



Condensed Consolidated Interim Financial Statements

**BRP Inc.**

For the three and nine-month periods ended October 31, 2013

**BRP Inc.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME**

[Unaudited]

[millions of Canadian dollars, except per share data]

	Notes	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
		<u>October 31,</u> <u>2013</u>	<u>October 31,</u> <u>2012</u>	<u>October 31,</u> <u>2013</u>	<u>October 31,</u> <u>2012</u>
			Restated (Note 2)		Restated (Note 2)
Revenues		\$ 866.0	\$ 733.9	\$ 2,291.2	\$ 2,104.7
Cost of sales		642.1	556.5	1,706.7	1,565.5
<b>Gross profit</b>		<b>223.9</b>	177.4	<b>584.5</b>	539.2
<b>Operating expenses</b>					
Selling and marketing		56.8	50.8	175.3	173.0
Research and development		35.7	33.3	103.5	93.9
General and administrative		38.7	32.3	107.4	91.8
Other operating expenses (income)	13	(2.3)	16.4	(18.6)	31.9
<b>Total operating expenses</b>		<b>128.9</b>	132.8	<b>367.6</b>	390.6
<b>Operating income</b>		<b>95.0</b>	44.6	<b>216.9</b>	148.6
Financing costs	14	15.3	11.9	48.9	45.3
Financing income	14	(0.3)	(0.2)	(2.0)	(1.4)
Foreign exchange (gain) loss on long-term debt		10.9	(0.8)	43.5	(2.4)
Increase in fair value of common shares		—	—	19.6	6.2
<b>Income before income taxes</b>		<b>69.1</b>	33.7	<b>106.9</b>	100.9
Income taxes expense	15	20.9	2.0	40.9	17.5
<b>Net income</b>		<b>\$ 48.2</b>	\$ 31.7	<b>\$ 66.0</b>	\$ 83.4
Attributable to shareholders		48.2	31.7	66.1	83.6
Attributable to non-controlling interest		—	—	(0.1)	(0.2)
<b>Basic earnings per share</b>	12	<b>0.41</b>	0.31	<b>0.60</b>	0.82
<b>Diluted earnings per share</b>	12	<b>0.41</b>	0.31	<b>0.59</b>	0.81

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

**BRP Inc.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF  
COMPREHENSIVE INCOME**

[Unaudited]  
[millions of Canadian dollars]

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>October 31,</u> <u>2013</u>	<u>October 31,</u> <u>2012</u>	<u>October 31,</u> <u>2013</u>	<u>October 31,</u> <u>2012</u>
		Restated (Note 2)		Restated (Note 2)
<b>Net income</b>	<b>\$ 48.2</b>	<b>\$ 31.7</b>	<b>\$ 66.0</b>	<b>\$ 83.4</b>
<b>Other comprehensive income (loss)</b>				
<b>Items that may be reclassified subsequently to net income</b>				
Net changes in fair value of derivatives designated as cash flow hedges	(2.1)	2.3	1.2	(1.3)
Net change in unrealized gain (loss) on translation of foreign operations	12.2	5.5	12.5	(6.7)
Income taxes (expense) recovery	0.7	(0.6)	(0.3)	0.3
	<b>10.8</b>	<b>7.2</b>	<b>13.4</b>	<b>(7.7)</b>
<b>Items that will not be reclassified subsequently to net income</b>				
Actuarial gains (losses) on defined benefits pension plan	10.4	(1.3)	29.3	(50.9)
Income taxes (expense) recovery	(2.8)	0.3	(7.8)	13.4
	<b>7.6</b>	<b>(1.0)</b>	<b>21.5</b>	<b>(37.5)</b>
<b>Total other comprehensive income (loss)</b>	<b>18.4</b>	<b>6.2</b>	<b>34.9</b>	<b>(45.2)</b>
<b>Total comprehensive income</b>	<b>\$ 66.6</b>	<b>\$ 37.9</b>	<b>\$ 100.9</b>	<b>\$ 38.2</b>
Attributable to shareholders	<b>66.6</b>	<b>37.9</b>	<b>101.0</b>	<b>38.5</b>
Attributable to non-controlling interest	<b>—</b>	<b>—</b>	<b>(0.1)</b>	<b>(0.3)</b>

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

**BRP Inc.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

[Unaudited]  
[millions of Canadian dollars]

	Notes	October 31, 2013	January 31, 2013
Cash		\$ 6.6	\$ 542.4
Trade and other receivables		244.9	213.5
Income taxes and investment tax credits receivable		23.5	15.2
Other financial assets	4	7.5	7.8
Inventories	5	599.9	465.0
Other current assets		12.2	10.9
<b>Total current assets</b>		<b>894.6</b>	<b>1,254.8</b>
Investment tax credits receivable		52.0	45.6
Other financial assets	4	19.1	19.2
Property, plant and equipment		473.9	448.4
Intangible assets		333.1	326.1
Deferred income taxes		99.5	118.4
Other non-current assets		2.9	2.9
<b>Total non-current assets</b>		<b>980.5</b>	<b>960.6</b>
<b>Total assets</b>		<b>\$ 1,875.1</b>	<b>\$ 2,215.4</b>
Revolving credit facilities	6	\$ 59.9	\$ —
Trade payables and accruals		514.7	523.3
Provisions	7	109.7	101.6
Other financial liabilities	8	60.4	74.7
Income taxes payable		22.6	32.3
Current portion of long-term debt	9	4.3	12.2
Redeemable common shares	10	—	36.2
Other current liabilities		6.5	7.2
<b>Total current liabilities</b>		<b>778.1</b>	<b>787.5</b>
Long-term debt	9	829.7	1,042.4
Provisions	7	65.6	69.9
Other financial liabilities	8	30.6	31.4
Employee future benefit liabilities		204.1	235.9
Deferred income taxes		8.4	3.8
Other non-current liabilities		22.3	23.9
<b>Total non-current liabilities</b>		<b>1,160.7</b>	<b>1,407.3</b>
<b>Total liabilities</b>		<b>1,938.8</b>	<b>2,194.8</b>
<b>Equity (deficit)</b>		<b>(63.7)</b>	<b>20.6</b>
<b>Total liabilities and equity (deficit)</b>		<b>\$ 1,875.1</b>	<b>\$ 2,215.4</b>

