



Unaudited Condensed Consolidated Interim Financial Statements

**BRP Inc.**

For the three- and six-month periods ended July 31, 2022 and 2021

BRP Inc.

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME**

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

	Notes	Three-month periods ended		Six-month periods ended	
		July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Revenues	14	\$2,438.5	\$1,903.8	\$4,247.8	\$3,712.4
Cost of sales	15	1,835.8	1,333.7	3,190.7	2,600.3
<b>Gross profit</b>		<b>602.7</b>	570.1	<b>1,057.1</b>	1,112.1
<b>Operating expenses</b>					
Selling and marketing		98.3	95.3	202.7	195.5
Research and development		82.1	68.3	166.1	134.1
General and administrative		74.3	57.4	144.4	122.2
Other operating expenses (income)	16	2.2	10.7	(1.5)	5.4
<b>Total operating expenses</b>		<b>256.9</b>	231.7	<b>511.7</b>	457.2
<b>Operating income</b>		<b>345.8</b>	338.4	<b>545.4</b>	654.9
Financing costs	17	27.8	15.7	44.3	98.4
Financing income	17	(1.5)	(1.6)	(4.3)	(2.8)
Foreign exchange (gain) loss on long-term debt		(0.2)	26.1	16.0	(49.0)
<b>Income before income taxes</b>		<b>319.7</b>	298.2	<b>489.4</b>	608.3
Income tax expense	18	82.0	85.3	130.7	151.0
<b>Net income</b>		<b>\$237.7</b>	\$212.9	<b>\$358.7</b>	\$457.3
Attributable to shareholders		\$236.5	\$212.6	\$357.4	\$456.8
Attributable to non-controlling interest		\$1.2	\$0.3	\$1.3	\$0.5
<b>Basic earnings per share</b>	13	<b>\$3.00</b>	\$2.54	<b>\$4.47</b>	\$5.41
<b>Diluted earnings per share</b>	13	<b>\$2.94</b>	\$2.46	<b>\$4.38</b>	\$5.25

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



BRP Inc.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

[Unaudited]  
[in millions of Canadian dollars]

	Three-month periods ended		Six-month periods ended	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
<b>Net income</b>	<b>\$237.7</b>	<b>\$212.9</b>	<b>\$358.7</b>	<b>\$457.3</b>
<b>Other comprehensive income</b>				
<b>Items that will be reclassified subsequently to net income</b>				
Net changes in fair value of derivatives designated as cash flow hedges	(1.5)	(16.3)	35.1	6.3
Net changes in unrealized loss on translation of foreign operations	(13.2)	(2.9)	(30.0)	(19.6)
Income tax (expense) recovery	0.5	4.6	(9.5)	(1.6)
	<b>(14.2)</b>	<b>(14.6)</b>	<b>(4.4)</b>	<b>(14.9)</b>
<b>Items that will not be reclassified subsequently to net income</b>				
Actuarial gains (losses) on defined benefit pension plans	5.6	(13.5)	71.8	32.9
Gain (loss) on fair value of restricted investments	(0.2)	0.3	(1.0)	0.2
Income tax (expense) recovery	(1.1)	3.5	(17.8)	(8.7)
	<b>4.3</b>	<b>(9.7)</b>	<b>53.0</b>	<b>24.4</b>
<b>Total other comprehensive income (loss)</b>	<b>(9.9)</b>	<b>(24.3)</b>	<b>48.6</b>	<b>9.5</b>
<b>Total comprehensive income</b>	<b>\$227.8</b>	<b>\$188.6</b>	<b>\$407.3</b>	<b>\$466.8</b>
Attributable to shareholders	<b>\$227.0</b>	<b>\$188.3</b>	<b>\$406.4</b>	<b>\$466.5</b>
Attributable to non-controlling interest	<b>\$0.8</b>	<b>\$0.3</b>	<b>\$0.9</b>	<b>\$0.3</b>

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



**BRP Inc.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

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

	Notes	July 31, 2022	January 31, 2022
Cash and cash equivalents		\$59.1	\$265.8
Trade and other receivables		380.9	465.7
Income taxes and investment tax credits receivable		29.1	31.6
Other financial assets	3	114.4	73.6
Inventories	4	2,178.0	1,691.3
Other current assets	5	123.0	140.1
<b>Total current assets</b>		<b>2,884.5</b>	<b>2,668.1</b>
Investment tax credits receivable		32.1	24.4
Other financial assets	3	87.2	53.2
Property, plant and equipment		1,485.6	1,441.9
Intangible assets		515.2	494.9
Right-of-use assets		136.3	132.7
Deferred income taxes		234.2	212.8
Other non-current assets	5	4.2	2.9
<b>Total non-current assets</b>		<b>2,494.8</b>	<b>2,362.8</b>
<b>Total assets</b>		<b>\$5,379.3</b>	<b>\$5,030.9</b>
Revolving credit facilities and bank overdraft	6	\$235.8	\$—
Trade payables and accruals		1,571.4	1,622.9
Provisions	7	412.8	328.1
Other financial liabilities	8	80.8	152.3
Income tax payable		70.9	135.7
Deferred revenues		231.3	247.9
Current portion of long-term debt	9	47.6	103.1
Current portion of lease liabilities		32.6	29.4
<b>Total current liabilities</b>		<b>2,683.2</b>	<b>2,619.4</b>
Long-term debt	9	2,146.3	1,937.4
Lease liabilities		118.5	117.5
Provisions	7	101.4	86.2
Other financial liabilities	8	33.6	34.0
Deferred revenues		99.9	107.3
Employee future benefit liabilities		138.1	220.2
Deferred income taxes		32.2	22.4
Other non-current liabilities		16.9	19.3
<b>Total non-current liabilities</b>		<b>2,686.9</b>	<b>2,544.3</b>
<b>Total liabilities</b>		<b>5,370.1</b>	<b>5,163.7</b>
<b>Equity (deficit)</b>		<b>9.2</b>	<b>(132.8)</b>
<b>Total liabilities and equity (deficit)</b>		<b>\$5,379.3</b>	<b>\$5,030.9</b>

