

BRP INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE- AND SIX-MONTH PERIODS ENDED
JULY 31, 2023**



ADVENTURE BY DESIGN

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Glossary

Abbreviations	Description	Abbreviations	Description
3WV	Three-Wheeled Vehicles	LIBOR	London Interbank Offered Rate
ATV	All-Terrain Vehicles	NCIB	Normal Course Issuer Bid
BPS	Basis points	MD&A	Management's Discussion & Analysis
DB	Defined Benefits	OEM	Original Equipment Manufacturer
DC	Defined Contribution	ORV	Off-Road Vehicles
CAPEX	Capital Expenditure	PA&A	Parts, Accessories & Apparel
CGU	Cash Generating Unit	PP&E	Property, Plant & Equipment
EBITDA	Earnings Before Interest, Taxes, Depreciation & Amortization	PWC	Personal Watercraft
EPS	Earnings Per Share	R&D	Research & development
ESG	Environmental, Social and Governance	SIB	Substantial Issuer Bid
EURIBOR	Euro Interbank Offered Rate	SOFR	Secured Overnight Financing Rate
G&A	General & Administrative	Term SOFR	Defined as the forward-looking term rate based on SOFR plus a customary credit spread adjustment (when applicable)
IAS	International Accounting Standards	SSV	Side-by-Side Vehicles
IFRS	International Financial Reporting Standards	Working Capital	Current assets less current liabilities
International	All regions except United States & Canada	LVHA	Low Voltage & Human Assisted Group

Basis of Presentation

The following management's discussion and analysis ("MD&A") provides information concerning financial condition and results of operations of BRP Inc. (the "Company" or "BRP") for the second quarter of the fiscal year ending January 31, 2024. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three- and six-month periods ended July 31, 2023. Some of the information included in this discussion and analysis contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from underlying forward-looking statements as a result of various factors, including those described in the "Forward-Looking Statements" section of this MD&A. This MD&A reflects information available to the Company as at September 6, 2023.

The unaudited condensed consolidated interim financial statements of the Company for the three- and six-month periods ended July 31, 2023 and 2022 have been prepared using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and in accordance with IAS 34 *"Interim Financial Reporting"*. All amounts presented are in Canadian dollars unless otherwise indicated. The Company's fiscal year is the twelve-month period ending January 31. All references in this MD&A to "Fiscal 2024" are to the Company's fiscal year ending January 31, 2024, and references to "Fiscal 2023" are to the Company's fiscal year ended January 31, 2023 and references to "Fiscal 2022" are to the Company's fiscal year ended January 31, 2022.

This MD&A, approved by the Board of Directors on September 6, 2023, is based on the Company's unaudited condensed consolidated interim financial statements and accompanying notes thereto for the three- and six-month periods ended July 31, 2023 and 2022.

Forward-Looking Statements and Non-IFRS Measures

Forward-Looking Statements

Certain statements in this MD&A about the Company's current and future plans, prospects, expectations, anticipations, estimates and intentions, results, levels of activity, performance, objectives, targets, goals or achievements, including the Company's environmental, social and governance targets, goals and initiatives set forth under its CSR25 program and announced intention to electrify its existing product lines and launch new electric product lines, priorities and strategies, financial position, market position, capabilities, competitive strengths, beliefs, the prospects and trends of the industries in which the Company operates, the expected growth in demand for products and services in the markets in which the Company competes, research and product development activities, including projected design, characteristics, capacity or performance of future products and their expected scheduled entry to market, including with respect to the Can-Am electric two-wheel motorcycles and the electric snowmobiles with Ski-Doo and Lynx, expected financial requirements and the availability of capital resources and liquidities or any other future events or developments and other statements that are not historical facts constitute forward-looking statements within the meaning of applicable securities laws. The words "may", "will", "would", "should", "could", "expects", "forecasts", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "outlook", "predicts", "projects", "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 presented for the purpose of assisting readers in understanding certain key elements of the Company's current objectives, goals, targets, strategic priorities, expectations and plans, and in obtaining a better understanding of the Company's business and anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements contained herein. Forward-looking statements, by their very nature, involve inherent risks and uncertainties and are based on a number of assumptions, both general and specific. The Company cautions that its assumptions may not materialize and that global economic and political conditions, combined with one or more of the risks and uncertainties discussed herein, may render such assumptions, although believed reasonable at the time they were made, inaccurate. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Company or the industry to be materially different from the outlook or any future results or performance implied by such statements. In addition, many factors could cause the Company's actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the risk factors discussed in greater detail under the heading "Risk Factors" of its Annual Information Form dated March 22, 2023.

The forward-looking statements contained in this MD&A are made as of the date of this MD&A, and the Company has no intention and undertakes no obligation to update or revise any forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable securities regulations. In the event that the Company does update any forward-looking statements contained in this MD&A, no inference should be made that the Company will make additional updates with respect to that statement, related matters or any other forward-looking statement.

The Company made a number of economic, market and operational assumptions in preparing and making certain forward-looking statements contained in this MD&A, including without limitation, the assumptions underlying the Company's environmental, social and governance targets, goals and initiatives under its CSR25 program, which are set out in the "Forward-Looking Statements" section of its Corporate Social Responsibility report, as well as the following assumptions: reasonable industry growth ranging from slightly down to slightly up, that assumes an improved supply chain environment compared to last year; market share will remain constant or moderately increase; stable global and North American economic conditions, a limited impact from the military conflict between Russia and Ukraine and the COVID-19 pandemic; main currencies in which the Company operates will remain at near current levels; inflation is expected to remain elevated, in-line with central banks projections; there will be no significant changes in tax laws or free trade arrangements or treaties applicable to the Company; the Company's margins, will remain at current levels; the supply base will remain able to support product development and planned production rates on commercially acceptable terms in a timely manner; no new trade barriers will be imposed amongst jurisdictions in which the Company carries operations; the absence of unusually adverse weather conditions, especially in peak seasons. BRP cautions that its assumptions may not materialize, although believed reasonable at the time they were made, subject to greater uncertainty.

Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS.

The Company defines and reconciles these measures in the "Non-IFRS Measures and Reconciliation Tables" section of this MD&A.

Business Overview

BRP Inc. is a global leader in the world of powersports products, propulsion systems and boats built on 80 years of ingenuity and intensive consumer focus. Through its portfolio of industry-leading and distinctive brands featuring Ski-Doo and Lynx snowmobiles, Sea-Doo watercraft and pontoons, Can-Am on and off-road vehicles, Alumacraft and Quintrex boats, Manitou pontoons and Rotax marine propulsion systems as well as Rotax engines for karts and recreational aircraft, BRP unlocks exhilarating adventures and provides access to experiences across different playgrounds. The Company completes its lines of products with a dedicated parts, accessories and apparel portfolio to fully optimize the riding experience. Committed to growing responsibly, BRP is developing electric models for its existing product lines and exploring new low voltage and human assisted product categories.

The Company employs close to 23,000 people mainly in manufacturing and distribution sites in Mexico, Canada, Austria, the United States, Finland, Australia and Germany. The Company sells its products in over 130 countries. The products are sold directly through a network of approximately 2,600 dealers in 21 countries, as well as through approximately 150 distributors serving approximately 350 additional dealers.

Reporting Segments

BRP and its subsidiaries (the “Company”) design, develop, manufacture and sell powersports and marine products. The Company has two operating and reportable segments consisting of Powersports (Year-Round Products, Seasonal Products and PA&A and OEM engines) and Marine Products.

Powersports

Year-Round Products

Year-Round Products consist of BRP vehicles that are sold and used throughout the year in most climates and include ATVs, SSVs and 3WVs product lines. All products within the Year-Round Product category are sold under the *Can-Am* brand. *Can-Am* ATVs, SSVs and 3WVs all leverage BRP’s *Rotax* engines.

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, as well as PWC and *Sea-Doo* pontoons, which are mainly used during the summer season, with sales to dealers concentrated in the months of January to April. All these products leverage BRP’s *Rotax* engines.

Parts, Accessories & Apparel and OEM engines

PA&A and *Rotax* engines consist of parts, accessories and apparel (referred to as “PA&A”), engines for karts and recreational aircraft and other services.

Marine

Marine consists of boats, pontoons, jet boat and outboard engines and related PA&A and other services. BRP competes in the boat product category with *Alumacraft* and *Quintrex* boats, *Manitou* pontoons and in the marine engine product category with the *Rotax* engines for jet boats and outboard engine with Stealth Technology.

The following table shows the percentage of total revenues for each segment:

Proportion of Total Revenues (in percentages)	Three-month periods ended		Six-month periods ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
Year-Round Products	52.6%	55.7%	53.7%	54.0%
Seasonal Products	32.3%	28.3%	30.5%	25.9%
Powersports PA&A and OEM Engines	10.6%	10.6%	11.1%	14.1%
Total Powersports	95.5%	94.6%	95.3%	94.0%
Marine	4.5%	5.4%	4.7%	6.0%
Total Revenues	100.0%	100.0%	100.0%	100.0%

Factors Affecting the Company's Results of Operations

Revenues and Sales Program Costs

The Company's revenues are primarily derived from the wholesale activities to dealers and distributors of the Company's manufactured vehicles, including Year-Round Products, Seasonal Products, Powersports PA&A and OEM Engines, as well as Marine Products. Revenue recognition normally occurs when products are shipped to dealers or distributors from the Company's facilities.

In order to support the wholesale activities of the Company and the retail activities of dealers and distributors, the Company may provide support in the form of various sales programs consisting of cash and non-cash incentives. The cash incentives consist mainly of rebates given to dealers, distributors and consumers, volume discounts to dealers and distributors, free or extended coverage period under dealer and distributor inventory financing programs, and retail financing programs. The cost of these cash incentives is recorded as a reduction of revenues. The non-cash incentives mainly consist of extended warranty coverage or free PA&A. When an extended warranty coverage is given with the purchase of a product, a portion of the revenue recognized upon the sale of that product is deferred and recognized during the extended warranty coverage period. The cost of the free PA&A is recorded in cost of sales.

The support provided to dealers, distributors and consumers tends to increase when general economic conditions are difficult, when changing market conditions require the launch of new or more competitive programs, or when dealer and distributor inventory is above appropriate levels.

