



**BRP INC.**

**ANNUAL INFORMATION FORM**

**Fiscal year ended January 31, 2016**

**March 17, 2016**

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## EXPLANATORY NOTES

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The information in this annual information form (the “Annual Information Form”) is stated as at January 31, 2016, unless otherwise indicated.

Unless otherwise noted or the context otherwise requires, the “Company” and “BRP” refer to BRP Inc. and its direct and indirect subsidiaries and predecessors or other entities controlled by them.

Unless otherwise indicated, all references to “\$” or “dollars” are to Canadian dollars and references to “U.S.\$” or “U.S. dollars” are to United States dollars. Amounts are stated in Canadian dollars unless otherwise indicated.

All references to “Fiscal 2016” are to the Company’s fiscal year ended January 31, 2016, to “Fiscal 2015” are to the Company’s fiscal year ended January 31, 2015 and to “Fiscal 2014” are to the Company’s fiscal year ended January 31, 2014.

References to Company or market data for a season for all-terrain vehicles and side-by-side vehicles refer to the 12 months ended June 30 for Canada and the United States (collectively, “North America”), for motorcycles and *Spyder* roadsters refer to the 12 months ended October 31 for North America, for snowmobiles refer to the 12 months ended March 31 for North America and to the 12 months ended June 30 for Scandinavia, for personal watercraft refer to the 12 months ended September 30 for North America, for outboard engines refer to the 12 months ended June 30 for North America and for each other jurisdiction for one of these products or for each of the other products refer to the calendar year, in each case for the particular year indicated. Any references to seasonal data for multiple products refer to each product’s respective season for the particular year indicated.

Certain capitalized terms and phrases used in this Annual Information Form are defined in the “Glossary of Terms” beginning on page 64.

### Forward-Looking Statements

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

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

Many factors could cause the Company’s actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail under the heading “Risk Factors” of this Annual Information Form: impact of adverse economic conditions on consumer spending; decline in social acceptability of the Company’s products; fluctuations in foreign currency exchange rates; high levels of indebtedness; unavailability of additional capital; unfavourable weather conditions; seasonal sales fluctuations; the Company’s ability to comply with product safety, health, environmental and noise pollution laws; dependence on dealers,



distributors, suppliers, financing sources and other strategic partners who may be sensitive to economic conditions; large fixed cost base; inability of dealers and distributors to secure adequate access to capital; supply problems, termination or interruption of supply arrangements or increases in the cost of materials; covenants in the Company's financing and other material agreements; competition in product lines; loss of members of management team or employees who possess specialized market knowledge and technical skills; inability to maintain and enhance reputation and brands; adverse determination in any significant product liability claim against the Company; significant product repair and/or replacement due to product warranty claims or product recalls; reliance on a network of independent dealers and distributors to manage the retail distribution of its products; dependence on OEM customers for its outboard engine and *Rotax* engine business; unsuccessful management of inventory levels; risks associated with international operations; unsuccessful execution of growth strategy; protection of intellectual property; failure of information technology systems; declining prices for used versions of products and oversupply by competitors; unsuccessful execution of manufacturing strategy; changes in tax laws and unanticipated tax liabilities; higher fuel costs; deterioration in relationships with employees; pension plan liabilities; natural disasters; failure to carry proper insurance coverage; volatile market price for Subordinate Voting Shares; no current plans to pay dividends; conduct of business through subsidiaries; significant influence by Beaudier Group and Bain Capital; and future sales of Shares by Beaudier Group, Bain Capital, directors, officers or senior management of the Company. These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully.

The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this Annual Information Form are made as of the date of this Annual Information Form, and the Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities regulations. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement.

### **IFRS and Non-IFRS Measures**

The Company's financial statements, available on SEDAR at [www.sedar.com](http://www.sedar.com), have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This Annual Information Form makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS measures including Normalized EBITDA, Normalized Net Income, Normalized basic earnings per share and Normalized diluted earnings per share to provide investors with supplemental measures of the Company's operating performance. The Company believes non-IFRS measures are important supplemental measures of operating performance because they eliminate items that have less bearing on the Company's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of companies, many of which present similar metrics when reporting their results. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess the Company's ability to meet its future debt service, capital expenditure and working capital requirements. Because other companies



may calculate these non-IFRS measures differently than the Company does, these metrics are not comparable to similarly titled measures reported by other companies. Refer to the Company's management's discussion and analysis for the Fiscal 2016, available on SEDAR at [www.sedar.com](http://www.sedar.com), for definitions and reconciliations of Normalized EBITDA and Normalized Net Income to the most directly comparable IFRS measure.

### **Market and Industry Data**

The Company has obtained the market and industry data presented in this Annual Information Form from a combination of internal surveys, third party information and the estimates of the Company's management. There are limited sources that report on the Company's markets and industries. As such, much of the market and industry data presented in this Annual Information Form is based on internally-generated management estimates, including estimates based on extrapolations from third party surveys of the industries in which the Company competes. While the Company believes internal surveys, third party information and estimates of the Company's management are reliable, the Company has not verified them, nor have they been verified by any independent sources and the Company has no assurance that the information contained in third party websites is current and up-to-date. While the Company is not aware of any misstatements regarding the market and industry data presented in this Annual Information Form, such data involves risks and uncertainties and are subject to change based on various factors, including those factors discussed under "Forward-Looking Statements" and "Risk Factors".

### **Trademarks and Tradenames**

This Annual Information Form refers to trademarks, such as *BRP*<sup>®</sup>, *Ski-Doo*<sup>®</sup>, *Sea-Doo*<sup>®</sup>, *Can-Am*<sup>®</sup>, *Evinrude*<sup>®</sup>, *Lynx*<sup>®</sup>, *Rotax*<sup>®</sup>, and *Johnson*<sup>®</sup>, which are protected under applicable intellectual property laws and are the property of the Company. Solely for convenience, the Company's trademarks and tradenames referred to in this Annual Information Form may appear without the <sup>®</sup> or <sup>™</sup> symbol, but such references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, its rights to these trademarks and tradenames. All other trademarks used in this Annual Information Form are the property of their respective owners.

## **CORPORATE STRUCTURE**

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### **Incorporation and Office**

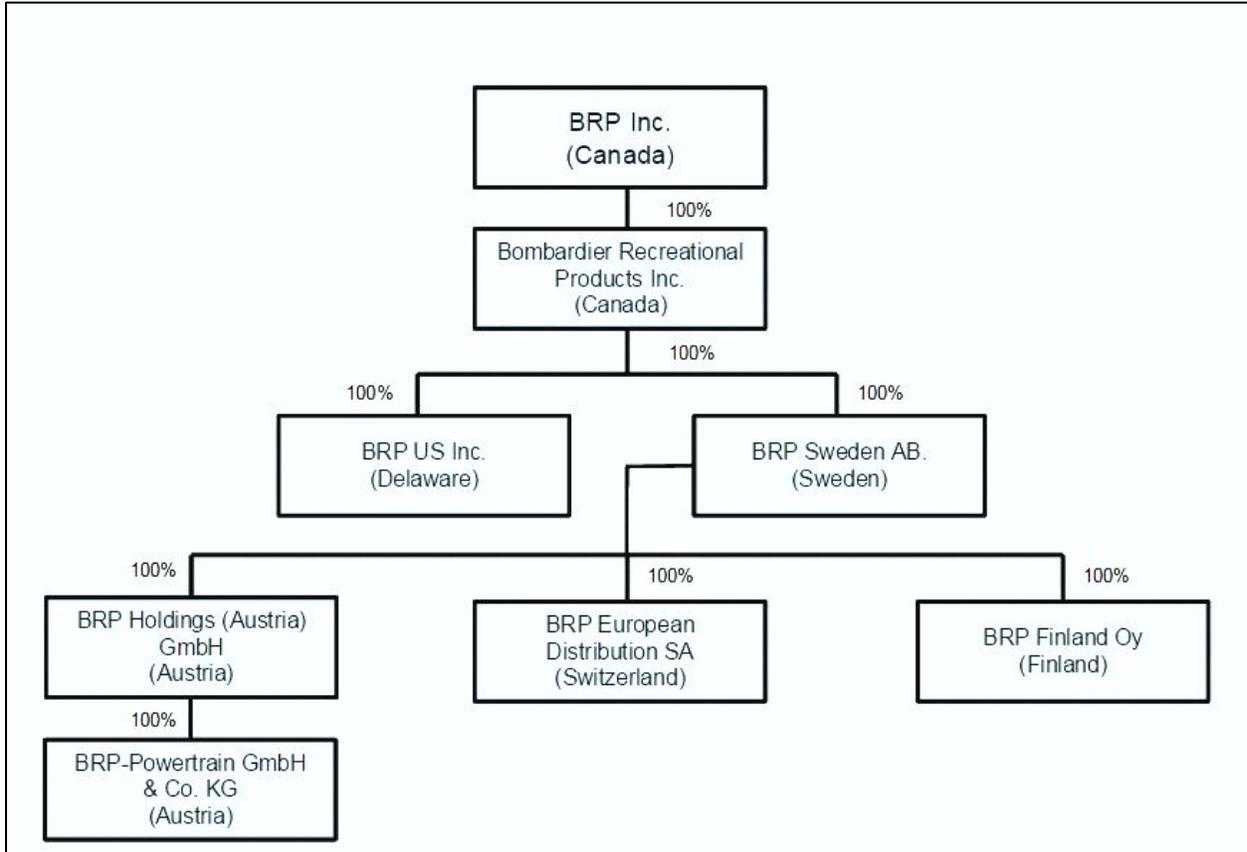
The Company was incorporated under the *Canada Business Corporations Act* on May 1, 2003 under the name J.A. Bombardier (J.A.B.) Inc. On June 28, 2006, the Company was amalgamated with 4308042 Canada Inc., a wholly-owned subsidiary of the Company. On April 12, 2013, the Company filed articles of amendment to change its name to BRP Inc. Immediately prior to the closing of its initial public offering on May 29, 2013 (the "IPO"), the Company filed articles of amendment to reorganize its authorized and issued share capital as described under "Description of the Capital Structure".

The Company's head and registered office is located at 726 Saint-Joseph Street, Valcourt, Québec, JOE 2L0.



## Intercorporate Relationships

The following organization chart indicates the inter-corporate relationships of the Company and its material subsidiary entities together with the jurisdiction of incorporation or constitution of each such entity as at the date hereof:



Certain subsidiaries of the Company, each of which represented not more than 10% of the consolidated assets and not more than 10% of the consolidated revenue of the Company, and all of which, in the aggregate, represented not more than 20% of the total consolidated assets and the total consolidated revenue of the Company as at the date hereof, have been omitted.

## GENERAL DEVELOPMENT OF THE BUSINESS

BRP's origins date back to 1937 when founder Joseph-Armand Bombardier obtained his first patent for a tracked vehicle used for travelling on snow.

In 1970, the Company acquired the maker of *Rotax* engines. In 1989, the Company acquired the Finnish company Nordtrac Oy, the maker of the *Lynx* brand of snowmobiles. A decade later, the Company entered a new powersports category when it began selling all-terrain vehicles ("ATVs"), which are now branded *Can-Am*. In 2001, the Company acquired the outboard engine related assets of Outboard Marine Corporation (OMC), including the *Evinrude* and *Johnson* brands.

In 2003, while operating as a division of Bombardier Inc., the Company was sold by Bombardier Inc. to an investor group including Bain Capital Luxembourg Investments S.à r.l. ("Bain Capital"),



members of the Bombardier and Beaudoin families and Caisse de dépôt et placement du Québec (“CDPQ”).

In 2007, the Company entered the on-road market and created a new on-road product category with the introduction of the *Spyder* roadster. In 2010, the Company added another product to its portfolio with the introduction of its first recreational side-by-side vehicle (“SSV”) under the *Can-Am* brand. In September 2012, BRP decided to cease the manufacturing of sport boats and announced that it would offer its jet boat propulsion technology to boat manufacturers.

On the transactional front, on May 29, 2013, the Company completed its IPO of 12,200,000 subordinate voting shares at a price of \$21.50 per share resulting in gross proceeds of \$262.3 million. The Company’s subordinate voting shares (the “Subordinate Voting Shares”) are listed on the Toronto Stock Exchange (“TSX”) under the symbol “DOO”. On June 27, 2013, in connection with the exercise of the over-allotment option granted to the underwriters in connection with the IPO, the Company received gross proceeds of \$39.3 million from the issuance of 1,830,000 additional Subordinate Voting Shares. On October 9, 2013, Bain Capital, CDPQ and other selling shareholders completed a bought deal secondary offering (the “October 2013 Secondary Offering”) pursuant to which they sold an aggregate of 8,000,000 Subordinate Voting Shares at a price of \$27.85 per Subordinate Voting Share for aggregate gross proceeds of \$222.8 million to the selling shareholders. On January 31, 2014, Bain Capital, CDPQ and other selling shareholders completed another bought deal secondary offering (the “January 2014 Secondary Offering”) pursuant to which they sold an aggregate of 10,000,000 Subordinate Voting Shares (1,300,000 Subordinate Voting Shares of which were sold through the exercise in full of the over-allotment option) at a price of \$30.00 per Subordinate Voting Share for aggregate gross proceeds of \$300.0 million to the selling shareholders. The Company did not receive any of the proceeds from the October 2013 Secondary Offering and the January 2014 Secondary Offering. From March 2015 to January 2016, the Company repurchased for cancellation 3,703,442 of its outstanding Subordinate Voting Shares through a normal course issuer bid. As at March 16, 2016, 35,921,422 Subordinate Voting Shares and 79,023,344 multiple voting shares of the Company (the “Multiple Voting Shares”, and collectively with the Subordinate Voting Shares, the “Shares”) were issued and outstanding.

## **BUSINESS OF THE COMPANY AND ITS INDUSTRY**

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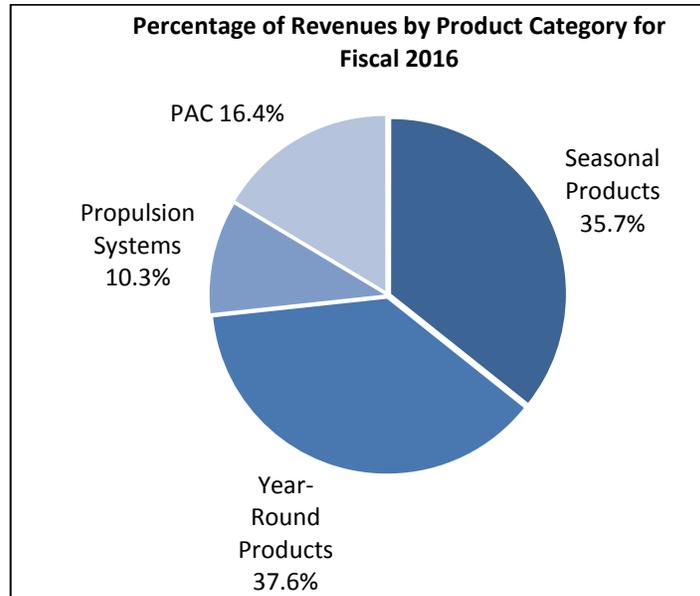
### **Overview of the Company**

BRP is a global leader in the design, development, manufacturing, distribution and marketing of powersports vehicles and propulsion systems. The Company is one of the most diversified manufacturers of the powersports industry, providing consumers with a variety of exhilarating, stylish and powerful products for all-year use on many types of terrain.

The Company promotes a portfolio of globally recognized brands and products that achieved market-leading positions, establishing the Company as a brand of choice for true powersports enthusiasts. BRP’s products are marked by stunning designs, powerful and efficient engines, and the incorporation of advanced technologies that drive industry-leading performance. BRP aims to continuously enhance the consumer experience through new features and models in a variety of ways, including enhancing rider ergonomics, adding safety features, enhancing engine performance and reducing environmental impact. The Company’s diversified portfolio of brands and products includes *Can-Am* ATVs, SSVs and roadsters, *Ski-Doo* and *Lynx* snowmobiles, *Sea-Doo* PWCs, and propulsion systems composed of *Evinrude* outboard marine engines and *Rotax* engines for jet boats, karts, motorcycles and recreational aircraft. Additionally, the Company supports its line of products with a dedicated parts, accessories and clothing (“PAC”) business.



Management believes that the diversity of BRP's product offering reduces its exposure from changes in consumer behavior in any single category and provides the Company with multiple avenues for growth, while reducing the overall seasonality of the Company's sales as certain of its product lines are sold in offsetting seasons.



### **Powersports Industry**

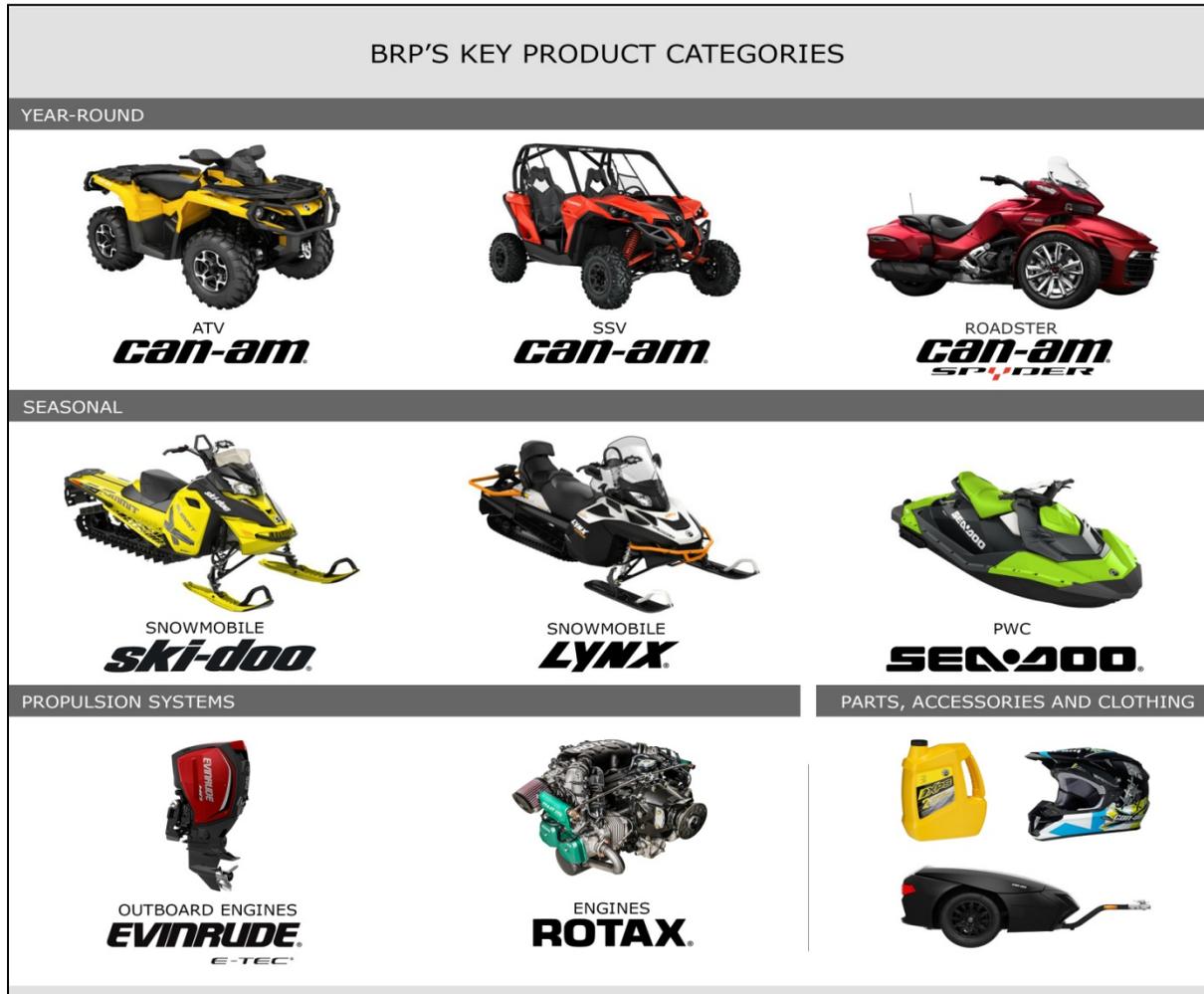
The powersports industry is comprised of several product categories. The majority of powersports products are used for recreational purposes. Certain products, primarily ATVs and SSVs, are also used for utility purposes, such as for agriculture, construction, military and other commercial applications. BRP competes in the ATV, SSV, snowmobile and PWC categories, and in a sub-group of the motorcycle category (specifically the On-Road Motorcycles of 500 cc+, as defined herein), with the *Can-Am Spyder* roadster. BRP's competition primarily comes from North American and Asian manufacturers. The markets for BRP's products are highly competitive based on a number of factors, including innovation, performance, price, technology, product features, styling, fit and finish, brand loyalty, quality, warranties and distribution. Management believes consumer demand for powersports vehicles is mostly influenced by macroeconomic conditions, product life cycles, the introduction of new features, technologies and products, brand recognition and the maintenance of extensive and engaged distribution networks.

