BRP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED APRIL 30, 2013

The following management's discussion and analysis ("MD&A") provides information concerning financial condition and results of operations of BRP Inc., formally known as J.A. Bombardier (J.A.B.) Inc. (the "Company"or "BRP") for the first quarter of the fiscal year ending January 31, 2014. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three-month period ended April 30, 2013 and the annual consolidated financial statements and MD&A included in the supplemented PREP prospectus dated May 21,2013. Some of the information contained in this discussion and analysis contains forward-looking statements that involves 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 12, 2013.

Basis of Presentation

The unaudited condensed consolidated interim financial statements of the Company have been prepared using accounting policies consistent 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 2014" are to the Company's fiscal year ending January 31, 2014, to "Fiscal 2013" are to the Company's fiscal year ended January 31, 2013 and to "Fiscal 2012" are to the Company's fiscal year ended January 31, 2012.

This MD&A, approved by the Board of Directors on June 12, 2013, is based on the Company's unaudited condensed consolidated interim financial statements and accompanying notes thereto for the three-month periods ended April 30, 2013 and 2012.

The Company's Seasonal Products consist of snowmobiles, personal watercrafts (referred to as "PWC"s) and sport boats (which the Company ceased to manufacture in September 2012); the Company's Year-Round Products consist of all-terrain vehicles (referred to as "ATV"s), side-by-side vehicles (referred to as "SSV"s) and *Spyder* roadsters; and the Company's Propulsion Systems which consist of outboard and jet boats engines, kart, motorcycle and recreational aircraft engines sold to third parties. The Company's PAC 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.

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, suppliers, financing sources and other strategic partners who may be sensitive to economic conditions; large fixed cost base;

inability of dealers and distributors to secure adequate access to capital; supply problems, termination or interruption of supply arrangements or increases in the cost of materials; restrictive covenants in the Company's financing and other material agreements; competition in product lines; loss 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 products; dependence on customer relationships for the sale of original equipment manufacturer products; unsuccessful management of inventory; risks associated with international operations; inability to enhance existing products and develop and market new products; protection of intellectual property; failure of information technology systems; declining prices for used versions of products and oversupply by competitors; unsuccessful execution of manufacturing strategy; actual results may differ from financial outlook; 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; conduct of business through subsidiaries; and significant influence by our principal shareholders holding multiple voting shares. 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 EBITDA, 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 "Selected Consolidated Financial Information" section of this MD&A for the definitions and reconciliations of EBITDA, 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's diversified portfolio of brands and products includes *Ski-Doo* and *Lynx* snowmobiles, *Sea-Doo* PWCs, *Can-Am* ATVs, SSVs and roadsters, and propulsion systems composed of *Evinrude* outboard 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 6,800 people mainly in manufacturing and distribution sites in Canada, Mexico, Austria, the United States and Finland. The Company sells its products in 105 countries. The products are sold directly through a network of approximately 3,200 dealers in 20 countries as well as through approximately 190 distributors serving approximately 950 additionnal 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, 2013

For the three-month period ended April 30, 2013, the Company's financial performance was the following when compared to the first quarter of Fiscal 2013:

- Revenues of $804.3 million, an increase of 5.5% representing a record level for the Company in a first quarter. Excluding the impact of the exit of the sport boat business, revenues increased by 11.9%;
- Gross profit of $218.0 million or 27.1% of revenues, an increase of 2.7%;
- Net income of $25.7 million, a decrease of 52.9% which resulted in a basic earnings per share of $0.25, a decrease of 53.7%;
- Normalized EBITDA of $107.8 million, or 13.4% of revenues, a decrease of 1.7%;
- Normalized net income of $53.4 million, an increase of 7.7% which resulted in a normalized basic earnings per share of $0.52, an increase of 6.1%.

In addition, during the three-month period ended April 30, 2013:

- The Company paid special distributions in the aggregate amount of $529 million to the holders of all of its classes of common shares, with $46 million representing a return of capital and $483 million representing dividends.

After the three-month period ended April 30, 2013, and before the issuance of this MD&A, the following major transactions occurred:

- On May 29, 2013, the Company completed an initial public offering of its subordinate voting shares with the securities regulatory authorities in each of the provinces and territories of Canada. The Company received gross proceeds of $262.3 million from the issuance of the subordinate voting shares. The Company's subordinate voting shares are now listed on the Toronto Stock Exchange under the symbol DOO.
- The Company repaid U.S. dollars 258 million of its U.S. dollars 1,050 million term facility ("Term Facility") and amended its pricing to reduce interest costs.
- The Company extended the maturity of its $350 million revolving credit facilities ("Revolving Credit Facilities") from March 2016 to May 2018 and amended its pricing to reduce interest costs.

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 Seasonal Products, Year-Round 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 provides 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 difficult long-term retail conditions and when their inventory level is high. Over the last fiscal year, the Company did not experience significant product returns in the normal course of its business nor from its limited repossession guarantee provided to financing companies in connection with the 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, 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 certain raw materials and fuel price fluctuations. Therefore, an increase in commodity prices could negatively impact the Company’s operating results if it is not able to pass these cost increases on to dealers, distributors or consumers.

Warranty Costs

The Company’s manufacturer product warranties generally cover periods ranging from six months to three years for most products. In certain circumstances, the Company provides longer warranties 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 statement of financial position.

Foreign Exchange

The Company's revenues and sales programs costs are reported in Canadian dollars but are generated principally 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. Therefore recorded revenues, gross profit and operating income in Canadian dollars are exposed to foreign exchange fluctuations especially from the U.S. dollar against the Canadian dollar and from the Euro against the Canadian dollar. The Company's manufacturing facilities are located in several different countries which helps mitigate some of its foreign currency exposure.