Under dealer and distributor inventory financing arrangements, the Company could be required to purchase repossessed new and unused products in certain cases of default by dealers or distributors. The cost of repossession tends to increase when dealers or distributors are facing challenging and prolonged difficult retail conditions and when their non-current inventory level is high. During the current fiscal year and previous fiscal year, the Company did not experience significant repossessions under its dealer and distributor inventory financing arrangements. Refer to the "Off-Balance Sheet Arrangements" section of this MD&A for more information on dealer and distributor inventory financing arrangements.

Commodity Costs

Approximately 75% of the Company's cost of sales consists of material used in the manufacturing process. Therefore, the Company is exposed to the fluctuation of prices of certain raw materials such as aluminum, steel, plastic, resins, stainless steel, copper, rubber and certain rare earth metals. Additionally, the Company is exposed to fuel price fluctuations related to its procurement and distribution activities. The Company does not hedge its long-term exposure to such price fluctuations. Therefore, an increase in commodity prices could negatively impact the Company's operating results if it is not able to transfer these cost increases to dealers, distributors or consumers.

Warranty Costs

The Company's regular warranty generally covers periods ranging from six months to five 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 for the entire cost of repair or replacement performed on the products (mainly composed of parts or accessories provided by the Company and labour costs incurred by dealers or distributors). In addition, the Company sells in the normal course of business and provides under certain sales programs extended product warranties.

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

The Company records a regular warranty provision when products are sold. Management believes that, based on available information, the Company has adequate provisions to cover any future warranty claims on products sold. However, future claim amounts can differ significantly from provisions that are recorded in the condensed consolidated interim statements of financial position. For extended warranty, the claims are recorded in cost of sales as incurred.

Foreign Exchange

The Company's revenues are reported in Canadian dollars but are mostly generated in U.S. dollars, Canadian dollars and euros. The Company's revenues reported in Canadian dollars are to a lesser extent exposed to foreign exchange fluctuations with the Australian dollar, the Brazilian real, the Swedish krona, the Norwegian krone, the British pound, the New Zealand dollar, Mexican pesos, Chinese yuan and Japanese yen. The costs incurred by the Company are mainly denominated in Canadian dollars, U.S. dollars and euros and to a lesser extent in Mexican pesos. Therefore, recorded revenues, gross profit and operating income in Canadian dollars are exposed to foreign exchange fluctuations. The Company's facilities are located in different countries, which helps mitigate some of its foreign currency exposure.

As of July 31, 2023, the Company had an outstanding balance of U.S. \$1,965.9 million (\$2,587.2 million) under its U.S. \$2,035 million (\$2,678.2 million) term facility agreement (the "Term Facility"), which results in a gain or loss in net income when the U.S. dollar/Canadian dollar exchange rate at the end of the period varies from the opening period rate. Additionally, the Company's interest expense on the Term Facility is exposed to U.S. dollar/Canadian dollar exchange rate fluctuations. The Company does not currently hedge the U.S. dollar/Canadian dollar exchange rate fluctuation exposures related to its Term Facility, and therefore, an increase in the value of the U.S. dollar against the Canadian dollar could negatively impact the Company's net income.

For further detail relating to the Company's exposure to foreign currency fluctuations, see "Financial Instruments – Foreign Exchange Risk" section of this MD&A.

Net Financing Costs (Financing Costs less Financing Income)

Net financing costs are incurred principally on long-term debt, defined benefit pension plan liabilities and revolving credit facilities. As at July 31, 2023, the Company's long-term debt of \$2,733.6 million was mainly comprised of the Term Facility (B-1 and B-2), which bears interest at Term SOFR plus 2.00% and Term SOFR plus 3.50%, respectively. The Company entered into interest rate cap contracts, which limit its exposure to interest rates increases.

Income Taxes

The Company is subject to federal, state and provincial income taxes in jurisdictions in which it conducts business. The Canadian income tax statutory rate was 26.5% for the three- and six-month periods ended July 31, 2023. However, the Company's effective consolidated tax rate is influenced by various factors, including the mix of accounting profits or losses before income tax among tax jurisdictions in which it operates and the foreign exchange gain or loss on the Term Facility. The Company expects to pay cash taxes in all tax jurisdictions for Fiscal 2024, except in the United States where the Company plans to utilize its tax attributes to offset taxable income or income tax payable.

Seasonality

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

Executive Summary

Continued strong deliveries, aided by improvements in the supply chain and the inflationary environment, allowed the Company to further build on the momentum created in its first quarter by delivering a strong second quarter. The demand for the Company's products remained healthy, as evidenced by the increase of 41% and 23% in the Company's North American retail sales for Powersports Products during the three- and six-month periods ended July 31, 2023 respectively, compared to the same period last year.

The increase in revenues for the three- and six-month periods ended July 31, 2023 compared to the three- and six-month periods ended July 31, 2022 is mainly explained by high deliveries of units due to improvements in the supply chain and sustained demand, which is driven in part by strong PWC, *Sea-Doo* pontoon, and SSV retail sales. The supply chain has gradually returned to a more stable level, resulting in production efficiencies, a return to the Company's normal wholesale delivery pattern ahead of peak retail season and an increase in gross profit margin compared to the same period last year, however these increases were partially offset by more costly sales programs, which are mostly due to rising interest rates.

Financial Highlights

(in millions of Canadian dollars, except per share data and margin)	Three-month periods ended				Six-month periods ended			
	July 31, 2023	July 31, 2022	Variance (\$)	Variance (%)	July 31, 2023	July 31, 2022	Variance (\$)	Variance (%)
Income Statement								
Revenues	\$2,778.0	\$2,438.5	\$339.5	13.9%	\$5,207.4	\$4,247.8	\$959.6	22.6%
Gross Profit	697.6	602.7	94.9	15.7%	1,321.1	1,057.1	264.0	25.0%
Gross Profit margin (%)	25.1%	24.7%	N/A	40bps	25.4%	24.9%	N/A	50bps
Operating income	378.8	345.8	33.0	9.5%	660.7	545.4	115.3	21.1%
Normalized EBITDA ^[1]	473.1	418.3	54.8	13.1%	850.2	690.4	159.8	23.1%
Net income	338.7	237.7	101.0	42.5%	493.2	358.7	134.5	37.5%
Normalized net income ^[1]	255.4	237.9	17.5	7.4%	447.4	375.0	72.4	19.3%
EPS - diluted	4.26	2.94	1.32	44.9%	6.16	4.38	1.78	40.6%
Normalized EPS – diluted ^[1]	3.21	2.94	0.27	9.2%	5.59	4.58	1.01	22.1%

[1] See "Non-IFRS Measures" section.

Significant transactions during the three-month period ended July 31, 2023

Recent events

Highlights from Club BRP 2024:

- The Company launched the all-new *Can-Am Maverick R*, setting a new benchmark in the high-end SSV Sport segment. BRP also announced that it was expanding the *Can-Am* SSV lineup with more 4-seaters and entry-level models.
- For 3WV, the Company revealed that it was enhancing the rider connectivity experience on all *Can-Am Spyder F3* and *RT* models, which will now feature an all-new 10.25-inch color touchscreen with *Apple CarPlay*.
- The Company also introduced the next generation of its iconic *Sea-Doo Spark*, and the new class-leading 325 hp *Sea-Doo RXP-X/RXT-X*. In addition, it unveiled the new *Sea-Doo Switch Cruise Limited* pontoon, with a host of upgraded technologies.
- On the Marine side, BRP announced that it was bolstering the *Manitou* lineup for model year 24 with the all-new *Manitou Explore MAX Dual Engine* model, featuring dual *Rotax S150* outboard engines, a larger *MAX Deck* and the *iDock* intuitive piloting system.

Retail Performance & Market Statistics

North American retail sales - for the Second Quarter of Fiscal 2024

The Company's North American retail sales for Powersports Products increased by 41% for the three-month period ended July 31, 2023 compared to the three-month period ended July 31, 2022. The increase was mainly driven by an increase in the sales of SSV, ATV, PWC and Snowmobile, given the reduction in supply chain issues, which had impacted deliveries in the three-month period ended July 31, 2022.

- ✓ North American Year-Round Products retail sales increased on a percentage basis in the low-twenties range compared to the three-month period ended July 31, 2022. In comparison, the Year-Round Products industry increased on a percentage basis in the high-single digits over the same period.
- ✓ North American Seasonal Products retail sales increased on a percentage basis in the low-seventies range, low-sixties when excluding *Sea-Doo* pontoon, compared to the three-month period ended July 31, 2022. In comparison, the Seasonal Products industry increased on a percentage basis in the low-fifties range over the same period.

The Company's North American retail sales for Marine Products decreased by 44% compared to the three-month period ended July 31, 2022 as a result of softening consumer demand for the boating industry and lower product availability of newly introduced products in comparison with the prior-year period.

North American retail sales - for the First Half of Fiscal 2024

The Company's North American retail sales for Powersports Products increased by 23% for the six-month period ended July 31, 2023 compared to the six-month period ended July 31, 2022, which was mainly driven by an increase in the sales of SSV, PWC and ATV.

- ✓ North American Year-Round Products retail sales increased on a percentage basis in the low-teens range compared to the six-month period ended July 31, 2022. In comparison, the Year-Round Products industry decreased on a percentage basis in the low-single digits over the same period.
- ✓ North American Seasonal Products retail sales increased on a percentage basis in the mid-forties range, high-thirties when excluding *Sea-Doo* pontoon, compared to the six-month period ended July 31, 2022. In comparison, the Seasonal Products industry increased on a percentage basis in the high-twenties range over the same period.

The Company's North American retail sales for Marine Products decreased by 42% compared to the six-month period ended July 31, 2022 as a result of softening consumer demand for the boating industry and lower product availability of newly introduced products in comparison with the prior-year period.

North American dealer inventories

As at July 31, 2023, North American dealer inventories for Powersports Products increased by 123% compared to July 31, 2022. The increase is across all product lines and mainly due to significantly low levels of inventory during the second quarter of Fiscal 2023, driven by supply chain disruptions that were still strongly felt across the industry at that time.

Results of Operations

Analysis of Results for the Second Quarter of Fiscal 2024

The following section provides an overview of the financial performance of the Company for the three-month period ended July 31, 2023 compared to the same period ended July 31, 2022.