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



BRP Inc.

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

[Unaudited]  
[in millions of Canadian dollars]

**For the six-month period ended July 31, 2022**

	Attributed to shareholders						Non-controlling interests	Total equity (deficit)
	Capital Stock (Note 10)	Contributed surplus	Retained losses	Translation of foreign operations	Cash-flow hedges	Total		
<b>Balance as at January 31, 2022</b>	<b>\$260.6</b>	<b>\$(3.2)</b>	<b>\$(404.3)</b>	<b>\$(2.9)</b>	<b>\$14.2</b>	<b>\$(135.6)</b>	<b>\$2.8</b>	<b>\$(132.8)</b>
Net income	—	—	357.4	—	—	357.4	1.3	358.7
Other comprehensive income (loss)	—	—	53.0	(29.6)	25.6	49.0	(0.4)	48.6
Total comprehensive income (loss)	—	—	410.4	(29.6)	25.6	406.4	0.9	407.3
Dividends	—	—	(25.6)	—	—	(25.6)	—	(25.6)
Issuance of subordinate shares	6.4	(1.9)	—	—	—	4.5	—	4.5
Repurchase of subordinate shares (Note 10)	(20.2)	47.2	(279.8)	—	—	(252.8)	—	(252.8)
Stock-based compensation	—	8.6 <sup>[a]</sup>	—	—	—	8.6	—	8.6
<b>Balance as at July 31, 2022</b>	<b>\$246.8</b>	<b>\$50.7</b>	<b>\$(299.3)</b>	<b>\$(32.5)</b>	<b>\$39.8</b>	<b>\$5.5</b>	<b>\$3.7</b>	<b>\$9.2</b>

<sup>[a]</sup> Includes \$1.2 million of income tax expense.

**For the six-month period ended July 31, 2021**

	Attributed to shareholders						Non-controlling interests	Total deficit
	Capital Stock	Contributed surplus	Retained losses	Translation of foreign operations	Cash-flow hedges	Total		
<b>Balance as at January 31, 2021</b>	<b>\$210.4</b>	<b>\$(154.0)</b>	<b>\$(575.9)</b>	<b>\$35.5</b>	<b>\$5.3</b>	<b>\$(478.7)</b>	<b>\$3.8</b>	<b>\$(474.9)</b>
Net income	—	—	456.8	—	—	456.8	0.5	457.3
Other comprehensive income (loss)	—	—	24.4	(19.4)	4.7	9.7	(0.2)	9.5
Total comprehensive income (loss)	—	—	481.2	(19.4)	4.7	466.5	0.3	466.8
Dividends	—	—	(21.9)	—	—	(21.9)	—	(21.9)
Issuance of subordinate shares	15.9	(4.2)	—	—	—	11.7	—	11.7
Repurchase of subordinate shares (Note 18)	(32.7)	200.0	(575.4)	—	—	(408.1)	—	(408.1)
Stock-based compensation	—	9.8 <sup>[a]</sup>	—	—	—	9.8	—	9.8
Other	—	—	—	—	—	—	(1.4)	(1.4)
<b>Balance as at July 31, 2021</b>	<b>\$193.6</b>	<b>\$51.6</b>	<b>\$(692.0)</b>	<b>\$16.1</b>	<b>\$10.0</b>	<b>\$(420.7)</b>	<b>\$2.7</b>	<b>\$(418.0)</b>

<sup>[a]</sup> Includes \$0.8 million of income tax recovery.

