CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	As at September 30, 2018	As at December 30, 2017 (1)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 15)	$ 30,668	$ 36,841
Trade and other receivables (Note 10)	418,923	425,736
Inventories	595,488	592,136
Other financial assets	1,624	553
Income taxes receivable	14,453	12,035
Prepaid expenses	26,960	26,593
Other assets	13,812	13,747
	1,101,928	1,107,641
Assets held for sale (Note 6)	8,457	8,481
	1,110,385	1,116,122
NON-CURRENT ASSETS		
Property, plant and equipment	190,879	199,026
Intangible assets (Note 7)	401,419	442,626
Goodwill (Note 16)	432,077	438,072
Deferred tax assets	27,607	26,159
Other financial assets	521	550
Other assets	6,078	7,152
	1,058,581	1,113,585
	$ 2,168,966	$ 2,229,707
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	$ 54,748	$ 58,229
Trade and other payables	481,772	440,410
Other financial liabilities	578	4,546
Income taxes payable	7,480	14,338
Long-term debt (Note 8)	17,467	13,667
Provisions (Note 5)	38,155	43,475
Other liabilities (Note 9)	22,471	11,150
	622,671	585,815
NON-CURRENT LIABILITIES		
Long-term debt (Note 8)	413,935	433,760
Net pension and post-retirement defined benefit liabilities	35,293	35,237
Deferred tax liabilities	35,540	43,832
Provisions	2,993	2,953
Written put option liabilities (Note 10)	16,226	23,464
Other financial liabilities	1,054	1,338
Other liabilities	9,435	11,157
	514,476	551,741
EQUITY		
Share capital (Note 11)	203,313	203,300
Contributed surplus	28,421	27,557
Accumulated other comprehensive loss	(104,473)	(70,205)
Other equity	13,126	5,888
Retained earnings	891,432	925,611
	1,031,819	1,092,151
	$ 2,168,966	$ 2,229,707

EVENT AFTER THE REPORTING DATE (Note 17)

(1) The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated. See Note 3.

(See accompanying notes)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS

ALL FIGURES IN THOUSANDS OF US $, EXCEPT PER SHARE AMOUNTS (UNAUDITED)

	Third Quarters Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017 (1)	September 30, 2018	September 30, 2017 (1)
Sales	$ 670,112	$ 642,293	$ 1,934,886	$ 1,899,523
Licensing and commission income	325	341	1,081	1,093
TOTAL REVENUE (Note 16)	670,437	642,634	1,935,967	1,900,616
Cost of sales (Notes 5 and 14)	531,603	491,802	1,514,222	1,450,313
GROSS PROFIT	138,834	150,832	421,745	450,303
Selling expenses	59,177	60,899	176,965	174,177
General and administrative expenses	47,431	54,144	146,841	160,686
Research and development expenses	9,276	8,309	27,337	23,026
Impairment loss on trade and other receivables (Note 10)	246	1,513	13,407	3,359
Restructuring and other costs (Note 5)	1,093	1,358	13,593	7,676
Impairment loss on intangible assets (Note 7)	–	–	24,193	–
OPERATING PROFIT	21,611	24,609	19,409	81,379
Finance expenses (Note 14)	8,254	7,723	24,024	35,026
INCOME (LOSS) BEFORE INCOME TAXES	13,357	16,886	(4,615)	46,353
Income taxes expense (recovery) (Note 14)	3,763	3,592	(4,170)	12,778
NET INCOME (LOSS)	$ 9,594	$ 13,294	$ (445)	$ 33,575
EARNINGS (LOSS) PER SHARE				
Basic	$ 0.30	$ 0.41	$ (0.01)	$ 1.04
Diluted	$ 0.29	$ 0.41	$ (0.01)	$ 1.03
SHARES OUTSTANDING (Note 13)				
Basic – weighted average	32,438,503	32,403,980	32,438,465	32,403,980
Diluted – weighted average	32,738,830	32,699,875	32,438,465	32,676,194

(1) The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated. Comparative information has been reclassified due to a new impairment loss line presentation. See Note 3.