(in millions of Canadian dollars, except per share data and margin)	Three-month periods ended			
	July 31, 2023	July 31, 2022	Variance (\$)	Variance (%)
Income Statement				
Revenues	\$2,778.0	\$2,438.5	\$339.5	13.9%
Gross Profit	697.6	602.7	94.9	15.7%
Gross Profit margin (%)	25.1%	24.7%	N/A	40bps
Operating Expenses	318.8	256.9	61.9	24.1%
Normalized EBITDA ^[1]	473.1	418.3	54.8	13.1%
Net Financing Costs	41.1	26.3	14.8	56.3%
Income Taxes	76.0	82.0	(6.0)	(7.3%)
Net income	338.7	237.7	101.0	42.5%

^[1] See "Non-IFRS Measures" section.

Revenues

The increase in revenues was primarily due to a higher volume of SSV, ATV and Snowmobile sold, increased deliveries of *Sea-Doo* pontoon, as well as favourable pricing across all product lines, partially offset by higher sales programs due to higher interest rates. The increase includes a favourable foreign exchange rate variation of \$81 million.

Gross Profit

The increase in gross profit was the result of a higher volume sold, as highlighted above, favourable pricing across all product lines, a decrease in logistics costs due to more efficiencies in the supply chain and a reduction in certain material costs. The increase was partially offset by higher labour costs due to inflation, as well as higher sales programs. The increase in gross profit margin percentage was the result of favourable pricing across all product lines and higher production efficiency coming from an improved supply chain, partially offset by higher sales programs. The increase in gross profit includes an unfavourable foreign exchange rate variation of \$11 million.

Operating Expenses

The following table provides a breakdown of the Company's Operating Expenses for the three-month period ended July 31, 2023 compared to the three-month period ended July 31, 2022:

(in millions of Canadian dollars)	Three-month periods ended			
	July 31, 2023	July 31, 2022	Variance (\$)	Variance (%)
Selling and marketing	\$117.1	\$98.3	\$18.8	19.1%
Research and development	102.7	82.1	20.6	25.1%
General and administrative	93.8	74.3	19.5	26.2%
Other operating expenses	5.2	2.2	3.0	136.4%
Operating Expenses	\$318.8	\$256.9	\$61.9	24.1%

The increase in operating expenses was mainly attributable to higher selling and marketing expenses, which are mainly due to continued product investment and an increase in marketing projects, an increase in R&D expenses to support future growth and higher G&A expenses, mainly related to the modernization of the Company's software infrastructure. The increase in operating expenses includes an unfavourable foreign exchange rate variation of \$27 million.

Normalized EBITDA ^[1]

The increase in normalized EBITDA ^[1] was primarily due to higher gross profit, partially offset by higher operating expenses.

Net Financing Costs

The increase in net financing costs primarily resulted from higher interest expense on the Term Facility due to a higher average interest rate, and a higher outstanding nominal amount.

Income Taxes

The decrease in income tax expense was primarily due to the recognition of certain benefits related to Canadian tax incentives, partially offset by higher operating income. The effective income tax rate amounted to 18.3% for the three-month period ended July 31, 2023 compared to 25.6% for the three-month period ended July 31, 2022. The decrease resulted primarily from the tax and accounting treatment of the foreign exchange (gain) loss on the Term Facility and from the recognition of certain benefits related to Canadian tax incentives.

Net Income

The increase in net income was primarily due to a higher operating income, lower income tax expense and a favourable impact of the foreign exchange rate variation on the U.S. denominated long-term debt, partially offset by an increase in financing costs.

^[1] See "Non-IFRS Measures" section.

Analysis of Segment Results for the Second Quarter of Fiscal 2024

The following section provides an overview of the financial performance of the Company's segments for the three-month period ended July 31, 2023 compared to the same period ended July 31, 2022. The inter-segment transactions are included in the analysis.

Segment results (in millions of Canadian dollars)	Three-month periods ended		Variance (\$)	Variance (%)
	July 31, 2023	July 31, 2022		
Revenues ^[1]				
Powersports				
Year-Round	\$1,461.6	\$1,358.1	\$103.5	7.6%
Seasonal	897.5	691.2	206.3	29.8%
Powersports PA&A and OEM Engines	294.2	257.5	36.7	14.3%
Marine	126.9	139.5	(12.6)	(9.0%)
Gross profit (loss)				
Powersports	704.0	583.4	120.6	20.7%
As a percentage of revenues	26.5%	25.3%	N/A	120bps
Marine	(6.4)	19.3	(25.7)	(133.2%)
As a percentage of revenues	-5.0%	13.8%	N/A	NM ^[2]

^[1] Including inter-segment transactions.

^[2] NM - Not Meaningful.

Powersports

Revenues

Year-Round Products

The increase in revenues from Year-Round Products was primarily attributable to a higher volume of SSV and ATV sold, as well as favourable pricing across all product lines, which was partially offset by higher sales programs. The increase includes a favourable foreign exchange rate variation of \$40 million.

Seasonal Products

The increase in revenues from Seasonal Products is primarily attributable to a higher volume of Snowmobile sold due to a reduction in supply chain issues that impacted deliveries in the three-month period ended July 31, 2022, as well as increased deliveries of the *Sea-Doo* pontoon. The increase was also attributable to favourable pricing across all product lines, partially offset by higher sales programs. The increase also includes a favourable foreign exchange rate variation of \$27 million.

Powersports PA&A and OEM Engines

The increase in revenues was mainly attributable to a higher volume of PA&A coming from strong unit retail sales and sales from businesses acquired in the second half of Fiscal 2023, combined with favourable pricing. The increase was partially offset by higher sales programs. The increase also includes a favourable foreign exchange rate variation of \$11 million.

Gross Profit

The increase in gross profit was the result of a higher volume sold, as highlighted above, favourable pricing across all product lines, a decrease in logistics costs due to more efficiencies in the supply chain and a reduction in certain material costs. The increase was partially offset by higher labour costs due to inflation, as well as higher sales programs. The increase in gross profit margin percentage was the result of favourable pricing across all product lines and higher production efficiency coming from an improved supply chain, partially offset by higher sales programs. The increase in gross profit includes an unfavourable foreign exchange rate variation of \$11 million.

Marine

Revenues

The decrease in revenues from the Marine segment was mainly due to a lower volume of boats and PA&A sold as a result of longer production ramp-up related to the introduction of new products, which have seen extended delays due to supply chain issues, unfavourable mix across most product lines and higher sales programs. The decrease was partially offset by higher pricing and a favourable foreign exchange rate variation of \$3 million.

Gross Profit (loss)

The gross profit decrease was primarily due to lower revenues, higher commodities and labour costs due to inflation and production inefficiencies, as well as higher sales programs, partially offset by favourable pricing.

Geographical Trends for the Second Quarter of Fiscal 2024

Revenues

Revenues by geography <i>(in millions of Canadian dollars)</i>	Three-month periods ended		Variance (\$)	Variance (%)
	July 31, 2023	July 31, 2022		
Revenues (\$)				
United States	\$1,742.6	\$1,550.5	192.1	12.4%
Canada	455.9	355.9	100.0	28.1%
International	579.5	532.1	47.4	8.9%
Total Revenues (\$)	2,778.0	2,438.5		
Revenues (%)				
United States	62.7%	63.6%	N/A	(90bps)
Canada	16.4%	14.6%	N/A	180bps
International	20.9%	21.8%	N/A	(90bps)
Total Revenues (%)	100.0%	100.0%		

United States

The increase in revenues from the United States was primarily due to the higher volume of Year-Round Products and Seasonal Products sold, as well as favourable pricing across all product lines, partially offset by higher sales programs. The increase includes a favourable foreign exchange impact of \$45 million.

Canada

The increase in revenues from Canada was primarily due to the higher volume of Year-Round Products and Seasonal Products sold, as well as favourable pricing across all product lines, partially offset by higher sales programs.

International

The increase in revenues from International was primarily due to the higher volume of Year-Round Products, Seasonal Products and PA&A sold, as well as favourable pricing across all product lines, partially offset by higher sales programs. The increase includes a favourable foreign exchange variation of \$36 million.

Analysis of Results for the First Half of Fiscal 2024

The following section provides an overview of the Company's financial performance for the six-month period ended July 31, 2023 compared to the same period ended July 31, 2022.

(in millions of Canadian dollars, except margin data)	Six-month periods ended			
	July 31, 2023	July 31, 2022	Variance (\$)	Variance (%)
Income Statement				
Revenues	\$5,207.4	\$4,247.8	\$959.6	22.6%
Gross Profit	1,321.1	1,057.1	264.0	25.0%
Gross Profit margin (%)	25.4%	24.9%	N/A	50bps
Operating Expenses	660.4	511.7	148.7	29.1%
Normalized EBITDA ⁽¹⁾	850.2	690.4	159.8	23.1%
Net Financing Costs	83.9	40.0	43.9	109.8%
Income Taxes	117.2	130.7	(13.5)	(10.3%)
Net income	493.2	358.7	134.5	37.5%

⁽¹⁾ See "Non-IFRS Measures" section.

Revenues

The increase in revenues was primarily due to a higher volume of SSV, PWC, ATV and Snowmobile sold, increased deliveries of *Sea-Doo* pontoon, favourable product mix across all product lines except Snowmobile and SSV, as well as favourable pricing across all product lines. The increase was partially offset by higher sales programs. The increase includes a favourable foreign exchange rate variation of \$176 million.

Gross Profit

The increase in gross profit was the result of a higher volume of SSV, PWC and ATV sold, increased deliveries of *Sea-Doo* pontoon, along with favourable pricing, a decrease in logistics costs due to more efficiencies in the supply chain, and favourable product mix of PWC, *Sea-Doo* pontoon, 3WV and ATV. The increase was partially offset by higher materials and labour costs due to inflation, as well as higher sales programs. The increase in gross profit margin percentage was the result of a favourable product mix of *Sea-Doo* pontoon, 3WV and PWC, favourable pricing across all product lines, partially offset by higher sales programs. The increase in gross profit includes an unfavourable foreign exchange rate variation of \$10 million.