The Term Facility is denominated in U.S. dollars which results in 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 these exposures, and therefore, an increase 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, 2013, the Company's long-term debt of $1,071.7 million was mainly comprised of the Term Facility which bears interest at LIBOR plus 3.75% with a floor rate on the LIBOR of 1.25%. Due to current interest rates and the low volatility environment, while taking into account the LIBOR floor rate on the Term Facility, the Company is not 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, 2013. However, the Company's effective consolidated tax rate is influenced by the mix of accounting profits or losses before income tax among tax jurisdictions, the foreign exchange gain or loss on the Term Facility recorded in Canada, and the foreign exchange impact of foreign subsidiaries having the Canadian dollar as functional currency. The Company expects to pay cash taxes for coming years in all tax jurisdictions except in Canada and the United States where the Company plans to utilize its tax attributes to offset taxable income or income taxes payable. In addition, under certain conditions, the Company will not be subject to cash tax for the distribution activities carried on in Switzerland as a result of a temporary tax exemption available through the fiscal year ending on January 31, 2016 inclusively.

Seasonality

The Company's revenues and operating income experience substantial fluctuations from quarter to quarter and year to year. In general, wholesale sales of the Company's products are highest in the period immediately preceding and during their particular season of use. Historically, revenues in the second fiscal quarter have generally been lower than those in other fiscal quarters. 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 following tables set out selected consolidated financial information for the periods indicated therein. The selected consolidated financial information set out below as of April 30, 2013 and April 30, 2012 has been derived from the unaudited condensed consolidated interim financial statements and related notes.

Net Income data

	Three-month period ended		Fiscal year ended		
(millions of Canadian dollars)	**April 30, 2013**	**April 30, 2012**	**January 31, 2013**	**January 31, 2012**	**January 31, 2011**
		(Restated) [2]	(Restated) [2]	(Restated) [2]	
Revenues by category					
Seasonal Products	**$ 206.7**	$ 253.6	$ 1,056.9	$ 1,004.9	$ 820.5
Year-Round Products	**404.7**	317.7	1,045.7	889.0	574.0
Propulsion Systems	**92.9**	93.1	333.8	312.2	296.9
PAC	**100.0**	98.3	459.8	447.3	441.8
	804.3	762.7	2,896.2	2,653.4	2,133.2
Cost of sales	**586.3**	550.5	2,158.5	2,001.0	1,649.2
Gross profit	**218.0**	212.2	737.7	652.4	484.0
As a percentage of revenues	***27.1%***	*27.8%*	*25.5%*	*24.6%*	*22.7%*
Operating expenses					
Selling and marketing	**65.3**	60.6	228.3	218.4	171.5
Research and development	**37.3**	34.3	128.2	129.4	103.1
General and administrative	**35.0**	29.9	127.5	125.4	108.5
Other operating income	**(5.7)**	(1.8)	34.0	5.7	30.0
Total operating expenses	**131.9**	123.0	518.0	478.9	413.1
Operating income	**86.1**	89.2	219.7	173.5	70.9
Net financing costs	**16.9**	20.4	60.7	51.5	56.6
Foreign exchange (gain) loss on long-term debt	**8.3**	(11.2)	(3.6)	1.8	(41.1)
Increase in fair value of common shares	**19.6**	4.8	11.0	9.0	8.8
Income before income taxes	**41.3**	75.2	151.6	111.2	46.6
Income taxes expense	**15.6**	20.6	32.4	29.1	11.6
Net income	**$ 25.7**	$ 54.6	$ 119.2	$ 82.1	$ 35.0
Attributable to Shareholders	**25.7**	54.7	119.2	82.4	35.4
Attributable to non-controlling interest	**—**	(0.1)	—	(0.3)	(0.4)
EBITDA [1]	**$ 87.6**	$ 104.9	$ 293.8	$ 259.6	$ 156.9
Normalized EBITDA [1]	**$ 107.8**	$ 109.7	$ 335.0	$ 261.1	$ 217.3
Normalized net income [1]	**$ 53.4**	$ 49.6	$ 146.7	$ 87.1	$ 46.0

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

EBITDA, Normalized EBITDA and Normalized Net Income are non-IFRS measures that the Company uses to assess its operating performance. EBITDA is defined as net income before financing costs, financing income, income taxes expense, depreciation expense and foreign exchange (gain) loss on long-term debt. Normalized EBITDA is defined as net income before financing costs, financing income, income taxes expense, depreciation expense, foreign exchange (gain) loss on long-term debt, increase in fair value of redeemable common shares and unusual and non-recurring items. Normalized Net Income is defined as net income before foreign exchange (gain) loss on long-term debt, increase in fair value of redeemable common shares and unusual and non-recurring items adjusted to reflect the tax effect on these items. See "Non-IFRS Measures" section.

[2] Restated to reflect the application of the amendments of *IAS 19 "Employee Benefits"* standard as explained in Note 2a) of the unaudited condensed consolidated interim financial statements for the three-month period ended April 30, 2013.

Financial Position data

(millions of Canadian dollars)	**April 30, 2013**	**January 31, 2013**	**January 31, 2012**	**January 31, 2011**
Cash	**$ 91.7**	$ 542.4	$ 26.9	$ 22.9
Net working capital	**(46.8)**	(26.7)	60.7	68.1
Property, plant and equipment	**449.7**	448.4	388.7	369.8
Total assets	**1,768.0**	2,215.4	1,552.4	1,442.5
Total non-current financial liabilities	**1,088.4**	1,073.8	736.7	722.5
Total liabilities	**2,264.6**	2,194.8	1,622.4	1,559.4
Equity (deficit)	**$ (496.6)**	$ 20.6	$ (70.0)	$ (116.9)

Other Financial data

	Three-month period ended		**Fiscal year ended**		
(millions of Canadian dollars, except per share data)	**April 30, 2013**	**April 30, 2012**	**January 31, 2013**	**January 31, 2012**	**January 31, 2011**
Revenues by geography					
United States	**$ 412.9**	$ 390.0	$ 1,237.8	$ 1,090.8	$ 791.1
Canada	**145.0**	145.2	641.6	553.6	488.9
International [1]	**246.4**	227.5	1,016.8	1,009.0	853.2
	804.3	762.7	2,896.2	2,653.4	2,133.2
Weighted average number of common shares – basic [3]	**102,960,700**	101,644,163	101,713,848	102,545,094	102,692,260
Weighted average number of common shares – diluted [3]	**104,052,400**	102,745,952	102,853,978	103,399,175	103,311,639
Earnings per share – basic [3]	**0.25**	0.54 [2]	1.17 [2]	0.80 [2]	0.34
Earnings per share – diluted [3]	**0.25**	0.53 [2]	1.16 [2]	0.80 [2]	0.34
Normalized earnings per share – basic [3] [4]	**0.52**	0.49 [2]	1.44 [2]	0.85 [2]	0.45
Normalized earnings per share – diluted [3] [4]	**0.51**	0.48 [2]	1.43 [2]	0.85 [2]	0.45

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

[2] Restated to reflect the application of the amendments of *IAS 19 "Employee Benefits"* standard as explained in Note 2a) of the unaudited condensed consolidated interim financial statements for the three-month period ended April 30, 2013.