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BRP Inc.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

[Unaudited]  
[in millions of Canadian dollars]

	Notes	Six-month periods ended	
		July 31, 2022	July 31, 2021
<b>OPERATING ACTIVITIES</b>			
Net income		\$358.7	\$457.3
Non-cash and non-operating items:			
Depreciation expense		144.1	131.7
Income tax expense	18	130.7	151.0
Foreign exchange (gain) loss on long-term debt		16.0	(49.0)
Interest expense and transaction costs	17	40.8	73.5
Other		—	32.0
Cash flows generated from operations before changes in working capital		690.3	796.5
Changes in working capital:			
(Increase) decrease in trade and other receivables		70.8	(1.3)
Increase in inventories		(537.6)	(279.9)
Increase in other assets		(45.8)	(23.5)
Decrease in trade payables and accruals		(23.1)	(53.6)
Increase (decrease) in other financial liabilities		(16.2)	40.3
Increase (decrease) in provisions		108.9	(28.8)
Decrease in other liabilities		(27.1)	(23.1)
Cash flows generated from operations		220.2	426.6
Income taxes paid, net of refunds		(221.2)	(99.7)
<b>Net cash flows generated from (used in) operating activities</b>		<b>(1.0)</b>	<b>326.9</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(192.2)	(208.4)
Additions to intangible assets		(28.8)	(24.9)
Other		(1.5)	5.3
<b>Net cash flows used in investing activities</b>		<b>(222.5)</b>	<b>(228.0)</b>
<b>FINANCING ACTIVITIES</b>			
Increase in revolving credit facilities and bank overdraft		237.4	—
Issuance of long-term debt	9	244.5	409.0
Long-term debt amendment fees	9	(1.9)	(19.7)
Repayment of long-term debt	9	(88.5)	(768.8)
Repayment of lease liabilities		(16.6)	(17.6)
Interest paid		(35.6)	(27.7)
Issuance of subordinate voting shares		4.5	11.7
Repurchase of subordinate voting shares	10	(305.5)	(638.2)
Dividends paid		(25.6)	(21.9)
Other		(4.9)	(4.5)
<b>Net cash flows generated from (used in) financing activities</b>		<b>7.8</b>	<b>(1,077.7)</b>
Effect of exchange rate changes on cash and cash equivalents		9.0	8.5
<b>Net decrease in cash and cash equivalents</b>		<b>(206.7)</b>	<b>(970.3)</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>265.8</b>	<b>1,325.7</b>
<b>Cash and cash equivalents at the end of period</b>		<b>\$59.1</b>	<b>\$355.4</b>

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



**BRP Inc.**

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

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For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

### **1. NATURE OF OPERATIONS**

BRP Inc. (“BRP”) is incorporated under the laws of Canada. BRP’s multiple voting shares are owned by Beaudier Inc. and 4338618 Canada Inc. (collectively, “Beaudier Group”), Bain Capital Integral Investors II, L.P. (“Bain Capital”) and La Caisse de dépôt et placement du Québec (“CDPQ”), (collectively, the “Principal Shareholders”). BRP’s subordinate voting shares are listed in Canada on the Toronto Stock Exchange under the symbol DOO and in the United States on the Nasdaq Global Select Market under the symbol DOOO.

BRP and its subsidiaries (the “Company”) design, develop, manufacture and sell powersports vehicles and marine products. The Company’s Powersports segment comprises “Year-Round Products” which consists of all-terrain vehicles, side-by-side vehicles and three-wheeled vehicles; “Seasonal Products” which consists of snowmobiles, personal watercraft and pontoons; and “Powersports PA&A and OEM Engines” which consists of parts, accessories and apparel (“PA&A”), engines for karts and recreational aircraft and other services. Additionally, the Company’s “Marine” segment consists of boats, pontoons, jet boat and outboard engines and related PA&A and other services.

The Company’s products are sold mainly through a network of independent dealers, independent distributors and to original equipment manufacturers (the “Customers”). The Company distributes its products worldwide and manufactures them in Mexico, Canada, Austria, the United States, Finland and Australia.

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

### **2. BASIS OF PRESENTATION**

These unaudited condensed consolidated interim financial statements for the three- and six-month periods ended July 31, 2022 and 2021 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*”. These unaudited condensed consolidated interim financial statements for the three- and six-month periods ended July 31, 2022 and 2021 follow the same accounting policies as the audited consolidated financial statements for the year ended January 31, 2022 and, as such, should be read in conjunction with them.

The preparation of these 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. Actual results could differ from the estimates used and such differences could be significant.

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



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

### 2. BASIS OF PRESENTATION [CONTINUED]

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

On September 13, 2022, the Board of Directors of the Company approved these unaudited condensed consolidated interim financial statements for the three- and six-month periods ended July 31, 2022 and 2021.

### 3. OTHER FINANCIAL ASSETS

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

	July 31, 2022	January 31, 2022
Restricted investments <sup>[a]</sup>	\$12.2	\$14.3
Derivative financial instruments	74.0	38.0
Advances to suppliers related to property, plant and equipment	75.1	50.4
Other	40.3	24.1
<b>Total other financial assets</b>	<b>\$201.6</b>	<b>\$126.8</b>
Current	114.4	73.6
Non-current	87.2	53.2
<b>Total other financial assets</b>	<b>\$201.6</b>	<b>\$126.8</b>

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

The non-current portion is mainly attributable to the restricted investments and derivative financial instruments.

