Unaudited Condensed Consolidated Interim Financial Statements

BRP Inc.

For the three-month periods ended April 30, 2018 and 2017

BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME

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

	Notes	Three-month periods ended April 30, 2018	Three-month periods ended April 30, 2017 Restated (Note 15)
Revenues	16	**$1,136.7**	$976.9
Cost of sales		**855.1**	749.8
Gross profit		**281.6**	227.1
Operating expenses			
Selling and marketing		**83.0**	70.5
Research and development		**55.6**	50.1
General and administrative		**48.7**	43.5
Other operating expenses	11	**8.1**	2.6
Total operating expenses		**195.4**	166.7
Operating income		**86.2**	60.4
Financing costs	12	**14.1**	12.5
Financing income	12	**(2.6)**	(0.7)
Foreign exchange loss on long-term debt		**41.5**	44.2
Income before income taxes		**33.2**	4.4
Income tax expense	13	**19.8**	9.3
Net income (loss)		**$13.4**	$(4.9)
Attributable to shareholders		**$13.3**	$(5.1)
Attributable to non-controlling interest		**$0.1**	$0.2
Basic earnings (loss) per share	10	**$0.13**	$(0.05)
Diluted earnings (loss) per share	10	**$0.13**	$(0.05)

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

BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

[Unaudited]
[in millions of Canadian dollars]

	Three-month periods ended	
	April 30, 2018	**April 30, 2017**
		Restated (Note 15)
Net income (loss)	**$13.4**	$(4.9)
Other comprehensive income		
Items that will be reclassified subsequently to net income		
Net changes in fair value of derivatives designated as cash flow hedges	**6.3**	2.3
Net changes in unrealized gain (loss) on translation of foreign operations	**(0.1)**	14.6
Income tax expense	**(1.4)**	(0.4)
	4.8	16.5
Items that will not be reclassified subsequently to net income		
Actuarial gains (losses) on defined benefit pension plans	**7.8**	(14.0)
Income tax (expense) recovery	**(2.0)**	3.7
	5.8	(10.3)
Total other comprehensive income	**10.6**	6.2
Total comprehensive income	**$24.0**	$1.3
Attributable to shareholders	**$23.8**	$0.8
Attributable to non-controlling interest	**$0.2**	$0.5

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BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

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

	Notes	April 30, 2018	January 31, 2018	February 1, 2017
			Restated (Note 15)	Restated (Note 15)
Cash		**$172.8**	$226.0	$298.6
Trade and other receivables		**284.0**	328.8	325.3
Income taxes and investment tax credits receivable		**18.9**	19.9	46.2
Other financial assets	4	**17.3**	11.5	3.5
Inventories	5	**820.2**	742.8	682.1
Other current assets		**24.7**	20.4	20.9
Total current assets		**1,337.9**	1,349.4	1,376.6
Investment tax credits receivable		**4.7**	4.5	4.2
Other financial assets	4	**21.9**	21.4	20.1
Property, plant and equipment		**785.9**	766.8	673.2
Intangible assets		**312.3**	314.6	317.1
Deferred income taxes		**179.6**	165.0	202.0
Other non-current assets		**1.4**	1.9	2.3
Total non-current assets		**1,305.8**	1,274.2	1,218.9
Total assets		**$2,643.7**	$2,623.6	$2,595.5
Revolving credit facilities and bank overdraft		**$4.2**	$—	$—
Trade payables and accruals		**818.2**	805.5	718.5
Provisions	6	**395.8**	378.8	344.3
Other financial liabilities	7	**150.7**	133.5	94.7
Income tax payable		**49.7**	42.6	29.6
Deferred revenues		**65.8**	62.1	63.0
Current portion of long-term debt	8	**20.4**	19.8	22.7
Total current liabilities		**1,504.8**	1,442.3	1,272.8
Long-term debt	8	**1,037.1**	995.0	929.4
Provisions	6	**84.9**	86.3	88.1
Other financial liabilities	7	**27.3**	27.8	28.7
Deferred revenues		**120.0**	122.3	105.4
Employee future benefit liabilities		**218.8**	224.8	194.1
Deferred income taxes		**1.2**	1.2	2.5
Other non-current liabilities		**15.7**	15.9	13.5
Total non-current liabilities		**1,505.0**	1,473.3	1,361.7
Total liabilities		**3,009.8**	2,915.6	2,634.5
Deficit		**(366.1)**	(292.0)	(39.0)
Total liabilities and deficit		**$2,643.7**	$2,623.6	$2,595.5