[3] Taking into account the share consolidation on the basis of 3.765 to one which occurred on May 29, 2013, as per IFRS requirements.

[4] 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 commons shares – basic and the weighted average number of commons shares – diluted.

Reconciliation Tables

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

	Three-month period ended		Fiscal year ended		
(millions of Canadian dollars)	**April 30, 2013**	**April 30, 2012**	**January 31, 2013**	**January 31, 2012**	**January 31, 2011**
		(Restated) [1]	(Restated) [1]	(Restated) [1]	
Net income	**$ 25.7**	$ 54.6	$ 119.2	$ 82.1	$ 35.0
Financing costs	**18.1**	21.2	62.6	53.8	65.9
Financing income	**(1.2)**	(0.8)	(1.9)	(2.3)	(9.3)
Income taxes expense	**15.6**	20.6	32.4	29.1	11.6
Depreciation expense	**21.1**	20.5	85.1	95.1	94.8
Foreign exchange (gain) loss on long-term debt	**8.3**	(11.2)	(3.6)	1.8	(41.1)
EBITDA	**87.6**	104.9	293.8	259.6	156.9
Increase in fair value of common shares	**19.6**	4.8	11.0	9.0	8.8
Unusual and non-recurring items					
Restructuring costs [2]	—	—	26.0	—	3.9
Impairment charge [3]	—	—	7.1	—	—
Pension plan past service costs [4]	—	—	—	—	28.8
Other items [5]	**0.6**	—	(2.9)	(7.5)	18.9
Normalized EBITDA	**107.8**	109.7	335.0	261.1	217.3
Depreciation expense	**(21.1)**	(20.5)	(85.1)	(95.1)	(94.8)
Financing costs	**(18.1)**	(21.2)	(62.6)	(53.8)	(65.9)
Financing income	**1.2**	0.8	1.9	2.3	9.3
Income taxes expense adjusted	**(16.4)**	(19.2)	(42.5)	(27.4)	(19.9)
Normalized net income	**$ 53.4**	$ 49.6	$ 146.7	$ 87.1	$ 46.0

[1] Restated to reflect the application of the amendments of *IAS 19 "Employee Benefits*" standard as explained in Note 2a) of the unaudited condensed consolidated interim financial statements for the three-month period ended April 30, 2013.

[2] The restructuring cost of $26.0 million is related to the Company's decision to exit the sport boat business, to the transfer of the assembly of PWC from Canada to Mexico and the assignment of the PAC distribution to third-party logistics providers.

[3] The impairment charge of $7.1 million is related to the Company's decision to exit the sport boat business during Fiscal 2013.

[4] The Company committed to update the pension benefits of its Canadian plant and office employees. The past service costs resulting from this commitment amounted to $28.8 million.

[5] In Fiscal 2014, other unusual and non-recurring items include retention salaries related to the transfer of the assembly of PWC from Canada to Mexico and the assignment of the PAC distribution to third-party logistics providers. In Fiscal 2013, other unusual and non-recurring items include mainly retention salaries of $1.7 million related to the transfer of the assembly of PWC from Canada to Mexico and the assignment of the PAC distribution to third-party logistics providers. In addition, the Company recorded a $3.8 million unusual gain related to the termination of the defined benefit plan coverage of approximately two-thirds of its Austrian employees. In Fiscal 2012, the Company received a reimbursement of $7.5 million from a supplier regarding the non-recurring special charge recorded in Fiscal 2011 as described below. In Fiscal 2011, the Company recorded a non-recurring special charge of $14.5 million related to a significant modification of a previously issued safety recall for the roadster. In addition, during Fiscal 2010, the Company determined that its net cash inflows in U.S. dollars for Fiscal 2010 and Fiscal 2011 would significantly decrease from previous financial projections due to the rapid economic downturn prevailing at that time in the recreational products market. Consequently, management amended the Company's hedging policy to take into account these exceptional and unusual circumstances and settled, prior to maturity, U.S.$155.0 million and U.S.$100.0 million nominal of forward contracts to sell U.S. dollars and buy Canadian dollars acquired prior to the economic crisis and maturing during Fiscal 2010 and Fiscal 2011, respectively. As a result, the Company recorded a loss of $4.4 million in Fiscal 2011.

Results of operations

Analysis of Results for the first quarter of Fiscal 2014

The following section provides an overview of the financial performance of the Company for the three-month period ended April 30, 2013 compared to the same period ended April 30, 2012.

Revenues

Revenues increased by $41.6 million, or 5.5%, to $804.3 million for the three-month period ended April 30, 2013, up from $762.7 million for the corresponding period ended April 30, 2012. The increase was driven primarily by a greater number of higher priced Year-Round products sold to dealers and distributors, mainly resulting from the introduction of new models such as the *Can-am* spyder ST and the SSV Maverick. The increase in revenues has been negatively impacted by the exit of the sport boat business which accounted for $44 million in revenues in the first quarter of Fiscal 2013. Excluding the exit of the sport boat business, revenues would have increased by 11.9% or $85.6 million. The increase in revenues include a favourable foreign exchange rate variation of $13 million mainly related to the strengthening of the U.S. dollar against the Canadian dollar.

The Company's North American retail sales increased on a percentage basis by low single digits for the three-month period ended April 30, 2013 compared to the corresponding period ended April 30, 2012. As of April 30, 2013, North American dealer inventories increased on a percentage basis by low double digits compared to April 30, 2012, driven by the growth of Year-Round Products.

