Unaudited Condensed Consolidated Interim Financial Statements

BRP Inc.

For the three- and nine-month periods ended October 31, 2017 and 2016

BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME

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

		Three-month periods ended		Nine-month periods ended	
	Notes	**October 31, 2017**	October 31, 2016	**October 31, 2017**	October 31, 2016
Revenues		**$ 1,240.5**	$ 1,080.2	**$ 3,223.7**	$ 2,866.2
Cost of sales		**911.1**	773.0	**2,473.4**	2,192.9
Gross profit		**329.4**	307.2	**750.3**	673.3
Operating expenses					
Selling and marketing		**77.3**	63.3	**219.8**	214.5
Research and development		**47.4**	44.0	**146.0**	137.4
General and administrative		**38.4**	38.6	**126.0**	118.7
Other operating expenses (income)	13	**4.3**	(1.7)	**11.1**	63.8
Total operating expenses		**167.4**	144.2	**502.9**	534.4
Operating income		**162.0**	163.0	**247.4**	138.9
Financing costs	14	**15.1**	15.8	**43.8**	48.9
Financing income	14	**(0.5)**	0.1	**(1.9)**	(1.5)
Foreign exchange (gain) loss on long-term debt		**30.9**	24.5	**(5.7)**	(56.7)
Income before income taxes		**116.5**	122.6	**211.2**	148.2
Income tax expense	15	**38.7**	43.9	**51.8**	27.6
Net income		**$ 77.8**	$ 78.7	**$ 159.4**	$ 120.6
Attributable to shareholders		**$ 77.7**	$ 78.7	**$ 159.0**	$ 120.6
Attributable to non-controlling interest		**$ 0.1**	$ —	**$ 0.4**	$ —
Basic earnings per share	12	**$ 0.75**	$ 0.70	**$ 1.46**	$ 1.06
Diluted earnings per share	12	**$ 0.75**	$ 0.70	**$ 1.45**	$ 1.06

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

BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

[Unaudited]
[in millions of Canadian dollars]

	Three-month periods ended		Nine-month periods ended	
	October 31, 2017	**October 31, 2016**	**October 31, 2017**	**October 31, 2016**
Net income	**$ 77.8**	$ 78.7	**$ 159.4**	$ 120.6
Other comprehensive income (loss)				
Items that will be reclassified subsequently to net income				
Net changes in fair value of derivatives designated as cash flow hedges	**3.0**	(0.7)	**5.3**	1.0
Net changes in unrealized gain (loss) on translation of foreign operations	**7.1**	5.0	**17.0**	(7.9)
Income tax (expense) recovery	**(0.7)**	0.3	**(1.1)**	(0.1)
	9.4	4.6	**21.2**	(7.0)
Items that will not be reclassified subsequently to net income				
Actuarial gains (losses) on defined benefit pension plan	**(14.7)**	7.4	**(14.5)**	(29.9)
Income tax (expense) recovery	**3.9**	(1.9)	**3.9**	7.8
	(10.8)	5.5	**(10.6)**	(22.1)
Total other comprehensive income (loss)	**(1.4)**	10.1	**10.6**	(29.1)
Total comprehensive income	**$ 76.4**	$ 88.8	**$ 170.0**	$ 91.5
Attributable to shareholders	**$ 76.2**	$ 88.9	**$ 169.3**	$ 91.8
Attributable to non-controlling interest	**$ 0.2**	$ (0.1)	**$ 0.7**	$ (0.3)