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

BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

[Unaudited]
[in millions of Canadian dollars]

For the three-month period ended April 30, 2018

	Attributed to shareholders							
	Capital Stock (Note 9)	**Contributed surplus**	**Retained losses**	**Translation of foreign operations**	**Cash-flow hedges**	**Total**	**Non-controlling interests**	**Total deficit**
Balance as at January 31, 2018	**$234.8**	**$(7.8)**	**$(551.8)**	**$27.7**	**$0.1**	**$(297.0)**	**$5.0**	**$(292.0)**
Net income	**—**	**—**	**13.3**	**—**	**—**	**13.3**	**0.1**	**13.4**
Other comprehensive income (loss)	**—**	**—**	**5.8**	**(0.2)**	**4.9**	**10.5**	**0.1**	**10.6**
Total comprehensive income (loss)	**—**	**—**	**19.1**	**(0.2)**	**4.9**	**23.8**	**0.2**	**24.0**
Dividends	**—**	**—**	**(9.0)**	**—**	**—**	**(9.0)**	**—**	**(9.0)**
Issuance of subordinate shares	**1.5**	**(0.6)**	**—**	**—**	**—**	**0.9**	**—**	**0.9**
Repurchase of subordinate shares (Note 9)	**(9.4)**	**—**	**(71.4)**	**—**	**—**	**(80.8)**	**—**	**(80.8)**
Subordinate shares subject to repurchase	**—**	**(11.6)**	**—**	**—**	**—**	**(11.6)**	**—**	**(11.6)**
Stock-based compensation	**—**	**2.4** [a]	**—**	**—**	**—**	**2.4**	**—**	**2.4**
Balance as at April 30, 2018	**$226.9**	**$(17.6)**	**$(613.1)**	**$27.5**	**$5.0**	**$(371.3)**	**$5.2**	**$(366.1)**

[a] Includes $0.2 million of income tax recovery.

For the three-month period ended April 30, 2017
Restated (Note 15)

	Attributed to shareholders							
	Capital Stock	**Contributed surplus**	**Retained losses**	**Translation of foreign operations**	**Cash-flow hedges**	**Total**	**Non-controlling interests**	**Total deficit**
Balance as at January 31, 2017	$302.9	$26.8	$(373.4)	$3.7	$(3.4)	$(43.4)	$4.4	$(39.0)
Net income (loss)	—	—	(5.1)	—	—	(5.1)	0.2	(4.9)
Other comprehensive income (loss)	—	—	(10.3)	14.3	1.9	5.9	0.3	6.2
Total comprehensive income (loss)	—	—	(15.4)	14.3	1.9	0.8	0.5	1.3
Issuance of subordinate shares	2.1	(0.8)	—	—	—	1.3	—	1.3
Stock-based compensation	—	1.4	—	—	—	1.4	—	1.4
Balance as at April 30, 2017	$305.0	$27.4	$(388.8)	$18.0	$(1.5)	$(39.9)	$4.9	$(35.0)

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

BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

[Unaudited]
[in millions of Canadian dollars]

	Notes	Three-month periods ended April 30, 2018	April 30, 2017 Restated (Note 15)
OPERATING ACTIVITIES			
Net income (loss)		**$13.4**	$(4.9)
Non-cash and non-operating items:			
Depreciation expense		**39.6**	35.4
Income tax expense	13	**19.8**	9.3
Foreign exchange loss on long-term debt		**41.5**	44.2
Interest expense	12	**11.8**	10.5
Other		**(4.5)**	(5.5)
Cash flows generated from operations before changes in working capital		**121.6**	89.0
Changes in working capital:			
Decrease in trade and other receivables		**49.0**	56.8
Increase in inventories		**(70.6)**	(49.8)
Increase in other assets		**(6.9)**	(4.5)
Increase (decrease) in trade payables and accruals		**7.2**	(49.1)
Increase (decrease) in other financial liabilities		**3.5**	(11.1)
Increase (decrease) in provisions		**6.2**	(6.5)
Decrease in other liabilities		**(2.3)**	(6.7)
Cash flows generated from operations		**107.7**	18.1
Income taxes paid, net of refunds		**(22.4)**	(17.9)
Net cash flows generated from operating activities		**85.3**	0.2
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(47.7)**	(33.7)
Additions to intangible assets		**(1.6)**	(1.4)
Proceeds on disposal of property, plant and equipment		**0.1**	—
Net cash flows used in investing activities		**(49.2)**	(35.1)
FINANCING ACTIVITIES			
Increase in revolving credit facilities and bank overdraft		**4.2**	—
Issuance of long-term debt	8	**1.4**	0.7
Repayment of long-term debt		**(1.0)**	(0.7)
Interest paid		**(11.1)**	(0.6)
Issuance of subordinate voting shares		**0.9**	1.3
Repurchase of subordinate voting shares		**(75.2)**	—
Dividends paid		**(9.0)**	—
Other		**0.1**	—
Net cash flows generated from (used in) financing activities		**(89.7)**	0.7
Effect of exchange rate changes on cash		**0.4**	(8.5)
Net decrease in cash		**(53.2)**	(42.7)
Cash at beginning of period		**226.0**	298.6
Cash at the end of period		**$172.8**	$255.9