(See accompanying notes)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	Third Quarters Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017 (1)	September 30, 2018	September 30, 2017 (1)
NET INCOME (LOSS)	$ 9,594	$ 13,294	$ (445)	$ 33,575
OTHER COMPREHENSIVE INCOME (LOSS):				
Items that are or may be reclassified subsequently to net income:				
Cumulative translation account:				
Net change in unrealized foreign currency gains (losses) on translation of net investments in foreign operations, net of tax of nil	(8,541)	16,772	(34,847)	38,422
Net gains (losses) on hedge of net investments in foreign operations, net of tax of nil	(599)	3,620	(3,189)	11,166
	(9,140)	20,392	(38,036)	49,588
Net changes in cash flow hedges:				
Net change in unrealized gains (losses) on derivatives designated as cash flow hedges	477	(3,606)	2,272	(8,657)
Reclassification to net income	47	66	71	205
Reclassification to the related non-financial asset	(738)	1,643	2,828	(628)
Deferred income taxes	64	448	(1,367)	2,295
	(150)	(1,449)	3,804	(6,785)
Items that will not be reclassified to net income:				
Defined benefit plans:				
Remeasurements of the net pension and post-retirement defined benefit liabilities	5	(41)	39	(151)
Deferred income taxes	(1)	14	(75)	47
	4	(27)	(36)	(104)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(9,286)	18,916	(34,268)	42,699
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 308	$ 32,210	$ (34,713)	$ 76,274

(1) The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated. See Note 3.

(See accompanying notes)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	Attributable to equity holders of the Company							
			Accumulated other comprehensive income (loss)					
	Share Capital	Contributed Surplus	Cumulative Translation Account	Cash Flow Hedges	Defined Benefit Plans	Other Equity	Retained Earnings	Total Equity
Balance as at December 30, 2016 (1)	$ 202,400	$ 27,139	$ (102,629)	$ 2,852	$ (14,063)	$ 3,027	$ 937,373	$ 1,056,099
Total comprehensive income:								
Net income	–	–	–	–	–	–	33,575	33,575
Other comprehensive income (loss)	–	–	49,588	(6,785)	(104)	–	–	42,699
	–	–	49,588	(6,785)	(104)	–	33,575	76,274
Share-based payments	–	1,030	–	–	–	–	–	1,030
Remeasurement of written put option liabilities	–	–	–	–	–	(2,036)	–	(2,036)
Dividends on common shares	–	–	–	–	–	–	(29,165)	(29,165)
Dividends on deferred share units (Note 12)	–	225	–	–	–	–	(225)	–
Balance as at September 30, 2017 (1)	$ 202,400	$ 28,394	$ (53,041)	$ (3,933)	$ (14,167)	$ 991	$ 941,558	$ 1,102,202
Balance as at December 30, 2017 (1)	$ 203,300	$ 27,557	$ (49,478)	$ (3,242)	$ (17,485)	$ 5,888	$ 925,611	$ 1,092,151
Adjustment on initial application of IFRS 15 (net of tax) (Note 3)	–	–	–	–	–	–	(497)	(497)
Adjustment on initial application of IFRS 9 (net of tax) (Note 3)	–	–	–	–	–	–	(3,758)	(3,758)
Adjusted balance as at December 31, 2017	$ 203,300	$ 27,557	$ (49,478)	$ (3,242)	$ (17,485)	$ 5,888	$ 921,356	$ 1,087,896
Total comprehensive loss:								
Net loss	–	–	–	–	–	–	(445)	(445)
Other comprehensive income (loss)	–	–	(38,036)	3,804	(36)	–	–	(34,268)
	–	–	(38,036)	3,804	(36)	–	(445)	(34,713)
Reclassification from contributed surplus due to settlement of deferred share units (Notes 11 and 12)	13	(20)	–	–	–	–	–	(7)
Share-based payments (Note 12)	–	605	–	–	–	–	–	605
Remeasurement of written put option liabilities (Note 10)	–	–	–	–	–	7,238	–	7,238
Dividends on common shares	–	–	–	–	–	–	(29,200)	(29,200)
Dividends on deferred share units (Note 12)	–	279	–	–	–	–	(279)	–
Balance as at September 30, 2018	$ 203,313	$ 28,421	$ (87,514)	$ 562	$ (17,521)	$ 13,126	$ 891,432	$ 1,031,819

(1) The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated. See Note 3.