Powersports products are sold through networks of local dealers and distributors. Manufacturers generally either distribute their products in a country directly to an established network of largely independent dealers or through distributors who act as intermediaries with local dealers. Manufacturers typically provide dealers with marketing and after-sale service support as well as training for service technicians. At the dealer/distributor level, competition is based on a number of factors, including sales and marketing support efforts such as dealer/distributor inventory financing arrangements, dealer/distributor training, store redesign initiatives, flexible ordering systems, advertising and diversity in product offerings. Management believes that BRP's products, covering all seasons and multiple terrain applications, provide a compelling value proposition for its dealer/distributor network.



## Brands and Products

BRP has four product categories: (i) year-round products consisting of *Can-Am* ATVs, recreational SSVs and *Spyder* roadsters (the “Year-Round Products”); (ii) seasonal products consisting of *Ski-Doo* and *Lynx* snowmobiles and *Sea-Doo* PWCs (the “Seasonal Products”); (iii) propulsion systems consisting of *Evinrude* outboard engines and *Rotax* engines (the “Propulsion Systems”), and (iv) PAC products supporting the Company’s various product lines with replacement parts, additional product accessories and complementary clothing.



### Year-Round Products

Year-Round Products consist of BRP vehicles that are sold and used throughout the year in most climates and include the ATV, SSV and *Spyder* product lines. All products within the Year-Round Product category are sold under the *Can-Am* brand. *Can-Am* ATVs, SSVs and *Spyder* roadsters all leverage BRP’s renowned *Rotax* engines.

#### ATVs

ATVs are four-wheel vehicles used for recreational and utility purposes in all four seasons of the year. Seats are designed to be straddled by the rider who steers using handlebars, much like a



motorcycle. ATVs can be broken down into four main categories: sport, recreational-sport, recreational-utility and youth.

The primary manufacturers of ATVs include BRP, Arctic Cat, Honda, Kawasaki, Polaris, Suzuki and Yamaha. Certain Chinese and Taiwanese manufacturers also produce ATVs, but primarily focus on entry-level products, which are not included in the industry data.

Management estimates that the ATV market reached its North American peak of 915,000 retail units sold in season 2005, and it has since been declining. In recent years, some consumers have shifted from ATVs to recreational SSVs. Management estimates that the global ATV market represented approximately 380,000 units in season 2015, down approximately 4% from season 2014.

The *Can-Am* ATV line-up targets a broad range of consumers within the recreational, recreational-sport and sport sectors. In total, the Company offers a total of 45 models, including a youth model and a six-wheel ATV. Management estimates that its global market share in season 2015 reflected a number four position.

For season 2016, suggested retail prices for the Company's ATV models (including youth models) range from approximately US\$2,850 to US\$17,150 in the United States.

### SSVs

An SSV is driven much like a car, using a steering wheel and pedals, is equipped with seat belts and rollover protection bars and sits the driver and passenger side-by-side. Certain models also include one or two rows of additional seats to accommodate up to six passengers. SSVs can be divided into two categories: (1) recreational SSVs, which can be sub-divided into three main groupings: sport, recreational-utility, utility-recreational; and (2) utility SSVs. The utility category of the SSV market remains strong, but in the last decade the SSV market has been transformed by the introduction of vehicles designed primarily for recreational purposes. Both existing and aspirational powersports consumers are drawn to recreational SSVs in large part by their enhanced functionality, innovation and differentiated riding experience. Certain consumers have shifted from ATVs to SSVs.

The primary manufacturers of recreational SSVs are BRP, Arctic Cat, John Deere, Honda, Kawasaki, Polaris and Yamaha. Primary manufacturers of utility SSVs are Bobcat, John Deere, Kubota, Polaris and Toro.

Management estimates that the global recreational SSV market represented approximately 294,000 units for season 2015, an increase of approximately 13% from season 2014.

After having built a strong reputation in the sport and recreational-utility sectors over the last few years, the Company entered in 2015 in the utility-recreational sector with the *Defender* model, which is the biggest sector of the North American industry. This line-up expansion allows the Company to have its broadest market coverage so far. In addition, the Company offers one of the widest and deepest line-ups of the industry with 26 models. Management estimates that the Company's share of the global recreational SSV market in season 2015 reflected a number four market position.

For season 2016, suggested retail prices for the Company's SSV models range from approximately US\$11,000 to US\$26,600 in the United States.

### Roadsters

BRP's *Can-Am Spyder* roadster is a non-traditional three-wheel vehicle (with two wheels in the front and one in the back) designed to be driven on paved roads and highways. Despite its uniqueness,



the Motorcycle Industry Council classifies the *Spyder* model in the On-Highway Motorcycle category. While many jurisdictions apply the same licensing requirements for the *Spyder* roadster as for traditional motorcycles, others have implemented distinct licensing requirements that are generally less expensive, demanding and lengthy to obtain. Certain jurisdictions require only an automobile driver's license.

Although there are no other direct competitors in this newly created category, BRP's products compete for consumers against traditional motorcycle manufacturers such as Harley Davidson, Honda, Kawasaki, Polaris, Suzuki and Yamaha, as the *Spyder* is also used for open air recreational touring. Management estimates that the market for On-Road Motorcycles of 500 cc+ represented approximately 812,000 units in season 2015, up approximately 1% from season 2014.

Management believes that, in addition to the traditional motorcycle consumer, the *Spyder* roadster's open-air experience, styling, performance and stability appeal to consumers that would not have considered buying a motorcycle. With its Y-shape architecture, vehicle stability system and semi-automatic transmission, management believes that the *Spyder* roadster offers greater stability and overall ease of use for a broad range of riders of all skill levels. The *Spyder* line-up is comprised of 20 models.

For season 2016, suggested retail prices for the Company's *Spyder* models range from approximately US\$15,000 to US\$30,950 in the United States.

### **Seasonal Products**

Seasonal Products consist of BRP products that are mostly used in specific seasons. These products include snowmobiles, which are mainly used during the winter season with sales to dealers concentrated in the months of September to January, and PWCs, which are mainly used during the summer season with sales to dealers concentrated in the months of January to April. BRP leverages its *Rotax E-TEC* and *ACE* engine technologies to produce snowmobiles and watercraft that are recognized as being among the most fuel-efficient in the market.

#### *Snowmobiles*

Snowmobiles are used in various snow-covered riding environments, including on- and off-trail for mountain, performance, touring and utility purposes. On-trail models have high engine displacement and are generally used on groomed trails. Off-trail models such as cross-over and mountain snowmobiles are known for their lighter weight and longer tracks. Utility snowmobiles are easier to handle and are generally used for work-related purposes.

BRP has three major competitors in the snowmobile market: Arctic Cat, Polaris and Yamaha. Management estimates that the Company holds the leading market share position of the global snowmobile market.

The industry reached a peak of nearly 495,000 retail units sold in North America in season 1971. The global snowmobile market is highly concentrated in North America, Russia and Scandinavia, with North America accounting for an estimated 69% of global unit sales in season 2015. Management estimates that the global snowmobile market represented approximately 158,000 units for season 2015, down approximately 3% from season 2014.

Management believes that BRP's broad snowmobile product line-up addresses the needs of all consumer sectors. The Company produces 90 different key models of snowmobiles, categorized as (i) on-trail models (touring, sport, cross-country), (ii) on/off-trail models (cross-over) and (iii) off-trail models (mountain, utility). These models are grouped into 16 product families and marketed under two



different brand names, *Ski-Doo* and *Lynx*. BRP snowmobiles are sold primarily in North America under the *Ski-Doo* brand and in Europe and Russia under the *Lynx* and *Ski-Doo* brands.

For season 2016, suggested retail prices for BRP snowmobiles range from approximately US\$7,250 to US\$15,450 in the United States.

### *PWCs*

PWCs include sit-down and stand-up models and are used on lakes, rivers or oceans. PWCs are designed to accommodate one to three riders and are used primarily for recreational purposes, with a small proportion being used for utility purposes such as marine patrol and rescue. PWCs can be divided into four primary categories: luxury, performance, sport and recreation.

BRP has two major competitors in the PWC market: Kawasaki and Yamaha. Management estimates that the Company holds the leading market share position of the global PWC market.

Management estimates that the North American PWC retail market peaked at approximately 210,000 units in season 1995. In season 2015, the global PWC market represented approximately 87,000 units, up approximately 5% from season 2014. Management believes that the *Sea-Doo Spark* watercraft, a more accessible PWC product introduced by the Company during season 2014, has significantly contributed to the industry unit growth observed in recent years.

The Company produces a full line of PWCs consisting of 20 models marketed under the *Sea-Doo* brand name. The Company introduced the first on-water brake in 2008. BRP's broad product offering allows it to compete in the main PWC product categories.

For season 2015, suggested retail prices for BRP's PWC models range from approximately US\$5,200 to US\$17,500 in the United States.

### ***Propulsion Systems***

BRP's Propulsion Systems product category consists of *Evinrude* outboard boat engines and *Rotax* engines.

#### *Marine Propulsion Systems*

Marine propulsion systems for recreational power boats are comprised of outboard engines and inboard engines. They are generally sold to independent boat builders that in turn resell the engines and related rigging as part of a boat package, and to independent dealers and distributors. Outboard engines are designed to be affixed to the outside of a boat transom and tend to be lighter, less expensive and more easily replaceable than inboard engines. Inboard engines are designed to be integrated within the boat by the boat manufacturer as part of the production of the boat.

BRP's main competitors in the outboard engine business are Brunswick, Honda, Suzuki and Yamaha. For inboard engines, they are Brunswick and Volvo Penta who make stern drive propulsion systems and Yamaha who makes jetboats with its own jet propulsion systems.

For the outboard engine industry, management estimates that season 2016 represented approximately 331,000 retail units globally, an increase of approximately 2% from season 2015. Management believes that BRP has a number four market share position of the global outboard engine market (for engines greater than 30 hp). For inboard powerboats, management estimates that demand remained relatively stable in recent years at approximately 20,000 units in the United States, down from a level of approximately 80,000 units in the mid-2000s.



BRP offers two kinds of marine propulsion systems for recreational power boats: *Evinrude* outboard engines from 3.5 hp to 300 hp and *Rotax* inboard jet propulsion engines. The *Evinrude* outboard engines are advanced 2-stroke engines with direct fuel injection that are more fuel efficient, cleaner, quieter, and easier to service than a traditional 2-stroke engine. In June 2014, the Company introduced the innovative *Evinrude E-TEC G2* engine family, with an offering currently ranging from 200 hp to 300 hp featuring improved performance, better fuel efficiency and a radically different design, allowing the possibility to customize the coloration of the engine to match the boat. For their part, the *Rotax* inboard jet propulsion engines offer boat builders an alternative for traditional inboard sterndrives and other inboard engines.

For season 2016, suggested retail prices for the Company's *Evinrude* engines range from approximately US\$1,350 to US\$28,930 in the United States.

### *Rotax Engines*

With their recognized performance, fuel efficiency and emissions profile, *Rotax* engines represent a core component of BRP's industry-leading product performance. They power *Can-Am* ATVs, SSVs and roadsters, *Ski-Doo* and *Lynx* snowmobiles, *Sea-Doo* PWCs and the marine *Rotax* inboard jet propulsion system. *Rotax* engines are also sold to distributors and OEMs that manufacture products that are not in direct competition with BRP products. When sold to such third parties, the engines are used to power karts, motorcycles, small recreational aircraft and firepumps. BRP has developed a comprehensive line-up of compact *Rotax* engines with engine specifications varying from one to four cylinders, 2-stroke and 4-stroke.

Most of BRP's powersport competitors power their vehicles with engines they manufacture themselves. For kart engines, the main competitors are IAME, TM Racing and Vortex Engines. For motorcycle engines, the main competitors are Honda, Kawasaki, Triumph and Yamaha. For small recreational aircraft engines, the main competitors are Continental Motors and Lycoming.

### **Parts, Accessories and Clothing (PAC)**

BRP sells a broad range of PAC to complement each of its product lines, providing a stable revenue stream with high profit margins, along with increased brand exposure. PAC products enhance the overall consumer experience and lifestyle associated with powersports products. The parts sold by BRP include consumables (e.g. oils, lubricants and cleaning products), wearable components (e.g. brake pads, tires and transmission belts) and replacement parts (e.g. pistons, clutches and suspension components). The accessories include, for example, bumpers, windshields, rims, winches, passenger seats, covers, racks and cargo boxes. BRP also sells a range of clothing and apparel adapted to its various product lines, including jackets, coats, pants, gloves, helmets, gear bags and casual sportswear items such as sweatshirts, T-shirts and hats.

The competitive landscape is composed mainly of companies specialized in parts, accessories and clothing ("aftermarket companies") ranging from multi-brand distributors to smaller single-brand companies. Aftermarket parts and accessories are generally of universal design and can be installed on the Company's vehicles as much as on the competitors' vehicles. These aftermarket parts and accessories are generally sold at lower prices and acknowledged to be of lower quality than the BRP parts and accessories.

BRP designs the vast majority of its PAC. The parts and accessories are developed alongside the vehicles. They are subject to the same testing and validation processes as the vehicles, resulting in superior assembly, installation and fit. BRP accessories are recognized as being innovative. The Company's clothing line-up prominently features its logos for brand enthusiasts. It is designed to truly



enhance the riding experience. Management believes that BRP's PAC offering has become a key influencer in the consumer's purchase decision of a new vehicle, thus providing the Company with another competitive advantage.

### Strategic Priorities

The Company's strategic priorities are:

<p><b>GROWTH</b></p> <hr/> <p>Accelerate Can-Am growth</p> <p>Define the next wave of growth</p>	<p><b>AGILITY</b></p> <hr/> <p>Implement one-piece flow, a modular approach and a more flexible supply chain to better serve our consumers and dealers</p>	<p><b>LEAN ENTERPRISE</b></p> <hr/> <p>Implement new core technologies and drive margin improvement on new products launched</p>
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### Manufacturing Facilities and Operations

The Company manufactures its products at eight facilities located in Canada, Mexico, Austria, the United States and Finland. The Company's global manufacturing platform provides it with proximity to certain key retail markets, which management believes creates a competitive advantage for BRP. For example, the Company's facilities in Mexico reduce distribution lead-times to the North American market, while its Rovaniemi (Finland) snowmobile production facility provides it with a competitive distribution advantage in the Scandinavian and Russian markets. The Company's international manufacturing footprint also partially mitigates exposure to currency fluctuations from revenues denominated in foreign currencies.

The following table presents the location, size and products manufactured at the Company's current manufacturing facilities. All of the Company's facilities are owned by the Company, except for the Juárez 2 (Mexico) plant, the one in Querétaro (Mexico) and the one in Rovaniemi (Finland), which are leased.

<u>Location</u>	<u>Approx. Size (sq. ft.)</u>	<u>Products Manufactured</u>
Valcourt, Canada.....	800,000	Snowmobiles and <i>Spyders</i>
Gunskirchen, Austria.....	500,000	<i>Rotax</i> engines
Querétaro, Mexico.....	500,000	<i>Rotax</i> engines and PWCs
Sturtevant, United States.....	465,000	Outboard engines and jet propulsion systems
Juárez, Mexico ("Juárez 1").....	465,000	ATVs and SSVs
Juárez, Mexico ("Juárez 2").....	405,000	SSVs
Rovaniemi, Finland.....	215,000	Snowmobiles and certain specialized ATVs
Spruce Pine, United States.....	100,000	Mainly components for engines

The Company plans to maintain its manufacturing operations and production capacity at relatively stable levels in Canada, Austria, the United States and Finland, while accommodating volume growth by increasing production levels and capacity as required in Mexico.



The Company's facility in Valcourt (Canada) assembles *Ski-Doo* snowmobiles, *Spyder* roadsters and manufactures components of such vehicles. The Company ceased producing *Sea-Doo* PWCs in Valcourt in 2015 following the transfer of such activities to its facility in Querétaro (Mexico).

The Company's Gunskirchen (Austria) facility assembles *Rotax* engines for the Company's snowmobiles and *Spyder* roadsters, as well as for third-party OEMs for use in karts, motorcycles, boats, recreational and small aircraft and firepumps. Since January 2016, *Sea-Doo* PWC engines are partially manufactured in the Gunskirchen (Austria) facility and subsequently completed in the Querétaro facility, with the exception of the *Sea-Doo Spark* PWC engines, which are entirely produced in Querétaro (Mexico). The facility in Gunskirchen is strategically located in a region in which skilled labor in advanced propulsion systems is abundant due to the proximity of several automotive industry research centers and key suppliers.

The Company's facility in Querétaro (Mexico) assembles *Rotax* engines for *Can-Am* ATVs and SSVs and *Spark* PWCs. Since 2016, the facility in Querétaro has been gradually starting to assemble the entire *Sea-Doo* PWCs line-up and *Sea-Doo* PWC engines, which are partially manufactured in the Gunskirchen (Austria) facility and subsequently completed in the Querétaro facility, with the exception of the *Spark* PWC engines. The facility also manufactures composite components for *Sea-Doo* PWCs.