Significant trends by category were as follows:

Seasonal Products

Revenues from Seasonal Products decreased by $46.9 million, or 18.5%, to $206.7 million for the three-month period ended April 30, 2013, compared with $253.6 million for the corresponding period ended April 30, 2012. The decrease in revenues is attributable to the reduction of $44 million of revenues following the Company's decision taken in the third quarter of Fiscal 2013, to exit the sport boat business. The decrease in revenues was partially offset by a favourable foreign exchange rate variation of $3 million. Excluding the exit of the sport boat business, revenues would have decreased by $2.9 million or 1.4%.

During the first quarter of Fiscal 2014, the snow conditions were better than the same period of Fiscal 2013 which had a positive impact on snowmobile retail. However, the late spring arrival has negatively impacted the retail sales of PWC. Overall, the North American Seasonal Products retail sales, excluding the sport boat business, increased on a percentage basis by low single digits compared with the first quarter of Fiscal 2013.

Year-Round Products

Revenues from Year-Round Products increased by $87.0 million, or 27.4%, to $404.7 million for the three-month period ended April 30, 2013, up from $317.7 million for the corresponding period ended April 30, 2012. The increase is primarily due to the introduction of new models such as the *Can-am* spyder ST and the SSV Maverick. The increase in revenues includes a favourable foreign exchange rate variation of $7 million. Despite a later spring arrival this year, North American Year-Round Products retail sales increased on a percentage basis by high single digits compared with the first quarter of Fiscal 2013.

Propulsion Systems

Revenues from Propulsion Systems remained stable at $92.9 million for the three-month period ended April 30, 2013, compared with $93.1 million for the corresponding period ended April 30, 2012, this despite a later spring arrival in North America which impacted outboard sales. This includes a favourable foreign exchange rate variation of $1 million.

PAC

Revenues from PAC increased by $1.7 million, or 1.7%, to $100.0 million for the three-month period ended April 30, 2013, up from $98.3 million for the corresponding period ended April 30, 2012. The increase is primarily due to a favourable foreign exchange rate variation of $2 million.

Significant geographical trends were as follows:

United States

Revenues from the United States increased by $22.9 million, or 5.9%, to $412.9 million for the three-month period ended April 30, 2013, up from $390.0 million for the corresponding period ended April 30, 2012. This increase primarily resulted from higher shipments in Year-Round Products due to the introduction of new models and to a positive foreign exchange impact of $11 million due to the strengthening of the U.S. dollar against the Canadian dollar. The United States represented 51.3% and 51.1% of revenues during the three-month periods ended April 30, 2013 and 2012, respectively.

Canada

Revenues from Canada remained stable at $145.0 million for the three-month period ended April 30, 2013, compared with $145.2 million for the corresponding period ended April 30, 2012. The Company recorded increased revenues from higher volumes in Year-Round products that have compensated for the decrease related to the exit of the sport boat business in the third quarter of Fiscal 2013. Canada represented 18.0% and 19.0% of revenues during the three-month periods ended April 30, 2013 and 2012, respectively.

International

Revenues from International increased by $18.9 million, or 8.3%, to $246.4 million for the three-month period ended April 30, 2013, up from $227.5 million for the corresponding period ended April 30, 2012. This increase primarily resulted from additional volumes of Year-Round Products. The foreign exchange impact represented an increase of sales of $2 million. International represented 30.6% and 29.8% of revenues during the three-month periods ended April 30, 2013 and 2012, respectively.

Gross Profit

Gross profit increased by $5.8 million, or 2.7%, to $218.0 million for the three-month period ended April 30, 2013, up from $212.2 million for the corresponding period ended April 30, 2012. Gross profit margin decreased by 70 basis points to 27.1% from 27.8% for the three-month period ended April 30, 2012. The decrease in gross profit margin was primarily due to additional manufacturing costs in Year-Round Products in order to increase production flexibility to better respond to market demand, additional expenses supporting the initial stages of the transfer of PWC manufacturing to the Queretaro, Mexico facility and increased sales program costs. The decrease was partially offset by favourable product mix, higher selling prices and by a favourable foreign exhange rate variation of $6 million.

Operating Expenses

Operating expenses increased by $8.9 million, or 7.2%, to $131.9 million for the three-month period ended April 30, 2013, up from $123.0 million for the three-month period ended April 30, 2012. The increase was primarily due to higher advertising expenses in all product categories, higher stock-based compensation in relation to the initial public offering of the Company and higher investments in research and development projects, partially offset by a favourable foreign exchange rate variation of $3 million.

Normalized EBITDA

Normalized EBITDA decreased by $1.9 million, or 1.7%, to $107.8 million for the three-month period ended April 30, 2013, compared with $109.7 million for the three-month period ended April 30, 2012. The decrease is primarily due to higher operating and manufacturing expenses to support the Company’s growth, partially offset by increased gross profit from additional volume of products sold.

Net Financing Costs

Net financing costs decreased by $3.5 million, or 17.2%, to $16.9 million for the three-month period ended April 30, 2013, compared with $20.4 million for the three-month period ended April 30, 2012. The decrease is primarily due to lower interest costs following the repayments in the first quarter of Fiscal 2013 of the repayable government assistance, partially offset by a higher interest rate and a higher outstanding nominal amount of long-term debt resulting from the Term Facility amendment and restatement that occurred during the fourth quarter of Fiscal 2013.

Foreign Exchange

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

	April 30, 2013	**January 31, 2013**
U.S. dollars	1.0072 $CA/$US	0.9992 $CA/$US
Euro	1.3265 $CA/Euro	1.3573 $CA/Euro

The principal average exchange rates used to translate foreign-denominated revenues and expenses, excluding any effect of the Company's hedging program, were as follows:

	April 30, 2013	**April 30, 2012**
U.S. dollars	1.0164 $CA/$US	0.9945 $CA/$US
Euro	1.3353 $CA/Euro	1.3129 $CA/Euro

The exchange rate fluctuations had the following impact on operating income and on income before income taxes for the three-month period ended April 30, 2013 compared to the corresponding period ended April 30, 2012:

(millions of Canadian dollars)	**Foreign exchange (gain) loss**
	Three-month period
Gross profit	$ (5.6)
Operating expenses	(2.5)
Impact of foreign exchange fluctuations on operating income	**(8.1)**
Long-term debt	19.5
Net financing costs	0.3
Impact of foreign exchange fluctuations on income before income taxes	**$ 11.7**

Income Taxes

Income taxes decreased by $5.0 million, or 24.3%, to $15.6 million for the three-month period ended April 30, 2013, compared with $20.6 million for the three-month period ended April 30, 2012. The decrease results primarily from lower income before income taxes and favourable mix of accounting profits (or losses) before income tax among jurisdictions, partly offset by higher permanent differences from the increased fair value of redeemable common shares of the Company and from the Canadian dollar/U.S. dollar foreign exchange rate fluctuation on the Term Facility.

