BRP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND TWELVE-MONTH PERIODS ENDED JANUARY 31, 2014

The following management's discussion and analysis ("MD&A") provides information concerning financial condition and results of operations of BRP Inc. (the "Company" or "BRP") for the fourth quarter and the fiscal year ended January 31, 2014. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended January 31, 2014. Some of the information contained in this discussion and analysis contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from underlying forward-looking statements as a result of various factors, including those described in "Forward-Looking Statements" section of this MD&A. This MD&A reflects information available to the Company as at March 27, 2014.

Basis of Presentation

The audited consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts presented are in Canadian dollars unless otherwise indicated. All references in this MD&A to "Fiscal 2014" are to the Company's fiscal year ended 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 March 27, 2014, is based on the Company's audited consolidated financial statements and accompanying notes thereto for the twelve-month periods ended January 31, 2014 and 2013.

The Company's Seasonal Products consist of snowmobiles, personal watercraft (referred to as "PWCs") and sport boat (which the Company ceased to manufacture in September 2012); the Company's Year-Round Products consist of all-terrain vehicles (referred to as "ATVs"), side-by-side vehicles (referred to as "SSVs") and *Spyder* roadsters; and the Company's Propulsion Systems consist of outboard and jet boat engines, kart, motorcycle and recreational aircraft engines sold to third parties. The Company's "PAC" business includes parts, accessories and clothing and other services sold to third parties.

Forward-Looking Statements

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

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

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 risk factors described in the "Risk factors" section of this MD&A.

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 the "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 7,100 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 additional dealers.

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

Highlights of the three-month period ended January 31, 2014

For the three-month period ended January 31, 2014, the Company's financial performance was the following when compared to the fourth quarter ended January 31, 2013:

- Revenues of $902.9 million, an increase of $111.4 million, representing a record level for the Company in a quarter;
- Gross profit of $223.2 million representing 24.7% of revenues, an increase of $24.7 million;
- Normalized EBITDA of $106.0 million representing 11.7% of revenues, an increase of $18.2 million;
- Net loss of $6.3 million, a decrease of $42.1 million, which resulted in basic loss per share of $0.05, a decrease of $0.40 per share. The decrease results mainly from a $54.1 million increase in the foreign exchange loss on U.S. denominated long-term debt;
- Normalized net income of $48.3 million, an increase of $11.8 million, which resulted in normalized basic earnings per share of $0.41, an increase of $0.05 per share.

Highlights of the year ended January 31, 2014

For the year ended January 31, 2014, the Company's financial performance was the following when compared to the year ended January 31, 2013:

- Revenues of $3,194.1 million, an increase of $297.9 million, representing a record level for the Company in a fiscal year;
- Gross profit of $807.7 million representing 25.3% of revenues, an increase of $70.0 million;
- Normalized EBITDA of $380.2 million representing 11.9% of revenues, an increase of $45.2 million, representing a record level for the Company in a fiscal year;
- Net income of $59.7 million, a decrease of $59.5 million, which resulted in basic earnings per share of $0.53, a decrease of $0.64 per share. The decrease results mainly from a $100.0 million increase in the foreign exchange loss on U.S. denominated long-term debt;
- Normalized net income of $168.3 million, an increase of $21.6 million, which resulted in normalized basic earnings per share of $1.50, an increase of $0.06 per share.

In addition, during the year:

- The Company completed an initial public offering of its subordinate voting shares pursuant to a prospectus filed with the securities regulatory authorities in each of the provinces and territories of Canada (the "IPO"). The Company received gross proceeds of $301.6 million from the issuance of 14 million subordinate voting shares. The Company's subordinate voting shares are listed on the Toronto Stock Exchange under the symbol DOO.
- The Company repaid U.S. $258.0 million of its U.S. $1,050.0 million term facility and amended its pricing to reduce interest costs. Also, the Company extended the maturity of its $350.0 million revolving credit facilities (the "Revolving Credit Facilities") from March 2016 to May 2018 and amended its pricing to reduce interest costs.
- The Company continued the expansion of its SSV line-up with the introduction of eight new models in the *Commander* and *Maverick* families including four-passenger models.
- The Company inaugurated its manufacturing facility in Queretaro, Mexico and began production of the recently introduced *Sea-Doo Spark* in this new facility.

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 challenging and prolonged difficult retail conditions and when their inventory level is high. During the last fiscal year and current 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. Refer to the "Off-Balance Sheet Arrangements" section of this MD&A for more information on dealer and distributor inventory financing arrangements.

Commodity Costs

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

Warranty Costs

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

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

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

Foreign Exchange

The Company's revenues and sales program costs are reported in Canadian dollars but are mostly generated in U.S. dollars, Canadian dollars and Euros. The Company's revenues reported in Canadian dollars are to a lesser extent exposed to foreign exchange fluctuations with the Australian dollar, the Brazilian Real, the Swedish Krona and the Norwegian Krone. The costs incurred by the Company are mainly denominated in Canadian dollars, U.S. dollars and Euros and to a lesser extent in Mexican pesos. Therefore recorded revenues, gross profit and operating income in Canadian dollars are exposed to foreign exchange fluctuations 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 Company's U.S. $1,050.0 million term facility agreement (the "Term Facility" or the "Term Credit Agreement") 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 January 31, 2014, the Company's long-term debt of $889.9 million was mainly comprised of the Term Facility which bears interest at LIBOR plus 3.00% with a floor rate on the LIBOR of 1.00%. 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 and twelve-month periods ended January 31, 2014. 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 in all tax jurisdictions for the year ending January 31, 2015, except in Canada and the United States where the Company plans to utilize its tax attributes to offset taxable income or income taxes payable.

Seasonality

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

Selected Consolidated Financial Information

The selected consolidated financial information set out below for the twelve-month period ended January 31, 2014, and January 31, 2013, has been derived from the audited consolidated financial statements and related notes issued March 27, 2014. The selected consolidated financial information set out below for the twelve-month period ended January 31, 2012, has been derived from the audited consolidated financial statements and related notes included in supplemented prep prospectus issued May 21, 2013. The selected quarterly consolidated financial information set out below has been derived from the annual audited consolidated financial statements and related notes issued March 27, 2014 and from the third-quarter unaudited consolidated financial statements and related notes issued December 11, 2014. All of these documents are available on SEDAR at www.sedar.com.

Net Income data

	Three-month period ended		Twelve-month period ended		
(in millions of Canadian dollars)	**January 31, 2014**	**January 31, 2013**	**January 31, 2014**	**January 31, 2013**	**January 31, 2012**
		(Restated) [2]		(Restated) [2]	
Revenues by category					
Seasonal Products	**$ 406.4**	$ 371.0	**$ 1,136.2**	$ 1,056.9	$ 1,004.9
Year-Round Products	**272.5**	223.4	**1,204.9**	1,045.7	889.0
Propulsion Systems	**75.3**	70.2	**343.7**	333.8	312.2
PAC	**148.7**	126.9	**509.3**	459.8	447.3
	902.9	791.5	**3,194.1**	2,896.2	2,653.4
Cost of sales	**679.7**	593.0	**2,386.4**	2,158.5	2,001.0
Gross profit	**223.2**	198.5	**807.7**	737.7	652.4
As a percentage of revenues	***24.7%***	*25.1%*	***25.3%***	*25.5%*	*24.6%*
Operating expenses					
Selling and marketing	**55.4**	55.3	**230.7**	228.3	218.4
Research and development	**41.4**	34.3	**144.9**	128.2	129.4
General and administrative	**36.4**	35.7	**143.8**	127.5	124.3
Other operating expenses (income)	**11.8**	2.1	**(6.8)**	34.0	5.7
Total operating expenses	**145.0**	127.4	**512.6**	518.0	477.8
Operating income	**78.2**	71.1	**295.1**	219.7	174.6
Net financing costs	**15.1**	16.8	**62.0**	60.7	50.7
Foreign exchange (gain) loss on long-term debt	**52.9**	(1.2)	**96.4**	(3.6)	1.8
Increase in fair value of common shares	**—**	4.8	**19.6**	11.0	9.0
Income before income taxes	**10.2**	50.7	**117.1**	151.6	113.1
Income taxes expense	**16.5**	14.9	**57.4**	32.4	29.6
Net income (loss)	**$ (6.3)**	$ 35.8	**$ 59.7**	$ 119.2	$ 83.5
Attributable to shareholders	**$ (6.2)**	$ 35.6	**$ 59.9**	$ 119.2	$ 83.8
Attributable to non-controlling interest	**(0.1)**	0.2	**(0.2)**	—	(0.3)
EBITDA [1]	**$ 106.0**	$ 87.5	**$ 370.6**	$ 293.8	$ 260.7
Normalized EBITDA [1]	**106.0**	$ 87.8	**380.2**	335.0	262.2
Normalized net income [1]	**48.3**	$ 36.5	**168.3**	146.7	88.5

[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 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 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 to *IAS 19 "Employee Benefits"* standard as explained in Note 2a) of the audited consolidated financial statements for the year ended January 31, 2014.

Financial Position data

(in millions of Canadian dollars)	January 31, 2014	January 31, 2013	January 31, 2012
Cash	**$ 75.4**	$ 542.4	$ 26.9
Net working capital [1]	**97.1**	(26.7)	123.4
Property, plant and equipment	**515.3**	448.4	388.7
Total assets	**1,951.2**	2,215.4	1,552.4
Revolving credit facilities	**10.5**	—	62.7
Total non-current financial liabilities	**915.7**	1,073.8	736.7
Total liabilities	**1,992.0**	2,194.8	1,622.4
Equity (deficit)	**(40.8)**	20.6	(70.0)

[1] Net working capital is defined as the total current assets excluding cash less the total current liabilities excluding carrying amount of revolving credit facilities, redeemable common shares and current portion of long-term debt.

Other Financial data

(in millions of Canadian dollars, except per share data)	Three-month period ended January 31, 2014	Three-month period ended January 31, 2013	Twelve-month period ended January 31, 2014	Twelve-month period ended January 31, 2013	Twelve-month period ended January 31, 2012
Revenues by geography [1]					
United States	**$ 370.7**	$ 304.3	**$ 1,402.9**	$ 1,237.8	$ 1,090.8
Canada	**191.3**	160.0	**676.6**	641.6	553.6
International [2]	**340.9**	327.2	**1,114.6**	1,016.8	1,009.0
	$ 902.9	$ 791.5	**$ 3,194.1**	$ 2,896.2	$ 2,653.4
Weighted average number of shares – basic [3]	**118,147,592**	101,791,479	**112,587,807**	101,713,848	102,545,094
Weighted average number of shares – diluted [3]	**118,916,437**	102,908,839	**113,406,206**	102,853,978	103,399,175
Earnings (loss) per share – basic [3]	**$ (0.05)**	$ 0.35 [5]	**$ 0.53**	$ 1.17 [5]	$ 0.82
Earnings (loss) per share – diluted [3]	**(0.05)**	0.35 [5]	**0.53**	1.16 [5]	0.81
Normalized earnings per share – basic [3] [4]	**0.41**	0.36 [5]	**1.50**	1.44 [5]	0.87
Normalized earnings per share – diluted [3] [4]	**0.41**	$ 0.35 [5]	**1.49**	1.43 [5]	0.86

[1] For the three and twelve-month periods ended January 31, 2013, revenues related to the sport boat business totalled respectively nil and $29 million in the United States, nil and $24 million in Canada and $3 million and $21 million within International. For the year ended January 31, 2012, revenues related to the sport boat business totalled $39 million in the United States, $19 million in Canada and $25 million within International.

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

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

[5] Restated to reflect the application of the amendments to *IAS 19 "Employee Benefits"* standard as explained in Note 2a) of the audited consolidated financial statements for the year ended January 31, 2014.

Reconciliation Tables

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

(in millions of Canadian dollars)	Three-month period ended January 31, 2014	Three-month period ended January 31, 2013	Twelve-month period ended January 31, 2014	Twelve-month period ended January 31, 2013	Twelve-month period ended January 31, 2012
		(Restated) [1]		(Restated) [1]	
Net income (loss)	**$ (6.3)**	$ 35.8	**$ 59.7**	$ 119.2	$ 83.5
Financing costs	**15.6**	17.3	**64.5**	62.6	62.4
Financing income	**(0.5)**	(0.5)	**(2.5)**	(1.9)	(11.7)
Income taxes expense	**16.5**	14.9	**57.4**	32.4	29.6
Depreciation expense	**27.8**	21.2	**95.1**	85.1	95.1
Foreign exchange (gain) loss on long-term debt	**52.9**	(1.2)	**96.4**	(3.6)	1.8
EBITDA	**106.0**	87.5	**370.6**	293.8	260.7
Increase in fair value of common shares	**—**	4.8	**19.6**	11.0	9.0
Unusual and non-recurring items					
Restructuring costs (reversal) [2]	**(0.5)**	(0.8)	**(1.6)**	26.0	—
Impairment charge (reversal) [3]	**—**	(0.5)	**(0.3)**	7.1	—
Gain from insurance recovery [4]	**—**	—	**(11.0)**	—	—
Other items [5]	**0.5**	(3.2)	**2.9**	(2.9)	(7.5)
Normalized EBITDA	**106.0**	87.8	**380.2**	335.0	262.2
Depreciation expense adjusted [6]	**(26.1)**	(21.2)	**(93.4)**	(85.1)	(95.1)
Financing costs	**(15.6)**	(17.3)	**(64.5)**	(62.6)	(62.4)
Financing income	**0.5**	0.5	**2.5**	1.9	11.7
Income taxes expense adjusted	**(16.5)**	(13.3)	**(56.5)**	(42.5)	(27.9)
Normalized net income	**$ 48.3**	$ 36.5	**$ 168.3**	$ 146.7	$ 88.5

[1] Restated to reflect the application of the amendments to *IAS 19 "Employee Benefits*" standard as explained in Note 2a) of the audited consolidated financial statements for the year ended January 31, 2014.

[2] During the three and twelve-month periods ended January 31, 2014, the Company revised its estimates related to the exit of the sport boat business and reversed in net income respectively $0.5 million and $1.6 million of restructuring costs that were previously recorded during the twelve-month period ended January 31, 2013, following the Company's decision to exit the sport boat business.

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

[4] During Fiscal 2014, the Company recorded a gain of $11.0 million for the estimated insurance recovery in relation with property, plant and equipment damaged by the explosion that occurred at the Company's research & development centre in Valcourt, Canada during Fiscal 2013.