The Company's facility in Sturtevant (United States) manufactures outboard engines and related components under the *Evinrude E-TEC* brand covering the 15 hp to 300 hp category. It also produces components for *Rotax* engines and jet propulsion systems.

The Company's Juárez 1 facility (Mexico) assembles ATVs and SSVs, manufactures related components and produces ATV and SSV accessories such as bumpers, racks, steering columns and brackets.

The Company's Juárez 2 facility (Mexico) assembles SSVs, manufactures related components and produces SSV accessories such as bumpers, racks, steering columns and brackets.

The Company's facility in Rovaniemi (Finland) assembles *Lynx* and *Ski-Doo* snowmobiles and completes the assembly of certain models of specialized ATVs. The Company also manufactures components for snowmobiles and ATVs in Rovaniemi.

The Company's facility in Spruce Pine (United States) provides lost foam aluminum casted parts for *Evinrude* and *Rotax* branded engines as well as other OEM customers serving the automotive, rail and construction equipment industries.

The Company is vertically integrated in respect of those manufacturing processes that represent its core competencies, such as surface treatment, painting, high precision machining and honing, aluminum forming, riveting and welding, steel forming and welding and engine component manufacturing. For other product components, the Company relies on external suppliers. The Company uses contract carriers to ship its products to its customers and maintains international distribution centers to allow for its products to be shipped to international customers with shorter lead-times.

## Research and Development

Research and development is a core part of BRP's business strategy as it enables the Company to sustain its reputation for high performance products, build strong consumer loyalty and reduce production costs. In Fiscal 2016, investments by the Company in research and development activities represented \$164.4 million, or approximately 4% of the Company's annual sales. BRP's significant research and development efforts have repeatedly materialized into several new design features, engine technologies (e.g., the *E-TEC* technology), ergonomic features (e.g., the *Ski-Doo REV*



Gen 4 platform introduced in February 2016 and the *UFit* system of the *Spyder F3*), safety features (e.g., the *Sea-Doo* speed limiting *Learning Key* or the *Sea-Doo iBR* intelligent brake and reverse system), as well as entirely new product lines (e.g., the *Spyder* family) and accessories (*Ski-Doo 1+1* seat, the *Spyder Tri-Axis* handlebar, the *Sea-Doo Snap-In* fender and the *ATV & SSV LinQ* cargo systems).

BRP's research and development activities are spread across its four research and development sites located in Canada, Austria, the United States and Finland. Research and development activities are organized around centers of expertise, with each facility focused primarily on certain specific activities.

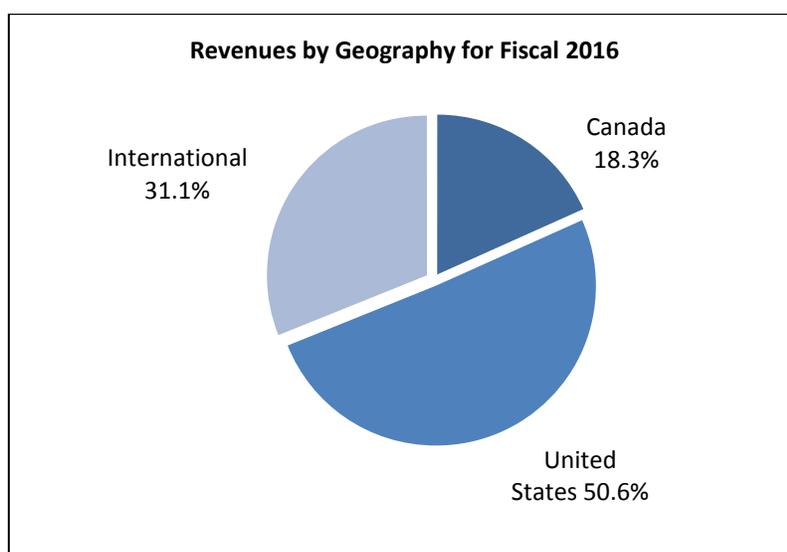
BRP is a member, with the *Université de Sherbrooke*, of the *Centre de technologies avancées BRP - Université de Sherbrooke*, which has the mandate of developing new innovative technologies for powersports vehicles, including more environmentally friendly technologies. BRP also established the *Laurent Beaudoin Design & Innovation Centre*, which serves as the home to BRP's design and advanced concept teams, working to create revolutionary products and develop new product lines and categories. In addition, BRP is a partner with the Austrian government in the *Regionales Innovations Centrum* in Austria, focusing on the design and development of efficient powertrain technologies.

## Distribution, Sales and Marketing

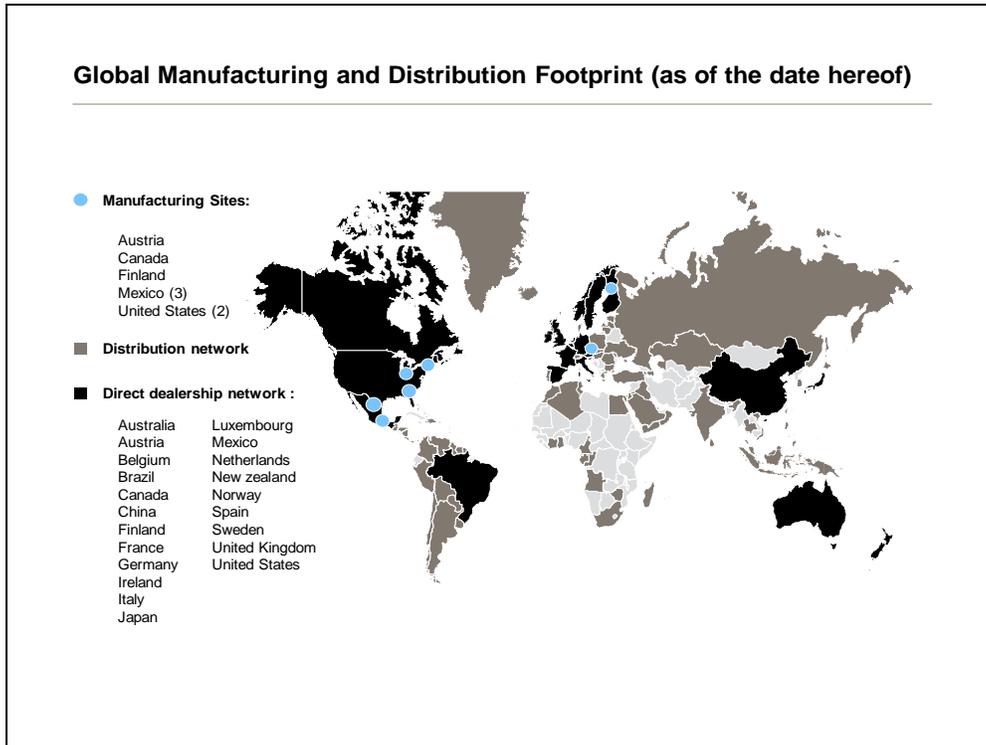
### Distribution and Sales

BRP has established an extensive global distribution network selling products, directly or indirectly, in over 100 countries. As of the date hereof, BRP sells products directly to approximately 3,300 dealers in 21 countries. In certain geographic markets, the Company prefers to leverage a network of distributors acting as intermediaries with local dealers. Through its network of approximately 185 distributors, BRP sells products to approximately 920 additional dealers. In February 2015, the Company started operating a joint venture for products distribution in China with its long-time distributor in China, Smooth Marine Equipment Ltd. BRP has a majority ownership stake in the joint venture.

In Fiscal 2016, approximately 31% of the Company's revenues were generated outside of North America. In addition to reducing the Company's reliance on any single geographic market, management believes that the breadth of BRP's distribution network positions it favourably to capture future growth opportunities in emerging powersports markets.



## Global Manufacturing and Distribution Footprint (as of the date hereof)



The Company typically enters into agreements with dealers, pursuant to which they are authorized to market specific product lines and are required to stock service parts and perform warranty and out-of-warranty repairs and other services. Most of these contracts do not require a dealer to market the Company's products on an exclusive basis. Based on various business criteria, dealers can become entitled to discounts, co-operative advertising subsidies and inventory financing. The Company also enters into agreements with distributors covering specific territories.

The Company delivers its products to dealers and distributors either directly from distribution centers and warehouses strategically located, which are operated either by the Company itself or by third-party logistics providers.

The Company operates a build-to-order process under which it manufactures products based on dealer and distributor orders. It also manages a sales and operations process through which it adjusts production schedules on a weekly or monthly basis to precisely tailor production to incoming orders and market conditions. The Company measures the success of its global production scheduling based on its order fill rate and finished product inventory. The Company produces its Seasonal Products, namely its snowmobiles and PWCs, before and early in their respective seasons of use, while it produces its other products, namely its ATVs, SSVs, *Spyder* and outboard and *Rotax* engines, year-round. Due to the supply chain lead-time for Seasonal Products, flexibility in adjusting production volumes to meet changes in anticipated demand is limited.

The Company regularly holds dealer and distributor meetings to introduce new products and register pre-season orders. Dealers and distributors also have the opportunity to modify their orders during the season, either quarterly, monthly or on an ongoing basis, depending on the product line and the geography. The distribution network for Seasonal and Year-Round products is relatively stable and consists of a majority of dealers and distributors with whom BRP has enjoyed a longstanding



relationship. Outboard engines are mainly distributed through two channels: (i) boat builders and (ii) independent marine dealers and distributors. The majority of new outboard-powered boats today are sold by boat builders to dealers as a package that includes the boat and the engine and BRP has entered into non-exclusive supply agreements for outboard engines with many independent boat builders. The *Rotax* inboard jet propulsion engines are distributed exclusively through boat builders.

### ***Dealers' and Distributors' Inventory Financing Arrangements***

BRP has agreements with large financing companies in North America, Europe, Australia and New Zealand and Latin America to provide third party inventory financing to its dealers and distributors in order to facilitate their purchase of the Company's products. These agreements improve BRP's liquidity by financing dealer and distributor purchases of products without requiring substantial use of the Company's working capital. A significant percentage of BRP's sales are made under such arrangements. The total amount of financing provided under such financing agreements totaled approximately \$2,747.5million for Fiscal 2016 compared to approximately \$2,499.2 million for Fiscal 2015. In the event of a dealer or distributor default, BRP may be required to purchase from the finance company new and unused products at the total unpaid balance of the dealer or distributor to the finance company. In North America, the obligation is capped at the greater of U.S.\$25 million or 10% of the last twelve month average amount of financing outstanding under the financing agreements whereas in Europe, the obligation is capped at the greater of U.S.\$10 million or 10% of the last twelve month average amount of financing outstanding under the financing agreement. In Australia and New Zealand, the obligation to repossess new and unused products is limited to the greater of AUD \$5.0 million (\$4.9 million) or 10% of the last twelve-month average amount of financing outstanding under the financing agreements.

### ***Marketing***

The Company's marketing strategy ensures that the way the Company interacts and communicates with its dealers, distributors and consumers is consistent with its brand positioning and focuses on "Moving People with Passion and Innovation". Given the diversity of BRP's product portfolio, its brand teams deploy key marketing initiatives that are tailored to each specific market opportunity, yet leveraging common elements shared by the brands.

BRP seeks to drive consumer loyalty and ambassadorship through a focus on the consumer experience and collaboration with the dealers and distributors. The Company has implemented several initiatives to expose thousands of consumers each year to high-quality product trials. Comparative demo tours are organized, often with dealers' or distributors' cooperation, at multiple grass-root events or industry shows worldwide.

The Company's digital marketing leverages social media and several independent BRP enthusiasts' websites or blogs.

The Company holds meetings for dealers and distributors and, as part of its value proposition to them, arranges for availability of third-party inventory financing, makes available point-of-purchase promotional materials (including brochures, posters, and stands) and offers timely season rebate programs and other incentives.

The Company generally positions its brands, products and pricing at a slight premium above the competition.

The Company has built an expertise in raising awareness by developing its brands in high potential markets where there is low penetration. This was achieved through a combination of



sponsoring amateur races and championships, building owner communities through special events and social media and co-branding partnerships for mass public events.

### Suppliers

BRP's primary purchases from its suppliers include raw materials, tooling, parts and systems, information technology ("IT") services, marketing services and transportation. Parts and components are subject to an extensive validation process in order to ensure their reliability and durability. Raw materials or standard parts are generally readily available from multiple sources for the vehicles manufactured by BRP. Management anticipates no significant difficulties in obtaining substitute supply arrangements for most other raw materials or components for which BRP relies upon limited sources of supply. BRP strives to obtain the lowest total costs of supply and manufacturing and regularly seeks alternative sources of supply outside its current network of suppliers.

The Company is vertically integrated in respect of core manufacturing processes. For product components, other than those resulting from the core manufacturing processes, the Company generally establishes long-term relationships with external suppliers. The Company has implemented a certification process to evaluate the suitability of potential suppliers, which includes a review of suppliers' financial condition and their capacity to produce components in conformity with BRP's requirements and specifications as well as with applicable labour and environmental standards. Additionally, the Company performs both laboratory and field testing of components before using them in its products.

The manufacturing of the Company's youth ATVs, *Evinrude* outboard engines of 15 hp and below, as well as the production of most of its accessories and clothing is outsourced.

### Seasonality

Some of BRP's product lines, such as snowmobiles and PWCs, are seasonal. However, these products are sold during offsetting seasons, reducing the overall seasonal impact on the Company. Additionally, BRP's *Spyder*, propulsion systems, ATV and SSV products are less subject to seasonal weather patterns than snowmobiles and PWCs.

The following table reflects the seasonality of revenues for each of the quarters in the three most recent fiscal years.

<u>(in % of annual revenues)</u>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Fiscal 2016.....	23.4%	21.2%	26.4%	29.0%
Fiscal 2015.....	21.5%	22.1%	26.0%	30.4%
Fiscal 2014.....	25.2%	19.4%	27.1%	28.3%

### Employees

The Company employs approximately 7,900 employees of whom approximately 2,200 are covered by collective arrangements, either through an association, a joint company-employee relations committee or a certified union/works council.

In Valcourt (Canada), the Company has employee relations committees to ensure joint company-employee discussions addressing employee matters and business challenges in an open and transparent context. These employee relations committees also serve as a channel of communication



between the Company and all related employees in order to foster a culture of collaboration and mutual trust. Employee relations committee meetings are held on a regular basis, including once a year to discuss and implement, as necessary, specific work conditions and other normative elements.

In the United States, employees are non unionized.

Employees in Austria and Finland are represented by these countries' respective national works councils which supervise labour law compliance. The members of the respective local works councils meet with management on a regular basis and also participate in social, employment and, to a lesser extent, economic and financial decisions. In general, the Company representatives and works councils' members meet on a regular basis to discuss specific work conditions and other normative elements. The Company and local works councils also hold annual formal negotiations to discuss overall work conditions.

Employees in Juárez (Mexico) are not represented by any association. Employees in Querétaro (Mexico) are represented by a union; wages are agreed upon yearly, and other benefits every other year.

In addition, employees in non-manufacturing sites located in Belgium, Brazil, France, Norway and Sweden are represented by their respective local or national works councils.

### **Intellectual Property**

The Company has an extensive portfolio of intellectual property, including patents, trademarks, copyrights and trade secrets that protect its brands, products, designs and technologies.

#### ***Patents***

As at March 16, 2016, the Company held more than 1,600 issued patents and pending patent applications to protect its products, designs and technologies, in jurisdictions including the United States, the European Union, Canada, China and Russia, among others. The Company diligently seeks to protect its key innovations through patent filings. The Company determines jurisdictions in which it files patent applications based on strategic considerations and the availability of patent protection in such jurisdictions. As it continues to develop new products, manufacturing processes and technologies the Company plans to apply for patents to protect such innovations.

As an example, the Company's patent portfolio includes patents relating to its *REV* snowmobile platform, *E-TEC* technology, *Spyder* VSS vehicle stability system, *Rotax* engines and PWC *iBR* brake system.

#### ***Trademarks***

In addition to protecting its technical innovations, the Company relies on a combination of registered and unregistered trademarks to protect its position as a branded company with strong brand name recognition. It holds numerous registered trademarks in respect of its brands, including *BRP*<sup>®</sup>, *Can-Am*<sup>®</sup>, *Evinrude*<sup>®</sup>, *Lynx*<sup>®</sup>, *Rotax*<sup>®</sup>, *Sea-Doo*<sup>®</sup> and *Ski-Doo*<sup>®</sup>. It also holds registered trademarks in respect of its various model lines, including *Expedition*<sup>®</sup>, *GSX*<sup>®</sup>, *MX-Z*<sup>®</sup>, *Renegade*<sup>®</sup>, *RXP*<sup>®</sup>, *RXT*<sup>®</sup>, *Skandic*<sup>®</sup>, *Spark*<sup>®</sup>, *Spyder*<sup>®</sup> and *Summit*<sup>®</sup> and additional registered trademarks in respect of its technologies, including *4-TEC*<sup>®</sup>, *E-TEC*<sup>®</sup>, *iBR*<sup>®</sup>, *iCatch*<sup>®</sup>, *iControl*<sup>®</sup>, *iS*<sup>®</sup>, *Learning Key*<sup>®</sup>, *REV*<sup>®</sup> and *Y-Factor*<sup>®</sup>. The Company determines the jurisdictions in which it registers its trademarks based on strategic considerations and on the availability of trademark registration in such jurisdictions. As it continues to develop and introduce new brands, models and technologies, the Company plans to register new trademarks to protect its strong name recognition.



## **Licenses**

In the ordinary course of business, the Company enters into license agreements for intellectual property held by suppliers, competitors and other third parties with respect to parts, components and other systems used in the Company's products.

## **Product Warranties**

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

## **Information Technology**

The Company uses several IT platforms in the operation of its business. For examples, the Company uses SAP (enterprise system), SalesForce (sales and after-sale), Cognos (finance) and certain applications developed in-house. All such platforms support specific functions of the Company.

## **Regulatory Matters**

The Company is subject to extensive laws and regulations at many steps in its chain of conception, production and distribution of products. Above and beyond the laws and regulations applicable to any business, there are certain requirements applicable only to powersports vehicles or recreational products such as that of the Company. These regulations include standards related to safety, construction rules, sound and gaseous emissions, and the sale and marketing of products, and have generally become stricter in recent years.

The Company is taking appropriate measures to ensure that its products will be compliant with anticipated more stringent regulations as they become effective from time to time, such as EU regulations 167/2013 and 168/2013 adding new construction requirements to ATVs, SSVs and *Spyders* in 2016. Such measures include the development of new engines and vehicle design, as well as the development of new energy-efficiency related technologies. While these efforts require substantial expenditures, it is impractical at this time to isolate these specific compliance costs from total project costs. See "Risk Factors".