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

**BRP Inc.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

[Unaudited]  
[millions of Canadian dollars]

**For the nine-month period ended October 31, 2013**

	Attributed to shareholders					Total	Non-controlling interests	Total equity (deficit)
	Capital Stock (Note 10)	Contributed surplus	Retained losses	Translation of foreign operations	Cash-flow hedges			
<b>Balance at January 31, 2013</b>	\$ 52.2	\$ 19.0	\$ (28.0)	\$ (24.0)	\$ (0.9)	\$ 18.3	\$ 2.3	\$ 20.6
Net income (loss)	—	—	66.1	—	—	66.1	(0.1)	66.0
Other comprehensive income	—	—	21.5	12.5	0.9	34.9	—	34.9
Total comprehensive income (loss)	—	—	87.6	12.5	0.9	101.0	(0.1)	100.9
Dividends	—	—	(483.0)	—	—	(483.0)	—	(483.0)
Reduction of stated capital	(44.9)	—	—	—	—	(44.9)	—	(44.9)
Issuance of common and subordinate shares	299.0	(15.0)	—	—	—	284.0	—	284.0
Repurchase of common shares	(0.1)	—	(1.1)	—	—	(1.2)	—	(1.2)
Exchange of shares previously classified as liabilities	54.1	—	—	—	—	54.1	—	54.1
Stock-based compensation	—	5.8	—	—	—	5.8	—	5.8
<b>Balance at October 31, 2013</b>	<b>\$ 360.3</b>	<b>\$ 9.8</b>	<b>\$ (424.5)</b>	<b>\$ (11.5)</b>	<b>\$ —</b>	<b>\$ (65.9)</b>	<b>\$ 2.2</b>	<b>\$ (63.7)</b>

**For the nine-month period ended October 31, 2012**

Restated (Note 2)	Attributed to shareholders					Total	Non-controlling interests	Total deficit
	Capital Stock	Contributed surplus	Retained losses	Translation of foreign operations	Cash-flow hedges			
<b>Balance at January 31, 2012</b>	\$ 52.2	\$ 18.3	\$ (115.5)	\$ (25.3)	\$ (1.9)	\$ (72.2)	\$ 2.2	\$ (70.0)
Net income (loss)	—	—	83.6	—	—	83.6	(0.2)	83.4
Other comprehensive loss	—	—	(37.5)	(6.6)	(1.0)	(45.1)	(0.1)	(45.2)
Total comprehensive income (loss)	—	—	46.1	(6.6)	(1.0)	38.5	(0.3)	38.2
Issuance of common shares	0.2	—	—	—	—	0.2	—	0.2
Repurchase of common shares	(0.2)	—	(0.5)	—	—	(0.7)	—	(0.7)
Stock-based compensation	—	0.4	—	—	—	0.4	—	0.4
<b>Balance at October 31, 2012</b>	<b>\$ 52.2</b>	<b>\$ 18.7</b>	<b>\$ (69.9)</b>	<b>\$ (31.9)</b>	<b>\$ (2.9)</b>	<b>\$ (33.8)</b>	<b>\$ 1.9</b>	<b>\$ (31.9)</b>

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

**BRP Inc.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

[Unaudited]

[millions of Canadian dollars]

<b>CASH FLOWS FROM:</b>	Notes	<b>Nine-month period ended</b>	
		<b>October 31, 2013</b>	<b>October 31, 2012</b>
			(Restated Note 2)
<b>OPERATING ACTIVITIES</b>			
Net income		\$ 66.0	\$ 83.4
Non-cash and non-operating items:			
Depreciation expense		67.3	63.9
Income taxes expense	15	40.9	17.5
Foreign exchange (gain) loss on long-term debt		43.5	(2.4)
Change in fair value of common shares	10	19.6	6.2
Interest expense		40.8	35.5
Impairment charge (reversal)	13	(0.3)	7.6
Other		0.3	(4.8)
Cash flows generated from operations before changes in working capital		278.1	206.9
Changes in working capital:			
(Increase) decrease in trade and other receivables		(25.4)	36.3
Increase in inventories		(126.6)	(151.8)
Increase in other assets		(12.9)	(5.3)
Increase (decrease) in trade payables and accruals		(22.2)	202.3
Increase (decrease) in other financial liabilities		(14.2)	16.3
Increase in provisions		1.1	24.7
Increase (decrease) in other liabilities		(9.3)	9.2
Cash flows generated from operations		68.6	338.6
Income taxes paid		(27.1)	(8.5)
<b>Net cash flows generated from operating activities</b>		<b>41.5</b>	<b>330.1</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(79.3)	(97.9)
Additions to intangible assets		(14.2)	(6.1)
Proceeds on disposal of property, plant and equipment		1.9	0.1
Other		1.8	1.3
<b>Net cash flows used in investing activities</b>		<b>(89.8)</b>	<b>(102.6)</b>
<b>FINANCING ACTIVITIES</b>			
Increase (decrease) in revolving credit facilities		59.9	(62.7)
Revolving credit facilities amendment fees	6	(0.9)	(3.4)
Issuance of long-term debt	9	10.0	36.5
Long-term debt amendment fees	9	(10.3)	(6.4)
Repayment of long-term debt	9	(268.4)	(7.4)
Interest paid		(30.2)	(21.8)
Issuance of subordinate and common shares	10	301.8	0.8
Subordinate shares issuance fees		(24.2)	—
Repurchase of common shares		(1.7)	(0.8)
Dividends paid		(483.0)	—
Reduction of stated capital		(46.1)	—
Repayment of government assistance	14	—	(60.1)
Other		(0.6)	(0.7)
<b>Net cash flows used in financing activities</b>		<b>(493.7)</b>	<b>(126.0)</b>
Effect of exchange rate changes on cash		6.2	(0.1)
<b>Net increase (decrease) in cash</b>		<b>(535.8)</b>	<b>101.4</b>
<b>Cash at beginning of year</b>		<b>542.4</b>	<b>26.9</b>
<b>Cash at the end of period</b>		<b>\$ 6.6</b>	<b>\$ 128.3</b>