### 4. INVENTORIES

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

	July 31, 2022	January 31, 2022
Materials and work in progress	\$1,533.3	\$1,193.6
Finished products	296.1	176.9
Parts, accessories and apparel	348.6	320.8
<b>Total inventories</b>	<b>\$2,178.0</b>	<b>\$1,691.3</b>

The Company recognized in the condensed consolidated interim statements of net income during the three- and six-month periods ended July 31, 2022, a write-down on inventories of \$4.7 million and \$11.0 million respectively (\$8.6 million and \$9.0 million respectively during the three- and six-month periods ended July 31, 2021).





## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

### 5. OTHER ASSETS

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

	July 31, 2022	January 31, 2022
Prepays	\$33.3	\$36.1
Deferred financing cost	6.1	4.1
Other <sup>[a]</sup>	87.8	102.8
<b>Total other assets</b>	<b>\$127.2</b>	<b>\$143.0</b>
Current	123.0	140.1
Non-current	4.2	2.9
<b>Total other assets</b>	<b>\$127.2</b>	<b>\$143.0</b>

<sup>[a]</sup> The balance is mainly attributable to the substantially completed units awaiting installation of missing components at dealers for which the legal property title has been transferred while not qualifying for revenue recognition as at July 31, 2022. The Company was either compensated for those units through its amended financing agreement with its third-party financing provider or has an unconditional right to be compensated, which ultimately resulted in the deferral of revenue recognition. The revenue will be recognized upon completion of its performance obligation, concurrently with the aforementioned other asset that will be recognized as cost of sales.



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

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For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

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

On February 16, 2022, the Company amended its \$800.0 million revolving credit facilities to increase the availability to \$1,100.0 million and replace LIBOR with the Secured Overnight Financing Rate (“SOFR”) as the benchmark interest rate. Subsequently, on June 10, 2022, the Company further added to its available commitment under its revolving credit facilities by \$400 million increasing the availability to \$1,500.0 million. The pricing grid and other conditions remained unchanged for both increases.

As at July 31, 2022, the Company had \$231.0 million of outstanding indebtedness under the Revolving Credit Facilities and \$4.8 million under bank overdraft.

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:

- (i) U.S. dollars at either
  - (a) Term SOFR (defined as the forward-looking term rate based on SOFR plus a customary credit spread adjustment) plus 1.45% to 3.00% per annum; or
  - (b) U.S. Base Rate plus 0.45% to 2.00% per annum; or
  - (c) U.S. Prime Rate plus 0.45% to 2.00% per annum;
- (ii) Canadian dollars at either
  - (a) Bankers’ Acceptance plus 1.45% to 3.00% per annum; or
  - (b) Canadian Prime Rate plus 0.45% to 2.00% per annum
- (iii) Euros at 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, 2022, the cost of borrowing under the Revolving Credit Facilities was as follows:

- (i) U.S. dollars at either
  - (a) Term SOFR plus 1.45% per annum; or
  - (b) U.S. Base Rate plus 0.45% per annum; or
  - (c) U.S. Prime Rate plus 0.45% per annum;
- (ii) Canadian dollars at either
  - (a) Bankers’ Acceptance plus 1.45% per annum; or
  - (b) Canadian Prime Rate plus 0.45% per annum
- (iii) Euros at EURIBOR plus 1.45% per annum.

As at July 31, 2022, the commitment fees on the undrawn amount of the Revolving Credit Facilities were 0.25% per annum.

The Company is required to maintain, under certain conditions, a minimum fixed charge coverage ratio. 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.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

### 7. PROVISIONS

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

	July 31, 2022	January 31, 2022
Product-related	\$471.2	\$372.8
Restructuring	2.8	3.2
Other	40.2	38.3
<b>Total provisions</b>	<b>\$514.2</b>	<b>\$414.3</b>
Current	412.8	328.1
Non-current	101.4	86.2
<b>Total provisions</b>	<b>\$514.2</b>	<b>\$414.3</b>

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

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

The changes in provisions were as follows:

	Product-related	Restructuring	Other	Total
<b>Balance as at January 31, 2022</b>	<b>\$372.8</b>	<b>\$3.2</b>	<b>\$38.3</b>	<b>\$414.3</b>
Expensed during the period	392.6	—	13.7	406.3
Paid during the period	(284.9)	(0.4)	(10.5)	(295.8)
Reversed during the period	(2.3)	—	—	(2.3)
Effect of foreign currency exchange rate changes	(3.0)	—	(1.3)	(4.3)
Unwinding of discount and effect of changes in discounting estimates	(4.0)	—	—	(4.0)
<b>Balance as at July 31, 2022</b>	<b>\$471.2</b>	<b>\$2.8</b>	<b>\$40.2</b>	<b>\$514.2</b>

### 8. OTHER FINANCIAL LIABILITIES

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

	July 31, 2022	January 31, 2022
Dealer holdback programs and customer deposits	\$68.0	\$83.4
Due to Bombardier Inc.	22.4	22.1
Derivative financial instruments	12.0	10.3
Financial liability related to share repurchase programs	—	47.2
Other	12.0	23.3
<b>Total other financial liabilities</b>	<b>\$114.4</b>	<b>\$186.3</b>
Current	80.8	152.3
Non-current <sup>[a]</sup>	33.6	34.0
<b>Total other financial liabilities</b>	<b>\$114.4</b>	<b>\$186.3</b>