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

BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

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

	Notes	October 31, 2017	January 31, 2017
Cash		**$ 163.0**	$ 298.6
Trade and other receivables		**318.4**	326.7
Income taxes and investment tax credits receivable		**31.5**	46.2
Other financial assets	4	**17.3**	3.5
Inventories	5	**841.5**	689.8
Other current assets		**18.5**	18.2
Total current assets		**1,390.2**	1,383.0
Investment tax credits receivable		**4.2**	4.2
Other financial assets	4	**21.7**	20.1
Property, plant and equipment		**730.2**	673.2
Intangible assets		**309.2**	317.1
Deferred income taxes		**118.5**	116.4
Other non-current assets		**1.8**	2.2
Total non-current assets		**1,185.6**	1,133.2
Total assets		**$ 2,575.8**	$ 2,516.2
Trade payables and accruals		**$ 828.3**	$ 718.5
Provisions	7	**264.7**	232.5
Other financial liabilities	8	**149.4**	94.7
Income tax payable		**27.3**	29.6
Current portion of long-term debt	9	**22.5**	22.7
Other current liabilities		**6.9**	6.0
Total current liabilities		**1,299.1**	1,104.0
Long-term debt	9	**1,014.3**	901.0
Provisions	7	**88.4**	85.5
Other financial liabilities	8	**28.1**	28.7
Employee future benefit liabilities		**214.9**	194.1
Deferred income taxes		**6.7**	16.8
Other non-current liabilities		**22.9**	20.6
Total non-current liabilities		**1,375.3**	1,246.7
Total liabilities		**2,674.4**	2,350.7
Equity (deficit)		**(98.6)**	165.5
Total liabilities and equity (deficit)		**$ 2,575.8**	$ 2,516.2

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

BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

[Unaudited]
[in millions of Canadian dollars]

For the nine-month period ended October 31, 2017

	Attributed to shareholders							
	Capital Stock	Contributed surplus	Retained losses	Translation of foreign operations	Cash-flow hedges	Total	Non-controlling interests	Total equity (deficit)
Balance as at January 31, 2017	**$ 303.0**	**$ 26.9**	**$ (169.1)**	**$ 3.5**	**$ (3.4)**	**$ 160.9**	**$ 4.6**	**$ 165.5**
Net income	—	—	**159.0**	—	—	**159.0**	**0.4**	**159.4**
Other comprehensive income (loss)	—	—	**(10.6)**	**16.7**	**4.2**	**10.3**	**0.3**	**10.6**
Total comprehensive income	—	—	**148.4**	**16.7**	**4.2**	**169.3**	**0.7**	**170.0**
Dividends (Note 10)	—	—	**(17.2)**	—	—	**(17.2)**	—	**(17.2)**
Issuance of subordinate shares	**8.7**	**(3.0)**	—	—	—	**5.7**	—	**5.7**
Repurchase of subordinate shares (Note 10)	**(70.8)**	—	**(298.7)**	—	—	**(369.5)**	—	**(369.5)**
Subordinate shares subject to repurchase (Note 10)	—	**(59.7)**	—	—	—	**(59.7)**	—	**(59.7)**
Stock-based compensation	—	**6.6** [a]	—	—	—	**6.6**	—	**6.6**
Balance as at October 31, 2017	**$ 240.9**	**$ (29.2)**	**$ (336.6)**	**$ 20.2**	**$ 0.8**	**$ (103.9)**	**$ 5.3**	**$ (98.6)**

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

For the nine-month period ended October 31, 2016

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

[a] Includes $0.1 million of income tax recovery.

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

BRP Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

[Unaudited]
[in millions of Canadian dollars]