Operating Expenses

The following table provides a breakdown of the Company's Operating Expenses for the six-month period ended July 31, 2023 compared to the six-month period ended July 31, 2022:

(in millions of Canadian dollars)	Six-month periods ended			
	July 31, 2023	July 31, 2022	Variance (\$)	Variance (%)
Selling and marketing	\$244.6	\$202.7	\$41.9	20.7%
Research and development	204.4	166.1	38.3	23.1%
General and administrative	192.6	144.4	48.2	33.4%
Other operating expenses (income)	18.8	(1.5)	20.3	NM ⁽¹⁾
Operating Expenses	\$660.4	\$511.7	\$148.7	29.1%

⁽¹⁾ NM - Not Meaningful.

The increase in operating expenses was mainly attributable to higher selling and marketing expenses, which are mainly due to continued product investment, an increase in R&D expenses to support future growth and higher G&A expenses mainly related to the modernization of the Company's software infrastructure. The increase in operating expenses includes an unfavourable foreign exchange rate variation of \$41 million.

Normalized EBITDA ^[1]

The increase in normalized EBITDA ^[1] was primarily due to higher gross profit, partially offset by higher operating expenses.

Net Financing Costs

The increase in net financing costs primarily resulted from higher interest expense on the Term Facility due to a higher average interest rate, and a higher outstanding nominal amount.

Income Taxes

The decrease in income tax expense was primarily due to the recognition of certain benefits related to Canadian tax incentives, the effect of foreign currency translation related to property, plant and equipment from Mexican operations, the favourable mix of accounting profits and losses between tax jurisdictions and to higher deductible financing costs. The decrease was partially offset by higher operating income. The effective income tax rate amounted to 19.2% for the six-month period ended July 31, 2023 compared to 26.7% for the six-month period ended July 31, 2022. The decrease resulted primarily from the recognition of certain benefits related to Canadian tax incentives, the tax and accounting treatment of the foreign exchange (gain) loss on the Term Facility, a favourable mix of accounting profits and losses between tax jurisdictions, and the favourable impact arising from the Mexican operations.

Net Income

The increase in net income was primarily due to a higher operating income, lower income tax expense and a favourable impact of the foreign exchange rate variation on the U.S. denominated long-term debt, partially offset by an increase in financing costs.

^[1] See "Non-IFRS Measures" section.

Analysis of Segment Results for the First Half of Fiscal 2024

The following section provides an overview of the financial performance of the Company's segments for the six-month period ended July 31, 2023 compared to the same period ended July 31, 2022. The inter-segment transactions are included in the analysis.

Segment results (in millions of Canadian dollars)	Six-month periods ended		Variance (\$)	Variance (%)
	July 31, 2023	July 31, 2022		
Revenues ^[1]				
Powersports				
Year-Round	\$2,794.9	\$2,292.5	\$502.4	21.9%
Seasonal	1,589.4	1,099.9	489.5	44.5%
Powersports PA&A and OEM Engines	579.1	601.1	(22.0)	(3.7%)
Marine	249.2	271.6	(22.4)	(8.2%)
Gross profit (loss)				
Powersports	1,334.3	1,017.7	316.6	31.1%
As a percentage of revenues	26.9%	25.5%	N/A	140bps
Marine	(13.2)	39.4	(52.6)	(133.5%)
As a percentage of revenues	-5.3%	14.5%	N/A	NM ^[2]

^[1] Including inter-segment transactions.

^[2] NM – Not Meaningful.

Powersports

Revenues

Year-Round Products

The increase in revenues from Year-Round Products was primarily attributable to a higher volume of SSV and ATV sold, mainly driven by supply chain issues in Fiscal 2023, which impacted product deliveries, as well as favourable pricing and product mix across all product lines except SSV, which was partially offset by higher sales programs. The increase includes a favourable foreign exchange rate variation of \$103 million.

Seasonal Products

The increase in revenues from Seasonal Products was primarily attributable to a higher volume of PWC, Snowmobile and Sea-Doo pontoon sold, driven by strong consumer demand and due to supply chain issues experienced in Fiscal 2023, which impacted product availability. The increase was also attributable to favourable pricing across all product lines, favourable product mix of PWC and Sea-Doo pontoon sold, partially offset by higher sales programs. The increase includes a favourable foreign exchange rate variation of \$43 million.

Powersports PA&A and OEM Engines

The decrease in revenues from Powersports PA&A and OEM Engines was mainly attributable to a lower volume of sales. The decrease in sales volume was mainly attributable to lower dealer orders due to a high level of stock remaining in dealer inventory. The decrease was partially offset by higher pricing and favourable product mix. The decrease includes a favourable foreign exchange rate variation of \$22 million.

Gross Profit

The increase in gross profit was the result of a higher volume of SSV, PWC and ATV sold, favourable pricing, as well as increased deliveries of the Sea-Doo pontoon. The increase was partially offset by higher commodities and labour costs due to inflation as well as higher sales programs. The increase in gross profit margin percentage was the result of a favourable product mix of PWC and 3WV sold, as well as favourable pricing across all product lines, partially offset by higher sales programs. The increase in gross profit includes an unfavourable foreign exchange rate variation of \$9 million.

Marine

Revenues

The decrease in revenues from the Marine segment was mainly due to a lower volume of boats and PA&A sold due to a longer production ramp-up related to the introduction of new products, which have seen extended delays due to supply chain issues, and higher sales programs. The decrease was partially offset by higher pricing and a favourable foreign exchange rate variation of \$8 million.

Gross Profit

The gross profit decrease was primarily due to lower revenues, higher commodities and labour costs due to inflation and production inefficiencies, and higher sales programs, partially offset by favourable pricing.

Geographical Trends for the First Half of Fiscal 2024

Revenues

Revenues by geography <i>(in millions of Canadian dollars)</i>	Six-month periods ended		Variance (\$)	Variance (%)
	July 31, 2023	July 31, 2022		
Revenues (\$)				
United States	\$3,239.2	\$2,581.5	\$657.7	25.5%
Canada	782.4	636.0	146.4	23.0%
International	1,185.8	1,030.3	155.5	15.1%
Total Revenues (\$)	\$5,207.4	\$4,247.8		
Revenues (%)				
United States	62.2%	60.7%	N/A	150bps
Canada	15.0%	15.0%	N/A	-
International	22.8%	24.3%	N/A	(150bps)
Total Revenues (%)	100.0%	100.0%		

United States

The increase in revenues from the United States was primarily due to the higher volume of Year-Round Products and Seasonal Products sold, as well as favourable pricing across all product lines, partially offset by higher sales programs. The increase includes a favourable foreign exchange impact of \$126 million.

Canada

The increase in revenues from Canada was primarily due to a higher volume of Year-Round Products and Seasonal Products, and favourable pricing across all product lines, partially offset by higher sales programs.

International

The increase in revenues from International was primarily due to a higher volume of Year-Round Products and Seasonal Products, as well as a favourable pricing across all product lines, partially offset by higher sales programs. The increase includes a favourable foreign exchange impact of \$50 million.

Foreign Exchange

The key average exchange rates used to translate foreign-denominated revenues and expenses, excluding any effect of the Company's hedging program for the three- and six-month periods ended July 31, 2023 were as follows:

	Three-month periods ended		Six-month periods ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
U.S. dollars (CA\$/US\$)	1.3340	1.2866	1.3440	1.2767
Euro (CA\$/€)	1.4572	1.3425	1.4593	1.3716

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

	July 31, 2023	January 31, 2023
U.S. dollars (CA\$/US\$)	1.3161	1.3333
Euro (CA\$/€)	1.4502	1.4476

When comparing the operating income and the income before income tax for the three- and six-month periods ended July 31, 2023 and 2022, the impact of foreign exchange fluctuations were as follows:

<i>(in millions of Canadian dollars)</i>	Foreign exchange (gain) loss	
	Three-month period	Six-month period
Revenues	\$(80.8)	\$(175.6)
Cost of sales	91.6	185.2
Impact of foreign exchange fluctuations on gross profit	10.8	9.6
Operating expenses	26.8	40.6
Impact of foreign exchange fluctuations on operating income	37.6	50.2
Long-term debt	(76.8)	(49.6)
Net financing costs	1.8	4.8
Impact of foreign exchange fluctuations on income before income taxes	\$(37.4)	\$5.4

Liquidity and Capital Resources

Liquidity

The Company's primary sources of cash consist of existing cash balances, operating activities and available borrowings under the Revolving Credit Facilities, Term Facility and Bank Overdraft.

The Company's primary use of cash is to fund operations, working capital requirements and capital expenditures in connection with product development and manufacturing infrastructure. The fluctuation of working capital requirements is primarily due to the seasonality of the Company's production schedule and product shipments.

A summary of net cash flows by activity for the six-month periods ended July 31, 2023 and 2022 is presented below:

	Six-month periods ended	
	July 31, 2023	July 31, 2022
<i>(millions of Canadian dollars)</i>		
Net cash flows generated from (used in) operating activities	\$748.2	\$(1.0)
Net cash flows used in investing activities	(215.5)	(222.5)
Net cash flows generated from (used in) financing activities	(355.7)	7.8
Effect of exchange rate changes on cash and cash equivalents	9.2	9.0
Net increase (decrease) in cash and cash equivalents	186.2	(206.7)
Cash and cash equivalents at beginning of period	202.3	265.8
Cash and cash equivalents at end of period	\$388.5	\$59.1
Free cash flow ^[1]	\$527.8	\$(222.0)

Net Cash Flows Generated from (Used in) Operating Activities

A summary of cash flows from operating activities for the six-month periods ended July 31, 2023 and 2022 is presented below:

	Six-month periods ended	
	July 31, 2023	July 31, 2022
<i>(millions of Canadian dollars)</i>		
Net income	\$493.2	\$358.7
Non-cash and non-operating items	360.0	331.6
Changes in working capital	85.7	(470.1)
Income taxes paid, net of refunds	(190.7)	(221.2)
Net cash flows generated from (used in) operating activities	\$748.2	\$(1.0)

Net cash flows generated from operating activities totalled \$748.2 million for the six-month period ended July 31, 2023 compared to \$1.0 million used in operating activities for the six-month period ended July 31, 2022. The \$749.2 million increase in net cash flows generated was mainly due to higher profitability, favourable changes in working capital and lower income taxes paid. The favourable changes in working capital were primarily attributable to a decrease in trade and other receivables compared to the six-month period ended July 31, 2022 due to improved collections, as well as a decrease in the amount of inventory compared to the high levels for the six-month period ended July 31, 2022.