<sup>[a]</sup> The non-current portion is mainly comprised of the amount due to Bombardier Inc. in connection with indemnification related to income taxes.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

### 9. LONG-TERM DEBT

As at July 31, 2022 and January 31, 2022, the maturity dates, interest rates, outstanding nominal amounts and carrying amounts of long-term debt were as follows:

					July 31, 2022	
	Maturity date	Contractual interest rate	Effective interest rate	Outstanding nominal amount	Carrying amount	
Term Facility						
Term Loan B-1	May 2027	4.37%	4.41%	U.S. \$1,484.8	\$1,897.6 <sup>[a]</sup>	
Term Loan B-2	June 2024	5.43%	5.89%	U.S. \$100.0	126.9 <sup>[a]</sup>	
Term Loans	Dec. 2022 to Dec. 2030	0.50% to 1.60%	0.50% to 3.81%	€139.4	169.4	
Total long-term debt					\$2,193.9	
Current					47.6	
Non-current					2,146.3	
Total long-term debt					\$2,193.9	

<sup>[a]</sup> Net of unamortized transaction costs of \$3.3 million for Term Loan B-1 and \$1.1 million for Term Loan B-2.

					January 31, 2022	
	Maturity date	Contractual interest rate	Effective interest rate	Outstanding nominal amount	Carrying amount	
Term Facility						
Term Loan B-1	May 2027	2.11%	2.14%	U.S. \$1,492.4	\$1,891.1 <sup>[a]</sup>	
Term Loans	Mar. 2022 to Dec. 2030	0.75% to 1.90%	0.88% to 4.67%	€110.5	149.4	
Total long-term debt					\$2,040.5	
Current					103.1	
Non-current					1,937.4	
Total long-term debt					\$2,040.5	

<sup>[a]</sup> Net of unamortized transaction costs of \$3.6 million.

The following table explains the changes in long-term debt during the six-month period ended July 31, 2022:

	Carrying amount as at January 31, 2022	Statements of cash flows		Non-cash changes		Carrying amount as at July 31, 2022
		Issuance	Repayment	Effect of foreign currency exchange rate changes	Other	
Term Facility	\$1,891.1	\$127.8	\$(9.7)	\$16.0	\$(0.7)	\$2,024.5
Term Loans	149.4	116.7	(78.8)	(12.4)	(5.5)	169.4
Total	\$2,040.5	\$244.5	\$(88.5)	\$3.6	\$(6.2)	\$2,193.9



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

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For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

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

#### **a) Term Facility**

On June 14, 2022, the Company entered into an incremental U.S. \$100.0 million tranche under its Term Facility. This new tranche matures in June 2024 and, consistent with the existing tranche of the Term Facility, is exempt of financial covenants. The Company incurred transaction costs of \$1.1 million, which have been incorporated in the carrying amount of this new tranche of the Term Facility and are amortized over its expected life using the effective interest rate method.

As at July 31, 2022, the cost of borrowing under the Term Loan B-1 was as follows:

- (i) LIBOR plus 2.00% per annum, with a LIBOR floor of 0.00%; or
- (ii) U.S. Base Rate plus 1.00%; or
- (iii) U.S. Prime Rate plus 1.00%

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

As at July 31, 2022, the cost of borrowing under the Term Loan B-2 was as follows:

- (i) Term SOFR (defined as the forward-looking term rate based on SOFR plus a customary credit spread adjustment) plus 3.00% per annum, with a Term SOFR floor of 0.5%; or
- (ii) U.S. Base Rate plus 2.00%

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. \$7.6 million (\$9.7 million) during the six-month period ended July 31, 2022. 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.

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

On May 5, 2022, the Company fully repaid the balance of its €55.0 million (\$74.2 million) unsecured loan contracted in Fiscal 2021 under an Austrian government COVID-19 program.

During the three-month period ended July 31, 2022, the Company entered into unsecured loan agreements at favourable interest rates under an Austrian government program. This program supports research and development projects based on the Company's incurred expenses in Austria. The term loans have a nominal amount of €86.8 million (\$116.7 million) with an interest rate varying between 0.50% and 0.84% with maturity dates varying from June 2025 to June 2029. The Company recognized a deferred grant revenue, representing the difference between the fair value of the term loan at inception and the cash received, of €4.4 million (\$5.7 million). The grants are recognized linearly over the maturity of the loans as other income.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