	Notes	Nine-month periods ended October 31, 2017	October 31, 2016
OPERATING ACTIVITIES			
Net income		**$ 159.4**	$ 120.6
Non-cash and non-operating items:			
Depreciation expense		**107.8**	97.4
Income tax expense	15	**51.8**	27.6
Foreign exchange gain on long-term debt		**(5.7)**	(56.7)
Interest expense	14	**37.2**	40.6
Other		**(4.9)**	4.1
Cash flows generated from operations before changes in working capital		**345.6**	233.6
Changes in working capital:			
Decrease in trade and other receivables		**18.5**	24.4
Increase in inventories		**(131.1)**	(210.4)
Increase in other assets		**(9.0)**	(8.3)
Increase in trade payables and accruals		**95.1**	113.2
Increase (decrease) in other financial liabilities		**(4.0)**	1.7
Increase in provisions		**33.6**	69.4
Increase (decrease) in other liabilities		**1.7**	(0.4)
Cash flows generated from operations		**350.4**	223.2
Income taxes paid, net of refunds		**(41.9)**	(37.6)
Net cash flows generated from operating activities		**308.5**	185.6
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(140.9)**	(111.3)
Additions to intangible assets		**(4.9)**	(7.9)
Other		**0.6**	1.6
Net cash flows used in investing activities		**(145.2)**	(117.6)
FINANCING ACTIVITIES			
Issuance of long-term debt	9	**126.5**	0.2
Long-term debt amendment fees	9	**(2.1)**	(18.4)
Repayment of long-term debt		**(12.9)**	(128.3)
Interest paid		**(29.2)**	(38.3)
Issuance of subordinate voting shares		**5.7**	0.1
Repurchase of subordinate voting shares		**(366.9)**	(72.9)
Dividends paid	10	**(17.2)**	—
Other		**(1.3)**	(4.1)
Net cash flows used in financing activities		**(297.4)**	(261.7)
Effect of exchange rate changes on cash		**(1.5)**	3.9
Net decrease in cash		**(135.6)**	(189.8)
Cash at beginning of year		**298.6**	235.0
Cash at the end of period		**$ 163.0**	$ 45.2

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

For the three- and nine-month periods ended October 31, 2017 and 2016
[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 Spyder vehicles; Seasonal Products consisting of snowmobiles and personal watercraft; and Propulsion Systems consisting of engines for outboard and jet boats, karts, motorcycles and recreational aircraft. Additionally, the Company supports its lines of products with a dedicated parts, accessories, clothing and other services business. The Company's products are sold mainly through a network of independent dealers, independent distributors and to original equipment manufacturers. The Company distributes its products worldwide and manufactures them in Canada, Mexico, Austria, the United States and Finland.

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

2. BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements for the three- and nine-month periods ended October 31, 2017 and 2016 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with *IAS 34 "Interim Financial Reporting"*. These unaudited condensed consolidated interim financial statements for the three- and nine-month periods ended October 31, 2017 and 2016 follow the same accounting policies as the audited consolidated financial statements for the year ended January 31, 2017, except for the adoption of an amendment to IFRS as described below in note 2, and, as such, should be read in conjunction with them.

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

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

On November 30, 2017, the Board of Directors of the Company approved these unaudited condensed consolidated interim financial statements for the three- and nine-month periods ended October 31, 2017 and 2016.

2. BASIS OF PRESENTATION [CONTINUED]

Amendment adopted

IAS 7 Statement of cash flows

On February 1st, 2017, the Company adopted the amendment to *IAS 7 "Statement of cash flows"* which require companies to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Following the adoption of this amendment, the Company added in the long-term debt note a reconciliation between the opening and closing balances of its long-term debt.

3. FUTURE ACCOUNTING CHANGES

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 effective date of IFRS 15 for the Company is February 1st, 2018 and the Company will apply the standard retrospectively to prior reporting periods presented, subject to permitted practical expedients. According to the Company's preliminary analysis, the most significant impact will be (i) the recognition of all sales promotions 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"*, and (ii) the deferral of a portion of the revenue recognized upon the sale of a product when, in addition to the regular warranty coverage, an extended warranty coverage is given with the purchase of the product. The expected impact on the consolidated statements of financial position as at February 1, 2017 is a decrease of equity by a range of $175 million to $200 million. The Company is continuing to assess the overall impact of the new standard, including the required changes to the disclosures in its consolidated financial statements, to the information technology systems and to the internal controls over financial reporting.

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".* The effective date of IFRS 9 for the Company is February 1st, 2018. The Company's preliminary analysis has not identified a significant impact on its consolidated financial statements in respect of classification, measurement and hedge accounting.