^[1] See "Non-IFRS Measures" section.

Net Cash Flows Used in Investing Activities

A summary of cash flows from investing activities for the six-month periods ended July 31, 2023 and 2022 is presented below:

<i>(millions of Canadian dollars)</i>	Six-month periods ended	
	July 31, 2023	July 31, 2022
Additions to property, plant and equipment	\$(204.9)	\$(192.2)
Additions to intangible assets	(15.5)	(28.8)
Other	4.9	(1.5)
Net cash flows used in investing activities	\$(215.5)	\$(222.5)

Net cash flows used in investing activities totalled \$215.5 million for the six-month period ended July 31, 2023 compared to \$222.5 million for the six-month period ended July 31, 2022. The \$7.0 million decrease was mostly explained by slightly lower investments in intangible assets compared to the six-month period ended July 31, 2022, partially offset by continued capacity investments in property, plant and equipment.

Net Cash Flows Generated from (Used in) Financing Activities

A summary of cash flows from financing activities for the six-month periods ended July 31, 2023 and 2022 is presented below:

<i>(millions of Canadian dollars)</i>	Six-month periods ended	
	July 31, 2023	July 31, 2022
Repurchase of subordinate voting shares	(210.4)	(305.5)
Dividends paid	(28.1)	(25.6)
Repayment of long-term debt	(29.5)	(88.5)
Interest paid	(83.4)	(35.6)
Increase in revolving credit facilities	-	237.4
Issuance of long-term debt	-	244.5
Other	(4.3)	(18.9)
Net cash flows generated from (used in) financing activities	\$(355.7)	\$7.8

Net cash flows used in financing activities totalled \$355.7 million for the six-month period ended July 31, 2023 compared to net cash flows generated from financing activities in the amount of \$7.8 million for the six-month period ended July 31, 2022. The \$363.5 million increase in net cash flows used was mainly attributable to a decrease in the amount drawn on revolving credit facilities, the issuance of new long-term debt in the six-month period ended July 31, 2022 and an increase in the interest paid. The increase was partially offset by a reduction in subordinate voting share repurchases for the six-month period ended July 31, 2023 and a reduction in the repayment of long-term debt.

Contractual Obligations

The following table summarizes the Company's significant contractual obligations as at July 31, 2023:

<i>(millions of Canadian dollars)</i>	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total amount
Trade payables and accruals	\$1,379.5	\$—	\$—	\$—	\$1,379.5
Long-term debt (including interest)	215.4	473.2	2,158.5	737.9	3,585.0
Lease liabilities (including interest)	51.8	80.7	40.0	38.8	211.3
Derivative financial instruments	13.0	1.1	—	—	14.1
Other financial liabilities	132.7	27.7	2.3	30.7	193.4
Total	\$1,792.4	\$582.7	\$2,200.8	\$807.4	\$5,383.3

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

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

Capital Resources

Revolving Credit Facilities

The applicable interest rates vary depending on a leverage ratio. The leverage ratio is defined in the Revolving Credit Facilities agreement by the ratio of net debt to consolidated cash flows of the Company (the “Leverage ratio”). The applicable interest rates are as follows:

Currency	Applicable Interest Rates
U.S. dollars at either	▪ Term SOFR plus 1.45% to 3.00% per annum; or ▪ U.S. Base Rate plus 0.45% to 2.00% per annum; or ▪ U.S. Prime Rate plus 0.45% to 2.00% per annum;
Canadian dollars at either	▪ Bankers’ Acceptance plus 1.45% to 3.00% per annum; or ▪ Canadian Prime Rate plus 0.45% to 2.00% per annum
Euros	▪ EURIBOR plus 1.45% to 3.00% per annum

In addition, the Company incurs commitment fees of 0.25% to 0.40% per annum on the undrawn amount of the Revolving Credit Facilities.

As at July 31, 2023, the cost of borrowing under the Revolving Credit Facilities was as follows:

Currency	Cost of Borrowing
U.S. dollars at either	▪ Term SOFR plus 1.45% per annum; or ▪ U.S. Base Rate plus 0.45% per annum; or ▪ U.S. Prime Rate plus 0.45% per annum;
Canadian dollars at either	▪ Bankers’ Acceptance plus 1.45% per annum; or ▪ Canadian Prime Rate plus 0.45% per annum
Euros	▪ EURIBOR plus 1.45% per annum

As at July 31, 2023, the commitment fees on the undrawn amount of the Revolving Credit Facilities were 0.25% per annum.

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

As at July 31, 2023 and January 31, 2023, the Company had contracted the following indebtedness:

(millions of Canadian dollars)	July 31, 2023	January 31, 2023
Bank overdraft	\$29.0	\$29.0
Issued letters of credit under the Revolving Credit Facilities	33.3	33.5
Other outstanding letters of credit	5.8	6.0

Term Facility

On March 10, 2023, the Company amended its Term Loan B-1 by replacing the LIBOR references with SOFR references, with all other conditions remaining the same.

As at July 31, 2023, the cost of borrowing under the Term Loan was as follows:

Loan	Cost of Borrowing
Term Loan B-1	▪ 2.00% per annum, with a Term SOFR floor of 0.00%; or ▪ U.S. Base Rate plus 1.00%; or ▪ U.S. Prime Rate plus 1.00%
Term Loan B-2	▪ Term SOFR plus 3.50% per annum, with a Term SOFR floor of 0.5%

Under the Term Facility, the cost of borrowing in U.S. Base Rate or U.S. Prime Rate cannot be lower than the cost of borrowing under SOFR.

The Company is required to repay a minimum of 0.25% of the nominal amount each quarter. Consequently, the Company repaid an amount of U.S. \$10.1 million (\$13.5 million) during the six-month period ended July 31, 2023. Also, the Company may be required to repay a portion of the Term Facility in the event that it has an excess cash position at the end of the fiscal year and its leverage ratio is above a certain threshold level. As at July 31, 2023 and 2022, the Company was not required to repay any portion of the Term Facility under this requirement.

Austrian Term Loans

During the six-month period ended July 31, 2023, the Company entered into an unsecured loan agreement at a favourable interest rate under an Austrian government program. This program supports research and development projects based on the Company's incurred expenses in Austria. The term loans have a nominal amount of €2.3 million (\$3.3 million) with an interest rate varying between 1.00% to 4.20% with maturity dates varying from March 2027 to December 2027.

As at July 31, 2023, the Company had €120.1 million (\$174.2 million) outstanding under its Austrian term loans bearing interest at a range between 0.87% to 4.81% and maturing between December 2023 and December 2030.

Lease Liabilities

As at July 31, 2023, the contractual obligations in relation to assets recognized under lease agreements amounted to \$211.3 million.

Normal Course Issuer Bid Program

During the six-month period ended July 31, 2023, the Company continued its repurchases under the NCIB that was announced and started during the fiscal year ended January 31, 2023, and repurchased for cancellation 2,043,300 subordinate voting shares for a total consideration of \$213.0 million.

Dividend

On September 6, 2023, the Company's Board of Directors declared a quarterly dividend of \$0.18 per share for holders of its multiple voting shares and subordinate voting shares. The dividend will be paid on October 13, 2023 to shareholders of record at the close of business on September 29, 2023.

The Board of Directors has determined that this quarterly dividend is appropriate based on several relevant factors, including, without limitation, 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 Facility and the Revolving Credit Facilities or other material agreements) and solvency tests imposed by corporate law.

The payment of each quarterly dividend remains subject to the declaration of that dividend by the Board of Directors. The actual amount, the declaration date, the record date and the payment date of each quarterly dividend are subject to the discretion of the Board of Directors.

Consolidated Financial Position

The following table reflects the main variances that have occurred in the Company's unaudited condensed consolidated interim statements of financial position between July 31, 2023 and January 31, 2023, the impact of the fluctuation of exchange rates on such variances, the related net variance (excluding the impact of the fluctuation of exchange rates on such variances) as well as explanations for the net variance:

<i>(millions of Canadian dollars)</i>	July 31, 2023	January 31, 2023	Variance	Exchange Rate Impact	Net Variance	Explanation of Net Variance
Trade and other receivables	\$467.3	\$655.0	\$(187.7)	\$(5.6)	\$(193.3)	Mostly explained by an improvement in the timing of collections during Fiscal 2024
Inventories	2,352.6	2,290.1	62.5	(4.2)	58.3	Mostly explained by higher finished product inventory for upcoming deliveries, partly offset by lower work in progress inventory and raw material
Property, plant and equipment	1,863.2	1,810.4	52.8	4.7	57.5	Mostly explained by continued capacity investments in property, plant and equipment
Trade payables and accruals	1,379.5	1,548.2	(168.7)	5.8	(162.9)	Mostly explained by improvements in supplier payments
Provisions	831.6	665.2	166.4	9.9	176.3	Mostly explained by higher sales programs
Deferred revenues	203.9	226.8	(22.9)	32.1	9.2	No significant variances
Long-term debt, including current portion	2,733.6	2,790.2	(56.6)	33.4	(23.2)	Mostly explained by repayments of long-term debt
Employee future benefit liabilities	150.3	158.0	(7.7)	0.1	(7.6)	No significant variances

Off-Balance Sheet Arrangements

Dealer and Distributor Financing Arrangements

The Company, most of its independent dealers and some of its independent distributors are parties to agreements with third-party financing service providers. These agreements provide financing to facilitate the purchase of the Company's products and improve the Company's working capital by allowing an earlier collection of accounts receivable from dealers and distributors. Approximately three-quarters of the Company's sales are made under such agreements. The parties listed above have agreements with Huntington Distribution Finance, Inc., Huntington Commercial Finance Canada Inc., Huntington Commercial Finance LLC and Huntington Commercial Finance New Zealand Ltd (collectively, "Huntington"), to provide financing facilities in North America, Australia and New Zealand, and with Wells Fargo Commercial Distribution Finance, Wells Fargo Bank International, Wells Fargo International Finance LLC and Wells Fargo International Finance (New Zealand) Limited (collectively "Wells Fargo") for financing facilities in North America, Europe and Australia. The agreement between the Company and Huntington was set to expire on January 31, 2024, but in the second quarter of the fiscal year ending January 31, 2024, the Company entered into the "Second Amended and Restated Wholesale Financing Program Agreement for Canada and the United States" (Amended Financing Program), which extended the term until January 31, 2028, under similar pricing terms and conditions. The purpose of the Amended Financing Program was to extend the term and consolidate all recent amendments in one agreement, including adding the entities *Alumacraft* and *Manitou*, as well as the terms of the substantially completed units financing. For most of the contracts with Wells Fargo, the maximum commitment period is up to September 6, 2024.