[5] 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. The retention salaries totalled $0.6 million and $2.5 million for the three and twelve-month periods ended January 31, 2014 compared to $0.6 million and $1.7 million for the corresponding three and twelve-month periods ended January 31, 2013. During the three and twelve-month periods ended January 31, 2014, other unusual and non-recurring items include $0.4 million and $0.9 million of fees and expenses related to the two secondary offering transactions. During the three and twelve-month periods ended January 31, 2014 and 2013, other unusual and non-recurring items include respectively $0.5 million and $3.8 million of gain related to the termination of the defined benefit plan coverage of approximately two-thirds of the Company's Austrian employees. During Fiscal 2013, other unusual and non-recurring items also include a reversal of $0.8 million of the provision taken during the year ended January 31, 2011 for a significant modification of a previously issued safety recall for the roadster. During Fiscal 2012, other unusual and non-recurring items include a reimbursement of $7.5 million from a supplier regarding a non-recurring special charge recorded during Fiscal 2011.

[6] During the three and twelve-month periods ended January 31, 2014, the Company recorded a non-recurring depreciation charge of $1.7 million related to the damaged assets of the Company's research & development centre in Valcourt, Canada following the explosion that occurred during Fiscal 2013.

Results of operations

Analysis of Results for the fourth quarter of Fiscal 2014

The following section provides an overview of the financial performance of the Company for the three-month period ended January 31, 2014 compared to the same period ended January 31, 2013.

Revenues

Revenues increased by $111.4 million, or 14.1%, to $902.9 million for the three-month period ended January 31, 2014, up from $791.5 million for the corresponding period ended January 31, 2013. The revenue increase was driven primarily by the growth in Year-Round and Seasonal Products wholesale together with their related PAC. The increase in revenues includes a favourable foreign exchange rate variation of $53 million mainly related to the strengthening of the U.S. dollar and the Euro against the Canadian dollar.

Excluding the sport boat business, the Company's North American retail sales increased on a percentage basis by 12% for the three-month period ended January 31, 2014 compared to the corresponding period ended January 31, 2013. As of January 31, 2014, North American dealer inventories increased on a percentage basis by high-single digits compared to January 31, 2013, driven by the growth of retail demand and new market segment presence in Year-Round Products.

Significant trends by category were as follows:

<u>Seasonal Products</u>

Revenues from Seasonal Products increased by $35.4 million, or 9.5%, to $406.4 million for the three-month period ended January 31, 2014, compared with $371.0 million for the corresponding period ended January 31, 2013. The increase in revenues resulted primarily from PWC due to increased volume, partially offset by an unfavourable product mix following the introduction of the *Sea-Doo Spark*. The increase in revenues includes a favourable foreign exchange rate variation of $20 million.

North American Seasonal Products retail sales, excluding the sport boat business, increased on a percentage basis by low-double digits compared with the fourth quarter of Fiscal 2013.

<u>Year-Round Products</u>

Revenues from Year-Round Products increased by $49.1 million, or 22.0%, to $272.5 million for the three-month period ended January 31, 2014, up from $223.4 million for the corresponding period ended January 31, 2013. The increase is primarily due to higher wholesale and a favourable product mix in SSV resulting mainly from an expanded line-up such as the *Can-Am Maverick* two and four-passenger models. The increase in revenues includes a favourable foreign exchange rate variation of $18 million.

North American Year-Round Products retail sales increased on a percentage basis by low-double digits compared with the fourth quarter of Fiscal 2013.

<u>Propulsion Systems</u>

Revenues from Propulsion Systems increased by $5.1 million, or 7.3%, to $75.3 million for the three-month period ended January 31, 2014, compared with $70.2 million for the corresponding period ended January 31, 2013. The increase in revenues is mainly attributable to a favourable foreign exchange rate variation of $7 million.

PAC

Revenues from PAC increased by $21.8 million, or 17.2%, to $148.7 million for the three-month period ended January 31, 2014, up from $126.9 million for the corresponding period ended January 31, 2013. The increase is primarily due to a higher volume driven by the growth of Year-Round Products and Seasonal Products businesses. The revenue increase includes a favourable foreign exchange rate variation of $8 million.

Significant geographical trends were as follows:

United States

Revenues from the United States increased by $66.4 million, or 21.8%, to $370.7 million for the three-month period ended January 31, 2014, up from $304.3 million for the corresponding period ended January 31, 2013. The increase was driven by the growth in Seasonal and Year-Round Products wholesale and their related PAC along with a favourable product mix in Year-Round Products, partially offset by unfavourable product mix in Seasonal Products. The revenue increase includes a positive foreign exchange impact of $28 million due to the strengthening of the U.S. dollar against the Canadian dollar. The United States represented 41.0% and 38.5% of revenues during the three-month periods ended January 31, 2014 and 2013, respectively.

Canada

Revenues from Canada increased by $31.3 million, or 19.6%, to $191.3 million for the three-month period ended January 31, 2014, up from $160.0 million for the corresponding period ended January 31, 2013. The increase was driven by the growth in Seasonal and Year-Round Products wholesale and their related PAC. Canada represented 21.2% and 20.2% of revenues during the three-month periods ended January 31, 2014 and 2013, respectively.

International

Revenues from International increased by $13.7 million, or 4.2%, to $340.9 million for the three-month period ended January 31, 2014, up from $327.2 million for the corresponding period ended January 31, 2013. This increase primarily resulted from a favourable foreign exchange impact of $25 million due to the strengthening of the Euro against the Canadian dollar, partially offset by unfavourable product mix in Seasonal Products. International represented 37.8% and 41.3% of revenues during the three-month periods ended January 31, 2014 and 2013, respectively.

Gross Profit

Gross profit increased by $24.7 million, or 12.4%, to $223.2 million for the three-month period ended January 31, 2014, up from $198.5 million for the corresponding period ended January 31, 2013. Gross profit margin percentage decreased by 40 basis points to 24.7% from 25.1% for the three-month period ended January 31, 2013. The decrease in gross profit margin percentage was primarily due to an unfavourable product mix mainly in Seasonal Products, the additional expenses related to the transfer of PWC manufacturing to the Queretaro, Mexico facility, warranty costs adjustments and increased sales program costs in Year-Round Products. The margin decrease was partially offset by a favourable foreign exchange rate variation of $20 million.

Operating Expenses

Operating expenses increased by $17.6 million, or 13.8%, to $145.0 million for the three-month period ended January 31, 2014, up from $127.4 million for the three-month period ended January 31, 2013. This increase was mainly due to a negative foreign exchange impact of $14 million, higher investments in research and development projects to support the Company's growth, partially offset by lower variable employee compensation expenses.

Normalized EBITDA

Normalized EBITDA increased by $18.2 million, or 20.7%, to $106.0 million for the three-month period ended January 31, 2014, compared with $87.8 million for the three-month period ended January 31, 2013. The increase was primarily due to higher wholesale in Seasonal Products and Year-Round Products and their related PAC and a favourable foreign exchange rate variation of $7 million.

Net Financing Costs

Net financing costs decreased by $1.7 million, or 10.1%, to $15.1 million for the three-month period ended January 31, 2014, compared with $16.8 million for the three-month period ended January 31, 2013. The decrease was primarily due to the accelerated amortization in Fiscal 2013 of the transaction costs on the Term Facility due to the amendment and restatement that occurred on January 30, 2013.

Foreign Exchange

The key average exchange rates used to translate foreign-denominated revenues and expenses, excluding any effect of the Company's hedging program, were as follows for the three-month periods ended January 31, 2014 and 2013:

	January 31, 2014	**January 31, 2013**
U.S. dollars	1.0683 $CA/$US	0.9929 $CA/$US
Euro	1.4538 $CA/Euro	1.2988 $CA/Euro

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

	January 31, 2014	**January 31, 2013**
U.S. dollars	1.1119 $CA/$US	0.9992 $CA/$US
Euro	1.5011 $CA/Euro	1.3573 $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 January 31, 2014 compared to the corresponding period ended January 31, 2013:

(millions of Canadian dollars)	**Foreign exchange (gain) loss**
	Three-month period
Gross profit	$ (20.3)
Operating expenses	13.5
Impact of foreign exchange fluctuations on operating income	**(6.8)**
Long-term debt	54.1
Net financing costs	0.7
Impact of foreign exchange fluctuations on income before income taxes	**$ 48.0**

Income Taxes

Income taxes expense increased by $1.6 million, or 10.7%, to $16.5 million for the three-month period ended January 31, 2014, compared with $14.9 million for the three-month period ended January 31, 2013. The increase resulted primarily from higher operating income. The income taxes expense as a percentage of income before income taxes increased to 161.8% from 29.4% for the three-month period ended January 31, 2013. The increase is primarily due to the non-deductible portion and the unrecognized tax benefit related to the foreign exchange loss on long-term debt.

Net Income (Loss)

Net income decreased by $42.1 million to a net loss of $6.3 million for the three-month period ended January 31, 2014, compared with a net income of $35.8 million for the three-month period ended January 31, 2013. The decrease was primarily due to an unfavourable exchange rate impact on the U.S. dollar denominated long-term debt of $54.1 million.

Analysis of Results for the twelve-month period ended January 31, 2014

The following section provides an overview of the financial performance of the Company for the twelve-month period ended January 31, 2014 compared to the same period ended January 31, 2013.

Revenues

Revenues increased by $297.9 million, or 10.3%, to $3,194.1 million for the twelve-month period ended January 31, 2014, up from $2,896.2 million for the corresponding period ended January 31, 2013. Revenues were negatively impacted by the exit of the sport boat business which accounted for $74 million in revenues for the twelve-month period ended January 31, 2013. Excluding the exit of the sport boat business, revenues would have increased by 13.2% or $371.9 million. The increase was driven by an increased volume and a greater number of higher-priced Year-Round Products sold, by higher Seasonal Products wholesale and by an increased volume in the related PAC. The increase in revenue includes a favourable foreign exchange rate variation of $114 million mainly related to the strengthening of the U.S. dollar and the Euro against the Canadian dollar.

Excluding the sport boat business, the Company's North American retail sales increased on a percentage basis by 11% for the twelve-month period ended January 31, 2014 compared to the corresponding period ended January 31, 2013.

Significant trends by category were as follows:

<u>Seasonal Products</u>

Revenues from Seasonal Products increased by $79.3 million, or 7.5%, to $1,136.2 million for the twelve-month period ended January 31, 2014, compared with $1,056.9 million for the corresponding period ended January 31, 2013. The increase in revenues was negatively impacted by the exit of the sport boat business which accounted for $74 million in revenues for the twelve-month period ended January 31, 2013. Excluding the exit of the sport boat business, revenues would have increased by $153.3 million or 15.6%. The increase was primarily due to higher volume in snowmobile from increased orders for model year 2014 following the good snow conditions during the winter 2012-2013 and from PWC due to the introduction of the *Sea-Doo Spark*. The increase in revenues includes a favourable foreign exchange rate variation of $38 million.

North American Seasonal Products retail sales, excluding the sport boat business, increased on a percentage basis by low-double digits compared with the twelve-month period ended January 31, 2013.

<u>Year-Round Products</u>

Revenues from Year-Round Products increased by $159.2 million, or 15.2%, to $1,204.9 million for the twelve-month period ended January 31, 2014, up from $1,045.7 million for the corresponding period ended January 31, 2013. The increase was primarily due to higher worldwide sales and higher-priced SSV resulting mainly from the introduction of new models such as the *Can-Am Maverick*. The increase in revenues includes a favourable foreign exchange rate variation of $42 million.

North American Year-Round Products retail sales increased on a percentage basis by low-double digits compared with the twelve-month period ended January 31, 2013.

<u>Propulsion Systems</u>

Revenues from Propulsion Systems increased by $9.9 million, or 3.0%, to $343.7 million for the twelve-month period ended January 31, 2014, compared with $333.8 million for the corresponding period ended January 31, 2013. The increase was primarily attributable to a favourable foreign exchange rate variation of $17 million, which was partially offset by a lower volume of outboard engines sold.

PAC

Revenues from PAC increased by $49.5 million, or 10.8%, to $509.3 million for the twelve-month period ended January 31, 2014, up from $459.8 million for the corresponding period ended January 31, 2013. The increase was primarily due to a higher volume resulting mainly from the growth in Year-Round Products and Seasonal Products. The increase in revenues includes a favourable foreign exchange rate variation of $17 million.

Significant geographical trends were as follows:

United States

Revenues from the United States increased by $165.1 million, or 13.3%, to $1,402.9 million for the twelve-month period ended January 31, 2014, up from $1,237.8 million for the corresponding period ended January 31, 2013. The increase in revenues was negatively impacted by the exit of the sport boat business which accounted for $29 million in revenues for the twelve-month period ended January 31, 2013. Excluding the exit of the sport boat business, revenues would have increased by 16.1% or $194.1 million. This increase primarily resulted from higher shipments and higher consumer demand for Year-Round and Seasonal Products and their related PAC along with a favourable product mix in Year-Round Products, partially offset by unfavourable product mix in Seasonal Products. The revenue increase includes a positive foreign exchange impact of $60 million due to the strengthening of the U.S. dollar against the Canadian dollar. The United States represented 43.9% and 42.7% of revenues during the twelve-month periods ended January 31, 2014 and 2013, respectively.

Canada

Revenues from Canada increased by $35.0 million, or 5.5%, to $676.6 million for the twelve-month period ended January 31, 2014, up from $641.6 million for the corresponding period ended January 31, 2013. The increase in revenues was negatively impacted by the exit of the sport boat business which accounted for $24 million in revenues for the twelve-month period ended January 31, 2013. Excluding the exit of the sport boat business, revenues would have increased by 9.6% or $59.0 million. The increase primarily resulted from higher shipments and higher consumer demand for Seasonal Products and related PAC. Canada represented 21.2% and 22.2% of revenues during the twelve-month periods ended January 31, 2014 and 2013, respectively.

International

Revenues from International increased by $97.8 million, or 9.6%, to $1,114.6 million for the twelve-month period ended January 31, 2014, up from $1,016.8 million for the corresponding period ended January 31, 2013. The revenues were negatively impacted by the exit of the sport boat business which accounted for $21 million in revenues for the twelve-month period ended January 31, 2013. Excluding the exit of the sport boat business, revenues would have increased by 11.9% or $118.8 million. This increase primarily resulted from higher volumes of Year-Round Products, Seasonal Products and related PAC across most regions, partially offset by unfavourable product mix in Seasonal Products. The revenue increase includes a positive foreign exchange impact of $54 million. International represented 34.9% and 35.1% of revenues during the twelve-month periods ended January 31, 2014 and 2013, respectively.