In January 2016, the IASB issued *IFRS 16 "Leases"* which sets out the principles for recognition, measurement, presentation and disclosure of leases for both lessee and lessor. IFRS 16 introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases, except when the term is twelve months or less or when the underlying asset has a low value. The effective date of IFRS 16 for the Company is February 1st, 2019. According to the Company's preliminary analysis, the most significant impact will be the recognition of the present value of the future lease payments of lease assets and lease liabilities on the statement of financial position for a majority of its leases that are considered operating leases under *IAS 17 "Leases"*. The Company will provide further updates as it advances in its assessment.

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.

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

4. OTHER FINANCIAL ASSETS

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

	October 31, 2017	January 31, 2017
Restricted investments [a]	**$ 17.0**	$ 16.1
Derivative financial instruments	**14.5**	1.3
Other	**7.5**	6.2
Total other financial assets	**$ 39.0**	$ 23.6
Current	**17.3**	3.5
Non-current	**21.7**	20.1
Total other financial assets	**$ 39.0**	$ 23.6

[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.

5. INVENTORIES

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

	October 31, 2017	January 31, 2017
Materials and work in progress	**$ 375.2**	$ 286.0
Finished products	**300.1**	258.0
Parts, accessories and clothing	**166.2**	145.8
Total inventories	**$ 841.5**	$ 689.8

The Company recognized in the condensed consolidated interim statements of net income during the three- and nine-month periods ended October 31, 2017, a write-down on inventories of $3.7 million and $7.9 million respectively ($3.2 million and $13.6 million respectively during the three- and nine-month periods ended October 31, 2016).

6. REVOLVING CREDIT FACILITIES

On May 31, 2017, the Company amended its $425.0 million revolving credit facilities agreement to increase the availability by $50.0 million for a total availability of $475.0 million (the "Revolving Credit Facilities"). All other conditions of the Revolving Credit Facilities remained unchanged. The Company incurred transaction fees of $0.5 million, which are amortized over the expected life of the Revolving Credit Facilities.

During the nine-month period ended October 31, 2016, the Company amended and restated its $350.0 million revolving credit facilities agreement to increase the availability by $75.0 million for a total availability of $425.0 million, to extend the maturity from May 2018 to June 2021 and to reduce the cost of borrowing by 0.25%. The Company incurred transaction fees of $2.6 million.

For the three- and nine-month periods ended October 31, 2017 and 2016
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

7. PROVISIONS

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

	October 31, 2017	January 31, 2017
Product-related	**$ 262.2**	$ 229.6
Other	**90.9**	88.4
Total provisions	**$ 353.1**	$ 318.0
Current	**264.7**	232.5
Non-current	**88.4**	85.5
Total provisions	**$ 353.1**	$ 318.0

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

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

The changes in provisions were as follows:

	Product-related	Other	Total
Balance as at January 31, 2017	**$ 229.6**	**$ 88.4**	**$ 318.0**
Expensed during the period	**388.9**	**10.3** [a]	**399.2**
Paid during the period	**(354.4)**	**(5.3)**	**(359.7)**
Reversed during the period	**(3.3)**	**(1.8)**	**(5.1)**
Effect of foreign currency exchange rate changes	**1.0**	**(0.7)**	**0.3**
Unwinding of discount and effect of changes in discounting estimates	**0.4**	**—**	**0.4**
Balance as at October 31, 2017	**$ 262.2**	**$ 90.9**	**$ 353.1**

[a] Includes a $5.7 million expense related to the litigation cases described in Note 13.