The total amount of financing provided to the Company's independent dealers and distributors totalled \$2,778.8 million and \$5,036.6 million for the three- and six-month periods ended July 31, 2023, compared to \$2,012.6 million and \$3,765.2 million for the three- and six-month periods ended July 31, 2022. The outstanding financing between the Company's independent dealers and distributors and third-party finance companies amounted to \$2,876.9 million and \$2,674.0 million as at July 31, 2023, and January 31, 2023, respectively.

The breakdown of outstanding amounts by country and local currency between the Company's independent dealers and distributors with third-party finance companies were as follows, as at:

(in millions)	Currency	July 31, 2023	January 31, 2023
Total outstanding	CAD	\$2,876.9	\$2,674.0
United States	USD	\$1,576.8	\$1,480.6
Canada	CAD	\$577.5	\$472.1
Europe	EUR	€ 63.8	€ 63.3
Australia and New Zealand	AUD	\$148.7	\$145.0

The costs incurred by the Company under the dealers' and distributors' financing agreements totalled \$55.2 million and \$103.3 million for the three- and six-month periods ended July 31, 2023 compared to \$18.8 million and \$29.1 million for the three- and six-month periods ended July 31, 2022.

Under the dealer and distributor financing agreements, in the event of default, the Company may be required to purchase, from the finance companies, repossessed new and unused products at the total unpaid principal balance of the dealer or distributor to the finance companies. During the three-month period ended July 31, 2023, the Company renegotiated and regrouped some of its repurchase obligations for obligations that were held with the same third-party financing providers. Henceforth, the obligations are generally within a range of U.S. \$14.0 million (\$18.4 million) or 15% of the calendar year twelve-month average amount of financing outstanding under the financing agreements and U.S. \$25.0 million (\$32.9 million) or 10% of the last twelve-month average amount of financing outstanding under the financing agreements (\$233.5 million as at July 31, 2023).

The maximum amount subject to the Company's obligation to purchase repossessed new and unused products from the finance companies was \$252 million as at July 31, 2023 and \$186 million as at January 31, 2023.

The Company did not incur significant losses related to new and unused products repossessed by the finance companies for the three-month periods ended July 31, 2023 and 2022.

Substantially completed units financing

The Amended Financing Program provides for the financing of the substantially completed units shipped at the Company's dealers ("Substantially Completed Units"). The financing of those Substantially Completed Units is limited by certain financial thresholds. Under this program, the Company's dealers are required to comply with thresholds regarding the Substantially Completed Units shipped at the Company's dealers ("Thresholds").

As at July 31, 2023, the total maximum outstanding obligations of all dealers for substantially completed units could not exceed U.S. \$300.0 million (\$394.8 million), this limit will remain at U.S. \$300.0 million (\$394.8 million) until January 31, 2024, and gradually reduce to nil as of April 30, 2024. The maximum outstanding obligations of any individual dealer at any time for Substantially Completed Units shall not exceed U.S. \$18.0 million (\$23.7 million). In addition, the maximum obligations by all dealers for PWC is limited to U.S. \$50 million (\$65.8 million) as at July 31st, 2023 and will remain at this limit until January 31, 2024, and gradually reduce to nil as of April 30, 2024.

In the event one of the Thresholds is exceeded, the Company would be required to reduce the outstanding dealers' financing by assuming their financing until compliance with Thresholds. The Substantially Completed Units stop being considered within the Thresholds limits when all the missing components are installed by the dealers. The Company was in compliance with the Thresholds as at July 31, 2023.

Consumer Financing Arrangements

The Company has contractual relationships with third-party financing companies in order to facilitate consumer credit for the purchase of its products in North America. The agreements generally allow the Company to offer a subsidized interest rate to consumers for a certain limited period under certain sales programs. In Canada, the Company has agreements with TD Financing Services and the Fédération des caisses Desjardins du Québec for such purposes. In the United States, the Company has agreements with Sheffield Financial, Citi Retail Services and Roadrunner Financial. Under these contracts, the Company's financial obligations are related to the commitments made under certain sales programs.

Transaction Between Related Parties

Transactions with Bombardier Inc., a Company Related to Beaudier Group

Pursuant to the purchase agreement entered into in 2003 in connection with the acquisition of the recreational product business of Bombardier Inc., the Company committed to reimburse to Bombardier Inc. income taxes amounting to \$22.7 million as at July 31, 2023 and as at January 31, 2023. The payments will begin when Bombardier Inc. starts making income tax payments in Canada and/or in the United States. The Company does not expect to make any payments to Bombardier Inc. in relation to that obligation for Fiscal 2024.

Financial Instruments

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

Foreign Exchange Risk

The elements reported in the condensed consolidated interim statements of net income, in the condensed consolidated interim statements of financial position and in the condensed consolidated interim statements of cash flows presented in the Company's unaudited condensed consolidated interim financial statements in Canadian dollars are significantly exposed to the fluctuation of exchange rates, mainly the Canadian dollar/U.S. dollar rate and the Canadian dollar/euro rate.

The Company's cash inflows and outflows are mainly comprised of Canadian dollars, U.S. dollars and euros. The Company intends to maintain, as a result of its business transactions, a certain offset position on U.S. dollar and euro denominated cash inflows and outflows.

For some currencies over which the Company cannot achieve an offset through its recurring business transactions, mainly the U.S. dollar, the Australian dollar, the Swedish krona, the Norwegian krone and the British pound, the Company uses foreign exchange contracts according to the Company's hedging strategy. Management periodically reviews the relevant hedging position and may hedge at any level within the authorized parameters of the policy, up to the maximum percentage allowed. Those contracts are accounted for under the cash flow hedge model covering highly probable forecasted sales in these currencies, and the gains or losses on those derivatives are recorded in net income only when the forecasted sales occur.

Finally, the Company reduces the exposure on its net income arising from the revaluation at period-end of monetary items denominated in a different functional currency by using foreign exchange contracts. Those contracts are recorded in net income at each period end in order to mitigate the gains or losses resulting from the revaluation at spot rate of these foreign-denominated liabilities.

While the Company's operating income is protected, to a certain extent, from significant fluctuations of foreign exchange rates resulting from the application of the Company's hedging strategy, the net income is significantly exposed to Canadian dollar/U.S. dollar rate fluctuations due to the U.S. dollar-denominated long-term debt. However, there is a monetary impact for the Company only to the extent the Term Facility is repaid.

Liquidity Risk

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

Credit Risk

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

The Company considers that its credit risk associated with its trade receivables and its limited responsibilities under the dealer and distributor financing agreements with Huntington and Wells Fargo does not represent a significant concentration of risk and loss due to the large number of dealers, distributors and other business partners and their dispersion across many geographic areas. Moreover, the Company mitigates such risk by doing business through its own distribution channels and by monitoring the creditworthiness of the dealers and distributors in the different geographic areas.

Interest Rate Risk

The Company is exposed to the variation of interest rates mainly resulting from the Term SOFR on its Term Facility. However, the Company entered into interest rate cap contracts, which limit its exposure to interest rate increase.

Non-IFRS Measures and Reconciliation Tables

The Company uses non-IFRS measures and ratio, including the following:

Non-IFRS measures	Definition	Reason for use
Normalized EBITDA	Net income before financing costs, financing income, income tax expense (recovery), depreciation expense and normalized elements	Assist investors in determining the financial performance of the Company's operating activities on a consistent basis by excluding certain non-cash elements such as depreciation expense, impairment charge, foreign exchange gain or loss on the Company's long-term debt denominated in U.S. dollars and foreign exchange gain or loss on certain of the Company's lease liabilities. Other elements, such as restructuring and wind-down costs, non-recurring gain or loss and acquisition-related costs, may be excluded from net income in the determination of Normalized EBITDA as they are considered not being reflective of the operational performance of the Company
Normalized net income	Net income before normalized elements adjusted to reflect the tax effect on these elements	In addition to the financial performance of operating activities, these measures consider the impact of investing activities, financing activities and income taxes on the Company's financial results
Normalized income tax expense	Income tax expense adjusted to reflect the tax effect on normalized elements and to normalize specific tax elements	
Normalized effective tax rate	Based on Normalized net income before Normalized income tax expense	
Normalized earnings per share – diluted	Calculated by dividing the Normalized net income by the weighted average number of shares – diluted	
Free cash flow	Cash flows from operating activities less additions to PP&E and intangible assets	Assist investors in assessing the Company's liquidity generation abilities that could be available for shareholders, debt repayment and business combination, after capital expenditure

The Company believes non-IFRS measures are important supplemental measures of financial performance because they eliminate items that have less bearing on the Company's financial 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 financial performance comparisons from period to period, prepare annual operating budgets, assess the Company's ability to meet its future debt service, capital expenditure and working capital requirements and also as a component in the determination of the short-term incentive compensation for the Company's employees. 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.

Reconciliation Tables

The following table presents the reconciliation of Net income to Normalized net income ^[1] and Normalized EBITDA ^[1].

(in millions of Canadian dollars)	Three-month periods ended		Six-month periods ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
Net income	\$338.7	\$237.7	\$493.2	\$358.7
Normalized elements				
Foreign exchange (gain) loss on long-term debt and lease liabilities	(77.6)	(0.1)	(33.8)	16.0
Gain on NCIB	(3.2)	—	(3.2)	(1.8)
Costs related to business combinations ^[2]	1.7	1.0	6.6	2.1
Other elements	—	(0.2)	0.2	1.1
Income tax adjustment ^{[1] [3]}	(4.2)	(0.5)	(15.6)	(1.1)
Normalized net income ^[1]	255.4	237.9	447.4	375.0
Normalized income tax expense ^[1]	80.2	82.5	132.8	131.8
Financing costs adjusted ^[1]	47.2	27.6	91.3	44.1
Financing income adjusted ^[1]	(2.9)	(1.5)	(4.4)	(2.5)
Depreciation expense adjusted ^[1]	93.2	71.8	183.1	142.0
Normalized EBITDA ^[1]	\$473.1	\$418.3	\$850.2	\$690.4

^[1] See "Non-IFRS Measures" section.