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

**BRP Inc.**

## **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
[Tabular figures 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 pursuant to the initial public offering of the Company’s subordinate voting shares on May 29, 2013 (the “Offering”). BRP owns 100% of the shares of Bombardier Recreational Products Inc. and has no other significant activities (collectively the “Company”).

Bombardier Recreational Products Inc. and its subsidiaries design, develop, manufacture and sell snowmobiles, personal watercraft, all-terrain vehicles, side-by-side vehicles, roadsters and propulsion systems for outboard and jet boats, karts, motorcycles and recreational aircraft. The Company’s products are sold mainly through an international 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**

The unaudited condensed consolidated interim financial statements as at October 31, 2013 have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with *IAS 34 “Interim Financial Reporting”*. These interim financial statements have been prepared on a condensed form in accordance with IAS 34. The condensed consolidated interim financial statements as at October 31, 2013 follow the same accounting policies than the consolidated financial statements as at January 31, 2013, except for the adoption of new standards and amendments as described below.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements as at January 31, 2013 included in the supplemented prep prospectus dated May 21, 2013.

These condensed consolidated interim financial statements include the financial statements of BRP and Bombardier Recreational Products Inc.. Bombardier Recreational Products Inc. controls all of its subsidiaries by wholly owned voting equity interests (except for the Regionales Innovations Centrum in Austria for which a non-controlling interest of 25% is recorded upon consolidation). All inter-company transactions and balances have been eliminated upon consolidation.

The Company’s revenues and operating income experience substantial fluctuations from quarter to quarter. In general, wholesale 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.

On December 11, 2013, the Board of Directors of the Company approved these condensed consolidated interim financial statements for the three and nine-month periods ended October 31, 2013 and 2012.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

### 2. BASIS OF PRESENTATION [CONTINUED]

#### a) New standards and amendments adopted with an effect on the financial statements

##### *IAS 19 Employee Benefits*

The Company has applied the amendments to *IAS 19 "Employee Benefits"* in the three and nine-month periods ended October 31, 2013. 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*

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>		<u>Year ended</u>
	<u>October 31,</u> <u>2013</u>	<u>October 31,</u> <u>2012</u>	<u>October 31,</u> <u>2013</u>	<u>October 31,</u> <u>2012</u>	<u>January 31,</u> <u>2013</u>
Net income before amendments to <i>IAS 19</i>	\$ 48.8	\$ 32.1	\$ 68.0	\$ 84.7	\$ 121.0
Impact of the amendments to <i>IAS 19</i>					
General and administrative expense	(0.3)	(0.3)	(0.9)	(0.9)	(1.1)
Financing costs	2.0	2.1	5.9	6.5	8.6
Financing income	(2.6)	(2.4)	(7.8)	(7.4)	(9.9)
Income taxes recovery	0.3	0.2	0.8	0.5	0.6
<b>Net income</b>	<b>\$ 48.2</b>	<b>\$ 31.7</b>	<b>\$ 66.0</b>	<b>\$ 83.4</b>	<b>\$ 119.2</b>

##### *Impact on other comprehensive income*

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>		<u>Year ended</u>
	<u>October 31,</u> <u>2013</u>	<u>October 31,</u> <u>2012</u>	<u>October 31,</u> <u>2013</u>	<u>October 31,</u> <u>2012</u>	<u>January 31,</u> <u>2013</u>
Other comprehensive income (loss)					
before amendments to <i>IAS 19</i>	\$ 17.8	\$ 5.8	\$ 32.9	\$ (46.5)	\$ (30.5)
Impact of the amendments to <i>IAS 19</i>	0.6	0.4	2.0	1.3	1.8
<b>Other comprehensive income (loss)</b>	<b>\$ 18.4</b>	<b>\$ 6.2</b>	<b>\$ 34.9</b>	<b>\$ (45.2)</b>	<b>\$ (28.7)</b>