Gross Profit

Gross profit increased by $70.0 million, or 9.5%, to $807.7 million for the twelve-month period ended January 31, 2014, up from $737.7 million for the corresponding period ended January 31, 2013. Gross profit margin percentage decreased by 20 basis points to 25.3% from 25.5% for the twelve-month period ended January 31, 2013. The decrease in gross profit margin percentage was primarily due to increased sales program costs in Seasonal and Year-Round Products and additional expenses related to the transfer of PWC manufacturing to the Queretaro, Mexico facility. The margin decrease was partially offset by a favourable foreign exchange rate variation of $44 million.

Operating Expenses

Operating expenses decreased by $5.4 million, or 1.0%, to $512.6 million for the twelve-month period ended January 31, 2014, down from $518.0 million for the twelve-month period ended January 31, 2013. When excluding the effect of unusual and non-recurring items, operating expenses increased by $40.8 million between Fiscal 2014 and Fiscal 2013, primarily due to higher stock-based compensation in relation to the IPO and higher investments in research and development projects. This increase includes a negative foreign exchange impact of $17 million.

Normalized EBITDA

Normalized EBITDA increased by $45.2 million, or 13.5%, to $380.2 million for the twelve-month period ended January 31, 2014, compared with $335.0 million for the twelve-month period ended January 31, 2013. The increase was primarily due to higher volume in Year-Round and Seasonal Products and a favourable foreign exchange rate impact of $28 million, partially offset by higher investments in research and development projects and additional general and administrative expenses in relation to the IPO.

Net Financing Costs

Net financing costs increased by $1.3 million, or 2.1%, to $62.0 million for the twelve-month period ended January 31, 2014, compared with $60.7 million for the twelve-month period ended January 31, 2013. The increase primarily resulted from higher interest expense on the Term Facility due to higher interest rates and higher outstanding nominal amount and from higher outstanding amount under the Revolving Credit Facilities. However, the Company recorded lower interest costs on the repayable government assistance following the repayment of the outstanding amount which occurred during the first quarter of Fiscal 2013.

Foreign Exchange

The key average exchange rates used to translate foreign-denominated revenues and expenses, excluding any effect of the Company's hedging program, were as follows for the twelve-month periods ended January 31, 2014 and 2013:

	January 31, 2014	**January 31, 2013**
U.S. dollars	1.0381 $CA/$US	0.9973 $CA/$US
Euro	1.3828 $CA/Euro	1.2862 $CA/Euro

The exchange rate fluctuations had the following impact on operating income and on income before income taxes for the twelve-month period ended January 31, 2014 compared to the corresponding period ended January 31, 2013:

(millions of Canadian dollars)	**Foreign exchange (gain) loss**
	Twelve-month period
Gross profit	$ (44.1)
Operating expenses	16.5
Impact of foreign exchange fluctuations on operating income	**(27.6)**
Long-term debt	100.0
Net financing costs	1.5
Impact of foreign exchange fluctuations on income before income taxes	**$ 73.9**

Income Taxes

Income taxes expense increased by $25.0 million, or 77.2%, to $57.4 million for the twelve-month period ended January 31, 2014, compared with $32.4 million for the twelve-month period ended January 31, 2013. The increase resulted primarily from higher operating income. The income taxes expense as a percentage of income before income taxes increased to 49.0% from 21.4% for the twelve-month period ended January 31, 2013. The increase was primarily due to the non-deductible portion and the unrecognized tax benefit related to the foreign exchange loss on long-term debt.

Net Income

Net income decreased by $59.5 million, or 49.9%, to $59.7 million for the twelve-month period ended January 31, 2014, compared with $119.2 million for the twelve-month period ended January 31, 2013. The decrease was primarily due to an unfavourable exchange rate impact on the U.S. dollar denominated long-term debt of $100.0 million.

Assessment the Company's performance against the guidance

On June 13, 2014, the Company issued guidance for the year ending January 31, 2014, which was revised on December 12, 2013, to adjust the normalized effective tax rate, the normalized net income and the normalized earnings per share - basic. The following table provides a comparison of the Company's performance reported for the year ended January 31, 2014, against the issued and revised guidance for this year:

Guidance Issued as of June 13, 2014, as revised	**Target for Fiscal 2014 (compared to Fiscal 2013)**	**Results for Fiscal 2014 (compared to Fiscal 2013)**		**Met**
Revenues	Increase high-single digits percentage	10.3% increase	Increase exceeds the guidance due to the strengthening of the U.S. dollar and the Euro against the Canadian dollar	✓
Normalized EBITDA	Increase low-double digits percentage	13.5% increase	Increase as expected	✓
Normalized effective tax rate	26% - 27% (revised from 28% - 29%)	25.1%	Slightly lower due to a different mix of profits across jurisdictions	✓
Normalized net income	Increase mid-double digits percentage (revised from increase low-double digits percentage)	14.7% increase	Increase as expected	✓
Normalized earnings per share – basic	Increase to $1.49-$1.54 (revised from increase $1.45 - $1.50)	Increase to $1.50	Increase as expected	✓
Capital expenditures	Same level	$153.3 million	At the same level compared to $154.8 million in Fiscal 2013	✓

Summary of Consolidated Quarterly Results

	Three-month period ended							
	January 31, 2014	October 31, 2013	July 31, 2013	April 30, 2013	January 31, 2013 [1]	October 31, 2012 [1]	July 31, 2012 [1]	April 30, 2012 [1]
(millions of Canadian dollars, except per share data)	**Fiscal 2014**	**Fiscal 2014**	**Fiscal 2014**	**Fiscal 2014**	**Fiscal 2013**	**Fiscal 2013**	**Fiscal 2013**	**Fiscal 2013**
Revenues by category								
Seasonal Products	**$ 406.4**	$ 382.5	$ 140.6	$ 206.7	$ 371.0	$ 276.2	$ 156.1	$ 253.6
Year-Round Products	**272.5**	249.6	278.1	404.7	223.4	247.4	257.2	317.7
Propulsion Systems	**75.3**	89.6	85.9	92.9	70.2	82.0	88.5	93.1
PAC	**148.7**	144.3	116.3	100.0	126.9	128.3	106.3	98.3
Total Revenues	**902.9**	866.0	620.9	804.3	791.5	733.9	608.1	762.7
Gross profit	**223.2**	223.9	142.6	218.0	198.5	177.4	149.6	212.2
As a percentage of revenues	***24.7%***	*25.9%*	*23.0%*	*27.1%*	*25.1%*	*24.2%*	*24.6%*	*27.8%*
Net income (loss)	**(6.3)**	48.2	(7.9)	25.7	35.8	31.7	(2.9)	54.6
EBITDA	**106.0**	118.9	58.1	87.6	87.5	66.0	35.4	104.9
Normalized EBITDA	**106.0**	119.0	47.4	107.8	87.8	83.9	53.6	109.7
Normalized net income	**48.3**	59.0	7.6	53.4	36.5	42.4	18.2	49.6
Basic earnings (loss) per share	**(0.05)**	0.41	(0.07)	0.25	0.35	0.31	(0.03)	0.54
Diluted earnings (loss) per share	**(0.05)**	0.41	(0.07)	0.25	0.35	0.31	(0.03)	0.53
Normalized basic earnings per share	**0.41**	0.50	0.07	0.52	0.36	0.42	0.18	0.49
Normalized diluted earnings per share	**$ 0.41**	$ 0.50	$ 0.07	$ 0.51	$ 0.35	$ 0.41	$ 0.18	$ 0.48

[1] This quarter has been restated to reflect the application of the amendments to *IAS 19 "Employee Benefits"* standard as explained in Note 2a) of the audited consolidated financial statements for the year ended January 31, 2014.

Reconciliation Table for Consolidated Quarterly Results

	Three-month period ended							
	January 31, 2014	October 31, 2013	July 31, 2013	April 30, 2013	January 31, 2013 [1]	October 31, 2012 [1]	July 31, 2012 [1]	April 30, 2012 [1]
(millions of Canadian dollars)	Fiscal 2014	Fiscal 2014	Fiscal 2014	Fiscal 2014	Fiscal 2013	Fiscal 2013	Fiscal 2013	Fiscal 2013
Net income (loss)	**$ (6.3)**	$ 48.2	$ (7.9)	$ 25.7	$ 35.8	$ 31.7	$ (2.9)	$ 54.6
Financing costs	**15.6**	15.3	15.5	18.1	17.3	11.9	12.2	21.2
Financing income	**(0.5)**	(0.3)	(0.5)	(1.2)	(0.5)	(0.2)	(0.4)	(0.8)
Income taxes expense (recovery)	**16.5**	20.9	4.4	15.6	14.9	2.0	(5.1)	20.6
Depreciation expense	**27.8**	23.9	22.3	21.1	21.2	21.4	22.0	20.5
Foreign exchange (gain) loss on long-term debt	**52.9**	10.9	24.3	8.3	(1.2)	(0.8)	9.6	(11.2)
EBITDA	**106.0**	118.9	58.1	87.6	87.5	66.0	35.4	104.9
Increase in fair value of common shares	**—**	—	—	19.6	4.8	—	1.4	4.8
Unusual and non-recurring items								
Restructuring costs (reversal) [2]	**(0.5)**	(1.1)	—	—	(0.8)	17.1	9.7	—
Impairment charge (reversal) [3]	**—**	—	(0.3)	—	(0.5)	—	7.6	—
Gain from insurance recovery [4]	**—**	—	(11.0)	—	—	—	—	—
Other items [5]	**0.5**	1.2	0.6	0.6	(3.2)	0.8	(0.5)	—
Normalized EBITDA	**106.0**	119.0	47.4	107.8	87.8	83.9	53.6	109.7
Depreciation expense adjusted [6]	**(26.1)**	(23.9)	(22.3)	(21.1)	(21.2)	(21.4)	(22.0)	(20.5)
Financing costs	**(15.6)**	(15.3)	(15.5)	(18.1)	(17.3)	(11.9)	(12.2)	(21.2)
Financing income	**0.5**	0.3	0.5	1.2	0.5	0.2	0.4	0.8
Income taxes expense adjusted	**(16.5)**	(21.1)	(2.5)	(16.4)	(13.3)	(8.4)	(1.6)	(19.2)
Normalized net income	**$ 48.3**	$ 59.0	$ 7.6	$ 53.4	$ 36.5	$ 42.4	$ 18.2	$ 49.6

[1] This quarter has been restated to reflect the application of the amendments to *IAS 19 "Employee Benefits"* standard as explained in Note 2a) of the audited consolidated financial statements for the year ended January 31, 2014.

[2] In Fiscal 2014, the Company reversed $1.6 million of the restructuring costs of $26.0 million recorded during Fiscal 2013 related to the Company's decision to exit the sport boat business, to transfer the assembly of PWC from Canada to Mexico and to assign the PAC distribution to third-party logistics providers.

[3] In Fiscal 2014, the Company reversed $0.3 million of the impairment charge of $7.1 million recorded during Fiscal 2013 following the Company's decision to exit the sport boat business.

[4] In Fiscal 2014, the Company recorded a gain of $11.0 million for the estimated insurance recovery in relation with property, plant and equipment damaged by the explosion that occurred at the Company's research & development centre in Valcourt, Canada during Fiscal 2013.

[5] Other items include retention salaries of $2.5 million for Fiscal 2014 and $1.7 million for Fiscal 2013 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 2014, other items also include $0.9 million of fees and expenses related to the two secondary offerings. In Fiscal 2014 and Fiscal 2013, the Company recorded respectively $0.5 million and $3.8 million of unusual gain related to the termination of the defined benefit plan coverage of approximately two-thirds of its Austrian employees.

[6] In Fiscal 2014, the Company recorded a non-recurring depreciation charge of $1.7 million related to the damaged assets of the Company's research & development centre in Valcourt, Canada following the explosion that occurred during Fiscal 2013.

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 twelve-month periods ended January 31, 2014 and 2013:

	Twelve-month period ended	
(millions of Canadian dollars)	**January 31, 2014**	**January 31, 2013**
Net cash flows generated from operating activities	**$ 214.8**	$ 444.8
Net cash flows used in investing activities	**(147.3)**	(150.2)
Net cash flows generated from (used in) financing activities	**(554.5)**	221.6
Effect of exchange rate changes on cash	**20.0**	(0.7)
Net increase (decrease) in cash	**(467.0)**	515.5
Cash at beginning of period	**542.4**	26.9
Cash at end of period	**$ 75.4**	$ 542.4

Net Cash Flows Generated from Operating Activities

Net cash flows generated from operating activities totalled $214.8 million for the twelve-month period ended January 31, 2014 compared with $444.8 million for the twelve-month period ended January 31, 2013. The $230.0 million decrease was mainly due to changes in net working capital of $278.6 million. This reduction was primarily driven by an abnormally low trade payables level at the end of Fiscal 2012 due to some earlier invoice payments to suppliers, which positively impacted the net working capital for the twelve-month period ended January 31, 2013 by approximately $179 million. The decrease is also due to different payment dates on dealer holdback programs and to a higher level of trade and other receivables on Seasonal Products sales not financed by third-party financing service providers.

Net Cash Flows Used in Investing Activities

Net cash flows used in investing activities totalled $147.3 million for the twelve-month period ended January 31, 2014, a similar level of investments compared to $150.2 million for the twelve-month period ended January 31, 2013.

Net Cash Flows Generated from (Used in) Financing Activities

Net cash flows used in financing activities totalled $554.5 million for the twelve-month period ended January 31, 2014 compared with net cash flows generated from financing activities of $221.6 million for the twelve-month period ended January 31, 2013. The increase in net cash flows used of $776.1 million was mainly attributable to the distributions made to the Company's shareholders of $529.1 million and the repayment of the Term Facility of $267.5 million that occurred in Fiscal 2014 compared with the amendment and restatement of the Term Facility that occurred in Fiscal 2013 and which generated additional cash of $375.5 million. The increase was partially offset by the issuance of subordinate voting shares in connection with the initial public offering for net proceeds of $277.4 million.

Contractual Obligations

The following table summarizes the Company's significant contractual obligations as at January 31, 2014, 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	$ 21.5	$ 38.8	$ 31.3	$ 84.7	$ 176.3
Financial obligations					
Trade payables and accruals	547.0	—	—	—	547.0
Long-term debt (including interest)	36.5	95.6	964.4	—	1,096.5
Derivative financial instruments	0.4	—	—	2.0	2.4
Other financial liabilities (including interest)	72.2	6.4	0.8	23.6	103.0
	656.1	102.0	965.2	25.6	1,748.9
Total obligations	**$ 677.6**	**$ 140.8**	**$ 996.5**	**$ 110.3**	**$ 1,925.2**

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

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

Capital Resources

Revolving Credit Facilities

As at January 31, 2014, the Revolving Credit Facilities provided the Company a maximum availability of $350.0 million until May 2018. The Revolving Credit Facilities are subject to a borrowing base calculation, based on 75% of trade and other receivables and 50% of inventories. The Revolving Credit Facilities are available to finance working capital requirements and capital expenditures, or for other general corporate purposes.