Net Income

Net income decreased by $28.9 million, or 52.9%, to $25.7 million for the three-month period ended April 30, 2013, compared with $54.6 million for the three-month period ended April 30, 2012. The decrease is primarily due to an unfavourable exchange rate on the U.S. denominated long-term debt and increase in fair value of redeemable common shares of the Company. The fair value fluctuation of redeemable common shares will not impact net income in the upcoming periods due to their conversion into subordinate voting shares as part of the initial public offering which occurred on May 29, 2013.

Summary of Consolidated Quarterly Results [1]

	Three-month period ended							
(millions of Canadian dollars, except per share data)	**April 30, 2013**	**January 31, 2013**	**October 31, 2012**	**July 31, 2012**	**April 30, 2012**	**January 31, 2012**	**October 31, 2011**	**July 31, 2011**
	Fiscal 2014	**Fiscal 2013**	**Fiscal 2013**	**Fiscal 2013**	**Fiscal 2013**	**Fiscal 2012**	**Fiscal 2012**	**Fiscal 2012**
Revenues by category								
Seasonnal Products	**$ 206.7**	$ 371.0	$ 276.2	$ 156.1	$ 253.6	$ 393.5	$ 290.3	$ 169.4
Year-Round Products	**404.7**	223.4	247.4	257.2	317.7	230.3	211.5	214.5
Propulsion Systems	**92.9**	70.2	82.0	88.5	93.1	68.8	77.3	83.5
PAC	**100.0**	126.9	128.3	106.3	98.3	116.6	133.3	96.8
Total Revenues	**804.3**	791.5	733.9	608.1	762.7	809.2	712.4	564.2
Gross profit	**218.0**	198.5	177.4	149.6	212.2	179.9	206.6	127.5
As a percentage of revenues	***27.1%***	*25.1%*	*24.2%*	*24.6%*	*27.8%*	*22.2%*	*29.0%*	*22.6%*
Net income (loss)	**25.7**	35.8	31.7	(2.9)	54.6	15.6	37.0	(6.9)
EBITDA	**87.6**	87.5	66.0	35.4	104.9	72.8	113.2	26.9
Normalized EBITDA	**107.8**	87.8	83.9	53.6	109.7	76.6	108.6	29.2
Normalized net income (loss)	**53.4**	36.5	42.4	18.2	49.6	26.0	56.8	(1.7)
Basic earnings (loss) per share	**0.25**	0.35	0.31	(0.03)	0.54	0.15	0.36	(0.07)
Diluted earnings (loss) per share	**0.25**	0.35	0.31	(0.03)	0.53	0.15	0.36	(0.07)
Normalized basic earnings (loss) per share	**0.52**	0.36	0.42	0.18	0.49	0.26	0.55	(0.02)
Normalized diluted earnings (loss) per share	**$ 0.51**	$ 0.35	$ 0.41	$ 0.18	$ 0.48	$ 0.25	$ 0.55	$ (0.02)

[1] Historical quarters have been restated to reflect the application of the amendments of *IAS 19 "Employee Benefits"* standard as explained in Note 2a) of the condensed consolidated interim financial statements for the three-month period ended April 30, 2013.

Reconciliation Tables for Consolidated Quarterly Results

	Three-month period ended							
(millions of Canadian dollars)	**April 30, 2013**	**January 31, 2013**	**October 31, 2012**	**July 31, 2012**	**April 30, 2012**	**January 31, 2012**	**October 31, 2011**	**July 31, 2011**
	Fiscal 2014	**Fiscal 2013**	**Fiscal 2013**	**Fiscal 2013**	**Fiscal 2013**	**Fiscal 2012**	**Fiscal 2012**	**Fiscal 2012**
Net income (loss)	**$ 25.7**	$ 35.8	$ 31.7	$ (2.9)	$ 54.6	$ 15.6	$ 37.0	$ (6.9)
Financing costs	**18.1**	17.3	11.9	12.2	21.2	16.7	11.9	12.5
Financing income	**(1.2)**	(0.5)	(0.2)	(0.4)	(0.8)	(0.8)	(0.8)	(0.4)
Income taxes expense (recovery)	**15.6**	14.9	2.0	(5.1)	20.6	7.4	15.7	(4.1)
Depreciation expense	**21.1**	21.2	21.4	22.0	20.5	26.3	23.5	22.4
Foreign exchange (gain) loss on long-term debt	**8.3**	(1.2)	(0.8)	9.6	(11.2)	7.6	25.9	3.4
EBITDA	**87.6**	87.5	66.0	35.4	104.9	72.8	113.2	26.9
Increase in fair value of common shares	**19.6**	4.8	—	1.4	4.8	3.8	2.9	2.3
Unusual and non-recurring items								
Restructuring costs [1]	**—**	(0.8)	17.1	9.7	—	—	—	—
Impairment charge [2]	**—**	(0.5)	—	7.6	—	—	—	—
Other items [3]	**0.6**	(3.2)	0.8	(0.5)	—	—	(7.5)	—
Normalized EBITDA	**107.8**	87.8	83.9	53.6	109.7	76.6	108.6	29.2
Depreciation expense	**(21.1)**	(21.2)	(21.4)	(22.0)	(20.5)	(26.3)	(23.5)	(22.4)
Financing costs	**(18.1)**	(17.3)	(11.9)	(12.2)	(21.2)	(16.7)	(11.9)	(12.5)
Financing income	**1.2**	0.5	0.2	0.4	0.8	0.8	0.8	0.4
Income taxes expense adjusted	**(16.4)**	(13.3)	(8.4)	(1.6)	(19.2)	(8.4)	(17.2)	3.6
Normalized net income (loss)	**$ 53.4**	$ 36.5	$ 42.4	$ 18.2	$ 49.6	$ 26.0	$ 56.8	$ (1.7)

[1] The restructuring costs of $26.0 million are related to the Company's decision to exit the sport boat business, to the transfer of the assembly of PWC from Canada to Mexico and the assignment of the PAC distribution to third-party logistics providers.