(See accompanying notes)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	Third Quarters Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017 (1)	September 30, 2018	September 30, 2017 (1)
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net income (loss)	$ 9,594	$ 13,294	$ (445)	$ 33,575
Items not involving cash:				
Depreciation and amortization	12,611	12,612	36,709	37,016
Impairment loss on intangible assets (Note 7)	–	–	24,193	–
Unrealized losses (gains) arising on financial assets and financial liabilities classified as mandatorily at fair value through profit or loss	570	242	167	98
Share-based payments	46	98	126	194
Defined benefit pension and post-retirement costs	1,029	985	3,313	2,955
Loss (gain) on disposal of property, plant and equipment	(606)	(1)	(356)	181
Restructuring and other costs (Note 5)	100	253	9,365	1,471
Finance expenses (Note 14)	8,254	7,723	24,024	35,026
Income taxes expense (recovery)	3,763	3,592	(4,170)	12,778
Net changes in balances related to operations (Note 15)	6,438	614	20,377	(49,098)
Income taxes paid	(6,214)	(4,150)	(20,329)	(16,361)
Income taxes received	1,297	6	4,295	4,911
Interest paid	(5,762)	(4,215)	(20,684)	(21,452)
Interest received	104	155	320	409
CASH PROVIDED BY OPERATING ACTIVITIES	31,224	31,208	76,905	41,703
FINANCING ACTIVITIES				
Bank indebtedness	8,244	4,502	3,066	7,202
Increase of long-term debt	–	–	9,264	208,782
Repayments of long-term debt	(34,604)	(14,534)	(25,352)	(193,751)
Repayments of forward purchase agreement liabilities (Note 10)	–	–	–	(7,857)
Financing costs	–	(54)	(13)	(2,760)
Dividends on common shares	(9,737)	(9,723)	(29,200)	(29,165)
CASH USED IN FINANCING ACTIVITIES	(36,097)	(19,809)	(42,235)	(17,549)
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(9,659)	(10,159)	(26,217)	(24,523)
Disposals of property, plant and equipment	1,900	66	3,335	248
Net proceeds from disposals of assets held for sale	–	–	–	15,027
Additions to intangible assets	(4,459)	(5,476)	(16,500)	(14,103)
CASH USED IN INVESTING ACTIVITIES	(12,218)	(15,569)	(39,382)	(23,351)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(1,125)	321	(1,461)	1,638
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(18,216)	(3,849)	(6,173)	2,441
Cash and cash equivalents, beginning of period	48,884	38,173	36,841	31,883
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 30,668	$ 34,324	$ 30,668	$ 34,324

(1) The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated. See Note 3.

(See accompanying notes)

1. Nature of operations

Dorel Industries Inc. (the "Company") is a global consumer products company which designs, manufactures or sources, markets and distributes a diverse portfolio of powerful product brands, marketed through its Dorel Home, Dorel Juvenile and Dorel Sports segments. The principal markets for the Company's products are the United States, Europe, Latin America, Canada and Asia.

2. Statement of compliance and basis of preparation and measurement

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as adopted by the International Accounting Standards Board ("IASB"), using the US dollar as the reporting currency. The US dollar is the functional currency of the Canadian parent company. All financial information is presented in US dollars and has been rounded to the nearest thousand, unless otherwise indicated. These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and with the same accounting policies and methods of computation followed in the most recent audited consolidated annual financial statements as at and for the year ended December 30, 2017, except as disclosed below. The condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements. Certain information and footnote disclosures normally included in consolidated annual financial statements prepared in accordance with IFRS were omitted or condensed where such information is not considered material to the understanding of the Company's condensed consolidated interim financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2017 audited consolidated annual financial statements. This is the third quarter set of the Company's consolidated financial statements where IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 3 of the Company's current period first quarter consolidated financial statements. Certain comparative amounts in the condensed consolidated interim financial statements have been reclassified in order to conform to the 2018 consolidated financial statements presentation.

The condensed consolidated interim financial statements have been prepared on a historical basis except for:

- derivative financial instruments which are measured at fair value;
- written put option and forward purchase agreement liabilities which are measured at fair value;
- share-based compensation arrangements which are measured in accordance with IFRS 2, *Share-Based Payment*;
- assets held for sale which are measured at the lower of their carrying amount or fair value less costs to sell;
- identifiable assets acquired and liabilities assumed in connection with a business combination which are measured at fair value at acquisition date;
- net pension and post-retirement defined benefit liabilities which are measured as the net total of plan assets measured at fair value less the discounted present value of the defined benefit obligations; and
- product liability which is measured at its discounted present value.

These condensed consolidated interim financial statements were authorized by the Company's Board of Directors for issue on November 2, 2018.

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year.

3. Changes in significant accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 30, 2017.

The Company has initially adopted IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments,* as at December 31, 2017. The Company has also adopted amendments to IFRS 2, *Classification and Measurement of Share-Based Payment Transactions* and IFRIC 23, *Uncertainty over Income Tax Treatments*, as at December 31, 2017, but they did not have an impact on the Company's consolidated financial statements. Detailed information on initial adoption of these standards, amendments and interpretations to standards, and the related changes to significant accounting policies can be found in the Company's first quarter consolidated financial statements for the three months ended March 31, 2018. The changes in significant accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 30, 2018.

The effect of initially applying these standards, amendments and interpretations is mainly attributed to the following:

- recognition of assets and liabilities in connection with sales with a right of return; and
- an increase in impairment losses recognized on trade and other receivables.

In addition, as a result of the adoption of IFRS 9, the Company adopted consequential amendments to IAS 1, *Presentation of Financial Statements,* which requires impairment of financial assets to be presented as a separate line item in the Company's consolidated income statements. Previously, the Company's approach was to include the impairment loss on trade and other receivables in general and administrative expenses. The Company also adopted consequential amendments to IFRS 7, *Financial Instruments: Disclosures,* which are applied to disclosures for 2018, but generally have not been applied to comparative information.