As at January 31, 2014, the Company had $10.5 million of outstanding indebtedness under the Revolving Credit Facilities and the cost of borrowing was the following based on:

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

(ii) Canadian dollars at either
- (a) Bankers' Acceptances plus 2.50% per annum; or
- (b) Canadian Prime Rate plus 1.50% per annum

(iii) Euros at Euro LIBOR plus 2.50% per annum.

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

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

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

As at January 31, 2014, the Company had issued letters of credit for an amount of $8.3 million under the Revolving Credit Facilities ($8.1 million as at January 31, 2013). In addition, $0.3 million of letters of credit were outstanding under other agreements as at January 31, 2014 ($0.6 million as at January 31, 2013).

Term Facility

As at January 31, 2014, the Term Facility provided the Company an outstanding financing of U.S. $792.0 million and the Company had the possibility to increase the amount of borrowing by U.S. $150.0 million under certain conditions. The cost of borrowing under the Term Facility was the following as at January 31, 2014:

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

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.

In the event that Bombardier Recreational Products Inc. has an 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. As at January 31, 2014, the Company was not subject to the excess cash computation requirement as the threshold level of the leverage ratio was not reached. The Term Facility agreement contains customary representations and warranties but does not include any financial maintenance covenants.

During the year ended January 31, 2014, the Company repaid U.S. $258 million ($267.5 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. Additionally, during the year ended January 31, 2014, the Company amended its Term Facility to decrease its interest costs resulting in a 1% decrease of its all-in-yield interest rate (0.75% decrease of the cost of borrowing and 0.25% decrease of the LIBOR floor).

Austrian Term Loans

During the twelve-month period ended January 31, 2014, the Company entered into a term loan agreement at favourable interest rates under an Austrian government program. This program supports research and development projects based on the Company's incurred expenses in Austria. The term loan has a nominal amount of Euro 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 twelve-month period ended January 31, 2014, the Company has Euro 27.7 million outstanding nominal amounts under its seven Austrian term loans as of January 31, 2014. As of January 31, 2014, these loans bear interest at a range of 1.13% to 2.05% 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 January 31, 2014, 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)	January 31, 2014	January 31, 2013	Variance	Exchange Rate Impact	Net Variance	Explanation
Trade and other receivables	**$ 266.6**	$ 213.5	$ 53.1	$ (17.6)	$ 35.5	Mostly explained by higher receivables related to Seasonal Products due to higher sales not financed by third-party financing service providers
Inventories	**532.7**	465.0	67.7	(39.8)	27.9	Mostly explained by higher inventory in Seasonal Products due to the transfer of PWC manufacturing to the Queretaro facility and in Year-Round Products due to an expanded SSV line-up
Property, plant and equipment	**515.3**	448.4	66.9	(21.8)	45.1	Mostly explained by the investments in the Queretaro facility and in the research & development centre in Valcourt
Trade payables and accruals	**547.0**	523.3	23.7	(36.3)	(12.6)	No significant variances
Long-term debt, including current portion	**889.9**	1,054.6	(164.7)	(100.2)	(264.9)	Mostly explained by the U.S. 258.0 million repayment of the Term Facility
Employee future benefit liabilities	**203.0**	235.9	(32.9)	(10.3)	(43.2)	Mostly explained by the increase of approximately 20 basis points in the discount rate on Canadian defined benefit pension plans and by increased fair value of Canadian plan assets

Post-Employment Benefits

The Company sponsors defined contribution retirement plans to a majority of its employees and sponsors non-contributory defined benefit plans that provide for pensions and other post-retirement benefits to certain employees mainly located in Canada and Austria.

In Canada, the Company's defined benefit pension plans coverage are mainly related to pension benefits for its executive employees and life insurance benefits and healthcare benefits to executive and certain eligible employees. Additionally, the Company retained defined benefits obligation with certain active and former Canadian employees for services rendered prior to 2005.

In Austria, the Company's defined benefit pension plans coverage are related to a lump sum retirement indemnity plan and a defined benefit plan. During Fiscal 2014 and Fiscal 2013, the Company entered into agreements with approximately two-thirds of its Austrian employees whereby the Company terminated their defined benefit pension plan coverage and replaced it by a defined contribution pension plan. As at January 31, 2014, the remaining liabilities of $9.9 million related to these transactions and presented in other financial liabilities in the consolidated statements of financial position will be settled over the next five fiscal years.

A summary of the carrying amounts of employee future benefit liabilities and the discount rates used to establish their carrying amounts is presented below for the last two fiscal years:

	As at					
	January 31, 2014			**January 31, 2013**		
(millions of Canadian dollars)	Canada	Foreign	Total	Canada	Foreign	Total
Employee future benefit liabilities	**$ 99.4**	**$ 103.6**	**$ 203.0**	$ 138.4	$ 97.5	$ 235.9
Discount rate	**4.60%**	**3.41%**		4.40%	3.40%	
Compensation increase	**3.00%**	**3.00%**		3.50%	3.50%	
Participant longevity	**CPM-RPP 2014**	**AVOE 2008**		UP 1994 Generational	AVOE 2008	

The Company liabilities related to defined benefit obligations are highly dependent of prevailing actual and future discount rates, future compensation increases and participant longevity. An increase or decrease of those factors could increase or decrease significantly the employee future benefit liabilities and future cash contributions. The following table presents the impact on the employee future benefit liabilities as at January 31, 2014 of reasonable possible changes of the respective assumptions, while holding all other assumptions constant:

	Increase (Decrease) of the employee future benefit liabilities
Discount rate	
Impact of a 0.5% increase	**$ (30.3)**
Impact of a 0.5% decrease	**34.2**
Expected rate of compensation increase	
Impact of a 0.5% increase	**$ 9.6**
Impact of a 0.5% decrease	**(8.9)**
Participant longevity	
Impact of a 1 year increase	**$ 7.2**
Impact of a 1 year decrease	**(7.1)**

The sensitivity analysis presented above may not be representative of the potential change in the employee future benefit liabilities as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In accordance with the minimum funding obligations required under the current regulations, the Company expects to contribute $22.6 million to all defined benefit pension plans for the year ending January 31, 2015.

The pension expense incurred by the Company for its defined benefit and defined contribution pension plans was $47.8 million and $43.7 million for the years ended January 31, 2014 and January 31, 2013, respectively, of which 14.0% and 14.6% is related to current service costs under defined benefits 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 third-party financing service providers. These agreements provide financing to facilitate the purchase of the Company's products and improve the Company's working capital by allowing an earlier collection of accounts receivable from dealers and distributors. Approximately two-thirds of the Company's sales are made under such agreements. The parties listed above have agreements with TCF Inventory Finance Inc. and TCF Commercial Finance Canada Inc. (collectively, "TCF"), to provide financing facilities in North America and Latin America, and with GE Commercial Distribution Finance and GE Commercial Corporation (collectively "GE Group") for financing facilities in Europe, Australia and New Zealand. The current agreement between the Company and TCF expires in 2019, while the contracts 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 the Company's independent dealers and distributors totalled $603.0 million and $2,183.5 million for the three and twelve-month periods ended January 31, 2014, compared to $512.7 million and $2,009.9 million for the corresponding three and twelve-month periods ended January 31, 2013. The outstanding financing between the Company's independent dealers and distributors and third-party finance companies amounted to $997 million and $838 million as at January 31, 2014, 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	January 31, 2014	January 31, 2013
Total outstanding as at	**CAD**	**$ 997**	**$ 838**
United States	USD	589	519
Canada	CAD	267	248
Europe	Euro	28	29
Australia and New Zealand	AUD	32	29
Latin America	USD	3	2

The costs incurred by the Company under the dealers' and distributors' financing agreements totalled $2.4 million and $22.6 million for the three and twelve-month periods ended January 31, 2014 compared with $4.5 million and $25.0 million for the corresponding three and twelve-month periods ended January 31, 2013. The decrease is primarily due to favourable pricing adjustments.

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. In North America, the obligation is limited to the greater of U.S. $25.0 million ($27.8 million) or 10% of the last twelve-month average amount of financing outstanding under the financing agreements, whereas in Europe, the obligation is limited to the greater of Euro 10.0 million ($15.0 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 maximum amount subject to the Company's obligation to purchase new and unused products from the finance companies was $134 million as at January 31, 2014 ($88 million in North America, $15 million in Europe and $31 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 and twelve-month periods ended January 31, 2014 and 2013.

Consumer Financing Arrangements

The Company has contractual relationships with third-party financing companies in order to facilitate consumer credit for the purchase of its products in North America. The agreements allow the Company to offer under certain sales programs a subsidized interest rate to consumers for a certain limited period. In Canada, the Company has agreements with TD Financing Services and National Bank of Canada for such purposes. In the United States, the Company has an agreement with Sheffield Financial and signed a new agreement with Capital One during the three-month period ended January 31, 2014. Under these contracts, the Company's financial obligations are solely related to the commitments made under certain sales programs.

Transactions Between Related Parties

Transactions with the Principal Shareholders or their Affiliates

During the year ended January 31, 2014, Bain Capital Luxembourg Investments S.à r.l. ("Bain Capital") and La Caisse de dépôt et placement du Québec ("CDPQ") completed two secondary offerings for a total of 18,000,000 subordinate voting shares of the Company to a syndicate of underwriters. Prior to such transactions, Bain Capital and CDPQ converted an aggregate of 18,000,000 multiple voting shares into an equivalent number of subordinate voting shares. The Company did not receive any of the proceeds of these secondary offerings. In accordance with the terms of the registration rights agreement entered into in connection with its initial public offering, the Company incurred approximately $0.9 million of fees and expenses related to these secondary offerings.

Pursuant to the management services agreement with the principal shareholders or their affiliates (namely Beaudier Inc. and 4338618 Canada Inc. (collectively "Beaudier group"), Bain Capital and CDPQ) an aggregate annual management fee of U.S. $2.25 million and reimbursement of certain out-of-pocket expenses were incurred by the Company, which represented an expense of $0.2 million and $1.2 million for the three and twelve-month periods ended January 31, 2014 compared to $0.5 million and $2.4 million for the corresponding three and twelve-month periods ended January 31, 2013. In connection with the initial public offering, the management services agreement was amended to remove the Company's obligation to pay the annual management fees of U.S. $2.25 million effective May 29, 2013.

CDPQ participates in the Term Facility for an amount of $67.0 million (U.S. $60.3 million) and $74.9 million (U.S. $75.0 million) as at January 31, 2014 and January 31, 2013, respectively. The transactions with CDPQ were made on terms similar to those that have prevailed with other lenders.

Transactions with Key Management Personnel

Key management personnel of the Company, defined as employees with authority and responsibility for planning, directing and controlling the activities of the Company, are considered related parties to the Company. The key management personnel of the Company are the directors and the executive officers listed in the Annual Information Form of the Company dated March 28, 2014, and available on SEDAR at www.sedar.com.

The Company incurred the following benefits expenses in relation with key management personnel:

	Years ended	
(millions of Canadian dollars)	**January 31, 2014**	**January 31, 2013**
Current remuneration	**$ 10.5**	$ 9.9
Post-employment benefits	**1.3**	1.0
Stock-based compensation expense	**3.7**	0.1
Total	**$ 15.5**	$ 11.0

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 $21.6 million and $21.3 million at January 31, 2014 and January 31, 2013, respectively. The payments will begin when Bombardier Inc. starts making income tax payments in Canada and/or in the United States. The Company does not expect to make any payments to Bombardier Inc. in relation with that obligation for the year ending January 31, 2015.

Financial Instruments

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

Foreign Exchange Risk

Net income, assets and liabilities and cash flows reported in the Company's audited consolidated 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 a period of 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. However, the Company's normalized net income does not take into account the foreign exchange (gain) loss on long-term debt.

Liquidity Risk

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

Credit Risk

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

The Company considers that its credit risk associated with its trade receivables and its limited responsibilities under the dealer and distributor financing agreements with TCF and GE Group does not represent a significant concentration of risk 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).

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 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.

Critical Accounting Estimates

Significant Estimates and Judgments

The preparation of the consolidated 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 audited consolidated financial statements. Management prepares the annual operating budget and strategic plan each year using a process whereby a detailed one-year budget and three-year strategic plan are prepared by each entity and then consolidated.

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

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

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

Estimating the Net Realizable Value of Inventory

The net realizable value of materials and work in process is determined by comparing inventory components and value with production needs, current and future product features, expected production costs to be incurred and the expected profitability of finished products, 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 Intangible Assets

Management assesses the value in use of property, plant and equipment and intangible assets mainly at groups of cash generating unit ("CGU") level using a discounted cash flow approach by product line determined during the annual budget and strategic plan process. When the Company acquired the recreational products business from Bombardier Inc. in 2003, trademarks and goodwill were recorded as part of the business acquisition. As at January 31, 2014, the entire carrying amount of trademarks of $151.1 million and $114.7 million of the $116.0 million carrying amount of goodwill were related to this transaction.

(i) Trademarks Impairment Test

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

<u>Recoverable Amount</u>

The Company determines the recoverable amount of these trademarks separately using value-in-use calculation. Value in use uses cash flow projections from the Company's one-year budget and three-year strategic plan, with a terminal value calculated by discounting the final year in perpetuity. These figures 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 the 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 line CGUs.

<u>Recoverable Amount</u>

The group of CGUs' recoverable amount is based on a value-in-use calculation using cash flow projections, which takes into account the Company's one-year budget and three-year strategic plan, with a terminal value calculated by discounting the final year in perpetuity. These figures 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 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 annual 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. In addition, the product liability provision at period end includes incurred, but not reported claims 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 restructuring plan estimated costs in relation with the plan features approved by management. Restructuring provision is reviewed at each period end in order to take into account updated information in relation with the realization of the plan. If necessary, the provision is adjusted accordingly.

Estimating the Fair Value of Redeemable Common Shares Outstanding Before the IPO

The fair value of the redeemable common shares was based on an average of two valuation methods of the underlying shares, which were the income and the 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 was 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 were 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 common shares. Following the closing of the IPO of subordinate voting shares, the Company no longer has any redeemable common shares outstanding.

As at April 30, 2013, and until their exchange in the context of the IPO, the redeemable common shares fair value was the IPO 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 judgements from management in order to determine the functional currency of each entity using factors provided by *IAS 21 "The Effects of Changes in Foreign Exchange Rates"*. Management established an accounting method where the functional currency of each entity is deemed to be its local currency unless the assessment of the criteria established by IAS 21 to assess the functional currency leads to the determination of another currency. IAS 21 criteria are reviewed annually for each entity and are based on transactions with third-parties only.