##### *Impact on basic earnings per share*

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>		<u>Year ended</u>
	<u>October 31,</u> <u>2013</u>	<u>October 31,</u> <u>2012</u>	<u>October 31,</u> <u>2013</u>	<u>October 31,</u> <u>2012</u>	<u>January 31,</u> <u>2013</u>
Basic earnings per share before amendments to <i>IAS 19</i>	\$ 0.41	\$ 0.32	\$ 0.61	\$ 0.83	\$ 1.19
Impact of the amendments to <i>IAS 19</i>	—	(0.01)	(0.01)	(0.01)	(0.02)
<b>Basic earnings per share</b>	<b>\$ 0.41</b>	<b>\$ 0.31</b>	<b>\$ 0.60</b>	<b>\$ 0.82</b>	<b>\$ 1.17</b>

## **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

### **2. BASIS OF PRESENTATION [CONTINUED]**

#### **a) New standards and amendments adopted with an effect on the financial statements [Continued]**

##### ***IAS 19 Employee Benefits [Continued]***

The adoption of the amended *IAS 19 "Employee Benefits"* had no impact on the Company's total comprehensive income and financial position reported by the Company on previously issued interim and 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 adoption of this new pronouncement will impact the Company's disclosures in the annual consolidated financial statements for the year ending January 31, 2014.

##### ***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 three and nine-month periods ended October 31, 2013 with no impact on the Company's financial results. The Company has included the additional disclosures required by this standard in Note 16.

#### **b) Standards and amendments adopted with no effect on the 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 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 financial statements.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

### 3. 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 defined as it should be decided by the IASB when the entire project will be closer to completion.

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.

### 4. OTHER FINANCIAL ASSETS

The Company’s other financial assets were as follows:

	October 31, 2013	January 31, 2013
Restricted investments <sup>[a]</sup>	\$ 15.5	\$ 17.2
Derivative financial instruments	3.5	1.8
Other	7.6	8.0
Total other financial assets	<b>\$ 26.6</b>	\$ 27.0
Current	7.5	7.8
Non-current	19.1	19.2
Total other financial assets	<b>\$ 26.6</b>	\$ 27.0

<sup>[a]</sup> The restricted investments can only be used for severance payments and pension costs associated with pension plans of BRP-Powertrain GmbH & Co. KG, and are not available for general corporate use.

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

### 5. INVENTORIES

The Company’s inventories were as follows:

	October 31, 2013	January 31, 2013
Materials and work in process	\$ 253.4	\$ 222.8
Finished products	219.7	132.5
Parts and accessories	126.8	109.7
Total inventories	<b>\$ 599.9</b>	\$ 465.0

The Company recognized in the statement of net income during the three and nine-month periods ended October 31, 2013, a write-down on inventories of \$4.1 million and \$6.3 million respectively (\$2.3 million and \$4.9 million respectively during the three and nine-month periods ended October 31, 2012).

## **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

### **6. REVOLVING CREDIT FACILITIES**

On May 30, 2013, the Company amended its \$350 million revolving credit facilities (the “Revolving Credit Facilities”) to provide an extension of the maturity from March 2016 to May 2018 and a reduction of the cost of borrowing by 0.25%. The Company incurred amendment fees of \$0.9 million. These amendment fees are amortized over the expected life of the Revolving Credit Facilities.

The cost of borrowing could increase or decrease depending on the leverage ratio, defined as the ratio of Net Debt to Consolidated Cash Flows of Bombardier Recreational Products Inc., consolidated.

The applicable interest rates following the amendment are as follows:

- (i) U.S. dollars at either
  - (a) LIBOR plus 2.00% to 3.75% per annum;
  - (b) U.S. Base Rate plus 1.00% to 2.75% per annum; and
  - (c) U.S. Prime Rate plus 1.00% to 2.75% per annum;
- (ii) Canadian dollars at either
  - (a) Bankers’ Acceptances plus 2.00 to 3.75% per annum; and
  - (b) Canadian Prime Rate plus 1.00% to 2.75% per annum
- (iii) Euros at Euro LIBOR plus 2.00% to 3.75% per annum.

In order to have full access to its Revolving Credit Facilities, the Company is required to maintain, under certain conditions, a minimum fixed charge coverage ratio. Additionally, the total available borrowing is subject to a borrowing base calculation representing 75% of the carrying amount of trade and other receivables plus 50% of the carrying amount of inventories.

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

As at October 31, 2013, the cost of borrowing under the Revolving Credit Facilities was as follows:

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

**BRP Inc.****NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
 [Tabular figures in millions of Canadian dollars, unless otherwise indicated]

**7. PROVISIONS**

The Company's provisions were as follows:

	<b>October 31, 2013</b>	<b>January 31, 2013</b>
Product-related	\$ 147.0	\$ 141.7
Restructuring	11.0	13.9
Other	17.3	15.9
<b>Total provisions</b>	<b>\$ 175.3</b>	<b>\$ 171.5</b>
Current	109.7	101.6
Non-current	65.6	69.9
<b>Total provisions</b>	<b>\$ 175.3</b>	<b>\$ 171.5</b>

Product-related provisions include provisions for regular and extended warranty coverages on products sold, product liability provisions and provisions related to sales promotion programs offered by the Company to its independent dealers, distributors or consumers 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:

	<b>Product-related</b>	<b>Restructuring</b>	<b>Other</b>	<b>Total</b>
<b>Balance as at January 31, 2013</b>	<b>\$ 141.7</b>	<b>\$ 13.9</b>	<b>\$ 15.9</b>	<b>\$ 171.5</b>
Expensed during the period	195.6	—	8.5	204.1
Paid during the period	(182.5)	(2.4)	(5.5)	(190.4)
Reversed during the period	(12.5)	(0.8)	(1.8)	(15.1)
Effect of foreign currency exchange rate changes	3.6	0.2	0.2	4.0
Unwinding of discount and effect of changes in discounting estimates	1.1	0.1	—	1.2
<b>Balance as at October 31, 2013</b>	<b>\$ 147.0</b>	<b>\$ 11.0</b>	<b>\$ 17.3</b>	<b>\$ 175.3</b>