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

For the three-month periods ended April 30, 2018 and 2017
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

1. NATURE OF OPERATIONS

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

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

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

2. BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements for the three-month periods ended April 30, 2018 and 2017 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with *IAS 34 "Interim Financial Reporting"*. These unaudited condensed consolidated interim financial statements for the three-month periods ended April 30, 2018 and 2017 follow the same accounting policies as the audited consolidated financial statements for the year ended January 31, 2018, except for the adoption of *IFRS 15 "Revenue from contracts with customers"* and *IFRS 9 "Financial instruments"* as described in note 15, and, as such, should be read in conjunction with them. The comparative figures have been restated to reflect the adoption of these two new standards.

These unaudited condensed consolidated interim financial statements include the financial statements of BRP and its subsidiaries. BRP controls all of its subsidiaries that are wholly owned through voting equity interests (except for Regionales Innovations Centrum GmbH in Austria for which a non-controlling interest of 25% is recorded upon consolidation and BRP Commerce & Trade Co. Ltd in China for which a non-controlling interest of 20% is recorded upon consolidation). BRP is also part of a joint venture located in Austria, RIC TECH GmbH, for which BRP owns 58% of the voting equity interests. All inter-company transactions and balances have been eliminated upon consolidation.

The Company's revenues and operating income experience substantial fluctuations from quarter to quarter. In general, wholesale of the Company's products are higher in the period immediately preceding and during their particular season of use. However, the mix of product sales may vary considerably from time to time as a result of changes in seasonal and geographic demand, the introduction of new products and models and production scheduling for particular types of products.

On May 30, 2018, the Board of Directors of the Company approved these unaudited condensed consolidated interim financial statements for the three-month periods ended April 30, 2018 and 2017.

For the three-month periods ended April 30, 2018 and 2017
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

3. FUTURE ACCOUNTING CHANGES

IFRS 16 Leases

In January 2016, the IASB issued *IFRS 16 "Leases"* that sets out the principles for recognition, measurement, presentation and disclosure of leases for both lessee and lessor. IFRS 16 introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases, except when the term is twelve months or less or when the underlying asset has a low value. The effective date of IFRS 16 for the Company is February 1, 2019. The adoption of IFRS 16 will result in the recognition of a right-of-use asset and a lease liability measured at the present value of the future lease payments on the statement of financial position for a majority of its leases that are considered operating leases under IAS 17 "Leases". The Company has not yet determined the monetary impact of this change and is continuing to assess the impact of the new standard and will provide further updates during the course of the year ending January 31, 2019.

IFRIC 23 Uncertainty over income tax treatments

In June 2017, the IASB released *IFRIC 23 "Uncertainty over income tax treatments"*. IFRIC 23 clarifies the application of recognition and measurement requirements in *IAS 12 "Income taxes"*, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 will be effective for the Company fiscal year beginning on February 1, 2019. The Company is assessing the impact of the adoption of this standard on its consolidated financial statements.

Other standards or amendments

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

4. OTHER FINANCIAL ASSETS

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

	April 30, 2018	**January 31, 2018**
Restricted investments [a]	**$17.0**	$17.3
Derivative financial instruments	**11.5**	5.5
Other	**10.7**	10.1
Total other financial assets	**$39.2**	$32.9
Current	**17.3**	11.5
Non-current	**21.9**	21.4
Total other financial assets	**$39.2**	$32.9

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

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

For the three-month periods ended April 30, 2018 and 2017
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

5. INVENTORIES

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

	April 30, 2018	**January 31, 2018**
Materials and work in progress	**$348.7**	$325.9
Finished products	**304.3**	255.0
Parts, accessories and clothing	**167.2**	161.9
Total inventories	**$820.2**	$742.8

The Company recognized in the condensed consolidated interim statements of net income during the three-month period ended April 30, 2018, a write-down on inventories of $4.1 million ($2.7 million during the three-month period ended April 30, 2017).