[2] The impairment charge of $7.1 million is related to the Company's decision to exit the sport boat business.

[3] Other items include retention salaries of $0.6 million for Fiscal 2014 and $1.7 million for Fiscal 2013 related to the transfer of the assembly of personal watercraft from Canada to Mexico and the assignment of the PAC distribution to third-party logistics providers. In Fiscal 2013, the Company recorded a $3.8 million unusual gain related to the termination of the defined benefit plan coverage of approximately two-thirds of its Austrian employees. In Fiscal 2012, the Company received a reimbursement of $7.5 million from a supplier regarding the non-recurring special charge related to a significant modification of a previously issued safety recall for the roadster.

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 and third quarters of the fiscal year.

A summary of net cash flows by activities is presented below for the three-month periods ended April 30, 2013 and 2012:

	Three-month period ended	
(millions of Canadian dollars)	**April 30, 2013**	**April 30, 2012**
Net cash flows generated from operating activities	**$ 112.4**	$ 351.3
Net cash flows used in investing activities	**(24.9)**	(26.2)
Net cash flows used in financing activities	**(534.9)**	(112.0)
Effect of exchange rate changes on cash	**(3.3)**	(1.4)
Net increase (decrease) in cash	**(450.7)**	211.7
Cash at beginning of period	**542.4**	26.9
Cash at end of period	**$ 91.7**	$ 238.6

Net Cash Flows Generated from Operating Activities

Net cash flows generated from operating activities totalled $112.4 million for the three-month period ended April 30, 2013 compared with $351.3 million for the three-month period ended April 30, 2012. The $238.9 million decrease was mainly due to changes in net working capital of $228.5 million. This reduction was primarily driven by an abnormaly low trade payables level at the end of Fiscal 2012 due to the early payment to suppliers which positively impacted the net working capital in the first quarter of Fiscal 2013 by approximately $163 million.

Net Cash Flows Used in Investing Activities

Net cash flows used in investing activities totalled $24.9 million for the three-month period ended April 30, 2013, a similar level of investments compared to $26.2 million for the three-month period ended April 30, 2012.

Net Cash Flows Used in Financing Activities

Net cash flows used in financing activities totalled $534.9 million for the three-month period ended April 30, 2013 compared with $112.0 million for the three-month period ended April 30, 2012. The increase of $422.9 million is mainly attributable to the distributions made to the Company's shareholders of $529.1 million, partly offset by lower payments related to the revolving credit facilities and the repayable government assistance.

Contractual Obligations

The following table summarizes the Company's significant contractual obligations as at April 30, 2013, including its 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	$ 13.8	$ 28.2	$ 24.2	$ 68.3	$ 134.5
Financial obligations					
Long-term debt (including interest)	66.4	141.9	142.9	1,046.1	1,397.3
Trade payables and accruals	554.1	—	—	—	554.1
Derivative financial instruments	5.4	—	—	1.4	6.8
Other financial liabilities (including interest)	68.2	2.5	3.4	22.3	96.4
	694.1	144.4	146.3	1,069.8	2,054.6
Total obligations	**$ 707.9**	**$ 172.6**	**$ 170.5**	**$ 1,138.1**	**$ 2,189.1**

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 borrowing 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, 2013, the Revolving Credit Facilities provided the Company with a total availability of $350 million, maturing March 2016. The Revolving Credit Facilities are available to finance working capital requirements and capital expenditures, or for other general corporate purposes.

As at April 30, 2013 and January 31, 2013, the Company had no outstanding indebtedness under 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 cost of borrowing under the Revolving Credit Facilities as at April 30, 2013 is the following based on:

(i) U.S. dollars at
  (a) LIBOR plus 2.50% per annum;
  (b) U.S. Base Rate plus 1.50% per annum; and
  (c) U.S. Prime Rate plus 1.50% per annum;

(ii) Canadian dollars at
  (a) Bankers' Acceptances plus 2.50% per annum; and
  (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 1.50% or decrease by 0.25% depending on the leverage ratio represented as the ratio of net debt to consolidated cash flows of Bombardier Recreational Products Inc. consolidated, as defined below.

Net debt consists of the carrying value of the Revolving Credit Facilities, the finance lease obligations and the long-term debt, less cash. Consolidated cash flows represents earnings before financing costs, financing income, income taxes, depreciation, unusual and non-recurring items, foreign exchange gain or loss on long-term debt, and adjusted for other specific cash and non-cash costs, charges and expenses, all as set forth in the Revolving Credit Facilities agreement.

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, 2013, the Company had issued letters of credit for an amount of $7.7 million under the Revolving Credit Facilities ($8.1 million as at January 31, 2013). In addition, $0.2 million of letters of credit were outstanding under other agreements as at April 30, 2013 ($0.6 million as at January 31, 2013).

On May 30, 2013, the Company amended the Revolving Credit Facilities. The amendment provides an extension of the maturity from March 2016 to May 2018 and a reduction of interest costs of 0.25%.

Term Facility

The Term Facility provides the Company a financing of U.S. dollars 1,050 million, maturing January 2019. The Company has the option to increase the amount of borrowing by U.S. 150.0 million under certain conditions.

As at April 30, 2013, the cost of borrowing under the Term Facility is the following:

(i) LIBOR plus 3.75% per annum, with a LIBOR floor of 1.25%;
(ii) U.S. Base Rate plus 2.75%; or
(iii) U.S. Prime Rate plus 2.75%

Under the terms of the agreement governing 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 Term Facility nominal amount each year in two equal payments in the months of July and January. In the event that Bombardier Recreational Products Inc. has a consolidated excess cash position at the end of the fiscal year and its leverage ratio reaches certain threshold levels, the Company may be required to repay a portion of the Term Facility. The Term Facility agreement contains customary representations and warranties but includes no financial maintenance covenants.