Changes in Accounting Policies

New standards and amendments adopted with an effect on the consolidated financial statements

IAS 19 Employee Benefits

The Company has applied the amendments to *IAS 19 "Employee Benefits"* in the year ended January 31, 2014. As required by the relevant transitional provisions, the comparative amounts were restated on retrospective basis. Amongst other changes, the amendments require the Company to compute the financing cost component related to defined benefit pension plans by applying the discount rate to the net employee future benefit liability rather than only to its defined benefits obligation component. Under pre-amended IAS 19, financing income of funded plans was presented separately from the interest cost and calculated based on the expected return on the plan assets. In addition, the Company is now required to recognize the pension asset management fees as part of its operating expenses whereas under pre-amended IAS 19, those expenses were comprised in the determination of the financing income and the actuarial gains or losses on defined benefits pension plans.

The adoption of the amended *IAS 19 "Employee Benefits"* has impacted the current reported net income and other comprehensive income and the previously reported net income and other comprehensive income as follows:

Impact on net income	Years ended	
	January 31, 2014	**January 31, 2013**
Net income before amendments to IAS 19	**$ 62.4**	$ 121.0
Impact of the amendments to IAS 19		
General and administrative expense	**(1.1)**	(1.1)
Financing costs	**7.8**	8.6
Financing income	**(10.4)**	(9.9)
Income taxes recovery	**1.0**	0.6
Net income	**$ 59.7**	$ 119.2

Impact on other comprehensive income	Years ended	
	January 31, 2014	**January 31, 2013**
Other comprehensive income (loss) before amendments to IAS 19	**$ 59.8**	$ (30.5)
Impact of the amendments to IAS 19	**2.7**	1.8
Other comprehensive income (loss)	**$ 62.5**	$ (28.7)

Impact on basic earnings per share	Years ended	
	January 31, 2014	**January 31, 2013**
Basic earnings per share before amendments to IAS 19	**$ 0.56**	$ 1.19
Impact of the amendments to IAS 19	**(0.03)**	(0.02)
Basic earnings per share	**$ 0.53**	$ 1.17

The adoption of the amended *IAS 19 "Employee Benefits"* had no impact on the Company's total comprehensive income, financial position and cash flows reported by the Company in previously issued annual consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12, "Disclosure of Interests in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The Company has presented in the consolidated financial statements the disclosures relevant to its operations.

IFRS 13 Fair Value Measurement

IFRS 13 "Fair Value Measurement" defines fair value, establishes a framework for measuring fair value and provides the required disclosures about fair value measurements. The Company implemented this standard prospectively for the year ended January 31, 2014, with no impact on the Company's financial results. The Company has presented in the consolidated financial statements the disclosures relevant to its operations.

IAS 1 Presentation of Financial Statements

The Company has applied the amendments to *IAS 1 "Presentation of financial statements"* in the year ended January 31, 2014. The amendments require the Company to group into two categories the items of other comprehensive income, segregating those who will be reclassified subsequently to net income from those that will not. The Company has presented its consolidated statements of comprehensive income according to this new requirement.

Standards and amendments adopted with no effect on the consolidated financial statements

IFRS 10 Consolidated Financial Statements

IFRS 10 "Consolidated Financial Statements" replaces *SIC-12 "Consolidation – Special Purpose Entities"* and the consolidation requirements of *IAS 27 "Consolidated and Separate Financial Statements"*. The objective of IFRS 10 is to define the concept of control and to establish control as the basis for determining when and how an entity should be included within a set of consolidated financial statements. The adoption of this new pronouncement had no impact on the Company's consolidated financial statements.

IFRS 11 Joint Arrangements

IFRS 11, "Joint Arrangements" replaces *IAS 31 "Interests in Joint Ventures"*, and *SIC-13, "Jointly Controlled Entities – Non-monetary Contributions by Venturers"*. IFRS 11 focuses on the rights and obligations of a joint arrangement, rather than its legal form as it was under IAS 31. The adoption of this new pronouncement had no impact on the Company's consolidated financial statements.

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 not yet known as the IASB has not yet finalized a mandatory adoption date of this standard.

In May 2013, the IASB amended *IAS 36 "Impairment of Assets"*, providing guidance on recoverable amount disclosures for non-financial assets. The amendments to IAS 36 must be applied retrospectively by the Company for the annual period beginning February 1, 2014. The Company is currently assessing the impact on the presentation of its consolidated financial statements.

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.

The IASB issued other amendments to IFRS which are not expected to have a significant impact on the Company.

Controls and Procedures

Disclosure controls and procedures

The President and Chief Executive Officer and the Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures (as defined under National Instrument 52-109) in order to provide reasonable assurance that:

- Material information relating to the Company has been made known to them; and
- Information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, of the design and effectiveness of our disclosure controls and procedures. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded, as of January 31, 2014, that such disclosure controls and procedures are effective.

Management's report on internal controls over financial reporting

The President and Chief Executive Officer and the Chief Financial Officer have also designed, or caused to be designed under their supervision, internal controls over financial reporting (as defined under National Instrument 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

An evaluation was carried out, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer of the design and effectiveness of our internal controls over financial reporting. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded, as of January 31, 2014, that the internal controls over financial reporting are effective. In making this evaluation, the President and Chief Executive Officer and the Chief Financial Officer used the Internal Control-Integrated Framework developed in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

There were no changes in our internal controls over financial reporting that occurred during the quarter ended January 31, 2014, that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

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. Subsequently, 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 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 of the Company would be at the discretion of the board of directors of the Company (the "Board of Directors") and would depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants (including restrictions in the Term Credit Agreement and the Revolving Credit Agreement or other material agreements), solvency tests imposed by corporate law and other factors that the Board of Directors may deem relevant.

Risk factors

The risks and uncertainties described in this MD&A are those the Company currently believes to be material, but they are not the only ones it faces. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified or that it currently considers not to be material, actually occur or become material risks, the Company's business, prospects, financial condition, results of operations and cash flows and consequently the price of the Subordinate Voting Shares could be materially and adversely affected.

Economic conditions that impact consumer spending may have a material adverse effect on the Company's business, results of operations or financial condition

The Company's business is cyclical in nature, and the Company's products compete with a variety of other recreational products and activities for consumers' discretionary income and leisure time. The Company's results of operations are therefore sensitive to changes in overall economic conditions, primarily in North America and Europe, that impact consumer spending and particularly discretionary spending. Weakening of, and fluctuations in, economic conditions affecting disposable consumer income such as personal income levels, the availability of consumer credit, employment levels, consumer confidence, business conditions, changes in housing market conditions, capital markets, tax rates, savings rates, interest rates, fuel and energy costs, as well as the impacts of natural disasters, acts of terrorism or other similar events could reduce consumer spending generally or discretionary spending in particular. Such reductions could materially adversely affect the Company's business, results of operations or financial condition.

Demand for the Company's products has been significantly influenced by economic conditions and market volatility worldwide. Any deterioration in general economic conditions that further diminishes consumer confidence or discretionary income may further reduce the Company's sales and materially adversely affect its business, results of operations or financial condition. The Company cannot predict the timing or strength of economic recovery, either worldwide or in the specific markets where it competes.

Changes in economic conditions could result in a deterioration or increased volatility in the credit and lending markets, which could adversely impact the consumers who purchase the Company's products from dealers and rely upon financing for such purchases as well as the availability of financing arrangements for dealers and distributors to finance their inventory. If financing is not available to consumers or dealers and distributors on satisfactory terms, it is possible that the Company's business, results of operations or financial condition could be materially adversely affected.

Any decline in the social acceptability of the Company's products or any increased restrictions on the access or the use of the Company's products in certain locations could materially adversely affect its business, results of operations or financial condition

Demand for the Company's products depends in part on their social acceptability. Public concerns about the environmental impact of the Company's products or their perceived safety could result in diminished social acceptance. Circumstances outside the Company's control, such as social action to reduce the use of fossil fuels, could also negatively impact consumers' perceptions of its products. Any decline in the social acceptability of the Company's products could negatively impact their sales or lead to changes in laws, rules and regulations that prevent their access to certain locations, including trails and lakes, or restrict their use or manner of use in certain areas or during certain times. Additionally, while the Company has implemented various initiatives to address these risks, including the improvement of the environmental footprint and safety of its products, there can be no assurance that the perceptions of the Company's customers will not change. Consumers' attitudes towards the Company's products and the activities in which they are used also affect demand. Any failure by the Company to maintain the social acceptability of its products could impact its ability to retain existing customers and attract new ones which, in turn, could have a material adverse effect on its business, results of operations or financial condition.

Fluctuations in foreign currency exchange rates could result in declines in reported sales and net earnings

The Company reports its financial results in Canadian dollars and the majority of its sales and operating costs are realized in currencies other than the Canadian dollar, including the Australian dollar, the Brazilian real, the Euro, the Mexican peso, the Norwegian krone, the Swedish krona and the United States dollar. If the value of any of these currencies depreciates relative to the Canadian dollar, the Company's foreign currency revenue will decrease when translated to Canadian dollar for reporting purposes. Alternatively, if the value of any of these currencies appreciates relative to the Canadian dollar, the Company's operating costs will increase when translated to Canadian dollar for reporting purposes. Although these risks may sometimes be naturally hedged by a match in the Company's sales and operating costs denominated in the same currency, fluctuations in foreign currency exchange rates could create discrepancies between the Company's sales and its operating costs in a given currency which could have a material adverse effect on its business, results of operations or financial condition. Fluctuations in foreign currency exchange rates could also have a material adverse effect on the relative competitive position of the Company's products in markets where they face competition from manufacturers who are less affected by such fluctuation in exchange rates.

In addition, the Company's indebtedness under the Term Credit Agreement is denominated in U.S. dollars. As a result, any strengthening of the U.S. dollar versus the Canadian dollar or any revaluation of the denomination of the Term Credit Agreement into Canadian dollars at the end of each reporting period can result in significant fluctuations of net income, which could have a material adverse effect on the Company's business, results of operations or financial condition.

While the Company actively manages its exposure to fluctuating foreign currency exchange rates by entering into foreign exchange hedging contracts from time to time, these contracts hedge foreign currency denominated transactions and any change in the fair value of the contracts would be offset by changes in the underlying value of the transactions being hedged. Furthermore, the Company does not have foreign exchange hedging contracts in place with respect to all currencies in which it does business. As a result, there can be no assurance that the Company's hedging strategies, if any, will be effective in the future or that the Company will be able to enter into foreign exchange hedging contracts on satisfactory terms.

The Company has, and is expected to continue to have and incur, a significant amount of indebtedness and there can be no assurance that it will be able to pay its indebtedness as it becomes due

The Company has, and is expected to continue to have and incur, a significant amount of indebtedness, including substantial fixed obligations under the Term Facility and the Revolving Credit Facilities and as a result of challenging economic or other conditions affecting the Company, the Company may incur greater levels of indebtedness than currently exist. The amount of indebtedness that the Company currently has and which it may incur in the future could have a material adverse effect on its business, results of operations or financial condition, for example, by (i) limiting the Company's ability to obtain additional financing, (ii) requiring the Company to dedicate a substantial portion of its cash flow generated from operations to payments on its indebtedness or fixed cost, thereby reducing the funds available for other purposes, (iii) making the Company more vulnerable to economic downturns, and (iv) limiting the Company's flexibility in planning for, or reacting to, competitive pressures or changes in its business environment.

The ability of the Company to make scheduled payments under its indebtedness will depend on, among other things, its future operating performance and its ability to refinance its indebtedness, if necessary. In addition, as the Company incurs indebtedness which bears interest at fluctuating interest rates, to the extent that these interest rates increase, its interest expense will increase. There can be no assurance that the Company will be able to generate sufficient cash from its operations to pay its debts and other financing obligations. Each of these factors is, to a large extent, subject to economic, financial, competitive, regulatory, operational and other factors, many of which are beyond the Company's control.

The Company uses cash generated from its operating activities to fund its business and execute its growth strategy and may require additional capital which may not be available to the Company

The Company relies on net cash generated from its operating activities as its primary source of liquidity. To support the Company's business and execute its growth strategy as planned, the Company will need to continue to generate significant amounts of cash from operations, including funds to pay personnel, invest further in its infrastructure and facilities, invest in research and development, and pay for the increased costs associated with operating as a public company. If the Company's business does not generate cash flow from operating activities sufficient to fund these activities, and if sufficient funds are not otherwise available to it from its credit facilities, the Company may need to seek additional capital, through debt or equity financings, to fund its business or execute its strategy growth. Conditions in the credit markets (such as availability of finance and fluctuations in interest rates) may make it difficult for the Company to obtain such financing on attractive terms or even at all. Additional debt financing that the Company may undertake may be expensive and might impose on it covenants that restrict the Company's operations and strategic initiatives, including limitations on its ability to incur liens or additional debt, pay dividends, repurchase its capital stock, make investments and engage in merger, consolidation and asset sale transactions. Equity financings may be on terms that are dilutive or potentially dilutive to the Company's shareholders, and the prices at which new investors would be willing to purchase its equity securities may be lower than the price per share of its Subordinate Voting Shares. If new sources of financing are required, but are unattractive, insufficient or unavailable, then the Company could be required to modify its business plans or growth strategy based on available funding, if any, which could have a material adverse effect on the Company's business, results of operations or financial condition.

Unfavourable weather conditions may reduce demand and negatively impact sales and production of certain of the Company's products

The sales of the Company's products are affected by unfavourable weather conditions. Unfavourable weather in any particular geographic region may have a material adverse effect on sales of the Company's products in that region. In particular, lack of snowfall during winter may materially adversely affect snowmobile sales, while excessive rain before and during spring and summer may materially adversely affect sales of off-road vehicles, roadsters, PWCs and marine propulsion systems. To the extent that unfavourable weather conditions are exacerbated by global climate change or otherwise, the Company's sales may be affected to a greater degree than previously experienced. There is no assurance that unfavourable weather conditions could not affect the Company's sales for any of its products, which, in turn, could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company's sales and operating results fluctuate from quarter to quarter and from year to year as they are affected, among other things, by the seasonal nature of its business

The Company's sales and operating results experience substantial fluctuations from quarter to quarter and year to year. In general, retail sales of the Company's products are highest in the period immediately preceding and during their particular season of use. For example, retail sales for snowmobiles will be highest in fall and winter while retail sales for PWCs will be highest in spring and summer. 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. In addition, the Company's dealers and distributors may modify orders, change delivery schedules or change the mix of products ordered. The Company may also make strategic decisions to deliver and invoice products at certain dates in order to lower costs or improve supply chain efficiencies. As a result, the Company may not be able to accurately predict its quarterly sales and the Company's results of operations are likely to fluctuate significantly from period to period. In addition, the Company incurs significant additional expenses in the period leading up to the introduction of new products which may also result in fluctuations in the Company's results of operations. This seasonality in revenues and expenses, along with other factors that are beyond the Company's control, including general economic conditions, changes in consumer preferences, weather conditions, availability of import quotas, changes in the cost or availability of raw materials or labour, discretionary spending habits and currency exchange rate fluctuations, could materially adversely affect the Company's business, results of operations or financial condition.