^[2] Transaction costs and depreciation of intangible assets related to business combinations.

^[3] Income tax adjustment is related to the income tax on Normalized elements subject to tax and for which income tax has been recognized and to the adjustment related to the impact of foreign currency translation from Mexican operations.

The following table presents the reconciliation of Net Cash Flows from Operating Activities to Free Cash Flow ^[1].

(millions of Canadian dollars)	Six-month periods ended	
	July 31, 2023	July 31, 2022
Net cash flows generated from (used in) operating activities	\$748.2	\$(1.0)
Additions to property, plant and equipment	204.9	192.2
Additions to intangible assets	15.5	28.8
Free cash flow ^[1]	\$527.8	\$(222.0)

^[1] See "Non-IFRS Measures" section.

The following table presents the reconciliation of items as included in the Normalized net income ^[1] and Normalized EBITDA ^[1] compared to respective IFRS measures as well as the Normalized EPS – basic and diluted ^[1] calculation.

	Three-month periods ended		Six-month periods ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
<i>(millions of Canadian dollars, except per share data)</i>				
Depreciation expense reconciliation				
Depreciation expense	\$95.7	\$72.8	\$188.1	\$144.1
Depreciation of intangible assets related to business combinations	2.5	1.0	5.0	2.1
Depreciation expense adjusted	\$93.2	\$71.8	\$183.1	\$142.0
Income tax expense reconciliation				
Income tax expense	\$76.0	\$82.0	\$117.2	\$130.7
Income tax adjustment ^[2]	(4.2)	(0.5)	(15.6)	(1.1)
Normalized income tax expense ^[1]	\$80.2	\$82.5	\$132.8	\$131.8
Financing costs reconciliation				
Financing costs	\$47.2	\$27.8	\$91.5	\$44.3
Other	—	0.2	0.2	0.2
Financing costs adjusted	\$47.2	\$27.6	\$91.3	\$44.1
Financing income reconciliation				
Financing income	\$(6.1)	\$(1.5)	\$(7.6)	\$(4.3)
Gain on NCIB	(3.2)	—	(3.2)	(1.8)
Financing income adjusted	\$(2.9)	\$(1.5)	\$(4.4)	\$(2.5)
Normalized EPS - basic ^[1] calculation				
Normalized net income ^[1]	\$255.4	\$237.9	\$447.4	\$375.0
Non-controlling interests	1.0	1.2	1.3	1.3
Weighted average number of shares - basic	77,874,472	78,959,785	78,357,505	80,000,264
Normalized EPS - basic ^[1]	\$3.27	\$3.00	\$5.69	\$4.67
Normalized EPS - diluted ^[1] calculation				
Normalized net income ^[1]	\$255.4	\$237.9	\$447.4	\$375.0
Non-controlling interests	1.0	1.2	1.3	1.3
Weighted average number of shares - diluted	79,255,857	80,505,043	79,828,732	81,582,927
Normalized EPS - diluted ^[1]	\$3.21	\$2.94	\$5.59	\$4.58

^[1] See "Non-IFRS Measures" section.

^[2] Income tax adjustment is related to the income tax on Normalized elements subject to tax and for which income tax has been recognized and to the adjustment related to the impact of foreign currency translation from Mexican operations.

Summary of Consolidated Quarterly Results

(millions of Canadian dollars, except per share and gross profit data)	Three-month periods ended							
	July	April	January	October	July	April	January	October
	31,	30,	31,	31,	31,	30,	31,	31,
	2023	2023	2023	2022	2022	2022	2022	2021
	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal
	2024	2024	2023	2023	2023	2023	2022	2022
Revenues by category								
Powersports								
Year-Round Products	\$1,461.6	\$1,333.3	\$1,254.8	\$1,279.8	\$1,358.1	\$934.4	\$853.1	\$736.3
Seasonal Products	897.5	691.9	1,319.5	1,020.9	691.2	408.7	1,048.9	437.3
Powersports PA&A and OEM Engines	294.2	284.9	378.1	297.5	257.3	343.5	310.6	283.7
Marine	124.7	119.3	123.9	111.1	131.9	122.7	134.9	130.7
Total Revenues	2,778.0	2,429.4	3,076.3	2,709.3	2,438.5	1,809.3	2,347.5	1,588.0
Gross profit	697.6	623.5	787.6	654.7	602.7	454.4	609.5	410.6
<i>As a percentage of revenues</i>	25.1%	25.7%	25.6%	24.2%	24.7%	25.1%	26.0%	25.9%
Net income	338.7	154.5	365.1	141.6	237.7	121.0	209.6	127.7
Normalized EBITDA ^[1]	473.1	377.1	528.0	487.9	418.3	272.1	416.4	251.7
Normalized net income ^[1]	255.4	192.0	309.2	292.5	237.9	137.1	251.3	123.7
Basic EPS	\$4.34	\$1.96	\$4.64	\$1.79	\$3.00	\$1.49	\$2.55	\$1.57
Diluted EPS	4.26	1.92	4.54	1.76	2.94	1.46	2.50	1.53
Normalized basic EPS ^[1]	3.27	2.43	3.93	3.71	3.00	1.69	3.06	1.52
Normalized diluted EPS ^[1]	3.21	2.38	3.85	3.64	2.94	1.66	3.00	1.48

^[1] See "Non-IFRS Measures" section.

Reconciliation Table for Consolidated Quarterly Results

	July 31, 2023 Fiscal 2024	April 30, 2023 Fiscal 2024	January 31, 2023 Fiscal 2023	October 31, 2022 Fiscal 2023	July 31, 2022 Fiscal 2023	April 30, 2022 Fiscal 2023	January 31, 2022 Fiscal 2022	October 31, 2021 Fiscal 2022
(millions of Canadian dollars)								
Net income	\$338.7	\$154.5	\$365.1	\$141.6	\$237.7	\$121.0	\$209.6	\$127.7
Normalized elements								
Foreign exchange (gain) loss on long-term debt and lease liabilities	(77.6)	43.8	(56.6)	133.0	(0.1)	16.1	48.4	(10.4)
Cybersecurity incident costs ^[2]	—	—	2.2	23.3	—	—	—	—
Gain on NCIB	(3.2)	—	—	—	—	(1.8)	—	—
Past service costs ^[3]	—	—	4.3	—	—	—	—	—
Costs related to business combinations ^[4]	1.7	4.9	2.6	3.6	1.0	1.1	1.0	1.0
Evinrude outboard engine wind-down ^[5]	—	—	—	—	—	—	(1.3)	(0.7)
Gain on disposal of property, plant & equipment and lease termination ^[6]	—	—	—	—	—	—	(8.7)	—
Other elements ^[7]	—	0.2	(4.1)	0.8	(0.2)	1.3	1.1	0.1
Income tax adjustment ^{[1][8]}	(4.2)	(11.4)	(4.3)	(9.8)	(0.5)	(0.6)	1.2	6.0
Normalized net income ^[1]	255.4	192.0	309.2	292.5	237.9	137.1	251.3	123.7
Normalized income tax expense ^[1]	80.2	52.6	96.3	87.6	82.5	49.3	77.9	45.9
Financing costs adjusted ^[1]	47.2	44.1	36.5	33.3	27.6	16.5	14.0	16.4
Financing income adjusted ^[1]	(2.9)	(1.5)	(1.4)	(0.3)	(1.5)	(1.0)	(0.3)	(0.7)
Depreciation expense adjusted ^[1]	93.2	89.9	87.4	74.8	71.8	70.2	73.5	66.4
Normalized EBITDA ^[1]	\$473.1	\$377.1	\$528.0	\$487.9	\$418.3	\$272.1	\$416.4	\$251.7

^[1] See "Non-IFRS Measures" section.

^[2] During Fiscal 2023, the Company incurred costs related to a cybersecurity incident. These costs are mainly comprised of recovery costs, idle costs such as direct labor during shutdown period, etc.

^[3] Effective December 31, 2022, BRP approved an ad-hoc adjustment to be granted to retirees and surviving spouses of the Pension Plan for Employees of BRP (Canada) who retired prior to 2017. The impact of this ad-hoc increase is recognized as a past service cost during the year ended January 31, 2023.

^[4] Transaction costs and depreciation of intangible assets related to business combinations.

^[5] The Company incurred costs related to the wind-down of the outboard engine production such as, but not limited to, idle costs and other exit costs.

^[6] During Fiscal 2022, the Company acquired its two leased facilities in Mexico. The derecognition of related right-of-use assets and corresponding lease liabilities generated a \$8.7 million gain on lease termination.

^[7] Other elements include gain on litigation for Fiscal 2021, insurance recovery on destroyed equipment related to the Juarez 2 fire recorded in Fiscal 2023 and costs associated with restructuring and reorganization activities to gain flexibility and improve efficiency which are mainly composed of severance costs and retention salaries.

^[8] Income tax adjustment is related to the income tax on Normalized elements subject to tax and for which income tax has been recognized and to the adjustment related to the impact of foreign currency translation from Mexican operations.

Selected Consolidated Financial Information

The selected consolidated financial information set out below for the three- and six-month periods ended July 31, 2023 and 2022, has been determined based on the unaudited condensed consolidated interim financial statements and related notes approved on September 6, 2023.