On May 29, 2013, the Company completed an initial public offering of its subordinate voting shares with the securities regulatory authorities in each of the provinces and territories of Canada. The Company received gross proceeds of $262.3 million from the issuance of the subordinate voting shares (approximately $240.8 million after taking in consideration the estimated $21.5 million of fees and expenses in relation with the initial public offering).

In connection with the initial public offering, on May 29, 2013, the Company repaid U.S. dollars 258.0 million ($267.2 million) of the Term Facility. As a result to this repayment, the Company is no longer required to repay a minimum of 1% of the original Term Facility nominal amount each year until maturity in January 2019.

In connection with the initial public offering, on May 30, 2013, the Company amended its Term Facility resulting in a 0.75% decrease of the cost of borrowing and a 0.25% decrease of the LIBOR floor.

The costs incurred for the amendment of the Term Facility and the Revolving facilities are estimated at $11 million and will be amortized over the expected life of the Term Facility and the Revolving Credit Facilities.

Austrian Term Loans

The Company entered into a term loan agreement at favourable interest rates under an Austrian government program during the three-month period ended April 30, 2013. 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 7.5 million ($10.0 million) with an interest rate of 1.19% until June 30, 2016 and 2.19% from July 1, 2016 to its maturity date on December 31, 2018.

After taking into consideration the new loan entered into during the first quarter of Fiscal 2014, the Company has Euro 29.1 million ($38.6 million) outstanding nominal amounts under its seven Austrian term loans as of April 30, 2013. These loans bear interest at a range of 1.13% to 2.19% with maturities between December 2014 and December 2018.

Consolidated Financial Position

The following table shows the main variances that have occurred in the consolidated financial position of the Company between January 31, 2013 and April 30, 2013, 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, 2013**	**January 31, 2013**	**Variance**	**Exchange Rate Impact**	**Net Variance**	**Explanation**
Trade and other receivables	**$ 174.2**	$ 213.5	$ (39.3)	$ 1.7	$ (37.6)	Mostly explained by the collection of Seasonal Products sales not covered by third-party financing arrangements
Inventories	**504.6**	465.0	39.6	1.7	41.3	Explained by higher inventory in Seasonal Products for upcoming product deliveries
Property, plant and equipment	**449.7**	448.4	1.3	2.2	3.5	No significant variances
Trade payables and accruals	**554.1**	523.3	30.8	2.2	33.0	Mostly explained by the increased inventory level
Long-term debt, including current portion	**1,071.7**	1,054.6	17.1	(7.6)	9.5	Explained by the new Austrian Term Loan
Employee future benefit liabilities	**$ 249.6**	$ 235.9	$13.7	$ 2.2	$ 15.9	Mostly explained by the decrease of approximately 30 basis points of the discount rate on defined benefits pension plans

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 large financing companies. 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 to provide financing facilities in North America and Latin America, and with GE Commercial Distribution Finance and GE Commercial Corporation (collectively "GE Group") for financing facilities in Europe, Australia and New Zealand. The current agreement with TCF expires in 2019, while the contract with GE Group can be terminated at any time, subject to a transition period of up to one year.

The total amount of financing provided to dealers and distributors during the three-month periods ended April 30, 2013 and 2012 totalled $585.0 million and $576.3 million, respectively. The outstanding financing between the Company's independent dealers and distributors and third-party finance companies amounted to $1,000 million and $838 million as at April 30, 2013 and January 31, 2013, 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, 2013**	**January 31, 2013**
Total outstanding as at	**CAD**	**$ 1,000**	**$ 838**
United States	USD	657	519
Canada	CAD	271	248
Europe	Euro	29	29
Australia and New Zealand	AUD	26	29
Latin America	USD	2	2

The cost incurred by the Company under the dealers' and distributors' financing agreements totalled $7.5 million for the three-month period ended April 30, 2013 which is comparable to $7.9 million for the corresponding three-month period ended April 30, 2012.

Under the dealer and distributor financing agreements, in the event of default, the Company may be required to purchase, from the finance companies, new and unused products at the total unpaid principal balance of the dealer or distributor to the finance companies. When the units are repossessed at dealer location, they are normally transferred to closely located dealers for retail purpose. In North America, the obligation is capped at the greater of U.S. dollars 25.0 million ($25.2 million) or 10% of the last twelve-month average amount of financing outstanding under the financing agreements, whereas in Europe, the obligation is capped at the greater of Euro 10.0 million ($13.3 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 purchase new and unused products represents the outstanding amount at the end of the periods. There is no purchase obligation for Latin America.

The outstanding amount subject to the Company's obligation to purchase new and unused products from the finance companies was $120 million as at April 30, 2013 ($80 million in North America, $13 million in Europe and $27 million in Australia and New Zealand) and $121 million as at January 31, 2013 ($77 million in North America, $14 million in Europe and $30 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, 2013 and 2012.

Consumers 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 and National Bank of Canada for such purposes, whereas in the United States, the Company has an agreement with Sheffield Financial. Under these contracts, the Company financial obligations are solely related to the commitments made under certain sales programs.

Transactions Between Related Parties

Transactions with the Principal Shareholders or their Affiliates

Pursuant to the management services agreement with the principal shareholders or their affiliates (namely Bain Capital Luxembourg Investments S.à.r.l., Beaudier Inc. and 4338618 Canada Inc (collectively "Beaudier group"). and the Caisse de dépôt et placement du Québec ("CDPQ")), an aggregate annual management fees of U.S. dollars 2.25 million and reimbursement of certain out-of-pocket expenses is incurred by the Company, which represented an expense of $0.6 million and $0.7 million for the three-month periods ended April 30, 2013 and 2012, respectively. Following the initial public offering, the management services agreement has been amended to remove the annual management fees of U.S. dollars 2.25 million effective May 29, 2013.

As at April 30, 2013, CDPQ has committed an amount of up to $25.0 million under the Revolving Credit Facilities. The amount lent by CDPQ was nil as at April 30, 2013 and January 31, 2013. CDPQ also participates in the Term Facility for an amount of $75.5 million (U.S. dollars 75.0 million) and $74.9 million (U.S. dollars 75.0 million) as at April 30, 2013 and January 31, 2013, respectively. The transactions with CDPQ were made on similar terms to those that have prevailed with other lenders.