4. Future accounting changes

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") that are mandatory but not yet effective for the nine months ended September 30, 2018 and have not been applied in preparing these condensed consolidated interim financial statements. The following standards and amendments to standards have been issued by the IASB with effective dates in the future that have been determined by management to impact the consolidated financial statements:

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

In February 2018, the IASB issued amendments to IAS 19, *Employee Benefits*, clarifying the accounting when a plan amendment, curtailment or settlement occurs. The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The amendments clarify:

- that when a defined benefit plan amendment, curtailment or settlement occurs and an entity remeasures its net defined benefit liability or asset, the entity uses the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan; and
- the effect of a plan amendment, curtailment or settlement on the asset ceiling requirements.

The Company intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning on December 31, 2018. The Company does not expect the adoption of these amendments to have a material impact on its consolidated financial statements.

4. Future accounting changes (continued)

IFRS 16 – Leases

In January 2016, the IASB released IFRS 16, *Leases*, to replace the previous leases standard, IAS 17, *Leases,* and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted only if the Company applies IFRS 15, *Revenue from Contracts with Customers*. The Company is planning to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on December 31, 2018. The Company is continuing its assessment of the impact of the adoption of this standard on its consolidated financial statements. The most significant impact identified is that this standard will affect primarily the accounting for the Company's operating leases. As at December 30, 2017, the Company had non-cancellable operating lease commitments of $202,271. However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Company has selected a global lease accounting software to gather its lease information and to quantify the required components of IFRS 16. The Company is currently in the process of implementing this lease accounting software throughout its locations and developing new reports to capture information required for presentation and disclosure under IFRS 16. The Company has decided to apply the modified retrospective approach on transition. Accordingly, the cumulative effect of initially applying IFRS 16 will be recognized as an adjustment to the opening retained earnings as at the date of initial application and the comparative information will not be restated. The Company has elected to apply the following transition options and practical expedients available under IFRS 16:

- *Lease definition*: to grandfather the assessment of which transactions are leases on the date of initial application. Accordingly, the Company will apply IFRS 16 only to contracts that were previously identified as leases under IAS 17, *Leases*, and IFRIC 4, *Determining whether an Arrangement contains a Lease*, and will apply the definition of leases under IFRS 16 only to contracts which will be entered on or after the date of initial application;
- *Impairment and onerous leases*: to rely on the Company's previous assessment of whether leases are onerous in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, immediately before the date of initial application as an alternative to performing an impairment review;
- *Initial direct costs*: to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- *Use of hindsight*: to use hindsight, for example, in determining the lease term of contracts that contain options to extend or terminate the lease on the date of initial application; and
- *Non-lease components*: to not separate lease components from any associated non-lease components.

The Company has elected not to apply the following transition options and practical expedients available under IFRS 16:

- *Short-term leases and leases of low-value items recognition exemptions;* and
- *Leases with a short remaining term*.

The discount rates practical expedient available under IFRS 16 is still being evaluated.

No material impact is expected for the Company's finance leases.

5. Restructuring and other costs

For the nine months ended September 30, 2018, the Company recorded total expenses of $15,364 (2017 – $8,374) with respect to restructuring and other costs, of which $1,771 (2017 – $698) were recorded within gross profit and $13,593 (2017 – $7,676) were recorded as restructuring and other costs as a separate line within the condensed consolidated interim income statements.

Restructuring costs

Dorel Juvenile segment

The restructuring activities initiated previously as part of the Dorel Juvenile segment's on-going transformation, whose main objective is to further align its operations to drive profitable sales growth by concentrating on improved agility with a more market-focused approach to reduce costs and better react to trends in the juvenile industry, are continuing into 2018. Continued changes in the retail environment, which resulted in brick and mortar store bankruptcies and closures, and the continued growth of the Internet retailers channel of distribution has necessitated a reduction in headcount and people costs at several divisions. The segment is re-positioning itself to succeed in this new environment through further investments in digital capabilities, changes in support functions and the re-orientation of its workforce. The ability to develop and bring meaningful products to market faster is continuously being improved by decreasing complexity and by sourcing opportunities to supplement existing best-in-class product development and manufacturing.

The main initiatives consist of the following cost saving opportunities:

- The consolidation and streamlining of manufacturing and other facilities in China.
- The U.S. based division assuming back office support for the Canadian operations, including supporting Canadian based warehousing.
- In Europe, changes in the way product is brought to market, on-going process harmonization and re-alignment of the sales organization.
- The elimination of positions identified as duplicative within several departments.
- Exiting certain licensed third-party brands used in North America.
- Closing certain retail stores in the Latin American market.