### 10. CAPITAL STOCK

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

	Number of shares	Carrying Amount
<b>Subordinate voting shares</b>		
<b>Balance as at January 31, 2022</b>	<b>38,543,761</b>	<b>\$257.1</b>
Issued upon exercise of stock options	122,286	6.4
Issued in exchange of multiple voting shares	570,779	0.1
Repurchased under the substantial issuer bid offer	(2,427,184)	(17.1)
Repurchased under the normal course issuer bid program	(463,950)	(3.1)
<b>Balance as at July 31, 2022</b>	<b>36,345,692</b>	<b>\$243.4</b>
<b>Multiple voting shares</b>		
<b>Balance as at January 31, 2022</b>	<b>42,954,979</b>	<b>\$3.5</b>
Exchanged for subordinate voting shares	(570,779)	(0.1)
<b>Balance as at July 31, 2022</b>	<b>42,384,200</b>	<b>\$3.4</b>
<b>Total outstanding as at July 31, 2022</b>	<b>78,729,892</b>	<b>\$246.8</b>

#### Substantial issuer bid offer ("SIB")

On May 11, 2022, the Company repurchased for cancellation 2,427,184 subordinate voting shares following the completion of its SIB for a total consideration of \$250.0 million, of which \$16.1 million represents the carrying amount of the shares repurchased and \$233.9 million represents the amount charged to retained losses. Prior to the completion of the SIB, Beaudier group converted 570,779 of multiple voting shares into an equivalent number of subordinate voting shares. These converted shares were repurchased and cancelled as part of the SIB. The Company incurred \$1.0 million of fees and expenses relating to the SIB, which were recorded in capital stock.

#### Normal Course Issuer Bid Program ("NCIB")

During the six-month period ended July 31, 2022, the Company continued the NCIB that was announced and started during the fiscal year ended January 31, 2022 and repurchased 463,950 subordinate voting shares for a total consideration of \$47.2 million.

When the Company was not permitted to purchase subordinate voting shares due to regulatory restrictions or self-imposed blackout periods, an automatic share purchase plan with a designated broker allowed the purchase of subordinate voting shares under pre-set conditions. During the six-month period ended July 31, 2022, the Company recognized a gain of \$1.8 million in financing income related to the automatic share purchase plan. The gain represents the difference between the share price used to establish the financial liability at the end of each quarter and the amount actually paid to repurchase shares during the regulatory restrictions or self-imposed blackout periods.

Of the total consideration of \$47.2 million, \$3.1 million represents the carrying amount of the shares repurchased, \$45.9 million represents the amount charged to retained losses and \$1.8 million represents the gain recognized in net income.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

### 11. STOCK OPTION PLAN

During the six-month period ended July 31, 2022 and 2021, the Company granted respectively 550,100 and 505,100 stock options to eligible officers and employees to acquire subordinated voting shares at an average exercise price of \$104.07 and \$109.66 respectively. The fair value of the options at the grant date was \$41.02 and \$43.06, respectively. Such stock options are time vesting and 25% of the options will vest on each of the first, second, third and fourth anniversary of the grant. The stock options have a ten-year term at the end of which the options expire.

### 12. SEGMENTED INFORMATION

Details of segment information were as follows:

For the three-month period ended July 31, 2022	Powersports segment	Marine segment	Inter- segment eliminations	Total
Revenues	\$2,306.8	\$139.5	\$(7.8)	\$2,438.5
Cost of sales	1,723.4	120.2	(7.8)	1,835.8
<b>Gross profit</b>	<b>583.4</b>	<b>19.3</b>	<b>—</b>	<b>602.7</b>
<b>Total operating expenses</b>				<b>256.9</b>
<b>Operating income</b>				<b>345.8</b>
Financing costs				27.8
Financing income				(1.5)
Foreign exchange gain on long-term debt				(0.2)
<b>Income before income taxes</b>				<b>319.7</b>
Income tax expense				82.0
<b>Net income</b>				<b>\$237.7</b>



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

### 12. SEGMENTED INFORMATION [CONTINUED]

For the three-month period ended July 31, 2021	Powersports segment	Marine segment	Inter- segment eliminations	Total
Revenues	\$1,778.8	\$128.8	\$(3.8)	\$1,903.8
Cost of sales	1,221.5	116.0	(3.8)	1,333.7
<b>Gross profit</b>	<b>557.3</b>	<b>12.8</b>	<b>—</b>	<b>570.1</b>
<b>Total operating expenses</b>				<b>231.7</b>
<b>Operating income</b>				<b>338.4</b>
Financing costs				15.7
Financing income				(1.6)
Foreign exchange loss on long-term debt				26.1
<b>Income before income taxes</b>				<b>298.2</b>
Income tax expense				85.3
<b>Net income</b>				<b>\$212.9</b>

For the six-month period ended July 31, 2022	Powersports segment	Marine segment	Inter- segment eliminations	Total
Revenues	\$3,993.5	\$271.6	\$(17.3)	\$4,247.8
Cost of sales	2,975.8	232.2	(17.3)	3,190.7
<b>Gross profit</b>	<b>1,017.7</b>	<b>39.4</b>	<b>—</b>	<b>1,057.1</b>
<b>Total operating expenses</b>				<b>511.7</b>
<b>Operating income</b>				<b>545.4</b>
Financing costs				44.3
Financing income				(4.3)
Foreign exchange loss on long-term debt				16.0
<b>Income before income taxes</b>				<b>489.4</b>
Income tax expense				130.7
<b>Net income</b>				<b>\$358.7</b>