8. OTHER FINANCIAL LIABILITIES

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

	October 31, 2017	January 31, 2017
Dealer holdback programs and customers deposits	**$ 80.9**	$ 78.1
Due to Bombardier Inc.	**22.2**	22.2
Derivative financial instruments	**6.9**	10.0
Due to a pension management company	**2.6**	5.1
Financial liability related to NCIB (Note 10)	**59.7**	—
Other	**5.2**	8.0
Total other financial liabilities	**$ 177.5**	$ 123.4
Current	**149.4**	94.7
Non-current	**28.1**	28.7
Total other financial liabilities	**$ 177.5**	$ 123.4

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

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

9. LONG-TERM DEBT

As at October 31, 2017 and January 31, 2017, the maturity dates, interest rates, outstanding nominal amounts and carrying amounts of long-term debt were as follows:

					October 31, 2017
	Maturity date	Contractual interest rate	Effective interest rate	Outstanding nominal amount	Carrying amount
Term Facility	June 2023	3.74%	4.28%	U.S. $793.0	**$ 995.5** [a]
Term Loans	Dec. 2017 to Dec. 2028	0.75% to 2.19%	1.00% to 8.60%	Euro 21.5	**30.2**
Finance lease liabilities	Jan. 2018 to Dec. 2030	8.00%	8.00%	$ 14.7	**11.1**
Total long-term debt					**$ 1,036.8**
Current					**22.5**
Non-current					**1,014.3**
Total long-term debt					**$ 1,036.8**

[a] Net of unamortized transaction costs of $26.8 million.

					January 31, 2017
	Maturity date	Contractual interest rate	Effective interest rate	Outstanding nominal amount	Carrying amount
Term Facility	June 2023	4.04%	4.61%	U.S. $696.5	**$ 879.1** [a]
Term Loans	Dec. 2017 to Dec. 2028	0.75% to 2.19%	1.50% to 8.60%	Euro 24.8	**32.3**
Finance lease liabilities	Jan. 2018 to Dec. 2030	8.00%	8.00%	$ 16.6	**12.3**
Total long-term debt					**$ 923.7**
Current					**22.7**
Non-current					**901.0**
Total long-term debt					**$ 923.7**

[a] Net of unamortized transaction costs of $28.4 million.

The following table explains the changes in long-term debt during the nine-month period ended October 31, 2017:

		Statements of cash flows			Non-cash changes		
	Carrying amount as at January 31, 2017	Issuance	Amendment fees	Repayment	Effect of foreign currency exchange rate changes	Other	Carrying amount as at October 31, 2017
Term Facility	**$ 879.1**	**$ 125.0**	**$ (2.1)**	**$ (4.4)**	**$ (5.7)**	**$ 3.6**	**$ 995.5**
Term Loans	**32.3**	**1.5**	**—**	**(6.5)**	**2.2**	**0.7**	**30.2**
Finance lease liabilities	**12.3**	**—**	**—**	**(2.0)**	**0.1**	**0.7**	**11.1**
Total	**$ 923.7**	**$ 126.5**	**$ (2.1)**	**$ (12.9)**	**$ (3.4)**	**$ 5.0**	**$ 1,036.8**

9. LONG-TERM DEBT [CONTINUED]

a) Term Facility

On October 10, 2017, the Company amended its term facility. This amendment reduces the cost of borrowing by 0.50% and reduced the LIBOR floor to 0.00%. It also increases the amount of borrowing by U.S. $100.0 million for a total nominal outstanding amount of U.S. $793.0 million. The maturity remains unchanged in June 2023 and the Company has the option to increase the amount of borrowing by U.S. $150.0 million under certain conditions. The term facility agreement contains customary representations and warranties but includes no financial covenants. The Company incurred transaction costs of $2.1 million which have been incorporated in the carrying amount of the term facility and are amortized over its expected life using the effective interest rate method.

As at October 31, 2017, the cost of borrowing under the term facility was as follows:

(i) LIBOR plus 2.50% per annum, with a LIBOR floor of 0.00%; or
(ii) U.S. Base Rate plus 1.50%; or
(iii) U.S. Prime Rate plus 1.50%

Under the term facility, the cost of borrowing in U.S. Base Rate or U.S. Prime Rate cannot be lower than the cost of borrowing in LIBOR.

The Company is required to repay a minimum of 1% of the original nominal amount of U.S. $800.0 million each year in two equal payments in July and January. Also, the Company may be required to repay a portion of the term facility in the event that Bombardier Recreational Products Inc. has an excess cash position at the end of the fiscal year and its leverage ratio is above a certain threshold level.

