2.0	0.1
Financing costs	15.8	15.3	48.9	45.7
Financing income	0.1	(1.1)	(1.5)	(2.7)
Total	\$ 15.9	\$ 14.2	\$ 47.4	\$ 43.0



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended October 31, 2016 and 2015

[Unaudited]

[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

15. INCOME TAXES

Details of income taxes expense were as follows:

	Three-month periods ended		Nine-month periods ended	
	October 31, 2016	October 31, 2015	October 31, 2016	October 31, 2015
Current income taxes expense				
Related to current year	\$ 31.6	\$ 28.1	\$ 45.2	\$ 40.8
Related to prior years	0.2	1.0	—	3.5
	31.8	29.1	45.2	44.3
Deferred income taxes expense (recovery)				
Temporary differences	9.1	(8.4)	(8.5)	(9.7)
Effect of income tax rate changes on deferred income taxes	(0.3)	0.2	0.2	(0.3)
Increase (decrease) in valuation allowance	3.3	0.5	(9.3)	4.0
	12.1	(7.7)	(17.6)	(6.0)
Income taxes expense	\$ 43.9	\$ 21.4	\$ 27.6	\$ 38.3

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

	Three-month periods ended		Nine-month periods ended	
	October 31, 2016	October 31, 2015	October 31, 2016	October 31, 2015
Income taxes calculated at statutory rates	\$ 33.0	26.9%	\$ 23.4	26.9%
Increase (decrease) resulting from:				
Income tax rate differential of foreign subsidiaries	3.6	(3.9)	(0.4)	(3.9)
Effect of income tax rate changes on deferred income taxes	(0.3)	0.2	0.2	(0.3)
Increase (decrease) in valuation allowance	3.3	0.5	(9.3)	4.0
Recognition of income taxes on foreign currency translation	(0.3)	0.2	0.7	0.6
Permanent differences ^[a]	4.4	0.4	(4.4)	4.2
Adjustments in respect of prior years	0.3	0.2	0.6	1.8
Other	(0.1)	0.4	0.3	—
Income taxes expense	\$ 43.9	\$ 21.4	\$ 27.6	\$ 38.3

^[a] The permanent differences result mainly from the foreign exchange (gain) loss on the long-term debt denominated in U.S. dollars.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended October 31, 2016 and 2015

[Unaudited]

[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

16. FINANCIAL INSTRUMENTS

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of the Company's financial instruments take into account the credit risk embedded in the instrument. For financial assets, the credit risk of the counterparty is considered whereas for financial liabilities, the Company's credit risk is considered.

In order to determine the fair value of its financial instruments, the Company uses, when active markets exist, quoted prices from these markets ("Level 1" fair value). When public quotations are not available in the market, fair values are determined using valuation techniques. When inputs used in the valuation techniques are only inputs directly and indirectly observable in the marketplace, fair value is presented as "Level 2" fair value. If fair value is assessed using inputs that require considerable judgment from the Company in interpreting market data and developing estimates, fair value is presented as "Level 3" fair value. For Level 3 fair value, the use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The fair value, fair value level and carrying amount of restricted investments, derivative financial instruments and long-term debt were as follows:

	Fair value level	As at October 31, 2016	
		Carrying amount	Fair value
Restricted investments (Note 4)	Level 2	\$ 17.2	\$ 17.2
Derivative financial instruments			
Forward exchange contracts			
Favourable (Note 4)		\$ 8.5	\$ 8.5
(Unfavourable) (Note 8)		(4.8)	(4.8)
Inflation rate swap (Note 8)		(2.5)	(2.5)
	Level 2	\$ 1.2	\$ 1.2
Long-term debt (including current portion)			
Term Facility (Note 9)	Level 1	\$ (907.7)	\$ (938.2)
Term Loans (Note 9)	Level 2	(30.3)	(31.4)
		\$ (938.0)	\$ (969.6)

For cash, trade and other receivables, revolving credit facilities, trade payables and accruals, dealer holdback programs and customer deposits, the carrying amounts reported on the condensed consolidated interim statements of financial position or in the notes approximate the fair values of these items due to their short-term nature.