**8. OTHER FINANCIAL LIABILITIES**

The Company's other financial liabilities were as follows:

	<b>October 31, 2013</b>	<b>January 31, 2013</b>
Dealer holdback programs and customers deposits	\$ 53.2	\$ 65.0
Due to Bombardier Inc.	21.4	21.3
Derivative financial instruments	3.3	4.1
Due to a pension management company	7.2	8.8
Other	5.9	6.9
<b>Total other financial liabilities</b>	<b>\$ 91.0</b>	<b>\$ 106.1</b>
Current	60.4	74.7
Non-current	30.6	31.4
<b>Total other financial liabilities</b>	<b>\$ 91.0</b>	<b>\$ 106.1</b>

The non-current portion is mainly comprised of derivative financial instruments, due to a pension management company and due to Bombardier Inc. in connection with indemnification related to income taxes.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

### 9. LONG-TERM DEBT

As at October 31, 2013 and January 31, 2013, the maturity dates, interest rates, outstanding nominal amounts and carrying amounts of long-term debt were as follows:

					October 31, 2013
	Maturity date	Contractual interest rate	Effective interest rate	Outstanding nominal amount	Carrying amount
Term Facility	January 2019	4.00%	4.86%	U.S. \$792.0	\$ 798.4 <sup>[a]</sup>
Term Loan	December 2014	1.23%	1.23%	Euro 0.8	1.1
Term Loan	December 2015	1.23%	1.23%	Euro 1.9	2.7
Term Loan	September 2016	1.48%	1.48%	Euro 1.4	2.0
Term Loan	December 2016	1.13%	6.85%	Euro 7.5	9.7
Term Loan	December 2017	1.17%	8.60%	Euro 7.5	8.7
Term Loan	December 2017	1.98%	6.66%	Euro 1.8	2.3
Term Loan	December 2018	1.19%	5.64%	Euro 7.5	9.1
<b>Total long-term debt</b>					<b>\$ 834.0</b>
<b>Current</b>					<b>4.3</b>
<b>Non-current</b>					<b>829.7</b>
<b>Total long-term debt</b>					<b>\$ 834.0</b>

<sup>[a]</sup> Net of unamortized transaction costs of \$27.6 million.

					January 31, 2013
	Maturity date	Contractual interest rate	Effective interest rate	Outstanding nominal amount	Carrying amount
Term Facility	January 2019	5.00%	5.42%	U.S. \$1,050.0	\$ 1,029.2 <sup>[a]</sup>
Term Loan	December 2014	1.23%	1.23%	Euro 1.1	1.5
Term Loan	December 2015	1.23%	1.23%	Euro 2.3	3.1
Term Loan	September 2016	1.48%	1.48%	Euro 1.4	1.9
Term Loan	December 2016	1.13%	6.85%	Euro 7.5	8.9
Term Loan	December 2017	1.17%	8.60%	Euro 7.5	7.9
Term Loan	December 2017	1.98%	6.66%	Euro 1.8	2.1
<b>Total long-term debt</b>					<b>\$ 1,054.6</b>
<b>Current</b>					<b>12.2</b>
<b>Non-current</b>					<b>1,042.4</b>
<b>Total long-term debt</b>					<b>\$ 1,054.6</b>

<sup>[a]</sup> Net of unamortized transaction costs of \$20.0 million.

#### a) Term Facility

On May 29, 2013, the Company repaid U.S. \$258 million (\$267.5 million) of its U.S. \$1,050 million term facility (the "Term Facility"). As a result of 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.

On May 30, 2013, the Company amended its Term Facility resulting in a 0.75% decrease of the cost of borrowing and a 0.25% decrease of the LIBOR floor. The Company incurred amendment fees of \$10.3 million. Those amendment fees are amortized over the expected life of the Term Facility.

As at October 31, 2013, the Company has the option to increase the amount of borrowing by U.S. \$150.0 million under certain conditions.

## **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

### **9. LONG-TERM DEBT [CONTINUED]**

#### **a) Term Facility (Continued)**

The Term Facility agreement contains customary representations and warranties but does not include any financial maintenance covenants.

As at October 31, 2013, the cost of borrowing under the Term Facility was the following:

- (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%

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

During the nine-month period ended October 31, 2012, the Company borrowed U.S. \$25.0 million (\$25.0 million) of its U.S. \$150.0 million available under certain conditions.

#### **b) Term Loans**

During the nine-month period ended October 31, 2013, 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. The Company recognized a grant of Euro 1.2 million (\$1.6 million) as a reduction of research and development expenses representing the difference between the fair value of the term loan at inception and the cash received.

During the nine-month period ended October 31, 2012, the Company entered into two term loan agreements under certain Austrian government programs. These programs support research and development projects based on Company's incurred expenses in Austria. The term loans have a nominal amount of Euro 7.5 million (\$9.2 million) and Euro 1.4 million (\$1.8 million) and have been respectively entered into during the second and the first quarter of the year ended January 31, 2013. The term loans respectively bear interest at 1.17% until June 30, 2015 and 2.17% from July 1, 2015 and Euribor three-months plus 1.25% and mature respectively in December 2017 and September 2016. For the nine-month period ended October 31, 2012, the Company recognized a grant of Euro 1.9 million (\$2.5 million) as a reduction of research and development expense representing the difference between the fair value of the terms loan at inception and the cash received.