6. PROVISIONS

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

	April 30, 2018	**January 31, 2018**
Product-related	**$389.4**	$373.9
Restructuring	**1.8**	2.1
Other	**89.5**	89.1
Total provisions	**$480.7**	$465.1
Current	**395.8**	378.8
Non-current	**84.9**	86.3
Total provisions	**$480.7**	$465.1

Product-related provisions include provisions for regular warranty coverage on products sold, product liability provisions and provisions related to sales programs offered by the Company to its independent dealers, independent distributors or original equipment manufacturers (the "Customers") in order to support the retail activity.

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

The changes in provisions were as follows:

	Product-related	**Restructuring**	**Other**	**Total**
Balance as at January 31, 2018	**$373.9**	**$2.1**	**$89.1**	**$465.1**
Expensed during the period	**131.3**	**—**	**2.6**	**133.9**
Paid during the period	**(123.2)**	**(0.4)**	**(4.3)**	**(127.9)**
Reversed during the period	**(3.5)**	**—**	**(1.0)**	**(4.5)**
Effect of foreign currency exchange rate changes	**11.4**	**0.1**	**3.1**	**14.6**
Unwinding of discount and effect of changes in discounting estimates	**(0.5)**	**—**	**—**	**(0.5)**
Balance as at April 30, 2018	**$389.4**	**$1.8**	**$89.5**	**$480.7**

For the three-month periods ended April 30, 2018 and 2017
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

7. OTHER FINANCIAL LIABILITIES

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

	April 30, 2018	**January 31, 2018**
Dealer holdback programs and customers deposits	**$91.3**	$82.0
Due to Bombardier Inc.	**22.2**	22.0
Derivative financial instruments	**5.2**	10.0
Due to a pension management company	**1.3**	2.7
Financial liability related to NCIB (Note 9)	**50.1**	38.6
Other	**7.9**	6.0
Total other financial liabilities	**$178.0**	$161.3
Current	**150.7**	133.5
Non-current	**27.3**	27.8
Total other financial liabilities	**$178.0**	$161.3

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

8. LONG-TERM DEBT

As at April 30, 2018 and January 31, 2018, the maturity dates, interest rates, outstanding nominal amounts and carrying amounts of long-term debt were as follows:

					April 30, 2018
	Maturity date	**Contractual interest rate**	**Effective interest rate**	**Outstanding nominal amount**	**Carrying amount**
Term Facility	June 2023	4.40%	4.40%	U.S. $789.0	**$1,011.4**
Term Loans	Dec. 2018 to Dec. 2028	0.75% to 2.19%	1.00% to 5.64%	Euro 25.3	**35.8**
Finance lease liabilities	Jan. 2021 to Dec. 2030	8.00%	8.00%	$13.5	**10.3**
Total long-term debt					**$1,057.5**
Current					**20.4**
Non-current					**1,037.1**
Total long-term debt					**$1,057.5**

					January 31, 2018
	Maturity date	**Contractual interest rate**	**Effective interest rate**	**Outstanding nominal amount**	**Carrying amount**
Term Facility	June 2023	4.07%	4.07%	U.S. $789.0	**$969.9**
Term Loans	Dec. 2018 to Dec. 2028	0.75% to 2.19%	1.00% to 5.64%	Euro 24.7	**34.3**
Finance lease liabilities	Jan. 2021 to Dec. 2030	8.00%	8.00%	$14.0	**10.6**
Total long-term debt					**$1,014.8**
Current					**19.8**
Non-current					**995.0**
Total long-term debt					**$1,014.8**

For the three-month periods ended April 30, 2018 and 2017
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

8. LONG-TERM DEBT [CONTINUED]

The following table explains the changes in long-term debt during the three-month period ended April 30, 2018:

		Statements of cash flows		Non-cash changes		
	Carrying amount as at January 31, 2018	**Issuance**	**Repayment**	**Effect of foreign currency exchange rate changes**	**Other**	**Carrying amount as at April 30, 2018**
Term Facility	**$969.9**	**$—**	**$—**	**$41.5**	**$—**	**$1,011.4**
Term Loans	**34.3**	**1.4**	**(0.4)**	**0.5**	**—**	**35.8**
Finance lease liabilities	**10.6**	**—**	**(0.6)**	**—**	**0.3**	**10.3**
Total	**$1,014.8**	**$1.4**	**$(1.0)**	**$42.0**	**$0.3**	**$1,057.5**

During the three-month period ended April 30, 2018, 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 0.9 million ($1.4 million) with an interest rate at Euribor three-months plus 1.00% and a maturity date on December 31, 2022.