## **Safety Regulation**

The Company's products are subject to extensive laws and regulations relating to product safety promulgated by the governments or regulatory authorities of Canada, individual Canadian provinces, the United States, individual American states or other countries. In Canada, Transport Canada has federal oversight over product safety issues related to ATVs, SSVs, snowmobiles, PWCs and roadsters. In the United States, the federal government is the primary regulator of product safety. The Consumer Product Safety Commission (the "CPSC") has federal oversight over product safety issues related to ATVs, snowmobiles and SSVs, the National Highway Transportation Safety Administration has federal oversight over product safety issues related to *Spyder* roadsters, and the U.S. Coast Guard's Boating Safety Division has federal oversight over product safety issues related to PWCs and outboard engines. The Company is subject to the product safety requirements of each of



those regulatory authorities. These requirements pertain to the conception, production and distribution of BRP's products.

In addition, the Company is a member of several industry and trade associations in Canada, the United States, and other countries whose mandate is to promote safety in the manufacture and use of powersports products. Such trade associations promulgate voluntary industry product safety standards with which the Company complies.

One of the trade associations of which the Company is a member is the Recreational Off-Highway Vehicle Association ("ROHVA"), which promotes the safe and responsible use of SSVs. ROHVA began developing industrywide safety standards for SSVs in 2008, in consultation with regulatory authorities and other stakeholders. In 2009, the CPSC published an advance notice of proposed rulemaking regarding SSV safety regulations, in which it expressed concerns regarding the sufficiency of ROHVA's draft safety standards as they existed at that time. ROHVA held further consultations with the CPSC regarding their concerns and, in 2011, ROHVA published revised draft safety standards. The CPSC has not promulgated regulations regarding SSV safety and there is no certainty as to whether such regulations will be adopted. The Company cannot predict the consequences of any eventual regulations upon its manufacturing and sales of SSVs.

### ***Use Regulation***

In Canada, the United States, and other countries, laws and regulations have been promulgated or are under consideration relating to the use of powersports vehicles. Some countries, provinces, states, municipalities and local regulatory bodies have adopted, or are considering the adoption of, legislation and local ordinances that restrict the use of snowmobiles, PWCs, ATVs, SSVs and outboard engines to specified hours and locations. The use of snowmobiles, PWCs, ATVs, SSVs and outboard engines has been restricted in some national parks and federal lands in Canada, the United States and other countries. In some instances, this restriction has consisted of a ban on the recreational use of these vehicles in specific locations.

### ***Emissions Regulation***

The Company's products are subject to sound and gaseous emissions regulations promulgated by the governments and regulatory authorities of Canada (Environment Canada), the United States (Environmental Protection Agency), individual American states (such as the California Air Resources Board), the European Union and other jurisdictions.

### ***Environmental Regulation Applicable to Facilities***

The Company is also subject to environmental laws, rules and regulations pursuant to which, among other things, it may become liable for the costs of investigating, removing and monitoring any hazardous substances found in its manufacturing and other facilities.

### **Insurance**

The Company carries various insurance coverage policies to protect against certain risks of loss consistent with the exposures associated with the nature and scope of its operations. The most significant insurance policies that the Company carries include:

- commercial general liability insurance for bodily injury and property damage resulting from its operations and its products;



- property insurance covering the replacement value of all real and personal property damage, including damages arising from earthquake, flood damage and business interruption;
- cargo insurance to protect against loss or damage to goods while in transit;
- workers' compensation coverage in the United States to required statutory limits;
- automobile liability insurance for all owned, non-owned and hired vehicles covering liabilities to third parties for bodily injury and property damage; and
- aviation insurance for bodily injury and property damage resulting from the Company's small recreational aircraft engines; and
- directors and officers insurance.

All policies are subject to certain deductibles, limits or sub-limits and policy terms and conditions.

## **RISK FACTORS**

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

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

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

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

Changes in economic conditions could result in a deterioration or increased volatility in the credit and lending markets, which could adversely impact the consumers who purchase the Company's products from dealers and rely upon financing for such purchases as well as the availability of financing arrangements for dealers and distributors to finance their inventory. If financing is not available to



consumers or dealers and distributors on satisfactory terms, it is possible that the Company's business, results of operations or financial condition could be materially adversely affected.

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

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

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

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

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

While the Company actively manages its exposure to foreign exchange rate fluctuations by entering into hedging contracts from time to time for certain of such exposures, these contracts hedge foreign currency denominated transactions and any change in the fair value of the contracts would be offset by changes in the underlying value of the transactions being hedged. Furthermore, the Company does not have foreign exchange hedging contracts in place with respect to all currencies in which it



does business. As a result, there can be no assurance that the Company's hedging strategies, if any, will be effective in the future or that the Company will be able to enter into foreign exchange hedging contracts on satisfactory terms.

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

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

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

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

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



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

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

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

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

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

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

The Company is subject to federal, provincial/state and local/municipal laws, rules and regulations in Canada, the United States and other countries regarding product safety, health, environmental and noise pollution and other issues which could cause the Company to incur fines or penalties or increase the Company's capital or operating costs, all of which could have a material adverse effect on the Company's business, results of operations or financial condition. The Company's products are subject to laws, rules and regulations relating to product safety. A failure to comply with, or compliance with, any such requirements or any new requirements, including new requirements resulting



from the on-going rule-making procedure of the U.S. CPSC with respect to SSVs as described under “Business of the Company – Regulatory Matters – Safety Regulation”, could result in increased expenses to modify the Company’s products, or harm to its reputation, which could have a material adverse effect on the Company’s business, results of operations or financial condition. Certain jurisdictions require or are considering requiring a license to operate the Company’s products. While such licensing requirements are not expected to be unduly restrictive, they may deter potential customers, thereby reducing the Company’s sales. The Company’s products are also subject to laws, rules and regulations imposing environmental, noise emission, zoning and permitting restrictions, which laws, rules and regulations are subject to change and may limit the locations where the Company’s products may be sold or used or restrict their use during certain times or on certain conditions.

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

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

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



products causes these business partners to voluntarily or involuntarily reduce or terminate their relationship with the Company.

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

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

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

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

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

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



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

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

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

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

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

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



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

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

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

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

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

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

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

The Company's well-established brands include *Can-AM* off-road vehicles (ATVs and SSVs) and *Can-AM* on-road vehicles (*Spyder* roadsters), *Ski-Doo* and *Lynx* snowmobiles, *Sea-Doo* PWCs, *Rotax* engines and *Evinrude* outboard engines. The Company believes that its reputation and brands are significant contributors to the success of its business. Any negative publicity about the Company's products could diminish customer trust, do significant damage to the Company's reputation and brands and could negatively impact sales. As the Company expands into new geographical markets,



maintaining and enhancing its brands may become increasingly difficult and expensive, as consumers in these markets may not accept its brand image. Failure to maintain and enhance the Company's brands in any of its markets may materially adversely affect the Company's business, results of operations or financial condition.

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

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

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

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

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

The Company provides a limited warranty against defects for all of its products for a period generally varying from six months to three years. The Company may provide extended warranty coverage related to certain promotional programs, as well as extended warranty coverage in certain geographical markets as determined by local laws, rules or regulations and market conditions. The Company also provides a limited emissions warranty for certain emissions related parts in its products as required by the United States Environmental Protection Agency and the California Air Resources Board. Although the Company employs quality control procedures, it happens that a product manufactured by the Company needs repair or replacement or be recalled. The Company's standard warranties require that dealers repair or replace defective products during such warranty periods at no cost to the consumer. The Company records provisions based on an estimate of product warranty claims, but there is the possibility that actual claims may exceed these provisions and therefore



negatively impact earnings. The Company could make major product recalls or could be held liable should the Company's products not meet safety standards or statutory requirements on product safety or consumer protection. In addition, the risks associated with product recalls may be aggravated if production volumes increase significantly, supplied goods do not meet the Company's standards or the Company fails to perform its risk analysis systematically or product-related decisions are not fully documented. Historically, product recalls have been administered through the Company's dealers and distributors. The repair and replacement costs that the Company could incur in connection with a recall could have a material adverse effect on the Company's business, results of operations or financial condition. Product recalls could also harm the Company's reputation and cause it to lose customers, particularly if recalls cause consumers to question the safety or reliability of the Company's products, which could have a material adverse effect on the Company's business, results of operations or financial condition.

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

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

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



brand identity and reputation may be damaged, which could have a material adverse effect on the Company's business, results of operations or financial condition.

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

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

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

The Company must maintain sufficient inventory levels to operate its business successfully. However, the Company must also guard against accumulating excess inventory as it seeks to minimize lost sales.

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

On the other hand, the sales of certain other product lines are managed through shorter-term purchase commitments, and the Company has introduced a flexible order management system for certain of its products. Any failure by the Company to maintain adequate inventory levels for such products could result in undesirable delivery delays for its customers or result in the loss of certain sales, which could, in turn, have a material adverse effect on the Company's business, results of operations or financial condition.

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



*The Company's international sales and operations subject it to additional risks, which risks may differ in each country in which the Company operates*

The Company manufactures its products in Canada, Mexico, the United States, Finland and Austria. The Company maintains sales and administration facilities in approximately 19 countries. The Company's primary distribution facilities distribute the Company's products to its North American dealers and it has various other locations around the world that distribute its products to its international dealers and distributors. The Company's total sales outside Canada and the United States represented 31.1% of the Company's total sales for Fiscal 2016 and the Company intends to continue to expand its international operations. Growth opportunities include international markets such as China, Russia, Brazil and Australia, where the Company is building strategic relationships to facilitate the growth of its industries or is already investing in developing its dealer network and promoting the Company's brands and products. International markets have been and are expected to continue generating sales growth. Several factors, including weakened international economic conditions, could adversely affect such growth. Additionally, the expansion of the Company's existing international operations and entry into additional international markets require significant management attention and financial resources. Some of the countries in which the Company sells its products, or otherwise has an international presence, are to some degree subject to political, economic and/or social instability. The Company's international sales and operations expose the Company and its representatives, agents and distributors to risks inherent in operating in foreign jurisdictions. These risks include:

- increased costs of adapting products for foreign countries;
- difficulties in managing and staffing international operations and increases in infrastructure costs, including legal, tax, tariffs, customs and duties (such as the utilization fee applicable to snowmobiles, ATVs and SSVs enacted in Russia in 2016), accounting, and information technology;
- the imposition of additional Canadian and foreign governmental controls or regulations; new or enhanced trade restrictions and restrictions on the activities of foreign agents, representatives, and distributors; and the imposition of increases in costly and lengthy import and export licensing and other compliance requirements, customs duties and tariffs, license obligations, and other non-tariff barriers to trade;
- the imposition of Canadian and/or international sanctions against a country, company, person, or entity with whom the Company does business that would restrict or prohibit the Company's continued business with the sanctioned country, company, person, or entity;
- international pricing pressures;
- laws and business practices favouring local companies;
- governmental expropriation;
- adverse currency exchange rate fluctuations;
- longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- difficulties in enforcing or defending intellectual property rights; and
- multiple, changing, and often inconsistent enforcement of laws, rules, and regulations, including rules relating to environmental, health, and safety matters.



Certain of the Company's manufacturing facilities are located in Mexico, and could be impacted by changes in such country's economic, social or political conditions. In the past, Mexico has been subject to political instability, changes and uncertainties and there can be no assurance that similar events will not occur again in the future. In addition, the impact of any changes in Mexico's economic, social and political conditions would be beyond the Company's control and there can be no assurance that any mitigating actions by the Company would be effective. As a result, the Company's business, results of operations or financial condition could be materially adversely affected by any significant change in existing economic, social and political conditions in Mexico.

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

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

*The Company may be unable to successfully execute its growth strategy*

The Company's strategic plan established by management includes a growth strategy and growth objectives that could comprise elements of both organic growth and growth through strategic acquisitions, investments, alliances, joint ventures and similar transactions.

While the Company makes significant investments in research and development and emerging product lines, there can be no assurance that it will be able to continue to successfully enhance its existing products, develop new innovative products and distinguish its products from its competitors' products through innovation and design. The Company may therefore not be able to satisfy the needs and preferences of customers and compete effectively with its competitors. Product development requires significant financial, technological, and other resources. The Company expended \$164.4million for research and development efforts in Fiscal 2016. There can be no assurance that the Company will be able to sustain this level of investment or that this level of investment in research and development will be sufficient to successfully maintain the Company's competitive advantages in product innovation and design in the future.

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



needs and preferences and achieve market acceptance could have a material adverse effect on the Company's business, results of operations or financial condition.

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

The Company may also consider growing its business through strategic acquisitions, investments, alliances, joint ventures or similar transactions in the future. Any such transactions would involve a number of risks, including:

- difficulties in integrating the operations of any acquired or new businesses with the Company's existing operations and the failure by management to accomplish such integration successfully;
- the necessity to raise additional capital, through debt or equity, or use cash that would otherwise have been available to support the Company's existing business operations and research and development activities to finance the transaction (see "Risk Factors — The Company uses cash generated from its operating activities to fund its business and execute its growth strategy and may require additional capital which may not be available to the Company");
- the diversion of management's attention;
- difficulties in realizing projected efficiencies, cost savings, and synergies;
- the potential loss of key employees or customers of an acquired businesses or adverse effects on existing business relationships with suppliers and customers;
- the adverse impact on overall profitability if any acquired or new businesses do not achieve the financial results projected in the Company's valuation models;
- the dilution to existing shareholders if securities of the Company are issued as part of transaction consideration or to fund transaction consideration; and
- the inability to direct the management and policies of a joint venture, strategic alliance, or partnership, where other participants may be able to take action contrary to the Company's instructions or requests and against its policies and objectives

The Company's ability to grow through strategic acquisitions, investments, alliances, joint ventures or other similar transactions will depend, amongst other things, on the availability of such strategic opportunities, their cost, their terms and conditions, the Company's ability to compete effectively for such strategic opportunities and the availability to the Company of required capital and personnel. The Company may also be precluded from pursuing such transactions as a result of financial or other covenants in agreements to which it is a party. The Company's inability to take advantage of future strategic opportunities, or its failure to successfully address the risks associated with any strategic opportunities that is completed, could have a material adverse effect on the Company's business, results of operations or financial condition.



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

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

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

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

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

The Company's global business operations are managed through a variety of information technology systems. These systems govern all aspects of the Company's operations around the world. The Company is dependent on these systems for all commercial transactions, dealership and



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

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

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

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

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

One of the priorities of the strategic plan established by management consists of sustained efforts in the areas of cost reduction and operational efficiencies. This priority aims at leveraging the strength of the Company's established manufacturing centers, while expanding manufacturing operations for certain products in Mexico to meet added demand and reduce costs. In order to help the Company respond to ongoing changes in the market place and reduce inventory across the supply chain, this priority also focuses on further implementing model mix production on its assembly lines, which allows the Company to produce a greater range of models on a weekly and daily basis, without expensive set-up costs or production downtime. The Company believes that flexible manufacturing is the key element to enable improvements in the Company's ability to respond to customers in a cost effective manner. The success of the Company in implementing this priority of its strategic plan is



dependent on the involvement of management, production employees and suppliers. Any inability to achieve this priority could materially adversely impact the Company's business, results of operations or financial condition and its ability to deliver the right product at the right time to the customer.

In addition, the Company plans to maintain its manufacturing operations and production capacity at relatively stable levels in Canada, Austria, the United States and Finland, while accommodating volume growth by increasing production levels in Mexico. Since 2006, the Company has transferred certain of its manufacturing activities to Mexico, which resulted in: (i) the transfer of the Company's production of ATVs to Juárez in 2006; (ii) the inauguration of a second Mexican manufacturing facility in Querétaro (Mexico) in 2013 for the production of certain *Rotax* engines and *Sea-Doo* PWCs; and (iii) the opening of a third Mexican manufacturing facility in Juárez in December 2015 for the production of *Can-Am* SSVs. Any failure to achieve or sustain the anticipated levels of productivity and operational efficiencies in those manufacturing facilities could have a material adverse impact on the Company's business, results of operations or financial condition.

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

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

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

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



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

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

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

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

The Company is party to some national collective arrangements in Austria, Finland and Mexico that expire at various times in the future. As the Company is dependent on national unions to renew these agreements on terms that are satisfactory as they become subject to renegotiation from time to time, the outcome of these labour negotiations could have a material adverse effect on the Company's business, results of operations or financial condition. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its national collective arrangements.

The Company cannot predict the outcome of any current or future negotiations relating to labour disputes, union representation or the renewal of its national collective arrangements, nor can the Company assure that it will not experience work stoppages, strikes, property damage or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could have a material adverse effect on the Company's business, results of operations or financial condition.

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

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



used to assess the pension plan's obligations, and actuarial losses. Any of these risks could result in a material adverse effect on the Company's business, results of operations or financial condition.

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

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

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

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

#### *Volatile market price for Subordinate Voting Shares*

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

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



- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

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

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

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

*BRP Inc. is a holding company*

BRP Inc. is a holding company and a substantial portion of its assets consists in the shares of its direct and indirect subsidiaries. As a result, investors in BRP Inc. are subject to the risks attributable to its subsidiaries. As a holding company, BRP Inc. conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, BRP Inc.'s cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to BRP Inc. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of its subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to BRP Inc. As at January 31, 2016, the Shares were effectively junior to approximately \$2,543.6 million of indebtedness of BRP Inc.'s subsidiaries.



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

As at March 16, 2016, Beaudier Group and Bain Capital owned 41,237,476 and 31,744,393 Multiple Voting Shares, respectively, which represented approximately 48.5% and 37.4%, respectively, of the combined voting power of the Company's outstanding Shares. Accordingly, Beaudier Group and Bain Capital have significant influence with respect to all matters submitted to the Company's shareholders for approval, including without limitation the election and removal of directors, amendments to the articles of incorporation and by-laws of the Company and the approval of certain business combinations. Holders of Subordinate Voting Shares have a limited role in the Company's affairs. This concentration of voting power may cause the market price of the Subordinate Voting Shares to decline, delay or prevent any acquisition or delay or discourage take-over attempts that shareholders may consider to be favourable, or make it more difficult or impossible for a third party to acquire control of the Company or effect a change in the Company's Board of Directors and management. Any delay or prevention of a change of control transaction could deter potential acquirors or prevent the completion of a transaction in which the Company's shareholders could receive a substantial premium over the then current market price for their Subordinate Voting Shares.

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

*Future sales of Subordinate Voting Shares by Beaudier Group, Bain Capital or the Company's officers, directors or senior management*

As at March 16, 2016, Beaudier Group owned 41,237,476 Multiple Voting Shares, which in the aggregate represented approximately 52.2% of the issued and outstanding Multiple Voting Shares of the Company, and Bain Capital owned 31,744,393 Multiple Voting Shares, which in the aggregate represented approximately 40.2% of the issued and outstanding Multiple Voting Shares of the Company. Each outstanding Multiple Voting Share may at any time, at the option of the holder, be converted into one Subordinate Voting Share. See "Description of the Capital Structure".

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

Pursuant to the Registration Rights Agreement, each of Beaudier Group and Bain Capital is granted certain registration rights. See "Material Contracts — Securityholders Agreements — Registration Rights Agreement".