## **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

### **10. CAPITAL STOCK**

Prior to the closing of the Offering, the Company's authorized capital stock was comprised of an unlimited number of Class A voting Common Shares, an unlimited number of Class A.1 voting Common Shares, an unlimited number of Class B non-voting Common Shares, an unlimited number of Super B non-voting Common Shares and an unlimited number of non-voting preferred shares.

#### **a) Share Reorganization**

The Company's authorized capital stock was amended prior to the closing of the Offering and all the classes of shares included in the authorized capital stock of the Company prior to the amendment were repealed and replaced by an unlimited number of multiple voting shares and subordinate voting shares and an unlimited number of preferred shares issuable in series.

Also, following the amendment of the authorized capital stock and prior to the closing of the Offering, the Company consolidated its outstanding shares on a 3.765 to one basis.

#### **b) Initial Public Offering**

On May 29, 2013, the Company completed the initial public offering of its subordinate voting shares with the securities regulatory authorities in each of the provinces and territories of Canada. The Company issued 12.2 million subordinate voting shares and received gross proceeds of \$262.3 million from the issuance (\$246.1 million net of related fees and expenses of \$22.1 million and income taxes recovery of \$5.9 million).

On June 27, 2013, the Company issued 1.8 million subordinate voting shares following the exercise of the over-allotment option granted to the underwriters in connection with the Offering. The Company received gross proceeds of \$39.3 million from the issuance (\$37.7 million net of related fees and expenses of \$2.1 million and income taxes recovery of \$0.5 million).

#### **c) Secondary Offering**

On October 9, 2013, Bain Capital and CDPQ completed a secondary offering of 8,000,000 subordinate voting shares of the Company to a syndicate of underwriters. Prior to such transaction, Bain Capital and CDPQ converted an aggregate of 8,000,000 multiple voting shares into an equivalent number of subordinate voting shares. The Company did not receive any of the proceeds of the secondary offering. In accordance with the terms of the registration rights agreement entered into in connection with its initial public offering, the Company incurred approximately \$0.5 million of fees and expenses related to this secondary offering.

**BRP Inc.**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
 [Tabular figures in millions of Canadian dollars, unless otherwise indicated]

**10. CAPITAL STOCK [CONTINUED]**

The changes in capital stock issued and outstanding and classified in equity were as follows:

	Number of shares	Carrying Amount
<b>Class A Common Shares</b>		
<b>Balance at February 1, 2012</b>	<b>229,387,717</b>	<b>\$ 32.7</b>
<b>Balance at January 31, 2013</b>	<b>229,387,717</b>	<b>32.7</b>
Repurchased	(9)	—
Reduction of stated capital	—	(27.5)
Exchanged for multiple voting shares	(229,387,708)	(5.2)
<b>Balance at October 31, 2013</b>	<b>—</b>	<b>—</b>
<b>Class A.1 Common Shares</b>		
<b>Balance at February 1, 2012</b>	<b>123,516,460</b>	<b>17.3</b>
<b>Balance at January 31, 2013</b>	<b>123,516,460</b>	<b>17.3</b>
Reduction of stated capital	—	(14.8)
Exchanged for multiple voting shares	(123,516,460)	(2.5)
<b>Balance at October 31, 2013</b>	<b>—</b>	<b>—</b>
<b>Class B Common Shares</b>		
<b>Balance at February 1, 2012</b>	<b>20,310,623</b>	<b>2.2</b>
Issued upon exercise of stock options	792,800	0.3
Repurchased	(289,800)	(0.3)
<b>Balance at January 31, 2013</b>	<b>20,813,623</b>	<b>2.2</b>
Issued upon exercise of stock options	9,103,750	15.1
Repurchased	(368,844)	(0.1)
Reduction of stated capital	—	(2.6)
Exchanged for multiple voting shares	(12,388,723)	(0.2)
Exchanged for subordinate voting shares	(17,159,806)	(14.4)
<b>Balance at October 31, 2013</b>	<b>—</b>	<b>—</b>
<b>Multiple voting shares</b>		
<b>Balance at January 31, 2013</b>	<b>—</b>	<b>—</b>
Issued in exchange of Class A Common Shares	229,387,708	5.2
Issued in exchange of Class A.1 Common Shares	123,516,460	2.5
Issued in exchange of Class B Common Shares	12,388,723	0.2
Share consolidation	(268,269,547)	—
Exchanged for subordinate voting shares	(8,000,000)	(0.7)
<b>Balance at October 31, 2013</b>	<b>89,023,344</b>	<b>7.2</b>
<b>Subordinate voting shares</b>		
<b>Balance at January 31, 2013</b>	<b>—</b>	<b>—</b>
Issued in exchange of Class B Common Shares	23,009,339	47.8
Issued in exchange of Class Super B Common Shares	3,621,327	20.7
Share consolidation	(19,557,448)	—
Issued following the Offering	12,200,000	246.1
Issued following the exercise of the over-allotment option	1,830,000	37.7
Issued upon exercise of stock options	9,561	0.1
Issued in exchange of multiple voting shares	8,000,000	0.7
<b>Balance at October 31, 2013</b>	<b>29,112,779</b>	<b>\$ 353.1</b>
<b>Total outstanding at October 31, 2013</b>	<b>118,136,123</b>	<b>\$ 360.3</b>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
 [Tabular figures in millions of Canadian dollars, unless otherwise indicated]

### 10. CAPITAL STOCK [CONTINUED]

The changes in capital stock issued and outstanding and classified in liabilities were as follows:

	Number of shares	Carrying Amount
<b>Class B Common Shares</b>		
<b>Balance at February 1, 2012</b>	<b>5,491,752</b>	<b>\$ 14.3</b>
Issued	197,846	0.7
Repurchased/Cancelled	(53,688)	(0.2)
Increase in fair value	—	6.4
<b>Balance at January 31, 2013</b>	<b>5,635,910</b>	<b>21.2</b>
Issued	2,000	—
Repurchased/Cancelled	(83,600)	(0.3)
Converted from Class Super B Common Shares	295,223	1.0
Reduction of stated capital	—	(0.7)
Increase in fair value	—	12.2
Exchanged for subordinate voting shares	(5,849,533)	(33.4)
<b>Balance at October 31, 2013</b>	<b>—</b>	<b>—</b>
<b>Class Super B Common Shares</b>		
<b>Balance at February 1, 2012</b>	<b>4,016,550</b>	<b>10.4</b>
Increase in fair value	—	4.6
<b>Balance at January 31, 2013</b>	<b>4,016,550</b>	<b>15.0</b>
Repurchased/Cancelled	(100,000)	(0.2)
Converted to Class B Common Shares	(295,223)	(1.0)
Reduction of stated capital	—	(0.5)
Increase in fair value	—	7.4
Exchanged for subordinate voting shares	(3,621,327)	(20.7)
<b>Balance at October 31, 2013</b>	<b>—</b>	<b>\$ —</b>
<b>Total outstanding at October 31, 2013</b>	<b>—</b>	<b>\$ —</b>

During the nine-month period ended October 31, 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. Additionally, 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. Finally, the Company reduced the stated capital of all of its shares by \$0.12 per share for an aggregate amount of \$46.1 million.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

### 11. STOCK OPTION PLAN

As part of the Offering, the Board of Directors approved a new stock option plan, pursuant to which a reserve of 5,814,828 subordinate voting shares are available to be granted in stock options to the Company's eligible employees. On May 29, 2013, 1,098,500 options were granted at an exercise price of \$21.50 to eligible employees under the new stock option plan. Such stock options are time vesting and 25% of the options will vest on each of the first, second, third and fourth anniversary of the grant. The stock options have a ten-year term at the end of which the options expire. The average fair value of these options at grant date was \$10.63 and has been calculated with the Black-Scholes model using the following assumptions:

Weighted average share price	\$ 21.50
Risk-free interest rate	1.51%
Expected life	6.25 years
Expected volatility	50.20%
Expected annual dividend per share	0%

As at October 31, 2013, 781,368 and 1,091,500 stock options were outstanding under the former stock option plan and the new stock option plan respectively.

### 12. EARNINGS PER SHARE

#### a) Basic earnings per share

As per IFRS requirements, the basic earnings per share and the weighted average number of common or voting shares outstanding have been calculated for all periods taking into account the consolidation of the outstanding shares on a 3.765 to one basis (see Note 10) and are as follows:

	Three-month period ended		Nine-month period ended	
	October 31, 2013	October 31, 2012	October 31, 2013	October 31, 2012
Net income attributable to shareholders	\$ 48.2	\$ 31.7	\$ 66.1	\$ 83.6
Issued common shares, beginning of period	118,126,562	101,722,934	101,824,770	101,652,882
Effect of issuance of shares and exercise of stock options	4,779	29,807	9,021,275	78,249
Effect of repurchase and cancellation of shares	—	(12,180)	(111,499)	(43,160)
Weighted average number of common or voting shares	118,131,341	101,740,561	110,734,546	101,687,971
Earnings per share – basic	\$ 0.41	\$ 0.31	\$ 0.60	\$ 0.82

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

### 12. EARNINGS PER SHARE [CONTINUED]

#### b) Diluted earnings per share

As per IFRS requirements, the diluted earnings per share and the weighted average number of common or voting shares outstanding after adjustment for the effects of all dilutive common or voting shares have been calculated for all periods taking into account the consolidation of the outstanding shares on a 3.765 to one basis (see Note 10) and are as follows:

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>October 31, 2013</u>	<u>October 31, 2012</u>	<u>October 31, 2013</u>	<u>October 31, 2012</u>
Net income attributable to shareholders	\$ 48.2	\$ 31.7	\$ 66.1	\$ 83.6
Weighted average number of common or voting shares	118,131,341	101,740,561	110,734,546	101,687,971
Dilutive effect of stock options	712,201	1,129,672	849,656	1,138,674
Weighted average number of diluted common or voting shares	118,843,542	102,870,233	111,584,202	102,826,645
Earnings per share - diluted	\$ 0.41	\$ 0.31	\$ 0.59	\$ 0.81

### 13. OTHER OPERATING EXPENSES (INCOME)

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

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>October 31, 2013</u>	<u>October 31, 2012</u>	<u>October 31, 2013</u>	<u>October 31, 2012</u>
Restructuring costs (reversal)	\$ (1.1)	\$ 17.1	\$ (1.1)	\$ 26.8
Impairment charge (reversal)	—	—	(0.3)	7.6
Gain from insurance recovery	—	—	(11.0)	—
Foreign exchange (gain) loss on working capital elements	2.9	—	2.4	(5.1)
(Gain) loss on forward exchange contracts	(3.9)	(0.4)	(7.8)	2.4
Other	(0.2)	(0.3)	(0.8)	0.2
Total	\$ (2.3)	\$ 16.4	\$ (18.6)	\$ 31.9

During the three-month period ended October 31, 2013, the Company revised its estimates related to the costs of the exit of the sport boat business and reversed in net income \$1.1 million of restructuring costs that were recorded during the three-month period ended October 31, 2012.