The Company's annual and quarterly gross profit margins are also sensitive to a number of factors, including those that are beyond its control, as well as shifts in product sales mix, geographic sales trends, and currency exchange rate fluctuations, all of which the Company expects will continue. Results of operations in any period should not be considered indicative of the results to be expected for any future period.

The Company is subject to laws, rules and regulations regarding product safety, health, environmental, noise pollution and other issues, and compliance with such laws, rules and regulations could cause the Company to incur fines or penalties, or increase its capital or operating costs

The Company is subject to federal, provincial/state and local/municipal laws, rules and regulations in Canada, the United States and other countries regarding product safety, health, environmental, noise pollution and other issues. While the Company believes that it is in material compliance with all such laws, rules and regulations, a failure to comply with, or compliance with, these requirements, or the adoption of new laws, rules and regulations, could cause the Company to incur fines or penalties or increase the Company's capital or operating costs, all of which could have a material adverse effect on the Company's business, results of operations or financial condition. The Company's products are subject to laws, rules and regulations relating to product safety. A failure to comply with, or compliance with, any such requirements or any new requirements, including new requirements resulting from the on-going rule-making procedure of the U.S. CPSC with respect to SSVs could result in increased expenses to modify the Company's products, or harm to its reputation, which could have a material adverse effect on the Company's business, results of operations or financial condition. Certain jurisdictions require or are considering requiring a license to operate the Company's products. While such licensing requirements are not expected to be unduly restrictive, they may deter potential customers, thereby reducing the Company's sales. The Company's products are also subject to laws, rules and regulations imposing environmental, noise emission, zoning and permitting restrictions, which are subject to change and may limit the locations where the Company's products may be used or restrict their use or manner of use during certain times.

Climate change is receiving increasing attention worldwide. Many scientists, legislators and others attribute climate change to increased levels of greenhouse gases, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions. Greenhouse gas regulation, in particular registration and reduction programs, could increase the price of the electricity the Company purchases, require the Company to purchase allowances to offset the Company's own emissions or result in an overall increase in costs of raw materials, any of which could increase the Company's costs, reduce competitiveness in a global economy or otherwise have a material adverse effect on the Company's business, results of operations or financial condition. Many of the Company's suppliers face similar circumstances. Moreover, the Company may face greater regulatory or customer pressure to develop products that generate less emissions. This may require the Company to spend additional funds on research and development and implementation and subject the Company to the risk that the Company's competitors may respond to these pressures in a manner that gives them a competitive advantage. While additional regulation of emissions in the future appears likely, it is too early to predict whether this regulation could ultimately have a material adverse effect on the Company's business, results of operations or financial condition. The Company is also subject to environmental laws, rules and regulations pursuant to which, among other things, current or previous owners or occupants of property may become liable for the contamination of such property and, as a result, may be liable for the costs of investigating, removing and monitoring any hazardous substances found on the property. Given the nature of the Company's manufacturing activities and the fact that certain of its facilities have been in operation for many years, the Company and the prior owners or occupants of its property may have generated and disposed of materials that are or may be considered hazardous. The Company is aware of certain current environmental liabilities in relation to certain of its property and it is possible that additional environmental liabilities may arise in the future as a result of any prior or future generation or disposal of hazardous materials. From time to time, the Company has incurred and continues to incur material costs and obligations related to environmental compliance and remediation matters. While the Company believes that it has taken all appropriate measures and that it is, except as previously mentioned, currently in material compliance with all applicable environmental laws, rules and regulations, any failure to comply with, or the compliance with, any such laws, rules and regulations or the adoption of any new such laws, rules or regulations could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company depends on dealers, distributors, suppliers, financing sources and other strategic partners who may be sensitive to economic conditions that could affect their businesses, results of operations or financial condition in a manner that materially adversely affects their relationship with the Company

The Company: (i) distributes its products through numerous dealers and distributors; (ii) sources component parts and raw materials through numerous suppliers; (iii) relies on important third-party providers for the warehousing and distribution of PAC and for information technology services; and (iv) has relationships with a limited number of sources of product financing for its dealers, distributors and consumers. The Company's business, results of operations or financial condition could be materially adversely affected if a deterioration of economic or business conditions results in a weakening of the financial condition of a material number of the Company's dealers and distributors, suppliers or financing sources or if uncertainty about the economy or the demand for the Company's products causes these business partners to voluntarily or involuntarily reduce or terminate their relationship with the Company.

The Company has a relatively large fixed cost base that can affect its profitability in a declining sales environment

The fixed costs involved in owning and operating the Company's manufacturing facilities can reduce the Company's gross profit margins when sales and production decline. The Company's profitability is dependent, in part, on its ability to spread fixed costs over an increasing number of products sold and shipped, and if the Company is required to reduce its rate of production, gross profit margins could be negatively affected. Consequently, decreased demand or the need to reduce inventories can lower the Company's ability to absorb fixed costs, which could have a material adverse effect on its business, results of operations or financial condition.

The inability of the Company's dealers and distributors to secure adequate access to capital could materially adversely affect the Company's business, results of operations or financial condition

The Company's dealers and distributors require adequate liquidity to finance their operations and to purchase the Company's products. Dealers and distributors are subject to numerous risks and uncertainties that could unfavourably affect their liquidity positions, including, among other things, continued access to adequate financing sources on a timely basis and on reasonable terms. The Company has agreements with its dealers and distributors and large financing companies to provide inventory financing to its dealers and distributors to facilitate their purchase of the Company's products. These sources of financing are instrumental to the Company's ability to sell products through the Company's distribution network, as a significant percentage of the Company's sales are done under such arrangements.

The availability and terms of inventory financing offered to the Company' dealers and distributors by financing companies will continue to be influenced by the following factors: their ability to access certain capital markets, including the securitization and the commercial paper markets, and to fund their operations in a cost effective manner; the performance of their overall credit portfolios; their willingness to accept the risks associated with lending to the Company's dealers and distributors; and the overall creditworthiness of those dealers and distributors. The Company's business, results of operations or financial condition could be materially adversely affected if further declines in financing availability to the Company's dealers and distributors occur, or if financing terms change unfavourably. This could require the Company to find alternative sources of financing, including the Company providing this financing directly to dealers and distributors, which could require additional capital to fund the associated receivables.

In the event of a dealer or distributor default, the Company may be required to purchase, from financing companies providing inventory financing to the Company's dealers and distributors, new and unused products at the total unpaid principal balance to the finance company, subject to certain caps. Any requirement of the Company to purchase the inventory of several of its dealers or distributors could result in a material adverse effect on the Company's business, results of operations and financial condition.

Supply problems, termination or interruption of supply arrangements or increases in the cost of materials could have a material adverse effect on the Company's business, results of operations or financial condition

The primary raw materials used in manufacturing the Company's products are aluminium, steel, plastic, resins, stainless steel, copper, rubber and certain rare earth metals. In addition, outside suppliers provide the Company with certain product parts and components. The Company cannot be certain that it will not experience supply problems, such as the untimely delivery of, or defects or variations in, raw materials, parts or components. As well, the Company obtains certain of the raw materials, parts and components it uses from either sole suppliers or a limited number of suppliers. If these supply arrangements were terminated or interrupted for reasons such as supplied goods not meeting the Company's quality or safety standards or suppliers' operations being disrupted as a result of a variety of internal or external risks, the Company could have difficulty establishing substitute supply arrangements on satisfactory terms. Problems with the Company's supplies or supply arrangements could have a material adverse effect on the Company's business, results of operations or financial condition. This situation could be further aggravated in the event that the Company were overly dependent on a few key suppliers.

Moreover, the Company's profitability is affected by significant fluctuations in the prices of the raw materials, parts and components it uses. The Company may not be able to pass along price increases in raw materials, parts or components to its customers. As a result, an increase in the cost of the raw materials, parts and components used in the manufacturing of the Company's products could reduce its profitability and have a material adverse effect on its business, results of operations or financial condition.

Covenants contained in agreements to which the Company is a party affect and, in some cases, significantly limit or prohibit the manner in which the Company operates its business

Some of the financing and other major agreements to which the Company is a party, including the Term Credit Agreement and the Revolving Credit Agreement, contain certain covenants which affect and, in some cases, significantly limit, among other things, the activities in which the Company may engage, the ability of the Company to incur debt, issue preferred stock, grant liens over its assets, engage in lines of business different from its own, consummate asset sales, pay dividends or make other distributions, redeem or otherwise retire capital stock or make other restricted payments, make loans, advances and other investments, and merge consolidate or amalgamate with another person. Under the Revolving Credit Agreement, the Company is bound by a fixed charge coverage ratio applicable in certain conditions.

A failure by the Company to comply with such contractual obligations or to pay amounts due under financing and other major agreements could result in an acceleration of the debt incurred under such agreements, a termination of the commitments made thereunder, as well as an exercise of remedies provided therein by the creditors of the Company (including foreclosure over substantially all of the assets of the Company). In such a situation, the Company may not be able to repay the accelerated indebtedness, fulfill its obligations under certain contracts or otherwise cover its fixed costs, which could result in a material adverse effect on the Company's business, results of operations or financial condition.

The Company faces intense competition in all product lines, including from some competitors that have greater financial and marketing resources. Failure to compete effectively against competitors could materially adversely impact the Company's business, results of operations or financial condition

The powersports industry is highly competitive. Competition in such industry is based upon a number of factors, including price, quality, reliability, styling, product features and warranties. At the dealer and distributors level, competition is based on a number of factors including sales and marketing support programs (such as financing joint advertising programs and cooperative advertising). Certain of the Company's competitors are more diversified and have financial and marketing resources which are substantially greater than the Company's, which allow these competitors to invest more heavily in intellectual property, product development, and sales and marketing support. If the Company is not able to compete with new products, product features or models of its competitors, or attract new dealers and distributors, the Company's business, results of operations or financial condition could be materially adversely affected.

The Company is subject to competitive pricing. Such pricing pressure may limit the Company's ability to maintain prices or to increase prices for its products in response to raw material, component and other cost increases and so negatively affect the Company's profit margins.

If the Company loses the services of members of its management team or employees who possess specialized market knowledge and technical skills, the Company's ability to compete, to manage its operations effectively, or to develop new products could be reduced

Many of the Company's senior executives have extensive experience in the Company's industry and with its business, products and customers. The loss of the technical knowledge, management expertise and knowledge of the Company's operations of one or more members of the core management team could result in a diversion of management resources, as the remaining members of management would need to cover the duties of any senior executive who leaves the Company and would need to spend time usually reserved for managing the Company's business to search for, hire and train new members of management. The loss of some or all of the Company's senior executives could negatively affect the Company's ability to develop and pursue its business strategy, which could materially adversely affect the Company's business, results of operations or financial condition.

In addition, the Company's success depends to a large extent upon its ability to retain skilled employees. There is intense competition for qualified and skilled employees, and the Company's failure to recruit, train and retain such employees could have a material adverse effect on its business, results of operations or financial condition. In addition, to implement and manage the Company's business and operating strategies effectively, the Company must maintain a high level of efficiency, performance and content quality, continue to enhance its operational and management systems and continue to effectively attract, train, motivate and manage its employees. If the Company is not successful in doing so, it may have a material adverse effect on its business, results of operations and financial condition.

The Company's success depends upon the continued strength of its reputation and brands

The Company's well-established brands include *Ski-Doo* and *Lynx* snowmobiles, *Sea-Doo* PWCs, *Rotax* engines and *Evinrude* outboard engines. Also, in 2006, the Company rebranded its ATVs under the *Can-Am* brand and, in 2007, introduced the *Spyder*, which formed a new segment within the on-road product category under the *Can-Am* brand. The Company believes that its reputation and brands are significant contributors to the success of its business. Any negative publicity about the Company's products could diminish customer trust, do significant damage to the Company's reputation and brands and could negatively impact sales. As the Company expands into new geographical markets, maintaining and enhancing its brands may become increasingly difficult and expensive, as consumers in these markets may not accept its brand image. Failure to maintain and enhance the Company's brands in any of its markets may materially adversely affect the Company's business, results of operations or financial condition.

The Company's brands and branded products could also be adversely affected by incidents that reflect negatively on the Company. Moreover, the negative impacts of these events may be aggravated as the perceptions of consumers and others are formed based on modern communication and social media tools over which the Company has no control. The increasing use of social media has especially heightened the need for reputational risk management. Any actions the Company takes that cause negative public opinion have the potential to negatively impact the Company's reputation, which may materially adversely affect its business, results of operations or financial condition.

An adverse determination in any significant product liability claim against the Company could materially adversely affect its business, results of operations or financial condition

The development, manufacturing, sale and usage of the Company's products expose the Company to significant risks associated with product liability claims. If the Company's products are defective or used incorrectly by its consumers, it may result in bodily injury, property damage or other injury, including death, which could give rise to product liability claims against the Company. Changes to the Company's manufacturing processes and the production of new products could result in product quality issues, thereby increasing the risk of litigation and potential liability. Any losses that the Company may suffer from any liability claims and the effect that any product liability litigation may have upon the brand image, reputation and marketability of the Company's products could have a material adverse impact on its business, results of operations or financial condition.

As at March 26, 2014, the Company had approximately 141 pending litigation cases. The Company does not believe the outcome of any pending product liability litigation would have a material adverse effect on its business, results of operations or financial condition, and the Company has insurance with respect to any future claims in amounts it believes to be appropriate. However, no assurance can be given that the Company's historical claims record will not change, that material product liability claims will not be made in the future against the Company, or that claims will not arise in the future in excess of the Company's indemnities and insurance coverage. The Company records provisions for known potential liabilities, but there is the possibility that actual losses may exceed these provisions and therefore negatively impact earnings. Also, the Company may not be able in the future to obtain adequate product liability insurance or the cost of doing so may be prohibitive. Adverse determinations of material product liability claims made against the Company could also harm the Company's reputation and cause it to lose customers and could have a material adverse effect on its business, results of operations or financial condition.