## **DIVIDENDS**

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The Company does not currently intend to declare any dividend on the Shares. Any future determination to pay dividends on the Shares would be at the discretion of the Board of Directors and



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

On April 15, 2013, the Company paid special distributions in the aggregate amount of \$376 million to the holders of all of its classes of shares (representing an amount of \$0.96 per Class A voting common share, Class A.1 voting common share and Class B non-voting common share, and \$2.99 per Super B non-voting common share), with approximately \$46 million representing a return of capital and approximately \$330 million representing dividends. On April 30, 2013, the Company used cash on hand and funds generated from operations to pay an additional dividend of \$153 million to the holders of all of its classes of shares (representing an amount of \$0.39 per share).

## **DESCRIPTION OF THE CAPITAL STRUCTURE**

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The Company's authorized share capital consists of an unlimited number of Multiple Voting Shares and Subordinate Voting Shares and an unlimited number of preferred shares (the "Preferred Shares"), issuable in series. As at March 16, 2016, 35,921,422 Subordinate Voting Shares, 79,023,344 Multiple Voting Shares and no Preferred Shares were issued and outstanding.

The Subordinate Voting Shares are "restricted securities" within the meaning of such term under applicable Canadian securities laws.

### **Shares**

Except as described herein, the Subordinate Voting Shares and the Multiple Voting Shares have the same rights, are equal in all respects and are treated by the Company as if they were shares of one class only.

### **Rank**

The Subordinate Voting Shares and Multiple Voting Shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding up of the Company. In the event of the liquidation, dissolution or winding-up of the Company or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, whether voluntarily or involuntarily, the holders of Multiple Voting Shares and the holders of Subordinate Voting Shares are entitled to participate equally, share for share, subject always to the rights of the holders of any Preferred Shares, in the remaining property and assets of the Company available for distribution to the holders of Shares, without preference or distinction among or between the Subordinate Voting Shares and the Multiple Voting Shares.

### **Dividends**

The holders of outstanding Shares are entitled to receive, subject always to the rights of the holders of any Preferred Shares, dividends on a share for share basis out of assets legally available therefor at such times and in such amounts and form as the Board of Directors may from time to time determine, without preference or distinction among or between the Subordinate Voting Shares and the Multiple Voting Shares. In the event of a payment of a dividend in the form of Shares, holders of Subordinate Voting Shares shall receive Subordinate Voting Shares and holders of Multiple Voting Shares shall receive Multiple Voting Shares.



## ***Voting Rights***

Under the Company's articles, the Subordinate Voting Shares carry one vote per share and Multiple Voting Shares carry six votes per share. Based on the number of shares issued and outstanding as at March 16, 2016, the Subordinate Voting Shares represented 31.2% of the Company's total issued and outstanding Shares and 7.0% of the voting power attached to all of the Shares.

## ***Conversion***

The Subordinate Voting Shares are not convertible into any other class of shares. Each outstanding Multiple Voting Share may at any time, at the option of the holder, be converted into one Subordinate Voting Share. Upon the first date that any Multiple Voting Share shall be held other than by a Permitted Holder (as defined below), such holder, without any further action, shall automatically be deemed to have exercised his, her or its rights to convert all of the Multiple Voting Shares held by such holder into fully paid and non-assessable Subordinate Voting Shares, on a share for share basis.

In addition, all Multiple Voting Shares, regardless of the holder thereof, will convert automatically into Subordinate Voting Shares at such time as Permitted Holders that hold Multiple Voting Shares no longer hold and own, collectively, directly or indirectly, more than 15% of the beneficial ownership interests in the aggregate number of outstanding Multiple Voting Shares and Subordinate Voting Shares (it being understood that the number of Multiple Voting Shares shall be added to the number of Subordinate Voting Shares for the purposes of such calculation).

For the purposes of the foregoing:

"Affiliate" means, with respect to any specified Person (as defined below), any other Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person;

"Members of the Immediate Family" means with respect to any individual, each spouse (whether by marriage or civil union) or common law partner (as defined in the Income Tax Act (Canada) (the "Tax Act")) or child or other descendants (whether by birth or adoption) of such individual, each spouse (whether by marriage or civil union) or common law partner (as defined in the Tax Act) of any of the aforementioned Persons, each trust created solely for the benefit of such individual and/or one or more of the aforementioned Persons, and each legal representative of such individual or of any aforementioned Persons (including without limitation a tutor, curator, mandatary due to incapacity, custodian, guardian or testamentary executor), acting in such capacity under the authority of the law, an order from a competent tribunal, a will or a mandate in case of incapacity or similar instrument. For the purposes of this definition, a Person shall be considered the spouse of an individual if such Person is legally married to such individual, lives in a civil union with such individual or is the common law partner (as defined in the Tax Act as amended from time to time) of such individual. A Person who was the spouse of an individual within the meaning of this paragraph immediately before the death of such individual shall continue to be considered a spouse of such individual after the death of such individual.

"Permitted Holders" means (i) Janine Bombardier, Claire Bombardier Beaudoin, Laurent Beaudoin, Huguette Bombardier Fontaine, Jean-Louis Fontaine and J.R. André Bombardier, and the Members of the Immediate Family of each such individual; (ii) any Person controlled, directly or indirectly, by one or more of the Persons referred to in clause (i) above; (iii) Bain Capital and any of its Affiliates and; (iv) CDPQ and any of its Affiliates;

"Person" means any individual, partnership, corporation, company, association, trust, joint venture or limited liability company; and



A Person is “controlled” by another Person or other Persons if: (i) in the case of a company or other body corporate wherever or however incorporated: (A) securities entitled to vote in the election of directors carrying in the aggregate at least 66⅔% of the votes for the election of directors and representing in the aggregate at least 66⅔% of the participating (equity) securities are held, other than by way of security only, directly or indirectly, by or solely for the benefit of the other Person or Persons; and (B) the votes carried in the aggregate by such securities are entitled, if exercised, to elect a majority of the board of directors of such company or other body corporate; or (ii) in the case of a Person that is not a company or other body corporate, at least 66⅔% of the participating (equity) and voting interests of such Person are held, directly or indirectly, by or solely for the benefit of the other Person or Persons; and “controls”, “controlling” and “under common control with” shall be interpreted accordingly.

### ***Subscription Rights***

In the event of any distribution or issuance, including by way of a share dividend (a “Distribution”) of voting shares of the Company (other than Multiple Voting Shares, Subordinate Voting Shares issued upon the conversion of Multiple Voting Shares or voting shares issued pursuant to the exercise of a right attached to any security of the Company issued prior to the Distribution) (the “Voting Shares”) or of securities convertible or exchangeable into Voting Shares or giving the right to acquire Voting Shares (other than options or other securities issued under compensatory plans or other plans to purchase Voting Shares or any other securities in favour of the management, directors, employees or consultants of the Company) (the “Convertible Securities” and, together with the Voting Shares, the “Distributed Securities”), the Company shall issue to the holder(s) of Multiple Voting Shares rights to subscribe for that number of Multiple Voting Shares, or, as the case may be, for securities convertible or exchangeable into or giving the right to acquire, on the same terms and conditions, including subscription or exercise price, as applicable, mutatis mutandis (except for the ultimate underlying securities which shall be Multiple Voting Shares), as those stipulated in the Convertible Securities, that number of Multiple Voting Shares, respectively, which carry, in the aggregate, a number of voting rights sufficient to fully maintain the proportion of total voting rights (on a fully diluted basis) associated with the then outstanding Multiple Voting Shares (the “Rights to Subscribe”).

The Rights to Subscribe shall be issued to the holder(s) of Multiple Voting Shares in a proportion equal to their respective holdings of Multiple Voting Shares and shall be issued concurrently with the completion of the Distribution of the applicable Distributed Securities. To the extent that any such Rights to Subscribe are exercised, in whole or in part, the securities underlying such Rights to Subscribe (the “Subscription Securities”) shall be issued and must be paid for concurrently with the completion of the Distribution and payment to the Company of the issue price for the Distributed Securities, at the lowest price permitted by the applicable securities and stock exchange regulations and subject (as to such price) to the prior consent of the exchanges but at a price not lower than (i) if the Distributed Securities are Subordinate Voting Shares, the price at which Subordinate Voting Shares are then being issued or distributed, (ii) if the Distributed Securities are Convertible Securities, the price at which the applicable Convertible Securities are then being issued or distributed; and (iii) if the Distributed Securities are Voting Shares other than Subordinate Voting Shares, the higher of (a) the weighted average price of the transactions on the Subordinate Voting Shares on the TSX (or such other primary stock exchange on which they are listed, as the case may be) for the 20 trading days preceding the Distribution of such Voting Shares or of (b) the weighted average price of transactions on the Subordinate Voting Shares on the TSX (or such other primary stock exchange on which they are listed, as the case may be), the trading day before the Distribution of such Voting Shares.

The privileges attached to Subscription Securities which are securities convertible or exchangeable into or giving the right to acquire Multiple Voting Shares shall only be exercisable if and whenever the same privileges attached to the Convertible Securities are exercised and shall not result in the issuance of a number of Multiple Voting Shares which increases the proportion (as in effect immediately prior to giving effect to the completion of the Distribution) of total voting rights associated



with the Multiple Voting Shares after giving effect to the exercise by the holder(s) of the privileges attached to such Convertible Securities.

The right to receive Rights to Subscribe as described above, and the legal or beneficial ownership of the Rights to Subscribe, may be assigned in whole or in part among Permitted Holders, provided that written notice of any such assignment shall be sent promptly to the other holders of Multiple Voting Shares and the Company.

Subordinate Voting Shares have no pre-emptive or subscription rights to purchase any securities of the Company. An issuance of participating (equity) securities will not be rendered invalid due to a failure by the Company to comply with the foregoing.

### ***Subdivision or Consolidation***

No subdivision or consolidation of the Subordinate Voting Shares or the Multiple Voting Shares may be carried out unless, at the same time, the Multiple Voting Shares or the Subordinate Voting Shares, as the case may be, are subdivided or consolidated in the same manner and on the same basis.

### ***Certain Amendments***

In addition to any other voting right or power to which the holders of Subordinate Voting Shares shall be entitled by law or regulation or other provisions of the Articles of the Company from time to time in effect, but subject to the provisions of Articles of the Company, holders of Subordinate Voting Shares shall be entitled to vote separately as a class, in addition to any other vote of shareholders that may be required, in respect of any alteration, repeal or amendment of the Articles of the Company which would adversely affect the powers, preferences or rights of the holders of Subordinate Voting Shares, including an amendment to the terms of the Articles of the Company that provide that any Multiple Voting Shares sold or transferred to a Person that is not a Permitted Holder shall be automatically converted into Subordinate Voting Shares.

### ***Certain Class Votes***

Without limiting other rights at law of any holders of Multiple Voting Shares or Subordinate Voting Shares to vote separately as a class or the terms of the following paragraph, neither the holders of the Multiple Voting Shares nor the holders of the Subordinate Voting Shares shall be entitled to vote separately as a class upon a proposal to amend the Articles of the Company in the case of an amendment of the kind referred to in paragraph (a) of subsection 176(1) of the *Canada Business Corporations Act* and, as regards the creation of additional classes of preferred shares which are non-voting, paragraph (e) of subsection 176(1) of the *Canada Business Corporations Act*.

The holders of the Subordinate Voting Shares shall be entitled to vote separately as a class (but will not have any dissent rights) in respect of any amalgamation, arrangement, business combination or sale, lease, exchange or transfer of all or substantially all the property of the Company (as such expressions are interpreted for the purposes of the *Canada Business Corporations Act*) in connection with which or following which any holder of Multiple Voting Shares would, directly or indirectly, receive or be entitled to receive consideration, money, property or securities of greater value per share or different in kind than the consideration or distribution available to holders of Subordinate Voting Shares, unless the holders of Subordinate Voting Shares are otherwise already entitled to vote separately as a class in respect of such transaction under any applicable law (including, without limitation, securities laws in any jurisdiction, together with the rules, regulations, orders and notices made thereunder and the local, uniform and national published instruments and policies adopted by the securities regulatory authority in such jurisdiction, as applied and interpreted by such securities



regulatory authority) or the rules, notices, policies and procedures or any decision of any applicable stock exchange.

### ***Issuance of Additional Multiple Voting Shares***

Subject to the provisions of the Articles of the Company, the Company may not issue Multiple Voting Shares without the approval of at least 66⅔% of the votes cast at a meeting of the holders of Subordinate Voting Shares duly held for that purpose. However, approval is not required in connection with a subdivision or conversion on a pro rata basis as between the Subordinate Voting Shares and the Multiple Voting Shares or the issuance of Multiple Voting Shares upon the exercise of the Rights to Subscribe.

### ***Take-Over Bid Protection***

Under applicable Canadian law, an offer to purchase Multiple Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares. In accordance with the rules of the TSX designed to ensure that, in the event of a take-over bid, the holders of Subordinate Voting Shares will be entitled to participate on an equal footing with holders of Multiple Voting Shares, the Beaudier Group, Bain Capital and CDPQ, as the owners of all the outstanding Multiple Voting Shares, entered into a coattail agreement dated May 29, 2013 with the Company and Computershare Trust Company of Canada (the “Coattail Agreement”). The Coattail Agreement contains provisions customary for dual class, TSX listed companies designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Multiple Voting Shares had been Subordinate Voting Shares.

The undertakings in the Coattail Agreement do not apply to prevent a sale of Multiple Voting Shares by any of Beaudier Group, Bain Capital or CDPQ if concurrently an offer is made to purchase Subordinate Voting Shares that:

- offers a price per Subordinate Voting Share at least as high as the highest price per share paid pursuant to the take-over bid for the Multiple Voting Shares;
- provides that the percentage of outstanding Subordinate Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Multiple Voting Shares to be sold (exclusive of Multiple Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);
- has no condition attached other than the right not to take up and pay for Subordinate Voting Shares tendered if no shares are purchased pursuant to the offer for Multiple Voting Shares; and
- is in all other material respects identical to the offer for Multiple Voting Shares.

In addition, the Coattail Agreement does not prevent the transfer of Multiple Voting Shares by Beaudier Group, Bain Capital or CDPQ to a Permitted Holder, provided such transfer is not or would not have been subject to the requirements to make a take-over bid (if the vendor or transferee were in Canada) or constitutes or would constitute an exempt take-over bid (as defined in applicable securities legislation). The conversion of Multiple Voting Shares into Subordinate Voting Shares, whether or not such Subordinate Voting Shares are subsequently sold, would not constitute a disposition of Multiple Voting Shares for the purposes of the Coattail Agreement.



Under the Coattail Agreement, any disposition of Multiple Voting Shares (including a transfer to a pledgee as security) by a holder of Multiple Voting Shares party to the agreement is conditional upon the transferee or pledgee becoming a party to the Coattail Agreement, to the extent such transferred Multiple Voting Shares are not automatically converted into Subordinate Voting Shares in accordance with the Articles of the Company.

The Coattail Agreement contains provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Subordinate Voting Shares. The obligation of the trustee to take such action is conditional on the Company or holders of the Subordinate Voting Shares providing such funds and indemnity as the trustee may require. No holder of Subordinate Voting Shares will have the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Subordinate Voting Shares and reasonable funds and indemnity have been provided to the trustee. The Company agreed to pay the reasonable costs of any action that may be taken in good faith by holders of Subordinate Voting Shares pursuant to the Coattail Agreement.

The Coattail Agreement provides that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of the TSX and any other applicable securities regulatory authority in Canada and (b) the approval of at least 66⅔% of the votes cast by holders of Subordinate Voting Shares excluding votes attached to Subordinate Voting Shares held by Beaudier Group, Bain Capital, CDPQ, their affiliates and any persons who have an agreement to purchase Multiple Voting Shares on terms which would constitute a sale or disposition for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement limits the rights of any holders of Subordinate Voting Shares under applicable law.

### **Preferred Shares**

The Company is authorized to issue an unlimited number of Preferred Shares, issuable in series. Each series of Preferred Shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board of Directors prior to the issuance thereof. Holders of Preferred Shares, except as otherwise provided in the terms specific to a series of Preferred Shares or as required by law, will not be entitled to vote at meetings of holders of Shares. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the Preferred Shares are entitled to preference over the Shares and any other shares ranking junior to the Preferred Shares from time to time and may also be given such other preferences over Shares and any other shares ranking junior to the Preferred Shares as may be determined at the time of creation of such series.

### **Advance Notice Requirements for Director Nominations**

The Company's by-laws provide that shareholders seeking to nominate candidates for election as directors must provide timely written notice to the Company's secretary at its principal executive offices. To be timely, a shareholder's notice must be received (i) in the case of an annual meeting of shareholders, not less than 30 days nor more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice by the shareholder may be received not later than the close of business on the 10<sup>th</sup> day following the date of such public announcement; and (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors, not



later than the close of business on the 15<sup>th</sup> day following the day on which the first public announcement of the date of the special meeting was made. The Company's by-laws also prescribe the proper written form for a shareholder's notice. The Board of Directors may, in its sole discretion, waive any requirement under these provisions. These provisions shall be automatically repealed and cease to have effect upon the termination of the Nomination Rights Agreement entered into between the Company and the Beaudier Group, Bain Capital and CDPQ. See "Material Contracts — Securityholders Agreement — Nomination Rights Agreement".

## **MARKET FOR SECURITIES AND TRADING PRICE AND VOLUME**

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The Subordinate Voting Shares are listed for trading on the TSX under the symbol "DOO". The following table shows the monthly range of high and low prices per Subordinate Voting Share at the close of market (TSX), as well as total monthly volumes and average daily volumes of the Subordinate Voting Shares traded on the TSX for Fiscal 2016:



Month	Price per Subordinate Voting Share (\$) Monthly Low	Price per Subordinate Voting Share (\$) Monthly High	Subordinate Voting Shares Total Monthly Volume	Subordinate Voting Shares Average Daily Volume
February 2015	21.25	24.47	1,133,689	59,668
March 2015	21.15	25.29	1,554,965	70,680
April 2015	23.03	27.35	1,082,015	51,525
May 2015	25.94	27.61	686,845	34,342
June 2015	26.65	29.80	3,314,819	150,674
July 2015	26.76	29.75	2,275,556	103,434
August 2015	24.88	28.94	1,338,878	66,944
September 2015	24.72	27.60	1,631,893	77,709
October 2015	22.71	24.59	1,654,008	78,762
November 2015	21.76	23.58	1,131,977	53,904
December 2015	19.75	24.15	2,831,213	134,820
January 2016	14.70	20.25	3,465,593	173,280

The Multiple Voting Shares are not listed for trading on any stock exchange.