9. NORMAL COURSE ISSUER BID PROGRAM ("NCIB")

In March 2018, the Company announced the renewal of its NCIB to repurchase for cancellation up to 3,625,271 of its outstanding subordinate voting shares. In addition, during the three-month period ended April 30, 2018, the Company completed the NCIB announced and started during the year ended January 31, 2018. During the three-month period ended April 30, 2018, the Company repurchased a total of 1,569,199 subordinate voting shares for a total consideration of $78.8 million.

As at April 30, 2018, a $50.1 million financial liability, with a corresponding amount in equity, was recorded in the condensed consolidated interim statements of financial position in relation to the NCIB. This liability represented the value of subordinate voting shares expected to be repurchased by a designated broker under an automatic share purchase plan from May 1 to June 1, 2018. This automatic share purchase plan allows for the purchase of subordinate voting shares under pre-set conditions at times when the Company would ordinarily not be permitted due to regulatory restrictions or self-imposed blackout periods. These subordinate voting shares are included in the outstanding subordinate voting shares as at April 30, 2018. During the three-month period ended April 30, 2018, the Company recognized a gain of $2.0 million in financing income related to the automatic share purchase plan. The gain represents the difference between the share price used to establish the financial liability and the amount actually paid to repurchase shares during the regulatory restrictions or self-imposed blackout periods.

For the three-month periods ended April 30, 2018 and 2017
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

9. NORMAL COURSE ISSUER BID PROGRAM ("NCIB") [CONTINUED]

Of the total consideration of $78.8 million, $9.4 million represents the carrying amount of the shares repurchased, $71.4 million represents the amount charged to retained losses and $2.0 million represents the gain recognized in net income.

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

	Number of shares	Carrying Amount
Balance as at January 31, 2018	**38,307,827**	**$229.7**
Issued upon exercise of stock options	45,731	1.5
Repurchased under the NCIB	(1,569,199)	(9.4)
Balance as at April 30, 2018	**36,784,359**	**$221.8**

10. EARNINGS PER SHARE

a) Basic earnings per share

Details of basic earnings per share were as follows:

	Three-month periods ended	
	April 30, 2018	April 30, 2017
Net income (loss) attributable to shareholders	**$13.3**	$(5.1)
Weighted average number of shares	**100,620,438**	111,751,789
Earnings (loss) per share - basic	**$0.13**	$(0.05)

b) Diluted earnings per share

Details of diluted earnings per share were as follows:

	Three-month periods ended	
	April 30, 2018	April 30, 2017
Net income (loss) attributable to shareholders	**$13.3**	$(5.1)
Weighted average number of shares	**100,620,438**	111,751,789
Dilutive effect of stock options	**1,200,954**	—
Weighted average number of diluted shares	**101,821,392**	111,751,789
Earnings (loss) per share - diluted	**$0.13**	$(0.05)

For the three-month period ended April 30, 2017, basic and diluted loss per share are the same, as the effect of stock options is antidilutive. Stock options that could potentially dilute basic earnings per share in the future, which are not included in the calculation of diluted loss per share, represent 475,081 stock options for the three-month period ended April 30, 2017.

For the three-month periods ended April 30, 2018 and 2017
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

11. OTHER OPERATING EXPENSES

Details of other operating expenses were as follows:

	Three-month periods ended	
	April 30, 2018	**April 30, 2017**
Loss on litigation	**$0.6**	$4.8
Foreign exchange loss on working capital elements	**17.1**	4.4
Gain on forward exchange contracts	**(9.5)**	(6.6)
Other	**(0.1)**	—
Total	**$8.1**	$2.6

12. FINANCING COSTS AND INCOME

Details of financing costs and financing income were as follows:

	Three-month periods ended	
	April 30, 2018	**April 30, 2017**
Interest on long-term debt	**$11.1**	$9.9
Interest and commitment fees on revolving credit facilities	**0.7**	0.6
Net interest on employee future benefit liabilities	**1.4**	1.4
Financial guarantee losses	**0.1**	0.2
Unwinding of discount of provisions	**0.4**	0.3
Other	**0.4**	0.1
Financing costs	**14.1**	12.5
Financing income	**(2.6)**	(0.7)
Total	**$11.5**	$11.8

13. INCOME TAXES

Details of income tax expense were as follows:

	Three-month periods ended	
	April 30, 2018	**April 30, 2017**
Current income tax expense		
Related to current year	**$33.8**	$22.6
Related to prior years	**(0.4)**	(0.7)
	33.4	21.9
Deferred income tax recovery		
Temporary differences	**(19.3)**	(18.3)
Effect of income tax rate changes on deferred income taxes	**0.3**	0.1
Increase in valuation allowance	**5.4**	5.6
	(13.6)	(12.6)
Income tax expense	**$19.8**	$9.3

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

13. INCOME TAXES [CONTINUED]

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

	Three-month periods ended			
	April 30, 2018		**April 30, 2017**	
Income taxes calculated at statutory rates	**$8.9**	**26.7%**	$1.2	26.8%
Increase (decrease) resulting from:				
Income tax rate differential of foreign subsidiaries	**(0.1)**		(1.6)	
Effect of income tax rate changes on deferred income taxes	**0.3**		0.1	
Increase in valuation allowance	**5.4**		5.6	
Recognition of income taxes on foreign currency translation	**(0.7)**		(2.1)	
Permanent differences [a]	**5.7**		7.2	
Adjustments in respect of prior years	**(0.1)**		(0.7)	
Other	**0.4**		(0.4)	
Income tax expense	**$19.8**		$9.3	

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

14. FINANCIAL INSTRUMENTS

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

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

For the three-month periods ended April 30, 2018 and 2017
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

14. FINANCIAL INSTRUMENTS [CONTINUED]

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

			As at April 30, 2018
	Fair value level	Carrying amount	Fair value
Restricted investments (Note 4)	Level 2	**$17.0**	**$17.0**
Derivative financial instruments			
Forward exchange contracts			
Favourable (Note 4)		**$11.5**	**$11.5**
(Unfavourable)		**(3.0)**	**(3.0)**
Inflation rate swap		**(2.2)**	**(2.2)**
	Level 2	**$6.3**	**$6.3**
Long-term debt (including current portion)			
Term Facility (Note 8)	Level 1	**$(1,011.4)**	**$(1,017.7)**
Term Loans (Note 8)	Level 2	**(35.8)**	**(36.9)**
		$(1,047.2)	**$(1,054.6)**

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

15. ADOPTION OF IFRS 15 AND IFRS 9

The Company adopted the following new accounting standards effective February 1, 2018.

IFRS 15 Revenue from contracts with customers

In May 2014, the International Accounting Standards Board ("IASB") issued *IFRS 15 "Revenue from contracts with customers"*. The objective of this standard is to establish a single comprehensive model for entities to be used in accounting for revenue arising from contracts with customers.

The Company decided to apply the standard retrospectively to prior reporting periods presented in accordance with the transition rules of IFRS 15. As such, all comparative information in these unaudited condensed consolidated interim financial statements has been prepared as if IFRS 15 had always been in effect since February 1, 2017.

For the three-month periods ended April 30, 2018 and 2017
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

15. ADOPTION OF IFRS 15 AND IFRS 9 [CONTINUED]

IFRS 15 Revenue from contracts with customers [continued]

Following the adoption of IFRS 15, the Company revised its revenue recognition accounting policy. The revised policy is as follows:

The Company's revenues are derived primarily from the sale of products and related parts and accessories. Revenues are recognized when control is transferred to the Customers. Control is usually transferred when all the following events have occurred: the Company has a present right to payment, the Customers have legal title to the asset, the Company has transferred physical possession of the asset, the significant risks and rewards of ownership of the asset have been transferred to the Customers and the Customers have accepted the asset. The Company's revenue recognition is achieved normally when products are shipped. Revenues are measured at an amount equal to the consideration to which the Company expects to be entitled, which includes sales promotions and expected returns to occur after the shipment date. When, in addition to the regular warranty coverage, an extended warranty coverage is given with the purchase of the product, a portion of the revenue representing the value of the extended warranty is deferred. The value deferred is based on the stand-alone selling price of both the unit sold and the extended warranty given. The deferred revenue is then recognized over the extended warranty coverage period.

IFRS 9 Financial instruments

In July 2014, the IASB published the final version of *IFRS 9 "Financial instruments"* that introduced new classification requirements, new measurement requirements and a new hedge accounting model. The final version of the Standard replaces earlier versions of IFRS 9 and completes the IASB project to replace *IAS 39 "Financial instruments: recognition and measurement"*. In October 2017, the IASB issued a clarification on accounting treatment for debt modification or exchange that does not result in derecognition.