Significant product repair and/or replacement due to product warranty claims or product recalls could have a material adverse impact on the Company's business, results of operations or financial condition

The Company provides a limited warranty against defects for all of its products for a period generally varying from six months to three years. The Company may provide extended warranty coverage related to certain promotional programs, as well as extended warranty coverage in certain geographical markets as determined by local laws, rules or regulations and market conditions. The Company also provides a limited emissions warranty for certain emissions related parts in its products as required by the United States Environmental Protection Agency and the California Air Resources Board. Although the Company employs quality control procedures, sometimes a product is distributed that needs repair or replacement, or that needs to be recalled. The Company's standard warranties require the dealers to repair or replace defective products during such warranty periods at no cost to the consumer. The Company records provisions based on an estimate of product warranty claims, but there is the possibility that actual claims may exceed these provisions and therefore negatively impact earnings. The Company could make major product recalls or could be held liable should the Company's products not meet safety standards or statutory requirements on product safety or consumer protection. In addition, the risks associated with product recalls may be aggravated if production volumes increase significantly, supplied goods do not meet the Company's standards or the Company fails to perform its risk analysis systematically or product-related decisions are not fully documented. Historically, product recalls have been administered through the Company's dealers and distributors. The repair and replacement costs that the Company could incur in connection with a recall could have a material adverse effect on the Company's business, results of operations or financial condition. Product recalls could also harm the Company's reputation and cause it to lose customers, particularly if recalls cause consumers to question the safety or reliability of the Company's products, which could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company relies on a network of independent dealers and distributors to manage the retail distribution of its products

The Company depends on the capability of its independent dealers and distributors to develop and implement effective retail sales plans to create demand among retail purchasers for its products. If the Company's independent dealers and distributors are not successful in these endeavours, then the Company will be unable to maintain or grow its sales. Further, independent dealers and distributors may experience difficulty in funding their day-to-day cash flow needs and paying their obligations resulting from adverse business conditions, including weakened consumer spending or tightened credit. Inability to fund operations can force dealers and distributors to cease business, and the Company may not be able to obtain alternate distribution in the vacated market, which could negatively impact the Company's sales through reduced market presence or inadequate market coverage. In the event of a dealer or distributor default under any financing arrangements, the Company may also be required to repurchase such dealer's or distributor's inventory from the financing company. In addition to dealers or distributors ceasing business, in some cases, the Company may seek to terminate relationships with certain dealers or distributors leading to a reduction in the number of its dealers or distributors. Being forced to liquidate a former dealer's or distributor's inventory of the Company's products could add downward pressure on such products' prices. Further, the unplanned loss of any of the Company's independent dealers or distributors may create negative impressions of the Company with its retail customers and have a material adverse impact on the Company's ability to collect wholesale receivables that are associated with that dealer or distributor. Also, if the Company's dealer and distributor base were to consolidate, competition for the business of fewer dealers and distributors would intensify. If the Company does not provide product offerings and pricing that meet the needs of its dealers and distributors, or if the Company loses a substantial amount of its dealer and distributor base, its business, results of operations or financial condition could be materially adversely affected. Additionally, if the Company is unable to optimize or expand its dealer network in North America, part of its growth strategy will be negatively impacted, which could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company sells a majority of its products through dealer and distributor agreements. In general, distributors are contractually obligated to offer the Company's products on an exclusive basis. On the other hand, many of the dealers through which the Company sells its products also carry competing product offerings and most dealers who sell the Company's products exclusively are not contractually obligated to continue to do so and may choose to sell competing products at any time, which may lower the Company's sales. The Company also relies on its dealers and distributors to service and repair its products. There can be no assurance that its dealers will provide high quality repair services to the Company's customers. If dealers fail to provide quality service during either trial, delivery or after-sales service to the Company's customers, the Company's brand identity and reputation may be damaged, which could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company depends on its relationships with OEM customers for its outboard engine and Rotax engine businesses

The Company depends on relationships with customers which incorporate outboard engines and *Rotax* engines into their own product offerings. If the Company's OEM customer base were to begin using competitors for their OEM needs, or if any of these customers were acquired by the Company's competitors, OEM outboard engine and *Rotax* engine sales could be adversely affected, which could have a material adverse effect on the Company's business, results of operations or financial position.

The Company depends upon the successful management of its inventory levels, both at the Company's and the dealers' and distributors' levels, and any failure to successfully manage its inventory levels could have a material adverse effect on its business, results of operations or financial condition

The Company must maintain sufficient inventory levels to operate its business successfully. However, the Company must also guard against accumulating excess inventory as it seeks to minimize out-of-stock levels across all product categories and to maintain in-stock levels.

The nature of certain of the Company's product lines, including the snowmobile, PWC and roadster product lines, require the Company to purchase supplies and manufacture products well in advance of the time these products will be offered for sale. As a result, the Company may experience difficulty in responding to a changing retail environment, which may lead to excess inventory or to inventory shortages if supply does not meet demand. In addition, sales for such product lines are managed through long-term purchase commitments and the Company plans annual production levels and long-term product development and introduction based on anticipated demand, as determined by the Company in reliance on its own market assessment and regular communication with its dealers, distributors and other customers to anticipate the future volumes of purchase orders. If the Company does not accurately anticipate the future demand for a particular product or the time it will take to obtain new inventory, its inventory levels will not be appropriate and its results of operations may be negatively impacted, including through lower gross profit margins due to greater than anticipated discounts and markdowns that might be necessary to reduce inventory levels.

On the other hand, the sales of certain of the Company's product lines such as the off-road vehicle, outboard engine and *Rotax* engine product lines, are managed through short-term purchase commitments, and the Company has begun to introduce flexible orders with respect to certain of its products. Any failure by the Company to maintain adequate inventory levels for such products could result in undesirable delivery delays for its customers or result in the loss of certain sales, which could, in turn, have a material adverse effect on the Company's business, results of operations or financial condition.

Additionally, the Company's dealers and distributors could decide to reduce the number of units of the Company's products they hold. Such a decision would likely require the Company to reduce its production levels, thus resulting in lower rates of absorption of fixed costs in the Company's manufacturing facilities and lower gross profit margins. If the Company's dealers and distributors then placed additional orders for the Company's products, this could impair the Company's ability to respond rapidly to these demands and adequately manage its inventory levels, which could materially adversely affect its business, results of operations or financial condition.

The Company's international sales and operations subject it to additional risks, which risks may differ in each country in which the Company operates and which could have a material adverse effect on its business, results of operations and financial condition

The Company manufactures its products in Canada, Mexico, the United States, Finland and Austria. The Company maintains sales and administration facilities in approximately 15 countries, including its recently opened sales office in Shanghai, China. The Company's primary distribution facilities distribute the Company's products to its North American dealers and it has various other locations around the world that distribute its products to its international dealers and distributors. The Company's total sales outside Canada and the United States represented 35% of the Company's total sales for Fiscal 2014 and the

Company intends to continue to expand its international operations. Growth opportunities include international markets such as China, Russia, Brazil and Australia, where the Company is building strategic relationships to facilitate the growth of its industries or is already investing in developing its dealer network and promoting the Company's brands and products. International markets have been, and will continue to be, a focus for sales growth. Several factors, including weakened international economic conditions, could adversely affect such growth. Additionally, the expansion of the Company's existing international operations and entry into additional international markets require significant management attention and financial resources. Some of the countries in which the Company sells its products, or otherwise has an international presence, are to some degree subject to political, economic and/or social instability. The Company's international sales and operations expose the Company and its representatives, agents and distributors to risks inherent in operating in foreign jurisdictions. These risks include:

- increased costs of adapting products for foreign countries;
- difficulties in managing and staffing international operations and increases in infrastructure costs, including legal, tax, tariffs, customs and duties, accounting, and information technology;
- the imposition of additional Canadian and foreign governmental controls or regulations; new or enhanced trade restrictions and restrictions on the activities of foreign agents, representatives, and distributors; and the imposition of increases in costly and lengthy import and export licensing and other compliance requirements, customs duties and tariffs, license obligations, and other non-tariff barriers to trade;
- the imposition of Canadian and/or international sanctions against a country, company, person, or entity with whom the Company does business that would restrict or prohibit the Company's continued business with the sanctioned country, company, person, or entity;
- international pricing pressures;
- laws and business practices favouring local companies;
- governmental expropriation;
- adverse currency exchange rate fluctuations;
- longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- difficulties in enforcing or defending intellectual property rights; and
- multiple, changing, and often inconsistent enforcement of laws, rules, and regulations, including rules relating to environmental, health, and safety matters.

Certain of the Company's manufacturing facilities are located in Mexico and are subject to this country's changes in economic, social and political conditions. In the past, Mexico has been subject to political instability, changes and uncertainties which could cause future changes to its existing economic, social and political conditions. The occurrence and the impact of any such potential changes are beyond the Company's control and they cannot be accurately predicted. There can be no assurance that any mitigating actions by the Company would be effective. As a result, the Company's business, results of operations or financial condition could be materially adversely affected by any significant change in existing economic, social and political conditions in Mexico.

In addition, the Company's international operations may not produce desired levels of sales. This or one or more of the factors listed above may harm the Company's business, results of operations or financial condition. Any material decrease in the Company's international sales or profitability could also materially adversely impact the Company's business, results of operations or financial condition.

Furthermore, some of the Company's operations and sales are conducted in parts of the world that experience corruption to some degree. Although the Company has policies and procedures in place that are designed to promote legal and regulatory compliance, the Company's employees, distributors, consultants or independent dealers could take actions that violate applicable anti-corruption laws or regulations. Violations of these laws, or allegations or such violations, could have a material adverse effect on the Company's business, results of operations or financial position.

The Company may be unable to continue to enhance existing products and develop and market new products that respond to customer needs and preferences and achieve market acceptance

Notwithstanding its investments in research and development and emerging product lines, the Company may not be able to compete as effectively with its competitors, and ultimately satisfy the needs and preferences of its customers, unless it can continue to successfully enhance existing products, develop new innovative products and distinguish its products from its competitors' products through innovation and design. Product development requires significant financial, technological, and other resources. While the Company expended $144.9 million for research and development efforts in Fiscal 2014, there can be no assurance that the Company will be able to sustain this level of investment or that this level of investment in research and development will be sufficient to successfully maintain the Company's competitive advantages in product innovation and design.

Product improvements and new product introductions also require significant planning, design, development, and testing at the technological, product, and manufacturing process levels and the Company may not be able to develop product improvements or new products in a timely manner. The new products of the Company's competitors may beat the Company's products to market, be more effective with more features and/or less expensive than the Company's products, obtain better market acceptance, or render the Company's products obsolete. Changes in consumer tastes caused by cultural, demographic or other factors could also affect the popularity of the Company's products. Any new products that the Company develops may not receive market acceptance or otherwise generate any meaningful sales or profits for the Company relative to its expectations based on, among other things, existing and anticipated investments in manufacturing capacity and commitments to fund advertising, marketing, promotional programs, and research and development. Further, the sales of any new products are expected to decline over such new products' life cycle, with sales being higher early in the life cycle of the new products and sales decreasing over time as the new products age. The Company cannot predict the length of the life cycle for any new products. Any failure by the Company to continue to enhance existing products and develop and market new products that respond to customer needs and preferences and achieve market acceptance could have a material adverse effect on the Company's business, results of operations or financial condition.

In addition, even if the Company is able to successfully enhance existing products and develop new products, there is no guarantee that the markets for the Company's existing products and new products will progress as anticipated. If any of the markets in which the Company's existing products compete do not develop as expected, the Company's business, results of operations or financial condition could be materially adversely affected.

The Company may be unable to protect its intellectual property or it may incur substantial costs as a result of litigation or other proceedings relating to protection of its intellectual property

The Company's success depends in part on its ability to protect its patents, trademarks, copyrights and trade secrets from unauthorized use by others. If substantial unauthorized use of the Company's intellectual property rights occurs, the Company may incur significant costs in enforcing such rights by prosecuting actions for infringement of its rights, particularly taking into account that policing unauthorized use of the Company's intellectual property may be particularly difficult outside North America and Europe. Such unauthorized use could also result in diversion of engineering and management resources devoting attention to these matters at the expense of other tasks related to the business. Others may also initiate litigation to challenge the validity of the Company's patents, trademarks, copyrights and trade secrets, or allege that the Company infringes their patents, trademarks, copyrights or trade secrets. If the Company's competitors initiate litigation to challenge the validity of the Company's patents, trademarks, copyrights and trade secrets, or allege that the Company infringes theirs, the Company may incur substantial costs to defend its rights. If the outcome of any such litigation is unfavourable to the Company, its business, results of operations or financial condition could be materially adversely affected. The Company also cannot be sure that the patents it has obtained, or other protections such as confidentiality and trade secrets, will be adequate to prevent imitation of its products and technology by others. If the Company is unable to protect its technology through the enforcement of intellectual property rights, its ability to compete based on technological advantages may be harmed. If the Company fails to prevent substantial unauthorized use of its trade secrets, it risks the loss of certain competitive advantages, which could have a material adverse effect on its business, results of operations or financial condition.

Some of the Company's direct competitors and indirect competitors may have significantly more resources to direct toward developing and patenting new technologies. It is possible that the Company's competitors will develop and patent equivalent or superior engine technologies and other products that compete with the Company's products. They may assert these patents against the Company and the Company may be required to license these patents on unfavourable terms or cease using the technology covered by these patents, either of which could harm the Company's competitive position and may materially adversely affect its business, results of operation or financial condition.

Additionally, the Company is currently a defendant in patent proceedings relating to its snowmobiles and others may bring similar suits. If the Company is unsuccessful in its defense of any of these actions, there could be material adverse consequences including payment of monetary damages, licensing of patents on unfavourable terms, limitations on its ability to use certain technology and removal of desirable features from the Company's products. Even if the Company is able to defeat such claims, the allegation that it is infringing on others' intellectual property rights could harm its reputation and cause it to incur significant costs in connection with its defense of these actions. Also, from time to time, third parties have challenged, and may in the future try to challenge, the Company's trademark rights and branding practices. The Company may be required to institute or defend litigation to enforce its trademark rights, which, regardless of the outcome, could result in substantial costs and diversion of resources and could have a material adverse effect on the Company's business, results of operations or financial condition. If the Company loses the use of a product name, its efforts spent building that brand will be lost and it will have to rebuild a brand for that product, which it may or may not be able to do.