## DIRECTORS AND OFFICERS

The following table sets out for each of the Company's directors and executive officers, the person's name, province or state, and country of residence, position with the Company, principal occupation during the five preceding years and, if a director, the date on which the person became a director. The Company's directors are expected to hold office until the Company's next annual general meeting of shareholders. The Company's directors are elected annually and, unless re-elected, retire from office at the end of the next annual meeting of shareholders. As a group, the directors and executive officers beneficially owned, or controlled or directed, directly or indirectly, a total of 1,960,673 Subordinate Voting Shares, representing in the aggregate 5.5 % of all of the Company's issued and outstanding Subordinate Voting Shares, 1.7% of all of the Company's issued and outstanding Shares and 0.4% of the total voting power attached to all of the Company's issued and outstanding Shares as at March 16, 2016. Messrs. Laurent Beaudoin and J. R. André Bombardier, through their indirect ownership or control of Beaudier Inc. and 4338618 Canada Inc., respectively, were also deemed to beneficially own or control a total of 30,241,267 Multiple Voting Shares, representing in the aggregate 38.3% of all of the Company's issued and outstanding Multiple Voting Shares, 26.3% of the Company's issued and outstanding Shares and 35.6% of the total voting power attached to all of the Company's issued and outstanding Shares as at March 16, 2016.



## Directors

Name and Province or State and Country of Residence	Age	Position(s)/Title	Director Since	Principal Occupation
LAURENT BEAUDOIN <sup>(1)</sup> Québec, Canada	77	Director	2003	Director of Bombardier Inc. <sup>(2)</sup>
JOSHUA BEKENSTEIN <sup>(3)</sup> Massachusetts, U.S.	57	Director	2003	Managing Director at Bain Capital Investors, LLC (a private equity fund)
JOSÉ BOISJOLI <sup>(4)</sup> Québec, Canada	58	Director, President and Chief Executive Officer	2011	President and Chief Executive Officer of the Company
J.R. ANDRÉ BOMBARDIER Québec, Canada	73	Director	2003	Vice-Chairman of Bombardier Inc.
WILLIAM H. CARY <sup>(5)</sup> Florida, U.S.	57	Director	2015	Corporate Director
MICHAEL HANLEY <sup>(6)(7)</sup> Québec, Canada	50	Director	2012	Corporate Director
YVONNE HAO <sup>(4)</sup> Massachusetts, U.S.	41	Director	2013	Operating Partner at Bain Capital Partners, LLC (a private equity fund)
LOUIS LAPORTE <sup>(7)(8)</sup> Québec, Canada	55	Director	2013	Executive Vice-President of Beaudier Inc. (a private holding company)
CARLOS MAZZORIN <sup>(4)</sup> Michigan, U.S.	74	Director	2004	Corporate Director
ESTELLE MÉTAYER <sup>(5)</sup> Québec, Canada	45	Director	2014	President of EM Strategy Inc. (Competia) (a strategy consulting firm) and adjunct professor at McGill University
DANIEL J. O'NEILL <sup>(5)(7)</sup> Québec, Canada	64	Director	2004	Executive Chairman of Electronic Cigarettes International Group (ECIG)
EDWARD PHILIP <sup>(4)(7)</sup> Massachusetts, U.S.	50	Director	2005	Chief Operating Officer of Partners in Health (a non-profit health care organization)
JOSEPH ROBBINS Massachusetts, U.S.	36	Director	2013	Principal at Bain Capital Partners, LLC (a private equity fund)

(1) Chair of the Board of Directors of the Company.

(2) Mr. Beaudoin stepped down from the position of Chairman of Bombardier Inc. in February 2015 but he remains a Director and was awarded the title of Chairman Emeritus.

(3) Chair of the Human Resources, Nomination and Governance Committee.

(4) Member of the Investment and Risk Committee.

(5) Member of the Audit Committee.

(6) Chair of the Audit Committee.

(7) Member of the Human Resources, Nomination and Governance Committee.

(8) Chair of the Investment and Risk Committee.



## Executive Officers

Name and Province or State and Country of Residence	Age	Position(s)/Title
JOSÉ BOISJOLI Québec, Canada	58	President and Chief Executive Officer
ANNE BÉLEC Québec, Canada	53	Senior Vice-President, Global Brand, PAC, and Information Systems
KARIM DONNEZ Québec, Canada	39	Vice-President, Strategy, Business Development and Transformation
MARTIN LANGELIER Québec, Canada	45	Senior Vice-President, General Counsel and Public Affairs
DENYS LAPOINTE Québec, Canada	54	Senior Vice-President, Design, Innovation and Corporate Image
ANNE LE BRETON Québec, Canada	44	Vice-President, Global Human Resources and Health, Safety & Security
SÉBASTIEN MARTEL Québec, Canada	44	Chief Financial Officer
STEVE PELLETIER Québec, Canada	43	Interim Leader, Global Sales & Consumer Experience Division and Vice-President, Finance, Global Sales & Consumer Experience Division
ALAIN VILLEMURE Illinois, U.S.	54	Vice-President and General Manager, Marine Propulsion Systems Division

## Biographies

The following are brief profiles of the directors and executive officers of the Company, including a description of each individual's principal occupation within the past five years.

### **Non-Executive Directors**

#### *Laurent Beaudoin, Director*

Mr. Beaudoin is Chair of the Board of Directors since December 2003. Mr. Beaudoin, who was the Chief Executive Officer and Chairman of Bombardier Inc. since 1966, handed over his responsibilities as Chief Executive Officer in June 2008, and remained Chairman of the Board of Directors of Bombardier Inc. until he stepped down in February 2015. He remains a director and was awarded the title of Chairman Emeritus. He joined Bombardier Inc. in 1963 as Comptroller. From 2002 to 2012, he has been a member of the International Business Council of the World Economic Forum based in Geneva, Switzerland. Since October 2010, he has been President of FIRST Robotics Quebec. Mr. Beaudoin is also President of Beaudier Inc., a holder of Multiple Voting Share. Mr. Beaudoin holds honorary doctorates from various universities and he received many awards and honours as a business leader, including Canada's Outstanding CEO of the Year by the Financial Post. He is a Chartered Accountant and a Fellow of the Ordre des comptables agréés du Québec.

#### *Joshua Bekenstein, Director*

Mr. Bekenstein is a Managing Director at Bain Capital. Prior to joining Bain Capital in 1984, Mr. Bekenstein spent several years at Bain & Company, Inc., where he was involved with companies in a variety of industries. Mr. Bekenstein is a member of the Board of Directors, the Chair of the Human Resources and Compensation Committee and a member of the Nominating and Governance



Committee of Dollarama Inc. He also serves as a director of several other corporations, including: Bright Horizons Family Solutions Inc., Burlington Stores, Inc., The Michaels Companies, Inc., and Waters Corporation, and sits on the compensation committee of several of those corporations. Mr. Bekenstein received a Bachelor of Arts from Yale University and a Master of Business Administration (MBA) from Harvard Business School.

*J.R. André Bombardier, Director*

Mr. Bombardier is the Vice-Chairman of Bombardier Inc., a position he has held since 1978. He joined Bombardier Inc. in 1969 as Vice-President, Industrial Division, and then successively held the positions of Vice-President, Research and Development, Ski-Doo Division; Assistant to the President in charge of new products, Vice-President of Marketing, Marine Products Division, and President of the Roski Ltd. subsidiary, before taking the position he now holds. Mr. Bombardier is also President of 4338618 Canada Inc., a holder of Multiple Voting Share. Mr. Bombardier holds a Bachelor of Arts from the Séminaire de Sherbrooke as well as a Bachelor of Commerce with a major in Finance from the Université de Sherbrooke. He is also a graduate of the Harvard International Senior Managers Program. He is the brother-in-law of Chairman Laurent Beaudoin.

*William H. Cary, Director*

William H. Cary served as the President and Chief Operating Officer of GE Capital, the financial services unit of the General Electric Company from November 2008 until January 2015 and as a Senior Vice-President of General Electric from November 2006 until January 2015. He served as the President of GE Money (Global), a subsidiary of GE Capital, from February 2008 until his promotion to President and Chief Operating Officer of GE Capital in November 2008. Mr. Cary joined General Electric in 1986 as a member of the Financial Management Program and served in a variety of financial and operating positions around the world. He also served as a member of General Electric's Corporate Executive Council and was a member of the GE Capital board of directors. He is currently on the board of directors of Rush Enterprises, Inc..

*Michael Hanley, Director*

Mr. Hanley is a corporate director with many years of experience in senior management roles and corporate governance. Between 2009 and 2011, Mr. Hanley was Senior Vice-President, Operations and Strategic Initiatives and a member of the Office of the President at National Bank of Canada. Prior to this, he spent ten years with Alcan Inc. in positions that included President and Chief Executive Officer of the global Bauxite and Alumina business and Executive Vice-President and Chief Financial Officer at the time of Alcan Inc.'s acquisition by Rio Tinto plc. Mr. Hanley is an independent director on the board of directors of Industrial Alliance, Insurance and Financial Services Inc. and chairs the audit committee of the board of directors. He is also an independent director of ShawCor Ltd. Until 2015, Mr. Hanley was an independent director with First Quantum Minerals Ltd., was a member of the audit committee and chaired the funding committee. He has a Bachelor of Business Administration and Accounting from HEC Montréal, and is a member of the Québec Order of Chartered Accountants (CPA, CA) since 1987.

*Yvonne Hao, Director*

Ms. Hao joined Bain Capital Partners, LLC (a private equity fund) in 2008 and is an Operating Partner in the North American Private Equity Portfolio Group. In this role, she has worked with several portfolio companies, and has held interim Chief Executive Officer and Chief Operating Officer operating roles. Prior to joining Bain Capital Partners, LLC, Ms. Hao held several roles at Honeywell International Inc., including Vice-President/General Manager of the ADI NA division, Vice-President Global Marketing, and Director of Corporate Strategy. In addition, Ms. Hao was an Associate Partner at



McKinsey & Company, and focused on growth projects. Ms. Hao is also a board member of Consolidated Container Company. She holds a Master of Philosophy in Development Economics from Cambridge University, England and a Bachelor of Arts in Economics and Asian Studies from Williams College (highest honors).

*Louis Laporte, Director*

Mr. Laporte has been the Executive Vice-President of Beaudier Inc., a private holding company and a holder of Multiple Voting Share, since 2004. Mr. Laporte managed for Beaudier Group the acquisition of the recreational products business of Bombardier Inc. in 2003, and since then provides various consulting and management advisory services to the Company pursuant to the management agreement entered into by the Company and the Beaudier Group, Bain and CDPQ on December 18, 2003, as same was amended and restated effective as of May 29, 2013. Prior to 2003, Mr. Laporte was the owner and operator of a number of privately held companies, such as Dudley Inc., one of Canada's leading lock manufacturers and distributors, and AMT Marine Inc., a manufacturer, subcontractor and supplier of Sea-Doo jet boats, where he contributed to the production and participated in the initial design and engineering of the Sea-Doo jet boat for BRP. Mr. Laporte is and has been a director of several privately-owned companies. Mr. Laporte holds a Bachelor of Accounting Sciences from the Université du Québec à Montréal (UQAM) and a Bachelor of Commerce from McGill University. Mr. Laporte is a Chartered Accountant.

*Carlos Mazzorin, Director*

Mr. Mazzorin is a corporate director. Mr. Mazzorin was President and Chief Operating Officer of Magna Electronics and President and Chief Operating Officer of Magna Mirrors both wholly-owned subsidiaries of Magna International Inc. Mr. Mazzorin joined Magna International Inc. in December 2002 after 30 years at Ford Motor Company. At Ford Motor Company, Mr. Mazzorin served as Group Vice-President of Asia Pacific Operations, South America Operations and Global Purchasing and previous to that as Group Vice-President Ford, Mexico Operations and Global Purchasing. He also served in a variety of Supply Management activities with General Motors Co. in Argentina and Cadillac Motor Car Division of General Motors Co. in the United States. He is a member of the board of directors of Gentherm Inc.

*Estelle Métayer, Director*

Ms. Métayer is a corporate director, public speaker, an adjunct professor at McGill University and is the President of EM Strategy Inc. (Competia). Ms. Métayer joined the international strategic consulting firm McKinsey & Company (Montreal) as a consultant in 1993 and worked in strategic planning, competitive intelligence and business development at CAE from 1996 to 1998. From 1998 to 2004, Ms. Métayer founded, grew and was president of Competia Inc. until the sale of the company in 2004. Ms. Métayer is currently an adjunct professor at McGill University, member of the faculty for the Institute of Canadian Directors and teaches advanced leadership programs, including the "High Performance Boards" program of the IMD Business School (Switzerland), and previously in programs co-led by INSEAD (France) and the Massachusetts Institute of Technology (United States). Since 2012, Ms. Métayer serves as an independent director of Ubisoft Entertainment SA and chairs its compensation committee since 2013. Ms. Métayer was elected as an independent director to the board of directors of Zag Bank in May 2015. Ms. Métayer also joined the advisory board of Ricardo Media in September 2015. Ms. Métayer has served on the boards of the Grands Ballets Canadiens and of World Canada Youth and was the recipient in 2000 of the Arista Sunlife Award for "Entrepreneur of the Year - 2000". Ms. Métayer is a certified director and member of the Institut des Administrateurs Français and is the co-chair of the Québec chapter of Women Corporate Directors. Ms. Métayer was trained in the Netherlands, where she obtained her MBA and Drs. from the University of Nijenrode.



*Daniel J. O'Neill, Director*

Mr. O'Neill is the Executive Chairman of Electronic Cigarettes International Group (ECIG), a company with three years of history having sales in North America and Europe. Prior to that, he was the President and Chief Executive Officer of WinSport Canada, a not-for-profit organization that owns and operates the Canada Olympic Park in Calgary (Alberta). In 2005, Mr. O'Neill served as Vice-Chairman, Synergies & Integration of Molson Coors Brewing Company. He was President and Chief Executive Officer of Molson Inc. from 2000 to 2005, prior to its merger with Adolph Coors Company. Before that, he was Executive Vice-President of H.J. Heinz Company and President and Chief Executive Officer of Star-Kist Foods. He also worked at S.C. Johnson, a consumer products company. He was a director of H.J. Heinz Company from 1998 to 1999. Mr. O'Neill holds a Bachelor of Arts from Carleton University and a Master of Business Administration (MBA) from Queen's University. He also attended the Program for Management Development at Harvard Business School.

*Edward Philip, Director*

Mr. Philip is the Chief Operating Officer of Partners in Health (a non-profit health care organization) since January 2013. In addition, Mr. Philip is a Special Partner at Highland Consumer Fund, serving in this role since 2013. He served as Managing General Partner at Highland Consumer Fund since 2006. Prior thereto, Mr. Philip served as President and Chief Executive Officer of Decision Matrix Group, Inc. from May 2004 to November 2005. Prior thereto, he was Senior Vice-President of Terra Networks, S.A. from October 2000 to January 2004. In 1995, Mr. Philip joined Lycos, Inc. (an Internet service provider and search company) as one of its founding members. During his time with Lycos, Inc., Mr. Philip held the positions of President, Chief Operating Officer and Chief Financial Officer at different times. Prior to joining Lycos, Inc., Mr. Philip spent time as the Vice-President of Finance for the Walt Disney Company, and prior thereto Mr. Philip spent a number of years in investment banking. Mr. Philip serves as a director of Hasbro Inc. and sits on its compensation committee as well as on its nominating, governance and social responsibility committee. Mr. Philip holds a Master of Business Administration from Harvard Business School.

*Joseph Robbins, Director*

Mr. Robbins is a Principal at Bain Capital Partners, LLC (a private equity fund). Since joining the firm in 2008, he has worked with a number of companies in the energy, technology and consumer sectors. Previously, Mr. Robbins worked at Sentient Jet, LLC, a leading provider of jet membership services, and at the Boston Consulting Group. Mr. Robbins currently serves on the Board of Directors of Big Tex Trailers, Inc. and Blackhawk Specialty Tools, LLC. Mr. Robbins holds a Master of Business Administration (MBA) (with high distinction) from Harvard Business School, where he was a Baker Scholar, and a Bachelor of Arts in Social Studies from Harvard College.

***Executive Officer Who Also Serves as Director***

*José Boisjoli, President and Chief Executive Officer*

Mr. Boisjoli is President and Chief Executive Officer of BRP since December 2003, when BRP became a standalone company. In October 1998, Mr. Boisjoli was named President of the Snowmobile and Watercraft division, the largest division of Bombardier Recreational Products Inc. In April 2001, he was given the added responsibility of managing the ATV division. Mr. Boisjoli joined Bombardier Recreational Products Inc. in 1989, after eight years in the pharmaceutical and road safety equipment industries. Mr. Boisjoli received a Bachelor of Engineering from the Université de Sherbrooke. In April 2005, Mr. Boisjoli received the prestigious title of Executive of the Year by Powersports Magazine, the most important powersports magazine in the United States.



### ***Executive Officers Who Do Not Serve as Directors***

*Anne Bélec, Senior Vice-President, Global Brand, PAC, and Information Systems*

Ms. Bélec is Senior Vice-President, Global Brand, PAC, and Information Systems since December 18, 2015. Prior to that, she was Senior Vice-President, Global Brand, Strategy and Information Systems. She joined BRP in June 2014. Ms. Bélec has over 25 years of business experience in the automotive industry. She worked with Ford Motor Company from 1985 to 2009, where she held various management roles, notably President and CEO – Volvo Cars of North America. Prior to joining BRP, Ms. Bélec was a consultant at Russell Reynolds Associates and, prior to that, chief marketing officer at Navistar International Corporation. Her work experience has extended over various regions in Canada, the United States, Sweden and South America. Ms. Bélec holds an undergraduate degree from Ottawa University, and a Masters of Business Administration (MBA) from Duke University in North Carolina.

*Karim Donnez, Vice-President, Strategy, Business Development and Transformation*

Karim Donnez is Vice-President, Strategy, Business Development and Transformation at BRP since December 18, 2015. Prior to that, he was Vice-President, Global Business Transformation – Project Management Office. Prior to joining BRP on July 1, 2015, Mr. Donnez was general manager Operations – Refinery & Energy and member of the Rio Tinto Kennecott Executive Committee (Exco) and the Rio Tinto America Savings Plans Investment Committee. He was also general manager Strategy and Commercial Investments for Rio Tinto Kennecott in Salt Lake City (United States) while being a member of the Investment Committee. Prior to that, Mr. Donnez was responsible for various business transformation initiatives as part of the corporate global functions at Rio Tinto, headquartered in London (United Kingdom) Mr. Donnez also worked several years at Accenture as a senior manager in the Management Consulting practice, focusing on strategy, post-merger integrations and change management mandates. Mr. Donnez holds a Master of Science degree in Engineering, from Arts & Métiers Paris Tech in Paris (France) and a Master in Business Administration (international strategy and finance) from Hautes Études Commerciales in Montréal (Canada).

*Martin Langelier, Senior Vice-President, General Counsel and Public Affairs*

Mr. Langelier is Senior Vice-President, General Counsel and Public Affairs of BRP since 2014. In addition to his responsibilities relating to traditional legal services, he also oversees the management of intellectual property, product safety, product compliance, internal audit and public affairs at BRP. Mr. Langelier has joined the company in 2000 and has since then held various roles within the legal department with increasing responsibilities, leading to his appointment as Vice-President, General Counsel and Secretary in 2008. Before joining the powersports industry, he worked in private practice for the legal firm DeGrandpré Chait LLP in Montreal, Canada. Mr. Langelier holds a Bachelor of Laws from the Université de Sherbrooke and a Master of Business Administration (MBA) in International Business from the Birmingham Business School, England. He is a member of the Barreau du Québec (Québec's bar association).