Net Income Data

<i>(in millions of Canadian dollars)</i>	Three-month periods ended		Six-month periods ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
Revenues by category				
Powersports				
Year-Round Products	\$1,461.6	\$1,358.1	\$2,794.9	\$2,292.5
Seasonal Products	897.5	691.2	1,589.4	1,099.9
Powersports PA&A and OEM Engines	294.2	257.3	579.1	600.8
Marine	124.7	131.9	244.0	254.6
Total Revenues	2,778.0	2,438.5	5,207.4	4,247.8
Cost of sales	2,080.4	1,835.8	3,886.3	3,190.7
Gross profit	697.6	602.7	1,321.1	1,057.1
<i>As a percentage of revenues</i>	25.1%	24.7%	25.4%	24.9%
Operating expenses				
Selling and marketing	117.1	98.3	244.6	202.7
Research and development	102.7	82.1	204.4	166.1
General and administrative	93.8	74.3	192.6	144.4
Other operating expenses (income)	5.2	2.2	18.8	(1.5)
Total operating expenses	318.8	256.9	660.4	511.7
Operating income	378.8	345.8	660.7	545.4
Net financing costs	41.1	26.3	83.9	40.0
Foreign exchange (gain) loss on long-term debt	(77.0)	(0.2)	(33.6)	16.0
Income before income taxes	414.7	319.7	610.4	489.4
Income tax expense	76.0	82.0	117.2	130.7
Net income	\$338.7	\$237.7	\$493.2	\$358.7
Attributable to shareholders	\$337.7	\$236.5	\$491.9	\$357.4
Attributable to non-controlling interest	\$1.0	\$1.2	\$1.3	\$1.3
Normalized EBITDA ^[1]	\$473.1	\$418.3	\$850.2	\$690.4
Normalized net income ^[1]	\$255.4	\$237.9	\$447.4	\$375.0

^[1] See "Non-IFRS Measures" section.

Other Financial Data

(in millions of Canadian dollars, except per share data)	Three-month periods ended		Six-month periods ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
Weighted average number of shares – basic	77,874,472	78,959,785	78,357,505	80,000,264
Weighted average number of shares – diluted	79,255,857	80,505,043	79,828,732	81,582,927
EPS - basic	\$4.34	\$3.00	\$6.28	\$4.47
EPS - diluted	4.26	2.94	6.16	4.38
Normalized EPS – basic ^[1]	3.27	3.00	5.69	4.67
Normalized EPS – diluted ^[1]	3.21	2.94	5.59	4.58
Declared dividends per share	\$0.18	\$0.16	\$0.36	\$0.32

^[1] See “Non-IFRS Measures” section.

Financial Position data

As at (in millions of Canadian dollars)	July 31, 2023	January 31, 2023
Cash and cash equivalents	\$388.5	\$202.3
Working capital	994.3	897.3
Property, plant and equipment	1,863.2	1,810.4
Total assets	6,656.5	6,464.6
Total non-current financial liabilities	2,875.2	2,942.8
Total liabilities	5,875.0	5,924.5
Total equity	781.5	540.1
Total debt	2,733.6	2,790.2

Critical Accounting Estimates

Significant Estimates and Judgments

The preparation of the unaudited condensed consolidated interim financial statements in accordance with the Company's accounting policies requires management to make estimates and judgments that can affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, other comprehensive income and disclosures made.

The Company's best estimates are based on the information, facts and circumstances available at the time estimates are made. Management uses historical experience and information, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from the estimates used and such differences could be significant.

The Company's annual operating budget and operating budget revisions performed during the year (collectively "Budget") and the Company's strategic plan comprise fundamental information used as a basis for some significant estimates necessary to prepare the condensed consolidated interim financial statements. Management prepares the annual operating budget and strategic plan each year using a process whereby a detailed one-year budget and three-year strategic plan are prepared by each entity and then consolidated.

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

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

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

Estimating Recoverability of Deferred Tax Assets

Deferred tax assets are recognized only if management believes it is probable that they will be realized based on annual budget, strategic plan and additional projections to derive the expected results for the periods thereafter.

Estimating Provisions for Regular Product Warranty, Product Liability and Sales Program

The regular warranty cost is established by product line and recorded at the time of sale based on management's best estimate, using historical cost rates and trends. Adjustments to the regular warranty provision are made when the Company identifies a significant and recurring issue on products sold or when costs and trend differences are identified in the analysis of regular warranty claims.

The product liability provision at period end is based on management's best estimate of the amounts necessary to resolve existing claims. In addition, the product liability provision at the end of the reporting period includes incurred, but not reported claims, based on average historical cost information.

Sales program provision is estimated based on current program features, historical data and expected retail sales for each product line.

Estimating the Discount Rates Used in Assessing Defined Benefit Plan Expenses and Liability

In order to select the discount rates used to determine defined benefit plan expenses and liabilities, management consults with external actuarial firms to provide commonly used and applicable discount rates that are based on the yield of high quality corporate fixed income investments with cash flows that match expected benefit payments for each defined benefit plan. Management uses its knowledge and comprehension of general economic factors in order to conclude on the accuracy of the discount rates used.

Estimating the incremental borrowing rate used in measuring lease liability

Management makes estimates in the determination of the incremental borrowing rate used to measure the lease liability for each lease contract when the interest rate implicit in the lease is not readily available. The incremental borrowing rate should reflect the interest rate the Company would have to pay to borrow the same asset at a similar term and with a similar security.

Estimating the lease term

On commencement date, when determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options or periods subject to termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. This assessment is reviewed if a significant change in circumstances occurs within the Company's control.

Significant Judgments in Applying the Company's Accounting Policies

Management needs to make certain judgments in order to apply the Company's accounting policies and the most significant ones are the following:

Impairment of Property, Plant and Equipment, Intangible Assets and Right-of-Use Assets

The Company operates using a high level of integration and interdependency between design, development, manufacturing and distribution operations. The cash inflows generated by each product line require the use of various assets of the Company, limiting the impairment testing to be done for a single asset. Therefore, management performs impairment testing by grouping assets into CGUs.

Functional Currency

The Company operates worldwide but its design, development, manufacturing and distribution operations are highly integrated, which require significant judgments from management in order to determine the functional currency of each entity using factors provided by *IAS 21 The Effects of Changes in Foreign Exchange Rates* ("IAS 21"). Management established the functional currency of each entity as its local currency unless the assessment of the criteria established by IAS 21 to assess the functional currency leads to the determination of another currency. IAS 21 criteria are reviewed annually for each entity and are based on transactions with third-parties only.

Environmental, Social and Governance

The Company is committed to Corporate Social Responsibility (CSR) and more specifically to the environment, product safety, health and safety, social well-being and economic prosperity everywhere it operates. The Company recognizes that these factors are fundamental to its growth and success. Supported by Senior Management and the Nominating, Governance and Social Responsibility committee, which has been delegated with the authority to annually review and assess the Company's policies and practices with respect to its corporate social responsibility program, the Board of Directors is the ultimate steward of ESG matters.

In April 2022, the Company announced its commitment to take CSR even further with the launch of its new CSR25 program, which fosters value creation around three main pillars: Environment, Social and Governance. The responsibility of each of them has been assigned to senior executives who leverage their expertise to ensure the program's objectives are achieved. They specifically focus on BRP's employees, communities, operations and products and are broken down as follows:

- Reduce the carbon footprint relating to products and operations.
- Ensure a positive and sustainable impact in communities and the daily lives of employees.
- Continue to make sound strategic decisions, maintain high ethical standards and conduct operations in a sustainable manner.

In connection with the launch of the CSR25 Program, the Company set the following initial environmental targets:

- Having 50% of its units sold as electric by 2035;
- Making its facilities carbon neutral and reaching zero waste to landfill by 2030;
- Reducing CO2 emissions from its Tier 1 suppliers ^[1] by 25% by 2035.

During the first quarter of Fiscal 2024, the Company announced its first electric snowmobiles and announced partnerships with "Tread Lightly!" and "RideSafe".

On May 4, 2023, on the United Nations Anti-Bullying Day, as part of its Ride Out Intimidation Program, the Company announced the creation of an online hub providing easy access to resources by its community partners, to drive positive change. On June 7, 2023, BRP extended its stand against intimidation in the communities where it works, by partnering with Ditch the Label to launch a new web platform aimed at supporting young people aged 12-25 in Mexico, who are affected by intimidation and bullying.

On June 8, 2023, during Pride Month, as part of its commitment to individuality and inclusivity, the Company collaborated with "The Shoe Surgeon", a world-renowned Los Angeles based group of creatives that craft custom shoes, to design a series of custom *Can-Am Ryker* 3WV and riding shoes that pay homage to the Company's mission to ensure the open road is accessible, inclusive and inviting.

On August 20, 2023, BRP announced that while it is committed to offering electric options in all its existing product lines. A roll-out of EV models is planned over the next few years, with the last product introduction now expected before the end of 2027 instead of 2026 as originally planned.

On June 26, 2023, the International Sustainability Standards Board ("ISSB") issued its inaugural standards - IFRS S1 "*General Requirements for Disclosure of Sustainability-related Financial Information*" and IFRS S2 "*Climate Related Disclosures*". IFRS S1 sets out overall disclosure requirements that have been designed to help guide companies in disclosing information about their sustainability-related risks and opportunities in a way that is useful for investors. IFRS S2 sets out specific climate-related disclosures and is to be used in tandem with IFRS S1. The Company is currently in the process of assessing the impacts of these standards on its external disclosures.

For full details about BRP's CSR25 program, its initiatives, and the most recent CSR report, unveiled on June 1st, 2023 please visit the Corporate Social Responsibility section at (www.brp.com).

^[1] Tier 1 suppliers are the suppliers that the Company directly contracts with.

Controls and Procedures

The Company's President and Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures as well as its internal control over financial reporting, as those terms are defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian securities regulatory authorities and Rule 13a-15(e) and Rule 15d-15(e) under the U.S. Securities *Exchange Act of 1934*, as amended.

Disclosure controls and procedures

As at the end of the reporting period covered by the condensed consolidated interim financial statements, the President and Chief Executive Officer and the Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures in order to provide reasonable assurance that:

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

Internal control over financial reporting

As at the end of the reporting period covered by the interim financial statements, the President and Chief Executive Officer and the Chief Financial Officer have designed, or caused to be designed under their supervision, such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no changes in the Company's internal control over financial reporting during the six-month period ended July 31, 2023, that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting. Management determined that the Company's internal control over financial reporting was effective as of July 31, 2023.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management's projections of any evaluation of the effectiveness of internal control over financial reporting as to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Risk Factors

For a detailed description of risk factors associated with the Company, refer to the “Risk Factors” section of the Company’s MD&A for the fourth quarter and the fiscal year ended January 31, 2023. The Company is not aware of any significant changes to the Company’s risk factors from those disclosed at that time.

Disclosure of Outstanding Shares

As at September 5, 2023, the Company had:

<i>Issued and outstanding shares and stock options</i>	
Multiple voting shares with no par value	42,319,344
Subordinate voting shares with no par value	34,416,941
Stock options to acquire subordinate voting shares	3,645,586

Additional Information

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