During the nine-month period ended October 31, 2016, the Company amended and restated its term facility. This amendment and restatement provided an extended term facility of U.S. $700.0 million maturing in June 2023 with the option for the Company to increase the amount of borrowing by U.S. $250.0 million under certain conditions. The term facility agreement contained customary representations and warranties but included no financial covenants. The Company incurred transaction costs of $18.4 million which have been incorporated in the carrying amount of the term facility and are amortized over its expected life using the effective interest rate method. As a result of the repayment of U.S. $92.0 million in the outstanding nominal amount of the previous term facility, $1.7 million of transaction costs incorporated in the carrying amount were recorded in net income.

b) Term Loans

During the nine-month period ended October 31, 2017, the Company entered into term loan agreements at favourable interest rates under Austrian government programs. These programs support research and development projects based on the Company's incurred expenses in Austria. The term loans have a total nominal amount of euro 1.1 million ($1.5 million), interest rates at Euribor three-months plus 1.00% and maturities between December 2021 and March 2022.

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

For the three- and nine-month periods ended October 31, 2017 and 2016
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

10. CAPITAL STOCK

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

	Number of shares	Carrying Amount
Subordinate voting shares		
Balance as at January 31, 2017	**32,696,914**	**$ 296.6**
Issued upon exercise of stock options	338,073	8.7
Issued in exchange of multiple voting shares	16,070,872	1.3
Repurchased under the substantial issuer bid offer	(8,599,508)	(67.6)
Repurchased under the normal course issuer bid program	(454,700)	(3.2)
Balance as at October 31, 2017	**40,051,651**	**$ 235.8**
Multiple voting shares		
Balance as at January 31, 2017	**79,023,344**	**$ 6.4**
Exchanged for subordinate voting shares	(16,070,872)	(1.3)
Balance as at October 31, 2017	**62,952,472**	**$ 5.1**
Total outstanding as at October 31, 2017	**103,004,123**	**$ 240.9**

a) Substantial issuer bid offer (“SIB”)

On May 31, 2017, the Company announced a SIB to repurchase its subordinate voting shares for cancellation for a maximum amount of $350.0 million. During the nine-month period ended October 31, 2017, the Company repurchased 8,599,508 subordinate voting shares following the completion of the SIB for a total consideration of $350.0 million, of which $66.7 million represents the carrying amount of the shares repurchased and $283.3 million represents the amount charged to retained losses. Prior to the completion of the SIB, Beaudier group, Bain Capital and CDPQ converted respectively 3,168,019, 2,438,724 and 464,129 of multiple voting shares into an equivalent number of subordinate voting shares. These converted shares were repurchased in the SIB. The Company incurred $1.0 million of fees and expenses ($0.9 million net of income tax recovery of $0.1 million) related to the SIB, which were recorded in capital stock.

b) Normal course issuer bid program (“NCIB”)

In March 2017, the Company announced the renewal of its NCIB to repurchase for cancellation up to 3,078,999 of its outstanding subordinate voting shares. During the three-month period ended October 31, 2017, the Company repurchased a total of 454,700 subordinate voting shares for a total consideration of $18.6 million. Of the total consideration, $3.2 million represents the carrying amount of the shares repurchased and $15.4 million represents the amount charged to retained losses.

As at October 31, 2017, a $59.7 million financial liability, with a corresponding amount in equity, was recorded in the condensed consolidated interim statements of financial position in relation with 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 November 1st to December 4, 2017. 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 October 31, 2017.

c) Secondary offering

On October 17, 2017, Beaudier group, Bain Capital and CDPQ completed a secondary offering of 10,000,000 subordinate voting shares of the Company to a syndicate of underwriters. Prior to such transaction, Beaudier group, Bain Capital and CDPQ converted respectively 5,218,391, 4,017,091 and 764,518 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 the initial public offering of the Company's subordinate voting shares, the Company incurred approximately $0.5 million of fees and expenses related to this secondary offering.

d) Dividend

During the nine-month period ended October 31, 2017, the Company declared two quarterly dividends of $0.08 per share for holders of its multiple voting shares and subordinate voting shares. The dividends were paid on July 13, 2017 and October 13, 2017 for a total consideration of $17.2 million to shareholders.