BRP Inc.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

### 12. SEGMENTED INFORMATION [CONTINUED]

<b>For the six-month period ended July 31, 2021</b>	<b>Powersports segment</b>	<b>Marine segment</b>	<b>Inter- segment eliminations</b>	<b>Total</b>
Revenues	\$3,465.4	\$256.3	\$(9.3)	\$3,712.4
Cost of sales	2,389.5	220.1	(9.3)	2,600.3
<b>Gross profit</b>	<b>1,075.9</b>	<b>36.2</b>	<b>—</b>	<b>1,112.1</b>
<b>Total operating expenses</b>				<b>457.2</b>
<b>Operating income</b>				<b>654.9</b>
Financing costs				98.4
Financing income				(2.8)
Foreign exchange gain on long-term debt				(49.0)
<b>Income before income taxes</b>				<b>608.3</b>
Income tax expense				151.0
<b>Net income</b>				<b>\$457.3</b>



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

### 13. EARNINGS PER SHARE

#### a) Basic earnings per share

Details of basic earnings per share were as follows:

	Three-month periods ended		Six-month periods ended	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Net income attributable to shareholders	\$236.5	\$212.6	\$357.4	\$456.8
Weighted average number of shares	78,959,785	83,857,134	80,000,264	84,402,885
Earnings per share - basic	\$3.00	\$2.54	\$4.47	\$5.41

#### b) Diluted earnings per share

Details of diluted earnings per share were as follows:

	Three-month periods ended		Six-month periods ended	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Net income attributable to shareholders	\$236.5	\$212.6	\$357.4	\$456.8
Weighted average number of shares	78,959,785	83,857,134	80,000,264	84,402,885
Dilutive effect of stock options	1,545,258	2,472,483	1,582,663	2,553,351
Weighted average number of diluted shares	80,505,043	86,329,617	81,582,927	86,956,236
Earnings per share - diluted	\$2.94	\$2.46	\$4.38	\$5.25



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

### 14. REVENUES

Details of revenues were as follows:

	Three-month periods ended		Six-month periods ended	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
<b>Powersports</b>				
Year-Round Products	\$1,358.1	\$955.6	\$2,292.5	\$1,878.1
Seasonal Products	691.2	574.5	1,099.9	1,037.9
Powersports PA&A and OEM Engines	257.3	248.6	600.8	549.2
<b>Marine</b>	131.9	125.1	254.6	247.2
<b>Total</b>	<b>\$2,438.5</b>	<b>\$1,903.8</b>	<b>\$4,247.8</b>	<b>\$3,712.4</b>

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

	Three-month periods ended		Six-month periods ended	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
United States	\$1,550.5	\$1,123.2	\$2,581.5	\$2,145.1
Canada	355.9	294.1	636.0	570.1
Europe	281.5	294.2	542.9	594.9
Asia Pacific	159.8	127.1	309.6	255.2
Latin America	88.7	62.1	172.4	140.3
Other	2.1	3.1	5.4	6.8
	<b>\$2,438.5</b>	<b>\$1,903.8</b>	<b>\$4,247.8</b>	<b>\$3,712.4</b>

### 15. COST OF SALES

Cost of sales comprise costs of inventories sold, production overheads unallocated to inventories, warranty and distribution costs, costs related to sales programs that involve a free product or service delivered to clients, write-down of inventories, reversal of write-down of inventories, depreciation of property, plant and equipment, intangible assets, right-of-use assets used to manufacture and distribute products and net insurance gains related to inventory.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

### 16. OTHER OPERATING EXPENSES (INCOME)

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

	Three-month periods ended		Six-month periods ended	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Foreign exchange (gain) loss on working capital elements	\$9.6	\$6.8	\$11.7	\$(6.1)
(Gain) loss on forward exchange contracts	(6.3)	1.4	(13.1)	8.8
Other	(1.1)	2.5	(0.1)	2.7
<b>Total</b>	<b>\$2.2</b>	<b>\$10.7</b>	<b>\$(1.5)</b>	<b>\$5.4</b>

### 17. FINANCING COSTS AND INCOME

Details of financing costs and financing income were as follows:

	Three-month periods ended		Six-month periods ended	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Interest on long-term debt	\$17.9	\$11.0	\$29.6	\$23.5
Transaction costs on long-term debt	0.7	—	0.7	44.3
Interest on lease liabilities	1.2	2.1	2.4	4.2
Net interest on employee future benefit liabilities	1.1	1.2	2.3	2.5
Interest and commitment fees on revolving credit facilities	6.2	0.8	8.1	1.5
Other	0.7	0.6	1.2	22.4
<b>Financing costs</b>	<b>27.8</b>	<b>15.7</b>	<b>44.3</b>	<b>98.4</b>
<b>Financing income</b>	<b>(1.5)</b>	<b>(1.6)</b>	<b>(4.3)</b>	<b>(2.8)</b>
<b>Net financing costs</b>	<b>\$26.3</b>	<b>\$14.1</b>	<b>\$40.0</b>	<b>\$95.6</b>