The failure of the Company's information technology systems or a security breach involving consumer or employee personal data could materially adversely affect the Company's business, results of operations or financial condition

The Company's global business operations are managed through a variety of information technology systems. These systems govern all aspects of the Company's operations around the world. The Company is dependent on these systems for all commercial transactions, dealership and distributorship interactions, and supply chain and inventory management. Although the Company has established appropriate contingency plans to mitigate the risks associated with a failure of its information technology systems or a security breach, some of the systems are based on legacy technology and operate with a minimal level of available support. If one of the Company's key IT systems were to suffer a failure this could have a material adverse effect on the Company's business, results of operations or financial condition. Further, the Company relies on large outsourcing contracts for IT services with a major third-party service provider and if such service provider were to fail or the relationship with the Company were to end, and the Company were unable to find a suitable replacement in a timely manner, the Company's business, results of operations or financial condition could be materially adversely affected. The Company is continually modifying and enhancing its IT systems and technologies to increase productivity and efficiency. As new systems and technologies are implemented, the Company could experience unanticipated difficulties resulting in unexpected costs and adverse impacts to its manufacturing and other business processes. When implemented, the systems and technologies may not provide the benefits anticipated and could add costs and complications to ongoing operations, which may have a material adverse effect on the Company's business, results of operations or financial condition.

The Company and its dealers and distributors receive and store personal information in connection with its human resources operations, credit operations, warranty management, marketing efforts and other aspects of its business. Additionally, the Company exchanges information with hundreds of trading partners across all aspects of its commercial operations. The Company makes significant investments in research and development each year and data from such activities is maintained in the Company's IT systems. Any security breach of the Company's IT systems could result in disruptions to its operations or erroneous transactions. To the extent that such a breach results in a loss or damage to the Company's data, or in inappropriate disclosure of confidential or personal information, it could cause significant damage to the Company's reputation, affect its relationships with its customers, lead to claims against the Company and ultimately materially adversely affect its business, results of operations or financial condition.

Retail sales of the Company's new products may be materially adversely affected by declining prices for used versions of the Company's products or the supply of new products by competitors in excess of demand

The Company has observed that when prices for used versions of its products have declined, it has had the effect of reducing demand among retail purchasers for new versions of its products (at or near manufacturer's suggested retail prices). Also, while the Company has taken steps designed to balance production volumes for its products with demand, its competitors could choose to supply new products to the market in excess of demand at reduced prices which could also have the effect of reducing demand for new versions of the Company's products. Reduced demand for new versions of the Company's products could lead to reduced sales by the Company, which could materially adversely affect its business, results of operations or financial condition.

The Company may not be able to successfully execute its manufacturing strategy

One of the priorities of the strategic plan established by management consists in sustained efforts in terms of cost reduction and operational efficiencies. This priority aims at leveraging the strength of the Company's established manufacturing centers, while expanding manufacturing operations for certain products in Mexico to meet added demand and reduce costs. In order to help the Company to respond to ongoing changes in the market place and reduce inventory across the supply chain, this priority also focuses on further implementing model mix production on its assembly lines, which means being able to produce a greater range of models on a weekly and daily basis, without expensive set-up costs or production downtime. The Company believes that flexible manufacturing is the key element to enable improvements in the Company's ability to respond to customers in a cost effective manner. The success of the Company in implementing this priority of its strategic plan is dependent on the involvement of management, production employees and suppliers. Any inability to achieve this priority could materially adversely impact the Company's business, results of operations or financial condition and its ability to deliver the right product at the right time to the customer.

In addition, the Company plans to maintain its manufacturing operations and production capacity at relatively stable levels in Canada, Austria, the United States and Finland, while accommodating volume growth by increasing production levels in Mexico. The Company has initiated a transfer of certain of its manufacturing activities from Canada to Mexico, which resulted in the transfer of the Company's production of ATVs to Juárez in 2006 and the inauguration of a second Mexican manufacturing facility in Querétaro (Mexico) in 2013 that has only recently started its operations. Any failure to achieve or sustain the anticipated levels of productivity and operational efficiencies in those manufacturing facilities could have a material adverse impact on the Company's business, results of operations or financial condition.

Tax matters and changes in tax laws could materially adversely affect the Company's business, results of operations or financial condition

The Company, as a multinational company conducting operations through subsidiaries in multiple jurisdictions, is subject to income taxes in Canada, the United States and numerous other foreign jurisdictions. The Company's effective income tax rate in the future could be adversely affected as a result of a number of factors, including changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws and the outcome of income tax audits in various jurisdictions around the world. The Company regularly assesses all of these matters to determine the adequacy of its tax liabilities. If any of the Company's assessments turn out to be incorrect, the Company's business, results of operations or financial condition could be materially adversely affected.

The Company's Canadian and foreign entities undertake certain operations with other currently existing or new subsidiaries in different jurisdictions, including Canada, the United States, Mexico, Finland and Austria. The tax laws of these jurisdictions, including Canada, have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles. Although the Company believes that its transfer pricing policies have been reasonably determined in accordance with arm's length principles, the taxation authorities in the jurisdictions where the Company carries on business could challenge its arm's length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities were to successfully challenge the Company's transfer pricing policies, its income tax expense may be adversely affected and the Company could also be subjected to interest and penalties. The Company may be liable for such penalties in respect of transfer pricing adjustments unless reasonable efforts were made to determine, and use, arm's length transfer prices. Generally, reasonable efforts in this regard are only considered to be made if contemporaneous documentation has been prepared that supports the transfer pricing methodology. Any such increase in the Company's income tax expense and related interest and penalties could have a material adverse effect on its business, results of operations or financial condition.

Although the Company believes that the expenses and tax credits claimed by the Company, including research and development expenses and Scientific Research and Experimental Development tax credits, have been reasonably determined and are deductible, there can be no assurance that the Canadian and the relevant foreign taxation authorities will agree. If a taxation authority were to successfully challenge the correctness of such expenses or tax credits claimed, or if a taxation authority were to reduce any tax credit either by reducing the rate of the grant or the eligibility of some research and development expenses in the future, the Company's business, results of operations or financial condition could be materially adversely affected.

Higher fuel costs can materially adversely affect the Company's business, results of operations or financial condition

Higher fuel costs increase the transportation cost both of acquiring the Company's materials and shipping its products to customers. Increases in energy costs can also adversely affect the pricing and availability of petroleum-based raw materials. There is no guarantee that the Company would be able to pass such higher costs to its customers, and so an increase in such costs could have a material adverse effect on the Company's business, results of operations or financial condition. Also, higher fuel costs increase the cost of owning and operating many of the Company's products, which can reduce demand for them and so materially adversely affect the Company's business, results of operations or financial condition.

Deterioration in relationships with the Company's non-unionized and unionized employees could have a material adverse effect on the business, results of operations or financial condition

A majority of the Company's employees are non-unionized, including in all facilities in Canada and the United States. The maintenance of a productive and efficient labour environment and, in the event of unionization of these employees, the successful negotiation of a collective bargaining agreement, cannot be assured. A deterioration in relationships with employees or in the labour environment could result in work interruptions or other disruptions, or cause management to divert time and resources from other aspects of the Company's business, which could have a material adverse effect on the Company's business, results of operations or financial condition.

The Company is party to some national collective bargaining agreements in Austria, Finland and Mexico that expire at various times in the future. As the Company is dependent on national unions to renew these agreements on terms that are satisfactory as they become subject to renegotiation from time to time, the outcome of these labour negotiations could have a material adverse effect on the Company's business, results of operations or financial condition. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its national collective bargaining agreements. The Company cannot predict the outcome of any current or future negotiations relating to labour disputes, union representation or the renewal of its national collective bargaining agreements, nor can the Company assure that it will not experience work stoppages, strikes, property damage or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could have a material adverse effect on the Company's business, results of operations or financial condition.

Pension plan liability may have a material adverse effect on the Company

Economic cycles can have a negative impact on the funding of the Company's remaining defined benefit pension obligations and related expenditures. In particular, a portion of the Company's pension plan assets are invested in equity securities, which can experience significant declines if financial markets weaken. Also, the Company's latest actuarial funding valuation reports show that the defined benefit components of the Company's registered pension plans present a solvency deficit and, as a result, the Company is required to make additional funding contributions. There is no guarantee that the expenditures and contributions required to fund these defined benefit pension obligations will not increase in the future and therefore negatively impact its operating results, liquidity and financial position. Risks related to the funding of defined benefit pension plans may materialize if total obligations with respect to such a pension plan exceed the total value of the plan fund's assets. Shortfalls may arise due to lower-than-expected returns on investments, changes in the discount rate used to assess the pension plan's obligations, and actuarial losses. Any of these risks could result in a material adverse effect on the Company's business, results of operations or financial condition.

Natural disasters, unusually adverse weather, pandemic outbreaks, boycotts and geo-political events could materially adversely affect the Company's business, results of operations or financial condition

The occurrence of one or more natural disasters, such as hurricanes and earthquakes, unusually adverse weather, pandemic outbreaks, boycotts and geo-political events, such as civil unrest and acts of terrorism, or similar disruptions could materially adversely affect the Company's business, results of operations or financial condition. These events could result in physical damage to one or more of the Company's properties, increases in fuel or other energy prices, temporary or permanent closure of one or more of the Company's facilities, temporary lack of an adequate workforce in a market, temporary or long-term disruption in the supply of raw materials, product parts and components, temporary disruption in transport to and from overseas, disruption in the Company's distribution network and disruption to the Company's information systems.

Failure to carry proper insurance coverage may have a material adverse effect on the Company

The Company maintains directors and officers insurance, liability insurance, business interruption and property insurance and its insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions. However, there is no guarantee that the Company's insurance coverage will be sufficient, or that insurance proceeds will be paid to it in a timely manner. In addition, there are types of losses the Company may incur but against which it cannot be insured or which it believes are not economically reasonable to insure, such as losses due to acts of war and certain natural disasters. If the Company incurs these losses and they are material, the Company's business, results of operations or financial condition could be materially adversely affected.

Volatile market price for Subordinate Voting Shares

The market price for Subordinate Voting Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- changes in estimates of the Company's future results of operations by the Company;
- changes in forecasts, estimates or recommendations of securities research analysts regarding the Company's future results of operations or financial performance;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- additions or departures of the Company's senior management team or other key employees;
- sales or perceived sales of additional Subordinate Voting Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have in the past experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Subordinate Voting Shares may decline even if the Company's operating results, financial condition or prospects have not changed. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Subordinate Voting Shares by those institutions, which could materially adversely affect the trading price of the Subordinate Voting Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's business, results of operations or financial condition could be materially adversely impacted and the trading price of the Subordinate Voting Shares could be materially adversely affected.

Because the Company has no current plans to pay dividends on Subordinate Voting Shares for the foreseeable future, investors may not receive any return on investment unless they sell their Subordinate Voting Shares for a price greater than that which they paid for it

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 would be at the discretion of the board of directors of the Company (the "Board of Directors") and would depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants (including restrictions in the Term Credit Agreement and the Revolving Credit Agreement or other material agreements), solvency tests imposed by corporate law and other factors that the Board of Directors may deem relevant. As a result, investors may not receive any return on an investment in their Subordinate Voting Shares unless they sell them for a price greater than that which they paid for it.

The Company is a holding company

The Company is a holding company and a substantial portion of its assets consists in the shares of its direct and indirect subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of its subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Company. As at January 31, 2014, the Subordinate Voting Shares were effectively junior to approximately $941.1 million of indebtedness of its subsidiaries.

Beaudier Group, Bain Capital and CDPQ will have significant influence with respect to matters put before the shareholders, which may have a negative impact on the trading price of the Subordinate Voting Shares

As at March 26, 2014, Beaudier Group, Bain Capital and CDPQ (collectively, the "Principal Shareholders") owned 41,237,476, 31,744,393 and 6,041,475 Multiple Voting Shares, respectively, which represented approximately 48.2%, 37.1% and 7.1%, respectively, of the combined voting power of the Company's outstanding Shares. Accordingly, the Principal Shareholders have significant influence with respect to all matters submitted to the Company's shareholders for approval, including without limitation the election and removal of directors, amendments to the articles of incorporation and by-laws of the Company and the approval of certain business combinations. Holders of Subordinate Voting Shares have a limited role in the Company's affairs. This concentration of voting power may cause the market price of the Subordinate Voting Shares to decline, delay or prevent any acquisition or delay or discourage take-over attempts that shareholders may consider to be favourable, or make it more difficult or impossible for a third party to acquire control of the Company or effect a change in the Company's Board of Directors and management. Any delay or prevention of a change of control transaction could deter potential acquirors or prevent the completion of a transaction in which the Company's shareholders could receive a substantial premium over the then current market price for their Subordinate Voting Shares.

In addition, Beaudier Group's, Bain Capital's and CDPQ's interests may not in all cases be aligned with interests of the other shareholders of the Company. Beaudier Group, Bain Capital and CDPQ may have an interest in pursuing acquisitions, divestitures and other transactions that, in the judgment of its management, could enhance its equity investment, even though such transactions might involve risks to the shareholders of the Company and may ultimately affect the market price of the Subordinate Voting Shares.

Future sales of Subordinate Voting Shares by the Company's Principal Shareholders, officers, directors and senior management

As at March 26, 2014, Beaudier Group owned 41,237,476 Multiple Voting Shares, which in the aggregate represented approximately 52.2% of the issued and outstanding Multiple Voting Shares of the Company, Bain Capital owned 31,744,393 Multiple Voting Shares, which in the aggregate represented approximately 40.2% of the issued and outstanding Multiple Voting Shares of the Company, and CDPQ owned 6,041,475 Multiple Voting Shares, which in the aggregate represented approximately 7.6% of the issued and outstanding Multiple Voting Shares of the Company. Each outstanding Multiple Voting Share may at any time, at the option of the holder, be converted into one Subordinate Voting Share.

Subject to compliance with applicable securities laws and the terms of any lock-up arrangements, the Company's officers, directors, Principal Shareholders and their affiliates may sell some or all of their Subordinate Voting Shares in the future. No prediction can be made as to the effect, if any, such future sales of Subordinate Voting Shares will have on the market price of the Subordinate Voting Shares prevailing from time to time. However, the future sale of a substantial number of Subordinate Voting Shares by the Company's officers, directors, senior management or Principal Shareholders and their affiliates, or the perception that such sales could occur, could materially adversely affect prevailing market prices for the Subordinate Voting Shares.

Pursuant to the Registration Rights Agreement, each Principal Shareholder is granted certain registration rights.

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.

Disclosure of Outstanding Shares

As at March 27, 2014, the Company had the following issued and outstanding shares and stock options:

- 79,023,344 multiple voting shares with no par value.
- 39,135,723 subordinate voting shares with no par value.
- 1,837,683 options to acquire subordinate voting shares.

Additional information

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