11. STOCK OPTION PLAN

During the nine-month periods ended October 31, 2017 and 2016, the Company granted respectively 1,093,100 and 761,800 stock options to eligible officers and employees to acquire subordinated voting shares at an average exercise price of $39.51 and $20.41 respectively. The fair value of the options at the grant date was respectively $12.55 and $8.34. Such stock options are time vesting and 25% of the options will vest on each of the first, second, third and fourth anniversary of the grant. The stock options have a ten-year term at the end of which the options expire.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three- and nine-month periods ended October 31, 2017 and 2016
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

12. EARNINGS PER SHARE

a) Basic earnings per share

Details of basic earnings per share were as follows:

	Three-month periods ended		Nine-month periods ended	
	October 31, 2017	October 31, 2016	**October 31, 2017**	October 31, 2016
Net income attributable to shareholders	**$ 77.7**	$ 78.7	**$ 159.0**	$ 120.6
Weighted average number of shares	**103,240,376**	111,895,410	**108,607,972**	113,390,140
Earnings per share - basic	**$ 0.75**	$ 0.70	**$ 1.46**	$ 1.06

b) Diluted earnings per share

Details of diluted earnings per share were as follows:

	Three-month periods ended		Nine-month periods ended	
	October 31, 2017	October 31, 2016	**October 31, 2017**	October 31, 2016
Net income attributable to shareholders	**$ 77.7**	$ 78.7	**$ 159.0**	$ 120.6
Weighted average number of shares	**103,240,376**	111,895,410	**108,607,972**	113,390,140
Dilutive effect of stock options	**987,167**	340,064	**851,563**	265,154
Weighted average number of diluted shares	**104,227,543**	112,235,474	**109,459,535**	113,655,294
Earnings per share - diluted	**$ 0.75**	$ 0.70	**$ 1.45**	$ 1.06

For the three- and nine-month periods ended October 31, 2017 and 2016
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

13. OTHER OPERATING EXPENSES (INCOME)

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

	Three-month periods ended		Nine-month periods ended	
	October 31, 2017	**October 31, 2016**	**October 31, 2017**	**October 31, 2016**
Restructuring costs reversal	**$ —**	$ (0.4)	**$ —**	$ (0.8)
Loss on litigation	**—**	0.3	**5.7**	62.9
Foreign exchange (gain) loss on working capital elements	**12.3**	6.1	**(2.1)**	5.3
(Gain) loss on forward exchange contracts	**(8.2)**	(7.5)	**7.5**	(3.2)
Other	**0.2**	(0.2)	**—**	(0.4)
Total	**$ 4.3**	$ (1.7)	**$ 11.1**	$ 63.8

The Company is involved in multiple lawsuits with one of its competitors whereby each party is claiming damages for the alleged infringement of some of its patents. On June 1, 2016, a verdict was rendered in one of those lawsuits against the Company for an amount of U.S. $15.5 million ($19.5 million) in compensatory damages, which was recorded during the three-month period ended April 30, 2016. On June 13, 2016, the trial judge formalized the verdict rendered on June 1, 2016 and awarded additional damages in favour of the plaintiff. Subsequently, the trial judge also established a royalty payable upon the sale of any future contravening vehicles. The Company recorded expenses of nil and $5.7 million for the three- and nine-month periods ended October 31, 2017 compared with $0.3 million and $62.9 million for the three- and nine-month periods ended October 31, 2016. Management believes that the verdict and subsequent decisions are unfounded and unsupported by either law or evidence and filed an appeal on August 23, 2016. Management believes the Company has recorded adequate provisions to cover potential losses in relation to pending legal actions.