Total costs related to these restructuring initiatives are estimated at $41,143, including $13,325 of non-cash charges related to the write-down of long-lived assets and net losses from the remeasurement and disposals of assets held for sale, $2,524 of non-cash inventory markdowns, $3,125 of curtailment gain on net pension defined benefit liabilities, $23,415 of employee severance and termination benefits and $5,004 of other associated costs. Of this amount, $10,276 was recorded for the year ended December 30, 2015, $13,825 was recorded for the year ended December 30, 2016, $11,933 was recorded for the year ended December 30, 2017 and $3,571 was recorded in 2018, details of which can be found in the tables below. The estimate of future charges of $1,538 consist of further reductions in people costs. The main driver of these headcount reduction costs is the further streamlining of China-based manufacturing, reorganization of Dorel Juvenile – Latin America business by reducing its retail footprint and additional headcount reduction opportunities overall.

Dorel Sports segment

In the second quarter of 2018, the Company announced it was divesting its performance apparel line of business to focus on its core strategic businesses of bikes, parts and accessories and electric ride-ons and had sold the SUGOI and Sombrio brands. As a result of the sale of the performance apparel line of business, $11,793 was recorded in 2018 as restructuring costs, details of which can be found in the tables below. There are no significant expected remaining costs associated with this restructuring initiative.

5. Restructuring and other costs (continued)

Restructuring costs (continued)

The expenses recorded in the condensed consolidated interim income statements related to the restructuring activities and other costs consist of the following:

	Third Quarters Ended September 30,							
	TOTAL		**Dorel Juvenile**		**Dorel Sports (2018 Plan)**		**Dorel Sports (2016 Plan)**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Inventory markdowns* recorded within gross profit	$ 100	$ 253	$ –	$ –	$ 100	$ –	$ –	$ 253
Employee severance and termination benefits	$ 398	$ 818	$ 498	$ 660	$ (100)	$ –	$ –	$ 158
Other associated costs	695	540	139	540	556	–	–	–
Recorded within a separate line in the condensed consolidated interim income statements	$ 1,093	$ 1,358	$ 637	$ 1,200	$ 456	$ –	$ –	$ 158
Total restructuring costs	**$ 1,193**	**$ 1,611**	**$ 637**	**$ 1,200**	**$ 556**	**$ –**	**$ –**	**$ 411**

* non-cash

	Nine Months Ended September 30,							
	TOTAL		**Dorel Juvenile**		**Dorel Sports (2018 Plan)**		**Dorel Sports (2016 Plan)**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Write-down of long-lived assets*	$ –	$ 368	$ –	$ 368	$ –	$ –	$ –	$ –
Inventory markdowns (reversals)*	1,771	481	87	926	1,684	–	–	(445)
Recorded within gross profit	$ 1,771	$ 849	$ 87	$ 1,294	$ 1,684	$ –	$ –	$ (445)
Employee severance and termination benefits	$ 3,820	$ 4,218	$ 3,119	$ 3,679	$ 701	$ –	$ –	$ 539
Write-down of long-lived assets*	7,962	–	–	–	7,962	–	–	–
Net losses from the remeasurement and disposals of assets held for sale*	–	622	–	622	–	–	–	–
Other associated costs	1,811**	2,836	365	2,277	1,446**	–	–	559
Recorded within a separate line in the condensed consolidated interim income statements	$ 13,593	$ 7,676	$ 3,484	$ 6,578	$ 10,109	$ –	$ –	$ 1,098
Total restructuring costs	**$ 15,364**	**$ 8,525**	**$ 3,571**	**$ 7,872**	**$ 11,793**	**$ –**	**$ –**	**$ 653**
Other costs recorded within gross profit	$ –	$ (151)	$ –	$ –	$ –	$ –	$ –	$ (151)
Total other costs	**$ –**	**$ (151)**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ (151)**
Total restructuring and other costs	**$ 15,364**	**$ 8,374**	**$ 3,571**	**$ 7,872**	**$ 11,793**	**$ –**	**$ –**	**$ 502**

* non-cash
** includes a non-cash gain of $368

5. Restructuring and other costs (continued)

Restructuring provision

As at September 30, 2018, the related restructuring plans provision totaling $2,007 consists of employee severance and termination benefits and other associated costs. A summary of the Company's restructuring plans provision is as follows:

	Balance December 30, 2017	2018 provision	Cash paid	Effect of foreign exchange	Balance September 30, 2018
Dorel Juvenile segment:					
Employee severance and termination benefits	$ 1,775	$ 3,119	$ (4,497)	$ –	$ 397
Other associated costs	14	365	(310)	–	69
	$ 1,789	$ 3,484	$ (4,807)	$ –	$ 466
Dorel Sports segment (2018 Plan):					
Employee severance and termination benefits	$ –	$ 701	$ (617)	$ –	$ 84
Other associated costs	–	1,814	(454)	–	1,360
	$ –	$ 2,515	$ (1,071)	$ –	$ 1,444
Dorel Sports segment (2016 Plan):					
Employee severance and termination benefits	$ 1,050	$ –	$ (939)	$ (14)	$ 97
Total	$ 2,839	$ 5,999	$ (6,817)	$ (14)	$ 2,007