*Denys Lapointe, Executive Vice-President, Design, Innovation and Corporate Image*

Denys Lapointe is Senior Vice-President of Design, Innovation and Corporate Image at BRP. Prior to his current position, Mr. Lapointe was Executive Vice-President of Design & Innovation (2008-2012), Vice-President Design & Innovation (2001-2008) and Vice-President Design Sea-Doo/Ski-Doo from 1995 to 2001. He joined the Company as a junior product designer for Sea-Doo watercraft in 1985. Mr. Lapointe holds a Bachelor of Arts in Design from the Université du Québec à Montréal. Mr. Lapointe is a board member of the Centre de technologies avancées BRP – Université de Sherbrooke (CTA) and a member of the Advisory Board for the College for Creative Studies in Detroit, Michigan. He is a member of the following design associations: the *International Council Society of Industrial Designers*, the *Industrial Designers Society of America*, the *Association of Canadian Industrial Designers* and the *Association des designers industriels du Québec*.

*Anne Le Breton, Vice-President, Global Human Resources and Health, Safety & Security*

Anne Le Breton has been with BRP since 2002. Up until January 2016, she was Vice-President, Human Resources for the Global Sales & Consumer Experience and Product Engineering & Manufacturing Operations divisions. Mrs. Le Breton previously headed human resources for BRP's International division operations from the Company's offices in Lausanne. Prior to joining BRP, Mrs. Le Breton worked for Bombardier Aerospace as human resources manager in Canada and the United States. Mrs. Le Breton has a bachelor's degree in industrial relations from Université de Montréal.

*Sébastien Martel, Chief Financial Officer*

Mr. Martel is Chief Financial Officer since May 2014. Before his appointment, Mr. Martel was Vice-President, Strategic Planning and Business Development. Mr. Martel has been with BRP since 2004 and has, over time, assumed different roles of increasing responsibilities, such as: Director, Financial Information, and Vice-President, Finance & Controls. Prior to joining BRP, Mr. Martel worked at Deloitte & Touche LLP as well as at Arthur Anderson LLP, where he was involved in various initiatives dealing with Canadian and US GAAP, public offerings, derivatives instruments, venture capital financing, etc. Mr. Martel has an undergraduate degree and a diploma in Chartered Accountancy from McGill University.

*Steve Pelletier, Interim Leader, Global Sales & Consumer Experience Division and Vice-President, Finance, Global Sales & Consumer Experience Division*

Mr. Pelletier is Vice-President, Finance for the Global Sales & Consumer Experience Division. He has been with BRP since August 2004, occupying different roles of increasing responsibilities. Prior to joining BRP, Mr. Pelletier worked as Controller for EXSIF Worldwide Inc., Finance Director for Transamerica Leasing and at KPMG LLP as a Senior Auditor. Mr. Pelletier has a bachelor's degree in Business Administration from Bishop's University and a graduate diploma in Accountancy from Concordia University. He is a Chartered Accountant.



*Alain Villemure, Vice-President and General Manager, Marine Propulsion Systems Division*

Alain Villemure is Vice-President and General Manager of the Marine Propulsion Systems Division located in Sturtevant, WI (United States). Prior to his appointment, he was Vice-President and General Manager of the Vehicle Development and Manufacturing Operations Division. Mr. Villemure has also held various management positions in sales and marketing, engineering and operations for Bombardier's Recreational Products Group, where he started in 1995 in the Utility Vehicles Division in Granby, Québec. Before entering the power sports industry, he worked for two years for Pratt and Whitney Canada starting in 1993 leading the continuous improvement initiative, following a nine-year period with General Motors where he held a variety of engineering, production and material management positions. Mr. Villemure was a board member of the product development institute (IDP) from 2001 to 2012. IDP is a nonprofit organization which mandates us to support member companies in adapting best product development practices. Mr. Villemure holds a bachelor's degree in Electrical Engineering (1986) from the Université du Québec's École de technologie supérieure, in Montréal, Québec.

### **Corporate Cease Trade Orders**

None of the Company's directors or executive officers is, as at the date of this Annual Information Form, or has been, within the 10 years prior to the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Company) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity), was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case, for a period of more than 30 consecutive days.

### **Bankruptcies**

None of the Company's directors or executive officers is, as at the date of this Annual Information Form, or has been, within the 10 years prior to the date of this Annual Information Form, a director or executive officer of any company (including the Company), that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the Company's directors or executive officers has, within the 10 years prior to the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Shareholder Bankruptcies**

No shareholder holding a sufficient number of securities to affect materially the control of the Company is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.



No shareholder holding a sufficient number of securities to affect materially the control of the Company, nor any personal holding company of any such person, has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the shareholder.

### **Securities Penalties or Sanctions**

No director or executive officer of the Company or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, nor any personal holding company of any such person, has:

- been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

To the best of the Company's knowledge, there are no known existing or potential conflicts of interest among the Company and its directors, officers or other members of management as a result of their outside business interests except that certain of the Company's directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies. See "Directors and Officers" and "Interest of Management and Others in Material Transactions".

### **Indemnification and Insurance**

The Company has implemented a director and officer insurance program and has entered into indemnification agreements with each of its directors and executive officers. The indemnification agreements generally require that the Company indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Company as directors and executive officers, provided that the indemnitees acted honestly and in good faith and in a manner the indemnitees reasonably believed to be in or not opposed to the Company's best interests and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, the indemnitees had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defense expenses to the indemnitees by the Company.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

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The Company is involved from time to time in legal proceedings and regulatory actions of a nature considered normal to its business and operations. As at March 16, 2016, the Company had approximately 154 pending litigation cases. The Company is currently a defendant in patent proceedings relating to its snowmobiles and PWCs, and similar actions could be introduced by others. If the Company is unsuccessful in its defense of any of these actions, there could be material adverse consequences, including payment of monetary damages, licensing of patents on unfavourable terms, limitations on its ability to use certain technology and removal of desirable features from the Company's products. The Company intends to vigorously defend its position in such proceeding, in such case or action in which it is involved from time to time. See "Risk Factors — The Company may be unable to



protect its intellectual property or it may incur substantial costs as a result of litigation or other proceedings relating to protection of its intellectual property”.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as set out below or as described elsewhere in this Annual Information Form, none of (i) the directors or executive officers of the Company, (ii) the shareholders who beneficially own or control or direct, directly or indirectly, more than 10% of the voting shares of the Company, or (iii) any associate or affiliate of the persons referred to in (i) and (ii), has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

### **Transaction with the Beaudier Group, Bain Capital and CDPQ**

On December 18, 2003, the Company entered into a management agreement with Beaudier Group, Bain Capital and CDPQ (as amended and restated effective as of May 29, 2013, the “Second Amended and Restated Management Agreement”) pursuant to which Beaudier Group, Bain Capital and CDPQ provide various consulting and management advisory services to the Company and, in exchange therefor, are being reimbursed for certain out-of-pocket expenses. Prior to the IPO, the Second Amended and Restated Management Agreement provided for the payment by the Company to the Beaudier Group, Bain Capital and CDPQ of an annual management fee of U.S.\$2.25 million. In connection with the closing of the IPO, the prior management agreement was amended and restated effective May 29, 2013 to remove the payment of such annual management fee and now only provides for the reimbursement of expenses.

<u>(dollars in millions)</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Total amount paid .....	\$0.1	\$0.1

### **Reimbursement to Bombardier Inc., a company related to Beaudier Group**

Pursuant to the purchase agreement entered into in 2003 in connection with the acquisition of the recreational products business of Bombardier Inc., the Company is required to reimburse to Bombardier Inc. income taxes amounting to \$22.6 million as of January 31, 2016 (\$22.1 million as of January 31, 2015 and \$21.6 million as of January 31, 2014). The reimbursement will begin when Bombardier Inc. starts making any income tax payments in Canada and/or the United States.

In addition, in connection with the above-mentioned transaction, the Company entered into a trademark license agreement whereby it has the right to continue to use certain trademarks of Bombardier Inc. which were not otherwise assigned to the Company in connection with such transaction, subject to certain conditions. The license allows the Company to use “Bombardier” in the corporate name of certain subsidiaries of the Company as long as, among other things, Beaudier Group maintains at least a 10% voting or equity interest in the Company.

## **INDEPENDENT AUDITOR, TRANSFER AGENT AND REGISTRAR**

The independent auditor of the Company is Deloitte LLP, 1 Place Ville-Marie, Suite 3000, Montreal, Québec, H3B 4T9.

The transfer agent and registrar for the Subordinate Voting Shares is Computershare Investor Services Inc. at its principal office in Montreal.



## **MATERIAL CONTRACTS**

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The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Company has entered into since the beginning of the last financial year ended January 31, 2016, or entered into prior to such date, but which are still in effect and which are required to be filed with Canadian securities regulatory authorization in accordance with Section 12.2 of *National Instrument – 51-102 Continuous Disclosure Obligations*. Each of the summaries below describes certain material provisions of the relevant material contract and is subject to, and qualified in its entirety by reference to, the relevant material contract, a copy of which is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **Term Credit Agreement**

On January 30, 2013, Bombardier Recreational Products Inc. entered into an amendment and restatement agreement and a second amended and restated credit agreement (the “Term Credit Agreement”) evidencing an initial aggregate principal amount of U.S.\$1,050 million term loans extended to Bombardier Recreational Products Inc. in U.S. dollars and maturing on January 30, 2019 (the “Term Facility”). On May 29, 2013, the Company repaid U.S.\$258 million of the Term Facility and, on May 30, 2013, the Term Credit Agreement was amended in order to, among other things, reduce the cost of borrowing and the LIBOR floor applicable thereunder. On May 28, 2015, the Term Credit Agreement was further amended to reduce the cost of borrowing. As at January 31, 2016, the Term Facility provided the Company an outstanding financing of U.S.\$792 million. The Company has the possibility to increase the amount of borrowing under the Term Facility by U.S.\$150 million under certain conditions.

### **Securityholders Agreements**

In connection with the IPO on May 29, 2013, the Beaudier Group, Bain Capital, CDPQ and the Company entered into a nomination rights agreement (the “Nomination Rights Agreement”), an amended and restated registration rights agreement (the “Registration Rights Agreement”) and the Second Amended and Restated Management Agreement.

### **Nomination Rights Agreement**

The Nomination Rights Agreement provides that Beaudier Group, Bain Capital and CDPQ shall cast all votes to which they are entitled to fix the size of the Board of Directors at 13 members and to elect members of the Board in accordance with the provisions thereof. The Beaudier Group, Bain Capital and CDPQ have certain rights to designate members of the Board of Directors. As of the date of this Annual Information Form, Bain Capital, Beaudier Group and CDPQ are entitled to designate three, three and one member(s) of the Board of Directors, respectively, under the terms of the Nomination Rights Agreement.

### **Registration Rights Agreement**

The Registration Rights Agreement provides for demand registration rights in favour of the parties to the Registration Rights Agreement that enable them to require the Company to qualify by prospectus in Canada or, following the one year anniversary of the closing of the IPO and subject to certain conditions, the United States, all or any portion of the Shares held by them for a distribution to the public, provided such demand will result in a minimum offering size of \$50,000,000.

The Registration Rights Agreement also provides for incidental registration rights allowing the parties to the Registration Rights Agreement to include their Subordinate Voting Shares in certain public offerings of Subordinate Voting Shares, subject to certain underwriters’ cutback rights.



### **Second Amended and Restated Management Agreement**

See “Interest of Management and Others in Material Transactions — Transactions with Beaudier Group, Bain Capital and CDPQ” for a description of the Second Amended and Restated Management Agreement.

### **Coattail Agreement**

See “Description of the Capital Structure — Shares — Take-Over Bid Protection” for a description of the Coattail Agreement.

## **INTEREST OF EXPERTS**

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The current independent auditor of the Company, Deloitte LLP, who has issued an auditor’s report dated March 17, 2016 in respect of the Company’s consolidated financial statements, which comprise the consolidated statements of financial position as at January 31, 2016 and January 31, 2015 and the consolidated statements of net income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, has informed the Company that it is independent with respect to the Company within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

## **AUDIT COMMITTEE**

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### **Charter of the Audit Committee**

The Board has adopted a written charter (the “Charter of the Audit Committee”) describing the mandate of the audit committee of the Company (the “Audit Committee”). The Charter of the Audit Committee reflects the purpose of the Audit Committee, which is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to ensuring that adequate procedures are in place for the review of the Company’s public disclosure documents that contain financial information, ensuring that an effective internal audit process has been implemented, ensuring that an effective risk management and financial control framework has been implemented and tested by the Company’s management, providing better communication between directors, management, internal auditors and external auditors, overseeing the work and reviewing the independence of the external auditors and reporting to the Board of Directors on any outstanding issue. The text of the Charter of the Audit Committee is attached to this Annual Information Form as Appendix A.

### **Composition of the Audit Committee**

As set forth in the Charter of the Audit Committee, the Audit Committee must be composed of a minimum of three directors, each of whom needs to be independent and to meet the criteria for financial literacy established by applicable laws, including National Instrument 52-110 – *Audit Committees*. As of the date hereof, the Audit Committee is composed of Ms. Métayer and Messrs. Hanley, O’Neill and Cary, all of whom are independent and meet the criteria for financial literacy established by applicable laws, including National Instrument 52-110 – *Audit Committees*. Mr. Hanley is the Chair of the Audit Committee. Mr. Cary was appointed to the Audit Committee on September 9, 2015, replacing Mr. Mazzorin, who remains a director and member of the Investment and Risk Committee of the Board.

### **Relevant Education and Experience of the Audit Committee Members**

Each of the Audit Committee members has an understanding of the accounting principles used by the Company to prepare its financial statements and varied experience as to the general application



of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

- **Mr. William H. Cary** served as the President and Chief Operating Officer of GE Capital, the financial services unit of the General Electric Company from November 2008 until January 2015 and as a Senior Vice-President of General Electric from November 2006 until January 2015. He served as the President of GE Money (Global), a subsidiary of GE Capital, from February 2008 until his promotion to President and Chief Operating Officer of GE Capital in November 2008. Mr. Cary joined General Electric in 1986 as a member of the Financial Management Program and served in a variety of financial and operating positions around the world. He also served as a member of General Electric's Corporate Executive Council and was a member of the GE Capital board of directors. He is currently on the board of directors of Rush Enterprises, Inc..
- **Mr. Michael Hanley** (chair) is a corporate director with many years of experience in senior management roles and corporate governance. Between 2009 and 2011, Mr. Hanley was Senior Vice-President, Operations and Strategic Initiatives and a member of the Office of the President at National Bank of Canada. Prior to this, he spent ten years with Alcan Inc. in positions that included President and Chief Executive Officer of the global Bauxite and Alumina business and Executive Vice-President and Chief Financial Officer at the time of Alcan Inc.'s acquisition by Rio Tinto plc. Mr. Hanley also held the positions of Chief Financial Officer at two publicly traded Canadian companies, St-Laurent Paperboard Inc. from 1995-1997, and Gaz Metro from 1997-1998. He has worked as an external auditor with a large international accounting firm, and as an internal auditor with CP Forest Products Ltd. Mr. Hanley is an independent director on the boards of directors of Industrial Alliance, Insurance and Financial Services Inc. and chairs the audit committee of the board of directors. He is also an independent director of ShawCor Ltd. Until 2015, Mr. Haney was an independent director with First Quantum Minerals Ltd., was a member of the audit committee and chaired the funding committee. He has a Bachelor of Business Administration and Accounting from HEC Montréal, and is a member of the Québec Order of Chartered Accountants (CPA, CA) since 1987.
- **Ms. Estelle Métayer** is a corporate director, public speaker, an adjunct professor at McGill University and is the president of EM Strategy Inc. (Competia). Ms. Métayer joined the international strategic consulting firm McKinsey & Company (Montreal) as a consultant in 1993 and worked in strategic planning, competitive intelligence and business development at CAE from 1996 to 1998. From 1998 to 2004, Ms. Métayer founded, grew and was president of Competia inc. until the sale of the company in 2004. Ms. Métayer is currently an adjunct professor at McGill University, member of the faculty for the Institute of Canadian Directors and teaches advanced leadership programs, including the "High Performance Boards" program of the IMD Business School (Switzerland), and previously in programs co-led by INSEAD (France) and the Massachusetts Institute of Technology (United States). Since 2012, Ms. Métayer serves as an independent director of Ubisoft Entertainment SA and chairs its compensation committee since 2013. Ms. Métayer was elected as an independent director to the board of directors of Zag Bank in May 2015. Ms. Métayer also joined the advisory board of Ricardo Media in September 2015. Ms. Métayer has served on the boards of the Grands Ballets Canadiens and of World Canada Youth and was the recipient in 2000 of the Arista Sunlife Award for "Entrepreneur of the Year - 2000". Ms. Métayer is a certified director and member of the Institut des Administrateurs Français and is the co-chair of the Québec chapter of Women Corporate Directors. Ms. Métayer was trained in the Netherlands, where she obtained her MBA and Drs. from the University of Nijenrode.



- **Mr. Daniel J. O'Neill** is the Executive Chairman of Electronic Cigarettes International Group (ECIG), a company with three years of history having sales in North America and Europe. Prior to that, he was the President and Chief Executive Officer of WinSport Canada, a not-for-profit organization that owns and operates the Canada Olympic Park in Calgary (Alberta). In 2005, Mr. O'Neill served as Vice-Chairman, Synergies & Integration of Molson Coors Brewing Company. He was President and Chief Executive Officer of Molson Inc. from 2000 to 2005, prior to its merger with Adolph Coors Company. Before that, he was Executive Vice-President of H.J. Heinz Company and President and Chief Executive Officer of Star-Kist Foods. He also worked at S.C. Johnson, a consumer products company. He was a director of H.J. Heinz Company from 1998 to 1999. Mr. O'Neill holds a Bachelor of Arts from Carleton University and a Master of Business Administration (MBA) from Queen's University. He also attended the Program for Management Development at Harvard Business School.

### Independent Auditor Fees

In Fiscal 2016 and Fiscal 2015, the Company was invoiced the following fees by its independent auditor, Deloitte LLP:

	Fiscal 2016	Fiscal 2015
Audit Fees <sup>(1)</sup>	\$1,665,099	\$1,705,210
Audit Related Fees <sup>(2)</sup>	-	15,500
Tax Fees <sup>(3)</sup>	163,992	94,309
All Other Fees <sup>(4)</sup>	545,899	703,382
<b>Total Fees Paid</b>	<b>2,283,990</b>	<b>\$2,518,401</b>

- (1) "Audit Fees" include fees necessary to perform the annual audit or reviews of the consolidated financial statements.
- (2) "Audit Related Fees" include fees for assurance and related services by the independent auditor that are reasonably related to the performance of the audit or review of the Company's financial statements other than those included in "Audit Fees", such as consultation on accounting and reporting matters.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax advice and tax planning.
- (4) "Other Fees" include fees for products and services provided by the independent auditor other than those included above, including consulting services.