14. FINANCING COSTS AND INCOME

Details of financing costs and financing income were as follows:

	Three-month periods ended		Nine-month periods ended	
	October 31, 2017	**October 31, 2016**	**October 31, 2017**	**October 31, 2016**
Interest and amortization of transaction costs on long-term debt	**$ 11.2**	$ 10.7	**$ 33.8**	$ 37.3
Interest and commitment fees on revolving credit facilities	**1.7**	1.6	**3.4**	3.3
Net interest on employee future benefit liabilities	**1.4**	1.7	**4.1**	5.1
Financial guarantee losses	**0.2**	0.1	**0.7**	0.3
Unwinding of discount of provisions	**0.4**	0.3	**1.3**	0.9
Other	**0.2**	1.4	**0.5**	2.0
Financing costs	**15.1**	15.8	**43.8**	48.9
Financing income	**(0.5)**	0.1	**(1.9)**	(1.5)
Total	**$ 14.6**	$ 15.9	**$ 41.9**	$ 47.4

For the three- and nine-month periods ended October 31, 2017 and 2016
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

15. INCOME TAXES

Details of income tax expense were as follows:

	Three-month periods ended		Nine-month periods ended	
	October 31, 2017	**October 31, 2016**	**October 31, 2017**	**October 31, 2016**
Current income tax expense				
Related to current year	**$ 37.2**	$ 31.6	**$ 61.4**	$ 45.2
Related to prior years	**—**	0.2	**0.1**	—
	37.2	31.8	**61.5**	45.2
Deferred income tax expense (recovery)				
Temporary differences	**(2.2)**	9.1	**(8.7)**	(8.5)
Effect of income tax rate changes on deferred income taxes	**—**	(0.3)	**0.1**	0.2
Increase (decrease) in valuation allowance	**3.7**	3.3	**(1.1)**	(9.3)
	1.5	12.1	**(9.7)**	(17.6)
Income tax expense	**$ 38.7**	$ 43.9	**$ 51.8**	$ 27.6

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

	Three-month periods ended				Nine-month periods ended			
	October 31, 2017		**October 31, 2016**		**October 31, 2017**		**October 31, 2016**	
Income taxes calculated at statutory rates	**$ 31.2**	**26.8%**	$ 33.0	26.9%	**$ 56.6**	**26.8%**	$ 39.9	26.9%
Increase (decrease) resulting from:								
Income tax rate differential of foreign subsidiaries	**(1.4)**		3.6		**(3.4)**		(0.4)	
Effect of income tax rate changes on deferred income taxes	**—**		(0.3)		**0.1**		0.2	
Increase (decrease) in valuation allowance	**3.7**		3.3		**(1.1)**		(9.3)	
Recognition of income taxes on foreign currency translation	**0.6**		(0.3)		**(1.0)**		0.7	
Permanent differences [a]	**4.8**		4.4		**1.8**		(4.4)	
Adjustments in respect of prior years	**(0.1)**		0.3		**(0.7)**		0.6	
Other	**(0.1)**		(0.1)		**(0.5)**		0.3	
Income tax expense	**$ 38.7**		$ 43.9		**$ 51.8**		$ 27.6	

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

For the three- and nine-month periods ended October 31, 2017 and 2016
[Unaudited]
[Tabular figures are in millions of Canadian dollars, unless otherwise indicated]

16. FINANCIAL INSTRUMENTS

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

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

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

			As at October 31, 2017
	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)		**$ 14.5**	**$ 14.5**
(Unfavourable)		**(4.6)**	**(4.6)**
Inflation rate swap		**(2.3)**	**(2.3)**
	Level 2	**$ 7.6**	**$ 7.6**
Long-term debt (including current portion)			
Term Facility (Note 9)	Level 1	**$ (995.5)**	**$ (992.9)**
Term Loans (Note 9)	Level 2	**(30.2)**	**(30.8)**
		$ (1,025.7)	**$ (1,023.7)**

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