6. Assets held for sale

	September 30, 2018	December 30, 2017
Balance, beginning of period	$ 8,481	$ 20,017
Additions	–	4,090
Disposals	–	(15,658)
Effect of foreign currency exchange rate changes	(24)	32
Balance, end of period	$ 8,457	$ 8,481

As part of the on-going restructuring program described in Note 5, no property was made available for sale during the nine months ended September 30, 2018 (year ended December 30, 2017 – additions of $4,090 within Dorel Juvenile segment). These properties are presented as assets held for sale in the condensed consolidated interim statements of financial position and measured at the lower of carrying amount and fair value less costs to sell. The fair value measurement of the assets held for sale have been categorized in Level 2 in the fair value hierarchy based on observable market inputs, i.e. offers from third-party buyers for these assets or similar assets or recent market prices of similar properties in similar locations.

During the year ended December 30, 2017, the Company completed the sale of certain underutilized facilities that were presented as assets held for sale as at December 30, 2016 representing $15,658 within Dorel Juvenile segment.

7. Impairment of intangible assets

During the second quarter of 2018, as Dorel Juvenile – Latin America's business continued to face a decline in sales and profitability as a result of changes in the market and consumer behaviour, assumptions on projected earnings and cash flows growth for Dorel Juvenile – Latin America cash generating unit ("CGU") were revised. Sales to wholesale customers have declined principally in Chile as many have removed juvenile products from physical stores to 100% on-line. As the proportion of Chilean customers buying on-line continues to grow, this has opened the marketplace to greater competition and the Company's share of the market and profitability has declined. Due to the new business environment, Dorel Juvenile segment continues to re-organize Dorel Juvenile – Latin America's business by reducing its retail footprint and investing in digital capabilities to improve its competitiveness. As a result, during the second quarter of 2018, the Company recorded impairment charges on customer relationships of $8,915 and trademarks of $15,278 (Infanti brand) for a total of $24,193, as it has concluded that the recoverable amount based on the value in use was less than the carrying amount of the CGU. The Company used a discounted cash flow model to determine the value in use which is the same as in its last annual impairment test. The amount of impairment loss is based on key assumptions such as future cash flows, a pre-tax discount rate of 20.26% (year ended December 30, 2017 – 21.49%) and a terminal growth rate of 4.64% (year ended December 30, 2017 – 4.58%).

8. Long-term debt and capital management

a) Long-term debt

As at September 30, 2018, the USD denominated term loan as well as the revolving bank loans are secured by certain of the Company's trade accounts receivable, inventories, property, plant and equipment and intangible assets, with a carrying value of $263,235, $416,596, $80,948 and $81,522, respectively.

For the nine months ended September 30, 2018, the average interest rate on the Company's long-term debt was 5.0% (2017 – 4.8%).

Under the USD denominated term loan and the revolving bank loans, the Company is subject to certain covenants, including maintaining certain financial ratios. As at September 30, 2018, the Company was compliant with all its borrowing covenant requirements.

b) Capital management

The Company has revised during the three months ended March 31, 2018 its definition of adjusted EBITDA used in its indebtedness to adjusted EBITDA ratio in order to align management monitoring of its capital structure with the financial ratios calculation under the covenants of its long-term debt.

Adjusted EBITDA is defined as earnings before finance expenses, income taxes, depreciation and amortization, stock option plan expense, impairment losses on goodwill and intangible assets, write-down of long-lived assets, (paid) unpaid product liability costs related to judgments, restructuring and other costs and expenses incurred as a result of the wind-down of the Toys"R"Us, Inc. ("Toys"R"Us") business and liquidation of inventory in its U.S. stores up to a maximum of $25,000. Adjusted EBITDA is based on the last four quarters ending on the same date as the consolidated statement of financial position date used to compute the indebtedness but including retroactively the results of operations of the acquired businesses, if any.

9. Contract liabilities

		September 30, 2018
Balance, beginning of period	$	2,793
Revenue recognized that was included in the contract liabilities balance at the beginning of the period		(2,760)
Increases due to cash received, excluding amounts recognized as revenue during the period		16,582
Effect of foreign currency exchange rate changes		(268)
Balance, end of period	$	16,347

10. Financial instruments

Classification

The Company classifies cash and cash equivalents and trade and other receivables as amortized cost. The Company classifies bank indebtedness, trade and other payables and long-term debt as amortized cost. It also classifies interest rate swaps used for hedging and foreign exchange contracts used for hedging as fair value – hedging instrument, and other foreign exchange contracts as fair value through profit or loss.