During the nine-month period ended October 31, 2013, the Company recorded a gain from insurance recovery of \$11.0 million in relation with the estimated insurance proceeds for the property, plant and equipment damaged at the Company's research & development centre in Valcourt, Canada during the year ended January 31, 2013.

In addition, during the three and nine-month periods ended October 31, 2013, the Company incurred non-recurring costs of \$0.8 million and \$3.1 million respectively in relation with this event which were entirely compensated by the insurance company.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
 [Tabular figures in millions of Canadian dollars, unless otherwise indicated]

### 14. FINANCING COSTS AND INCOME

Details of financing costs and financing income were as follows:

	<b>Three-month period ended</b>		<b>Nine-month period ended</b>	
	<b>October 31, 2013</b>	<b>October 31, 2012</b>	<b>October 31, 2013</b>	<b>October 31, 2012</b>
Interest and amortization of transaction costs on long-term debt	\$ 10.2	\$ 8.5	\$ 36.5	\$ 23.3
Interest on government assistance repayable	—	—	—	10.6 <sup>[a]</sup>
Interest and commitment fees on revolving credit facilities	2.3	0.6	4.3	1.6
Employee future benefits interest cost	2.3	2.2	6.8	6.6
Financial guarantee losses (recoveries)	—	(0.9)	(1.0)	0.1
Unwinding of discount of provisions	0.2	0.2	0.7	0.8
Other	0.3	1.3	1.6	2.3
<b>Financing costs</b>	<b>15.3</b>	<b>11.9</b>	<b>48.9</b>	<b>45.3</b>
<b>Financing income</b>	<b>(0.3)</b>	<b>(0.2)</b>	<b>(2.0)</b>	<b>(1.4)</b>
<b>Total</b>	<b>\$ 15.0</b>	<b>\$ 11.7</b>	<b>\$ 46.9</b>	<b>\$ 43.9</b>

<sup>[a]</sup> Includes \$9.0 million related to accelerated government assistance repayment of \$60.1 million.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
[Tabular figures in millions of Canadian dollars, unless otherwise indicated]

### 15. INCOME TAXES

Details of income taxes expense were as follows:

	Three-month period ended		Nine-month period ended	
	October 31, 2013	October 31, 2012	October 31, 2013	October 31, 2012
Current income taxes expense				
Related to current year	\$ 8.2	\$ 5.0	\$ 16.6	\$ 12.5
Related to prior years	(0.4)	(0.3)	—	0.3
	7.8	4.7	16.6	12.8
Deferred income taxes expense (recovery)				
Temporary differences	13.2	(3.0)	24.5	5.9
Effect of income tax rate changes on deferred income taxes	(0.1)	0.3	(0.2)	0.4
Recognition of previously unrecorded tax benefits	—	—	—	(1.6)
	13.1	(2.7)	24.3	4.7
Income taxes expense	\$ 20.9	\$ 2.0	\$ 40.9	\$ 17.5

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

	Three-month period ended		Nine-month period ended	
	October 31, 2013	October 31, 2012	October 31, 2013	October 31, 2012
Income taxes calculated at statutory rates	\$ 18.6	26.9%	\$ 9.0	26.9%
Increase (decrease) resulting from:				
Income tax rate differential of foreign subsidiaries	0.3	(3.1)	(2.4)	(6.8)
Effect of income tax rate changes on deferred income taxes	(0.1)	0.3	(0.2)	0.4
Tax benefits of losses and temporary differences not recognized	1.5	—	4.2	—
Recognition of previously unrecorded tax benefits	—	—	—	(1.6)
Recognition of income taxes on foreign currency translation	(0.5)	0.2	(1.1)	0.2
Permanent differences <sup>[a]</sup>	1.6	(0.6)	12.5	1.3
Adjustment in respect of prior periods	(0.7)	(3.7)	(1.3)	(3.1)
Other	0.2	(0.1)	0.4	—
Income taxes expense	\$ 20.9	\$ 2.0	\$ 40.9	\$ 17.5

<sup>[a]</sup>The permanent differences result mainly from the foreign exchange (gain) loss on the long-term debt denominated in U.S. dollars and from the valuation at fair value of the redeemable common shares.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

[Unaudited]

For the three and nine-month periods ended October 31, 2013 and 2012  
 [Tabular figures in millions of Canadian dollars, unless otherwise indicated]

### 16. FINANCIAL INSTRUMENTS

The fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. 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 methodologies. When inputs used in the valuation methodologies are only inputs directly and indirectly observable in the marketplace, fair value is presented as "Level 2" fair value. If fair value is assessed using inputs that require considerable judgment from the Company in interpreting market data and developing estimates, fair value is presented as "Level 3" fair value. For Level 3 fair value, the use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

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

	Fair value level	As at October 31, 2013	
		Carrying amount	Fair value
Restricted investments (Note 4)	Level 2	\$ 15.5	\$ 15.5
Derivative financial instruments			
Forward exchange contracts			
Favourable (Note 4)		\$ 3.5	\$ 3.5
(Unfavourable) (Note 8)		(1.6)	(1.6)
Inflation rate swap (Note 8)		(1.7)	(1.7)
	Level 2	\$ 0.2	\$ 0.2
Long-term debt (including current portion) (Note 9)			
Term Facility	Level 1	\$ 798.4	\$ 829.1
Term Loans	Level 2	35.6	39.1
		\$ 834.0	\$ 868.2

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