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

### 18. INCOME TAXES

Details of income tax expense were as follows:

	Three-month periods ended		Six-month periods ended	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Current income tax expense				
Related to current year	\$104.9	\$91.5	\$172.3	\$162.2
Related to prior years	0.3	1.1	(0.9)	(0.6)
	<b>105.2</b>	92.6	<b>171.4</b>	161.6
Deferred income tax recovery				
Temporary differences	(22.9)	(9.6)	(44.6)	(3.6)
Effect of income tax rate changes on deferred income taxes	0.1	—	0.1	—
Increase (decrease) in valuation allowance	(0.4)	2.3	3.8	(7.0)
	<b>(23.2)</b>	(7.3)	<b>(40.7)</b>	(10.6)
Income tax expense	<b>\$82.0</b>	\$85.3	<b>\$130.7</b>	\$151.0

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

	Three-month periods ended		Six-month periods ended	
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
Income taxes calculated at statutory rates	\$84.7	26.5%	\$79.0	26.5%
Increase (decrease) resulting from:				
Income tax rate differential of foreign subsidiaries	1.1	(1.6)	4.5	(3.5)
Effect of income tax rate changes on deferred income taxes	0.1	—	0.1	—
Increase (decrease) in valuation allowance	(0.4)	2.3	3.8	(7.0)
Recognition of income taxes on foreign currency translation	(1.5)	(0.5)	(3.0)	0.5
Permanent differences	0.5	4.0	0.7	1.0
Other	(2.5)	2.1	(5.1)	(1.2)
Income tax expense	<b>\$82.0</b>	\$85.3	<b>\$130.7</b>	\$151.0



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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### 19. FINANCIAL INSTRUMENTS

#### a) Fair value

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

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

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

		As at July 31, 2022	
	Fair value level	Carrying amount	Fair value
Restricted investments (Note 3)	Level 2	\$12.2	\$12.2
Derivative financial instruments			
Forward exchange contracts			
Favourable		\$10.8	\$10.8
(Unfavourable)		(11.6)	(11.6)
Interest rate cap		63.2	63.2
Inflation rate swap		(0.4)	(0.4)
	Level 2	\$62.0	\$62.0
Long-term debt (including current portion)			
Term Facility (Note 9)	Level 1	\$(2,024.5)	\$(1,921.6)
Term Loans (Note 9)	Level 2	(169.4)	(181.9)
		\$(2,193.9)	\$(2,103.5)

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



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three- and six-month periods ended July 31, 2022 and 2021

[Unaudited]

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

### 19. FINANCIAL INSTRUMENTS [CONTINUED]

#### b) Liquidity risk

The following table summarizes the contractual maturities of the Company's financial liabilities as at July 31, 2022:

	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total amount
Trade payables and accruals	\$1,571.4	\$—	\$—	\$—	\$1,571.4
Long-term debt (including interest)	139.7	285.4	2,169.4	54.1	2,648.6
Lease liabilities (including interest)	36.6	52.7	32.3	48.5	170.1
Derivative financial instruments	9.6	2.4	—	—	12.0
Other financial liabilities	71.2	4.2	0.4	26.6	102.4
<b>Total</b>	<b>\$1,828.5</b>	<b>\$344.7</b>	<b>\$2,202.1</b>	<b>\$129.2</b>	<b>\$4,504.5</b>

### 20. SUBSEQUENT EVENTS

#### Acquisitions

On August 5, 2022, the Company completed the acquisition of 80% of the outstanding shares of Pinion GmbH ("Pinion") for a consideration of approximately €62.0 million (\$81.0 million) paid in cash. Pinion is located in Denkendorf, Germany and designs, develops, assembles, and sells mechanical gearboxes for traditional and electric bicycles.

On August 9, 2022, the Company announced that it entered into a definitive agreement with Kongsberg Automotive ASA and its subsidiary Kongsberg Inc. to acquire substantially all the assets related to its powersports business located in Shawinigan, Quebec ("KA Shawinigan"). As a leading player in electronic and mechatronic product development and manufacturing, KA Shawinigan is a long-standing supplier of BRP. The transaction is expected to be completed by the end of Fiscal 2023.

Due to the limited time between the closing of the transaction and the issuance of these unaudited condensed consolidated interim financial statements, certain required information on business combinations under IFRS 3 "Business combinations", mainly the preliminary purchase price allocation, have not been provided as this information is not yet available. The Company is in the process of assessing the fair value of the assets acquired and the liabilities assumed at the date of acquisition.

#### Cybersecurity incident

On August 8, 2022, the Company was the target of a malicious cybersecurity incident. The Company immediately activated its internal network of IT professionals and retained the services of cybersecurity experts to assist in securing its systems and support its internal investigation. As a preventive measure, it also suspended its operations and IT systems to contain the situation.

On August 15, 2022, the Company announced that its production operations were progressively resuming. The Company has notified its insurers about the cybersecurity incident it has experienced.