Fair value disclosure

The Company has determined that the fair value of its current financial assets and liabilities approximates their respective carrying amounts as at the consolidated statement of financial position dates because of the short-term nature of those financial instruments. For long-term debt bearing interest at variable rates, the fair value is considered to approximate the carrying amount. For long-term debt bearing interest at fixed rates, the fair value is estimated using Level 2 inputs in the fair value hierarchy based on discounting expected future cash flows at the discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturity.

The fair value of the long-term debt bearing interest at fixed rates is as follows:

	September 30, 2018		December 30, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt – bearing interest at fixed rates	$ 123,410	$ 124,461	$ 122,557	$ 124,675

10. Financial instruments (continued)

Fair value measurement

The following table provides information about financial assets and liabilities measured at fair value in the consolidated statement of financial position and categorized by level of the fair value hierarchy as at September 30, 2018:

	September 30, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Mandatorily at fair value through profit or loss:				
Foreign exchange contracts	$ 424	$ –	$ 424	$ –
Financial assets measured at fair value – hedging instruments:				
Foreign exchange contracts	$ 1,019	$ –	$ 1,019	$ –
Interest rate swaps	$ 181	$ –	$ 181	$ –
Financial liabilities				
Mandatorily at fair value through profit or loss:				
Foreign exchange contracts	$ 217	$ –	$ 217	$ –
Financial liabilities measured at fair value – hedging instruments:				
Foreign exchange contracts	$ 361	$ –	$ 361	$ –
Financial liabilities measured at fair value – other:				
Written put option liabilities	$ 16,226	$ –	$ –	$ 16,226

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing the fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Should any of the inputs to these models or changes in assumptions about these factors occur, this could affect the reported fair value of financial instruments.

The fair value of the foreign exchange contracts is measured using a generally accepted valuation technique which is the discounted value of the difference between the contract's value at maturity based on the foreign exchange rate set out in the contract and the contract's value at maturity based on the foreign exchange rate that the counterparty would use if it were to renegotiate the same contract at today's date under the same conditions. The Company's or the counterparty's credit risk is also taken into consideration in determining fair value.

The fair value of the interest rate swaps is measured using a generally accepted valuation technique which is the discounted value of the difference between the value of the swap based on variable interest rates (estimated using the yield curve for anticipated interest rates) and the value of the swap based on the swap's fixed interest rate. The counterparty's credit risk is also taken into consideration in determining fair value.

10. Financial instruments (continued)

Fair value measurement (continued)

Written put option and forward purchase agreement liabilities are valued at fair value using Level 3 inputs in the fair value hierarchy. The fair value represents the present value of the exercise price of the put option or the forward and is measured by applying the income approach using the probability-weighted expected payment of the exit price and is based on discounted cash flows. Unobservable inputs within the fair value measurement include the exit price and the expected payment date for the written put options. The exit price is based on a formulaic variable price which is mainly a function of the earnings levels in future periods and requires assumptions about revenue growth rates, operating margins and the expected payment date of the exit price for the written put options. The Company assumes a discount rate in order to calculate the present value of the expected payment of the exit price which represents the cost of borrowing of the specific period for the cash flows. If the future earnings levels in future periods would increase (decrease), the estimated fair value of the written put option and forward purchase agreement liabilities would increase (decrease).

Changes in fair value of Level 3 financial instruments were as follows, for the nine months ended September 30, 2018 and the year ended December 30, 2017:

	Written Put Option Liabilities		Forward Purchase Agreement Liabilities		Total	
	2018	2017	2018	2017	2018	2017
Balance, beginning of period	$ 23,464	$ 26,325	$ –	$ 7,500	$ 23,464	$ 33,825
Remeasurement of the fair value [unrealized] (1)	(7,238)	(2,861)	–	276	(7,238)	(2,585)
Repayments	–	–	–	(7,857)	–	(7,857)
Effect of foreign currency exchange rate changes recognized in other comprehensive income (loss)	–	–	–	81	–	81
Balance, end of period	$ 16,226	$ 23,464	$ –	$ –	$ 16,226	$ 23,464

(1) During the second quarter ended June 30, 2018, an impairment test was performed for Dorel Juvenile – Latin America CGU (Note 7), which led the assumptions about revenue growth rates, operating margins and earnings level in future periods to be revised. As a result, these revised assumptions were used to determine the fair value of the written put options liabilities. The discount rates used to determine the fair value of the exit price remained the same as the ones used for the year ended December 30, 2017. For Dorel Sports Chile S.A., the assumptions used to fair value the written put option liabilities for the nine months ended September 30, 2018 remained the same as the ones used for the year ended December 30, 2017.