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 shall reimburse to Bombardier Inc. income taxes amounting to $21.3 million at April 30, 2013 and January 31, 2013. The payments will begin when Bombardier Inc. will start 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 transaction for the year ending January 31, 2014.

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. The Company uses derivative financial instruments to limit certain financial risks but does not trade in derivative financial instruments for speculative purposes.

Foreign Exchange Risk

Net income, assets and liabilities and cash flows reported 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 over months.

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 manages the exposure on its net income arising from the revaluation at period-end of U.S. dollar denominated trade payables and accruals and holdback program payments 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 compensate the gains or losses on the revaluation at spot rate of these foreign-denominated financial instruments.

While the Company's operating income is protected, to a certain extent, from significant fluctuations of foreign exchange rates due to 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.

Liquidity Risk

The Company manages its liquidity risk by continuously monitoring 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.

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 interest rates and low volatility environment, while taking into account the amended LIBOR floor rate of 1.00% for the Term Facility, management does not consider that the Company is significantly exposed to interest rate risk in the short-term.

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 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 dealers' and distributor credit (in cooperation with TCF and GE Group for those dealers and distributors under the financing agreements).

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 and strategic plan are approved by senior management and 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 material 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, all based on Budget information. The net realizable value of finished products and parts and accessories is determined by comparing inventory components and value with Budget sales prices, sales programs 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 Intangibles 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 product business from Bombardier Inc. in 2003, trademarks and goodwill were recorded as part of the business acquisition. As at April 30, 2013, the entire carrying amount of trademarks of $151.1 million and goodwill of $114.7 million 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 product lines. 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 approved by senior management and the Board of Directors, with a terminal value calculated by discounting the final year in perpetuity. These figures are used as the basis for the key assumptions in the value in use calculation that 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 were discounted to their present value. The Company performed sensitivity analysis on the cash flows and growth rate in order to confirm that trademarks were 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 product lines CGUs.

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 approved by senior management and the Board of Directors, with a terminal value calculated by discounting the final year in perpetuity. These figures are used as the basis for the key assumptions in the value in use calculation that includes sales volume, sales price, productions 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 were discounted to their present value. The Company performed sensitivity analysis on the cash flows and growth rate in order to confirm that goodwill was 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 Budget, strategic plan and additional projections to derive the expected results for the periods thereafter.

Estimating Provisions for Product Warranty, Product Liability, Sales Programs 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 or incurred, but not reported claims at this date based on average historical cost information.

Sales programs 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 the 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 Government Assistance Repayable Carrying Value

In order to determine the best estimate of cash flows used to establish the effective interest rate and the amortized cost of repayable government assistance recorded as other financial liabilities, the Company uses available Budget, strategic plan information and additional projections to derive the expected cash flows for the periods thereafter.

Estimating Fair Value of Redeemable Common Shares

For periods up to January 31, 2013, the fair value of the redeemable common shares was based on an average of two valuation methods of the underlying shares, which are income and market approaches. The income approach indicates the fair value of a company based on the present value of the cash flows that the company can be expected to generate in the future. This approach is applied through a discounted cash flow analysis based on the Company's Budget and strategic plan. The market approach indicates the fair value of a company based on a comparison of comparable companies in similar lines of business that are publicly traded. The valuations performed by the Company were validated by a third-party valuation firm contracted by the Company and were used as a basis for calculating the liability associated with the redeemable shares. Following the closing of the initial public offering of subordinate voting shares, the Company will no longer have redeemable common shares.

As at April 30, 2013, the redeemable common shares fair value is the initial public offering price of the Company's subordinate voting shares which represented the most advantageous market for these shares at that date.

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 or a single CGU. Therefore, management estimates 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 judgments 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"* standard. Management established an accounting method where the functional currency of each entity is deemed to be its local currency unless the analysis of the criteria established by IAS 21 to assess the functional currency leads to another currency. IAS 21 criteria are reviewed annually for each entity and are based on transactions with third-parties only.

Future Accounting Changes

In November 2009 and October 2010, the IASB issued *IFRS 9 "Financial Instruments"* representing the first phase of the IASB's three phase project to replace *IAS 39 "Financial Instruments: Recognition and Measurement"*. The first phase defines the accounting of financial instruments that mainly requires the measurement at either the amortized cost or the fair value. The effective date of IFRS 9 for the Company is February 1, 2015. The Company is currently assessing the impact on its consolidated financial statements of this new pronouncement.

Effective for the Company on February 1, 2014, *IAS 32 "Financial Instruments: Presentation"* clarifies the requirements for offsetting financial assets and financial liabilities. The Company is currently assessing the impact on the presentation of its consolidated financial statements.

Dividends Declared Pre-Initial Public Offering

On April 15, 2013, the Company declared and paid a dividend of $0.84 per share on its Class A Common Shares, Class A.1 Common Shares and Class B Common Shares and a dividend $2.87 per share on its Class Super B Common Shares for a total consideration of $330.2 million. In addition, the Company reduced the stated capital of all of its shares by $0.12 per share for an aggregate amount of $46.1 million.

On April 30, 2013, the Company declared and paid a dividend of $0.39 per share on all of its shares for an aggregate amount of $152.8 million.

Dividend Policy

The Company does not currently anticipate paying any dividends on its shares. The Company currently intends to use its earnings to finance the expansion of its business and to reduce indebtedness. Any future determination to pay dividends on the shares will be at the discretion of the Board of Directors and will 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 Facility agreement and the Revolving Credit Facilities agreement) 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 supplemented PREP prospectus dated May 21, 2013. 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 12, 2013, the Company had the following issued and outstanding shares:

- 97,023,344 multiple voting shares with no par value.
- 19,273,218 subordinate voting shares with no par value.

Furthermore, the Board of Directors approved a new stock option plan, pursuant to which a reserve of 5,814,828 subordinate voting shares are available to be granted in stock options to the Company's eligible employees. On May 29, 2013, 1,098,500 options were granted to eligible employees under the new stock option plan. 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. Additionally, 799,296 options to purchase subordinate voting shares remain outstanding under the former stock option plan.

Additionnal information

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