The Audit Committee is responsible for the pre-approval of all and any non-audit services to be provided to the Company or its subsidiary entities by the independent auditor. At least annually, the Audit Committee shall review and confirm the independence of the independent auditor.

### ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including, without limitation, directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, will be contained in the Company's information circular for its first annual meeting of shareholders.

Additional information is provided in the audited consolidated financial statements and management's discussion and analysis of the Company for the Fiscal 2016.



## GLOSSARY OF TERMS

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“**Audit Committee**” means the audit committee of the Company.

“**Annual Information Form**” means the annual information form of the Company dated March 17, 2016.

“**ATV**” means all-terrain vehicle.

“**Bain Capital**” means Bain Capital Luxembourg Investments S.à r.l.

“**Beaudier Group**” means, collectively, Beaudier Inc. and 4338618 Canada Inc.

“**Board**” or “**Board of Directors**” means the board of directors of the Company.

“**Canadian Revolving Facility**” means the \$175 million revolving credit facility available to Bombardier Recreational Products Inc. under the Revolving Credit Agreement, including a swingline and letter of credit subfacility.

“**CDPQ**” means the Caisse de dépôt et placement du Québec, and includes any of its affiliates.

“**Charter of the Audit Committee**” means the written charter describing the mandate of the Audit Committee, as adopted by the Board of Directors, as amended by the Board on January 17, 2015, upon recommendation of the Audit Committee.

“**Coattail Agreement**” means the coattail agreement entered into by the Beaudier Group, Bain Capital and CDPQ, as the owners of all the outstanding Multiple Voting Shares, the Company and a trustee on May 29, 2013.

“**Company**” means BRP Inc. and its direct and indirect subsidiaries and predecessors or other entities controlled by them, unless otherwise noted or the context otherwise requires.

“**Convertible Securities**” has the meaning set out under the heading “Description of the Capital Structure — Shares — Subscription Rights”.

“**CPSC**” means the Consumer Product Safety Commission.

“**Distributed Securities**” has the meaning set out under the heading “Description of the Capital Structure — Shares — Subscription Rights”.

“**Distribution**” has the meaning set out under the heading “Description of the Capital Structure — Shares — Subscription Rights”.

“**Fiscal 2014**” means the Company’s fiscal year ended January 31, 2014.

“**Fiscal 2015**” means the Company’s fiscal year ending January 31, 2015.

“**Fiscal 2016**” means the Company’s fiscal year ending January 31, 2016.

“**hp**” means horsepower.

“**IFRS**” means the International Financing Reporting Standards.



**“international”** means all jurisdictions other than Canada and the United States.

**“Investment and Risk Committee”** means the investment and risk committee of the Company.

**“IPO”** means the initial public offering of the Company which closed on May 29, 2013.

**“IT”** means information technology.

**“January 2014 Secondary Offering”** means the bought deal secondary offering which closed on January 31, 2014.

**“Multiple Voting Shares”** means multiple voting shares in the capital of the Company.

**“Nomination Rights Agreement”** means the nomination rights agreement entered into by the Company and the Beaudier Group, Bain Capital and CDPQ on May 29, 2013.

**“North America”** means Canada and the United States, and excludes Mexico.

**“October 2013 Secondary Offering”** means the bought deal secondary offering which closed on October 9, 2013.

**“OEM”** means original equipment manufacturer.

**“On-Highway Motorcycle”** means a motorcycle which is certified by its manufacturer as being in compliance with the federal Motor Vehicle Safety Standards and designed primarily for use on public roads.

**“On-Road Motorcycles of 500cc+”** means the motorcycles for on-road and on-highway use with engine size of 500cc and more in North America and Europe, of 450cc and more in Brazil and of 600cc and more in Russia and Australia.

**“PAC”** means parts, accessories and clothing and other services sold to third parties.

**“Person”** means any individual, partnership, corporation, company, association, trust, joint venture or limited liability company.

**“Preferred Shares”** means preferred shares in the capital of the Company.

**“Propulsion Systems”** means *Evinrude* outboard engines and *Rotax* engines.

**“PWC”** means personal watercraft.

**“Registration Rights Agreement”** means the amended and restated registration rights agreement entered into by the Company and the Beaudier Group, Bain Capital and CDPQ on May 29, 2013.

**“Revolving Credit Agreement”** means the amended and restated credit agreement entered into by Bombardier Recreational Products Inc. as of March 19, 2012, as amended from time to time.

**“Revolving Credit Facilities”** means, collectively, the Canadian Revolving Facility and the U.S. Revolving Facility.



**“Rights to Subscribe”** has the meaning set out under the heading “Description of the Capital Structure — Shares — Subscription Rights”.

**“ROHVA”** means the Recreational Off-Highway Vehicle Association.

**“Seasonal Products”** means *Ski-Doo* and *Lynx* snowmobiles and *Sea-Doo* PWCs.

**“Second Amended and Restated Management Agreement”** means the management agreement entered into by the Company and the Beaudier Group, Bain Capital and CDPQ on December 18, 2003, as same was amended and restated effective as of May 29, 2013.

**“Shares”** means, collectively, the Subordinate Voting Shares and the Multiple Voting Shares.

**“SSV”** means side-by-side vehicle.

**“Subordinate Voting Shares”** means subordinate voting shares in the capital of the Company.

**“Subscription Securities”** has the meaning set out under the heading “Description of the Capital Structure — Shares — Subscription Rights”.

**“Tax Act”** means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

**“Term Facility”** means the U.S.\$1,050 million Term B loans maturing on January 30, 2019 provided for under the Term Credit Agreement.

**“Term Credit Agreement”** means the amendment and restatement agreement and the second amended and restated credit agreement entered into by Bombardier Recreational Products Inc. as of January 30, 2013, as further amended on May 30, 2013 and on May 29, 2015, which provides for the Term Facility.

**“TSX”** means the Toronto Stock Exchange.

**“U.S. Revolving Facility”** means the Canadian equivalent of a U.S.\$175 million revolving credit facility available to BRP US Inc. under the Revolving Credit Agreement, including a swingline and letter of credit subfacility.

**“Voting Shares”** has the meaning set out under the heading “Description of the Capital Structure — Shares — Subscription Rights”.

**“Year-Round Products”** means *Can-Am* ATVs and SSVs and *Spyder* roadsters.



## APPENDIX A

### CHARTER OF THE AUDIT COMMITTEE

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#### 1.0 Introduction

This charter (the “Charter”) sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of BRP Inc. (the “Company”).

#### 2.0 Purpose

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- Financial reporting and disclosure requirements;
- Ensuring that an effective risk management and financial control framework has been implemented and tested by management of the Company;
- External and internal audit processes;
- Helping directors meet their responsibilities;
- Providing better communication between directors and the external auditor as well as between directors and the internal audit function;
- Ensuring the independence of the external auditor and the internal audit function;
- Increasing the credibility and objectivity of financial reports; and
- Strengthening the role of directors by facilitating in-depth discussions among directors, management, the external auditor and the internal audit function regarding significant issues involving judgment and impacting quality controls and reporting.

#### 3.0 Composition and Membership

- The Board will appoint the members (“Members”) of the Committee. The Members will be appointed at the first meeting of the Board following the election of directors by the shareholders of the Company to hold office until the next annual meeting of shareholders of the Company or until their successors are appointed. The Board may remove a Member at any time and may fill any vacancy occurring on the Committee. A Member may resign at any time and a Member will automatically cease to be a Member upon ceasing to be a director.
- The Committee will consist of at least three directors. Each Member will meet the criteria for independence established by applicable laws, including sections 1.4 and 1.5 of National Instrument 52-110 – Audit Committees. All members shall be financially literate or shall become financially literate within a reasonable period of time after their appointment to the Committee; a member of the Committee is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.
- The Board will appoint one of the Members to act as the chair of the Committee (the “Chair”). The secretary of the Company (the “Secretary”) will be the secretary of all meetings and will maintain

minutes of all meetings and deliberations of the Committee. If the Secretary is not in attendance at any meeting, the Committee will appoint another person who may, but need not, be a Member to act as the secretary of that meeting.

#### **4.0 Meetings**

- Meetings of the Committee will be held at such times and places as the Chair may determine, but in any event not less than four (4) times per year. The Committee should meet within the 45 days following the end of the first three fiscal quarters of the Company and within 90 days following the end of the fiscal year of the Company. Members may attend all meetings either in person, by videoconference or by telephone. The Committee shall keep minutes of each meeting.
- At the request of the external auditor of the Company, the Chief Executive Officer, the Chief Financial Officer, the Chief Audit Executive, the General Counsel, the Chair of the Investment and Risk Committee or any Member, the Chair will convene a meeting of the Committee. Any such request will set out in reasonable detail the business proposed to be conducted at the meeting so requested.
- The Chair, if present, will act as the chair of meetings of the Committee. If the Chair is not present at a meeting of the Committee the Members in attendance may select one of their members to act as chair of the meeting.
- A majority of Members will constitute a quorum for a meeting of the Committee. Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority. The Chair will not have a deciding or casting vote in the case of an equality of votes. Powers of the Committee may also be exercised by written resolutions signed by all Members.
- The Chief Financial Officer and the Chief Audit Executive shall have direct access to the Committee and shall attend all meetings of the Committee, and the Chief Executive Officer and the Chair of the Board shall receive notice of and have the right to attend all meetings of the Committee, except in each case such part of the meeting, if any, which is a private session not involving all or some of these officers as determined by the Committee. The external auditor shall receive notice of and have the right to attend any meetings of the Committee, at the Company's expense, except such part of the meeting, if any, which is a private session not involving the external auditor.
- The Committee shall maintain a free and open line of communication with management, the Chief Financial Officer, the Chief Audit Executive and the external auditor. The Committee may invite directors, officers, consultants and employees of the Company or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The Committee shall meet in camera without members of management in attendance or with the Chief Financial Officer or the Chief Audit Executive on a regular basis and as appropriate or required.
- In advance of every meeting of the Committee, the Chair, with the assistance of the Secretary, the Chief Financial Officer and the Chief Audit Executive, should prepare and distribute to the Members and others as deemed appropriate by the Chair, an agenda of matters to be addressed at the meeting together with appropriate briefing materials.

#### **5.0 Duties and Responsibilities**

The Committee will carry out, among other things, the following responsibilities:

##### **5.1 *Financial Statements and Reporting***

- Assist the Board in the discharge of its oversight responsibilities to the shareholders, potential shareholders, the investment community, and others relating to the Company's financial statements and its financial reporting practices and system of internal accounting and financial controls, the corporate audit and risk assessment function, the management information systems, the annual external audit of the Company's financial statements and the compliance by the Company with laws and regulations and its own Code of Ethics.
- Review significant accounting and reporting issues, including complex or unusual material transactions and highly judgmental areas, unusual or sensitive matters such as disclosure of related party transactions, significant non-recurring events, significant risks and changes in provisions, estimates or provisions included in any financial statements, and recent professional and regulatory pronouncements, and understand their impact on and presentation in the financial statements.
- Review and discuss with management and the external auditor the results of the audit, including any difficulties encountered and follow-up in that context and ensure that the external auditor is satisfied that the accounting estimates and judgments made by management's selection of accounting principles reflect an appropriate application of generally accepted accounting principles.
- Review the financial statements, and consider whether they are complete, adequate, consistent with information known to the Members, and reflect appropriate accounting principles and, if appropriate, recommend to the Board their approval and disclosure.
- Review the Company's management discussion and analysis, and other financial information provided by the Company to any governmental body or the public and, if appropriate, recommend to the Board their approval and disclosure.
- Review the Company's annual information form and related regulatory filings before release to the extent that same include financial information, and consider the accuracy and completeness of the financial information contained therein and, if appropriate, recommend to the Board their approval and disclosure.
- Review the Company's press releases containing financial information before the Company publicly discloses this information and, if appropriate, recommend to the Board their approval and disclosure.
- Review and discuss with management any litigation matters which could significantly affect the financial statements, and review the manner in which these matters are disclosed in the financial statements.
- Review and discuss any regulatory compliance issues which could significantly affect the financial statements.
- Review and discuss any corporate governance issues which could significantly affect the financial statements.
- Review with management and the external auditor all matters required to be communicated to the Committee under generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditor before disclosure and filing with regulators, and consider whether they are complete and consistent with the information

known to the Members and reflect appropriate accounting principles and, if appropriate, recommend to the Board their approval and disclosure.

- To the extent not previously reviewed by the Committee, review and, if appropriate, recommend to the Board the approval of all financial statements included in any prospectus or other offering memoranda and all other financial reports required by regulatory authorities and requiring approval by the Board.
- Review the statement of management's responsibility for the financial statements as signed by the management of the Company and included in any published document.
- Obtain explanations for communication to the Board for all significant variances between comparable reporting periods.
- Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures.
- Monitor the application and update, as necessary, of the Company's Disclosure Policy.

## **5.2 Internal Control**

- With the assistance of the external auditor, the Chief Financial Officer and the Chief Audit Executive, consider the effectiveness and the adequacy of the Company's internal control systems, including information technology security and control.
- Take all reasonable measures to ensure that the Board and management comply with all of the Company's policies or practices relating to business ethics and integrity (including the Authorities and Limits Policy and the Segregation of Duties Policy).
- Understand the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports on any identified weaknesses, deficiencies or significant findings and recommendations, together with management's responses and actions taken to remedy the issues identified.
- Review and discuss with the Chief Executive Officer and Chief Financial Officer the process for the certifications to be provided in the Company's public disclosure documents.
- Review, monitor, report, and, where appropriate, provide recommendations to the Board of Directors on the Company's disclosure controls and procedures.

## **5.3 External Audit**

- Manage the relationship between the Company and the external auditor.
- Recommend to the Board the appointment or discharge and compensation of the Company's external auditor.
- Fill the role as the direct contact for the external auditor.
- Oversee the work of the external auditor, including the resolution of disagreements between the external auditor and management.
- Review any suggestions made by the external auditor for improvement of the Company's operations or internal control.

- Pre-approve all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Company or its subsidiary entities by the Company's external auditor.
- At least annually, review and approve the terms of the external auditor's (i) annual audit services engagement letter and (ii) the quarterly review services engagement letter; each of these letters shall be signed by the Chair of the Committee.
- At least annually, review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit function.
- To the extent practicable, at least annually, review the performance of the external auditor.
- At least annually, review and confirm the independence of the external auditor by obtaining statements from the auditor on relationships between the auditor and the Company, including non-audit services, discussing the relationships with the auditor and discussing any restrictions placed on them or other difficulties encountered in the course of the audit.
- At least annually, meet separately with the external auditor to discuss the access to requested information and level of cooperation from management during the performance of their work.
- On a regular basis, the Chief Executive Officer, the Chief Financial Officer, the Chief Audit Executive, the Chair of the Investment and Risk Committee or any other representative of management whose presence is requested by the Chair of the Committee or any of the Members, and the external auditor shall meet separately with the Committee, in a private session held during the course of a meeting.
- On a regular basis, review and approve the Company's hiring policies regarding partners, employees and former employees of the present and former external auditor of the Company.
- Periodically rotate the lead partner for the external auditor.

#### **5.4 Internal Audit Function**

- Review and approve the charter, nature, scope of work and organizational structure of the internal audit function as well as the annual audit plan and any major changes thereon.
- Ensure that the internal audit function has the necessary resources to fulfill its mandate and responsibilities.
- Approve the appointment and dismissal of the Chief Audit Executive, as well as approve his/her performance evaluation and compensation. The Chief Audit Executive shall report directly to the Committee.
- Periodically review the audit plan status, including a progress report on the internal audit mandates and a follow-up on past due recommendations.
- Review internal audit reports, including management responses, and ensure that the necessary steps are taken to follow up on important report recommendations.
- Review with the assistance of the Chief Audit Executive the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.
- Ensure the independence and effectiveness of the internal audit function, including by requiring that the function be free of any influence that could adversely affect its ability to objectively

assume its responsibilities, by ensuring that it reports to the Committee, and by meeting regularly with the Chief Audit Executive without management being present in order to discuss, among others, the questions he/she raises regarding the relationship between the internal audit function and management and access to the information required.

### **5.5 Compliance**

- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Company or its subsidiaries of concerns regarding questionable accounting or auditing matters (the “Complaints of Illegal or Unethical Conduct Policy”).
- Review the effectiveness of the Complaints of Illegal or Unethical Conduct Policy and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Obtain regular updates from management and the Company’s legal counsel regarding compliance matters in respect of the Complaints of Illegal or Unethical Conduct Policy.

### **5.6 Other Responsibilities**

- Perform other activities related to this Charter as requested by the Board.
- Investigate and assess any issue that raises significant concern to the Committee, with the assistance, if so required by the Committee, of the Chief Financial Officer, the Chief Audit Executive and/or the external auditor.
- Evaluate the Committee’s and individual members’ performance on a regular basis.
- Communicate and collaborate with other committees of the Board of Directors to ensure coordination in the fulfillment of any responsibilities of the Committee which may overlap with the responsibilities of other committees.

### **6.0 Oversight Function**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate or comply with applicable accounting standards, as applicable, and other applicable requirements. These are the responsibilities of management and the external auditor.

### **7.0 Limitation on Committee’s Duties**

Notwithstanding the foregoing and subject to applicable law, nothing contained in this Charter is intended to require the Committee to ensure the Company’s compliance with applicable laws or regulations.

In contributing to the Committee’s discharge of its duties under this Charter, each Member shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any Member a standard of care or diligence that is in any way more onerous or extensive than the standard to which the member of the Board are subject.

The Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Company's shareholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively. The terms contained herein are not intended to give rise to civil liability on the part of the Company or its directors or officers to shareholders, security holders, customers, suppliers, competitors, employees or other persons, or to any other liability whatsoever on their part.

## **8.0 Reporting**

The Chair should report to the Board at each Board meeting on the Committee's activities since the last Board meeting. As required by applicable rules and regulations, the Committee should report annually to shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by law. The Committee should also review any other report the Company issues that relates to the Committee's responsibilities. The Secretary should circulate the minutes of each meeting of the Committee to the members of the Board.

## **9.0 Access to Information and Authority**

The Committee will be granted access to all information regarding the Company that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by Members. The Committee has the authority to retain, at the Company's expense, independent legal, financial and other advisors, consultants and experts, to assist the Committee in fulfilling its duties and responsibilities, including sole authority to retain and to approve and pay any such firm's fees and other retention terms without prior approval of the Board. The Committee also has the authority to communicate directly with the external auditor, the Chief Financial Officer, the Chief Audit Executive as well as any other employee of the Company as it deems necessary.

## **10.0 Review of Charter**

The Committee will, from time to time, review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration. The Board may, amend this Charter (as required).