The Company applied the standard retrospectively to prior reporting periods presented. As a result, all comparative information in these unaudited condensed consolidated interim financial statements has been prepared as if IFRS 9 had been in effect since February 1, 2017.

Classification and measurement of financial assets and liabilities

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. For classification and measurement of financial liabilities, most of the requirements in IAS 39 were carried forward in IFRS 9. The impact on financial assets and financial liabilities for the Company is not significant.

Impairment of financial assets

IFRS 9 introduced a new expected credit loss impairment model that requires more timely recognition of expected credit losses. The new standard requires entities to account for expected credit losses when financial instruments are first recognized and to recognize full lifetime expected losses on a more timely basis. The impact of this new model for the Company is not significant.

For the three-month periods ended April 30, 2018 and 2017
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

15. ADOPTION OF IFRS 15 AND IFRS 9 [CONTINUED]

IFRS 9 Financial instruments [continued]

Change to financial liabilities

On retrospective adoption of IFRS 9, the Company changed its accounting related to the identification of a substantial modification that is accounted for as an extinguishment. As a result of this change, the Company has determined that the modification of financial liabilities that includes a prepayment option at par with no break costs is equivalent to an extinguishment. When a modification is accounted for as an extinguishment, the original financial instrument is derecognized, including any unamortized transaction costs and any costs or fees incurred related to the modification, and the new instrument arising from the modification is recognized at fair value.

Hedge accounting

IFRS 9 also introduced a new hedge accounting model. The new model aligns hedge accounting more closely with an entity's risk management objectives and strategies. The impact of this new model for the Company is not significant.

Impact on prior reporting periods

The effect of adoption of IFRS 15 and IFRS 9 on the condensed consolidated interim statements of net income for the three-month period ended April 30, 2017 was as follows:

		Three-month period ended April 30, 2017		
	Reference	**Previously reported**	**Adjustments**	**Restated**
Revenues	A, B	$956.2	$20.7	$976.9
Cost of sales	B	749.0	0.8	749.8
Gross profit		207.2	19.9	227.1
Operating expenses				
Selling and marketing		70.5	—	70.5
Research and development		50.1	—	50.1
General and administrative		43.5	—	43.5
Other operating expenses		2.6	—	2.6
Total operating expenses		166.7	—	166.7
Operating income		40.5	19.9	60.4
Financing costs	C	13.8	(1.3)	12.5
Financing income		(0.7)	—	(0.7)
Foreign exchange loss on long-term debt	C	42.9	1.3	44.2
Income (loss) before income taxes		(15.5)	19.9	4.4
Income tax expense		3.0	6.3	9.3
Net loss		$(18.5)	$13.6	$(4.9)
Attributable to shareholders		$(18.7)	$13.6	$(5.1)
Attributable to non-controlling interest		$0.2	$—	$0.2
Basic loss per share		$(0.17)	$0.12	$(0.05)
Diluted loss per share		$(0.17)	$0.12	$(0.05)

For the three-month periods ended April 30, 2018 and 2017
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

15. ADOPTION OF IFRS 15 AND IFRS 9 [CONTINUED]

The effect of adoption of IFRS 15 and IFRS 9 on the condensed consolidated interim statements of financial position as at January 31, 2018 and February 1, 2017 was as follows:

		As at January 31, 2018			As at February 1, 2017		
	Reference	Previously reported	Adjust-ments	Restated	Previously reported	Adjust-ments	Restated
Cash		$226.0	$—	$226.0	$298.6	$—	$298.6
Trade and other receivables		330.1	(1.3)	328.8	326.7	(1.4)	325.3
Income taxes and investment tax credits receivable		19.9	—	19.9	46.2	—	46.2
Other financial assets		11.5	—	11.5	3.5	—	3.5
Inventories		752.5	(9.7)	742.8	689.8	(7.7)	682.1
Other current assets		18.3	2.1	20.4	18.2	2.7	20.9
Total current assets		1,358.3	(8.9)	1,349.4	1,383.0	(6.4)	1,376.6
Investment tax credits receivable		4.5	—	4.5	4.2	—	4.2
Other financial assets		21.4	—	21.4	20.1	—	20.1
Property, plant and equipment		766.8	—	766.8	673.2	—	673.2
Intangible assets		314.6	—	314.6	317.1	—	317.1
Deferred income taxes		91.0	74.0	165.0	116.4	85.6	202.0
Other non-current assets		1.8	0.1	1.9	2.2	0.1	2.3
Total non-current assets		1,200.1	74.1	1,274.2	1,133.2	85.7	1,218.9
Total assets		$2,558.4	$65.2	$2,623.6	$2,516.2	$79.3	$2,595.5
Trade payables and accruals		$805.5	$—	$805.5	$718.5	$—	$718.5
Provisions	A, B	255.0	123.8	378.8	232.5	111.8	344.3
Other financial liabilities		133.5	—	133.5	94.7	—	94.7
Income tax payable		42.6	—	42.6	29.6	—	29.6
Deferred revenues	B	—	62.1	62.1	—	63.0	63.0
Current portion of long-term debt		19.8	—	19.8	22.7	—	22.7
Other current liabilities		7.3	(7.3)	—	6.0	(6.0)	—
Total current liabilities		1,263.7	178.6	1,442.3	1,104.0	168.8	1,272.8
Long-term debt	C	970.8	24.2	995.0	901.0	28.4	929.4
Provisions	A, B	96.8	(10.5)	86.3	85.5	2.6	88.1
Other financial liabilities		27.8	—	27.8	28.7	—	28.7
Deferred revenues	B	—	122.3	122.3	—	105.4	105.4
Employee future benefit liabilities		224.8	—	224.8	194.1	—	194.1
Deferred income taxes		6.0	(4.8)	1.2	16.8	(14.3)	2.5
Other non-current liabilities		25.9	(10.0)	15.9	20.6	(7.1)	13.5
Total non-current liabilities		1,352.1	121.2	1,473.3	1,246.7	115.0	1,361.7
Total liabilities		2,615.8	299.8	2,915.6	2,350.7	283.8	2,634.5
Equity (deficit)		(57.4)	(234.6)	(292.0)	165.5	(204.5)	(39.0)
Total liabilities and equity (deficit)		$2,558.4	$65.2	$2,623.6	$2,516.2	$79.3	$2,595.5

The adoption of IFRS 15 and IFRS 9 had no impact on cash flow totals from operating, investing and financing activities.

For the three-month periods ended April 30, 2018 and 2017
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

15. ADOPTION OF IFRS 15 AND IFRS 9 [CONTINUED]

A. SALES PROMOTIONS

According to IFRS 15, all sales promotions are recognized at the time of sale rather than at the later of either revenue recognition or the announcement of the sales program under *IAS 18 "Revenue"*.

B. EXTENDED WARRANTY

According to IFRS 15, a portion of the revenue recognized upon the sale of a product should be deferred when, in addition to the regular warranty coverage, an extended warranty coverage is given with the purchase of the product. The deferred revenue is then recognized over the extended warranty coverage period and the warranty claims are recorded in cost of sales as incurred. Prior to the adoption of IFRS 15, when an extended warranty coverage was given with the purchase of the product, the expected costs during the coverage period was recognized in cost of sales at the later of either revenue recognition or the announcement of the sales program. The warranty claims were recorded against the provision.

C. TRANSACTION COSTS ON LONG-TERM DEBT

Following the adoption of IFRS 9, the unamortized transactions costs on long-term debt were derecognized.

16. REVENUES

Details of revenues were as follows:

	Three-month periods ended	
	April 30, 2018	**April 30, 2017**
Year-round products	**$526.6**	$396.1
Seasonal products	**350.4**	324.3
Propulsion systems	**91.1**	101.9
Parts, accessories and clothing	**158.2**	139.8
Other	**10.4**	14.8
Total	**$1,136.7**	$976.9

For the three-month periods ended April 30, 2018 and 2017
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

16. REVENUES [CONTINUED]

The following table provides geographic information on Company's revenues. The attribution of revenues was based on customer locations.

	Three-month periods ended	
	April 30, 2018	**April 30, 2017**
United States	**$623.9**	$524.7
Canada	**162.9**	143.2
Western Europe	**100.5**	85.0
Scandinavia	**85.4**	79.8
Asia Pacific	**61.5**	56.9
Eastern Europe	**37.4**	30.2
Latin America	**30.2**	27.6
Mexico	**29.3**	25.3
Austria	**3.7**	2.3
Africa	**1.9**	1.9
	$1,136.7	$976.9

17. SUBSEQUENT EVENTS

On May 23, 2018, the Company refinanced its term facility to increase the principal amount by U.S. $111.0 million for a total principal of U.S. $900.0 million, to extend the maturity from June 2023 to June 2025 and to reduce the cost of borrowing by 0.50%.

On the same date, the Company refinanced its $475.0 million revolving credit facilities to increase the availability by $100.0 million for a total availability of $575.0 million, to extend the maturity from June 2021 to June 2023 and to reduce the cost of borrowing by 0.25%.