Management of risks arising from financial instruments: credit risk

Credit risk stems primarily from the potential inability of clients or counterparties to discharge their obligations and arises primarily from the Company's trade accounts receivable. The Company may also have credit risk relating to cash and cash equivalents, foreign exchange contracts and interest rate swaps resulting from defaults by counterparties. The Company enters into financial instruments with a variety of creditworthy parties. When entering into foreign exchange contracts and interest rate swaps, the counterparties are large Canadian and International banks. Therefore, the Company does not expect to incur material expected credit losses due to its risk management on financial instruments other than trade and other receivables.

The maximum credit risk to which the Company is exposed as at September 30, 2018 represents the carrying value of cash and cash equivalents and trade and other receivables, as well as the fair value of foreign exchange contracts and interest rate swaps with positive fair values.

Substantially all trade accounts receivable arise from the sale to the retail industry. The Company performs on-going credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. In addition, a portion of the total trade accounts receivable is insured against possible losses. The Company establishes an impairment loss allowance on a collective and individual assessment basis, by considering past events, current conditions and forecasts of future economic conditions.

During the nine months ended September 30, 2018, sales to a major customer represented 28.8% (2017 – 27.8%) of total revenue. As at September 30, 2018, one customer accounted for 24.1% (December 30, 2017 – 16.1%) of the Company's total trade accounts receivable balance.

10. Financial instruments (continued)

Management of risks arising from financial instruments: credit risk (continued)

The following table provides information about the exposure to credit risk and expected credit losses ("ECLs") for trade accounts receivable as at September 30, 2018. The ECLs were calculated based on actual credit loss experience and informed credit assessment, including forward-looking information.

	Weighted-average loss rate	Trade accounts receivable - gross	Impairment loss allowance	Trade accounts receivable - net
Current (not past due)	0.5%	$ 337,464	$ (1,657)	$ 335,807
Past due 0-30 days	2.0%	44,049	(894)	43,155
Past due 31-60 days	3.0%	11,086	(331)	10,755
Past due 61-90 days	7.7%	7,513	(580)	6,933
Past due over 90 days	61.0%	42,238	(25,773)	16,465
		$ 442,350	$ (29,235)	$ 413,115

The movement in the impairment loss allowance with respect to trade accounts receivable during the nine months ended September 30, 2018 was as follows:

	Nine Months Ended September 30, 2018
Balance, as at December 31, 2017 (1)	$ 19,697
Net remeasurement of impairment loss allowance	13,407
Uncollectible accounts written-off	(3,230)
Effect of foreign currency exchange rate changes	(639)
Balance, as at September 30, 2018	$ 29,235

(1) The Company has initially applied IFRS 9 as at December 31, 2017. Under the transition method chosen, comparative information is not restated. See Note 3.

10. Financial instruments (continued)

Management of risks arising from financial instruments: credit risk (continued)

On March 15, 2018, Toys“R”Us, one of the Company’s customers, announced that it had filed a motion seeking Bankruptcy Court approval to begin the process of conducting an orderly wind-down of its U.S. business and liquidation of inventory in all of its U.S. stores. Considering this event, the Company had determined that an amount of $17,342 of trade accounts receivable from this customer as at June 30, 2018 was at risk of collection ($7,630 as at December 30, 2017). Accordingly, the Company had recorded an additional impairment loss of $12,481 within impairment loss on trade and other receivables in its condensed consolidated interim income statement for the six months ended June 30, 2018 with respect to these trade accounts receivable from Toys“R”Us U.S. (fourth quarter ended December 30, 2017 – $3,815). Of this amount, $2,116 (fourth quarter ended December 30, 2017 – nil) was within Dorel Home segment, $3,798 (fourth quarter ended December 30, 2017 – $747) was within Dorel Juvenile segment and $6,567 (fourth quarter ended December 30, 2017 – $3,068) was within Dorel Sports segment. These amounts represented management’s best estimate of potential losses arising from non-payment based on information available at that time.

In August 2018, the Bankruptcy Court approved the Toys“R”Us settlement agreement with its creditors and lenders. As part of the settlement agreement reached, the Company expects to receive approximately 22 cents on the dollar which is consistent with management’s estimate as at June 30, 2018. Accordingly, no impairment loss allowance adjustment was necessary to record as a result of the settlement agreement. As at September 30, 2018, $1,189 was received under the settlement agreement and in total, the Company had a remaining balance of trade accounts receivable from Toys“R”Us U.S. amounting to $3,672 (net of impairment loss allowance). On October 12, 2018, the Company received an additional amount of $3,022 under the settlement agreement.

11. Share capital

Details of the issued and outstanding shares are as follows:

	Nine Months Ended September 30, 2018		Year Ended December 30, 2017	
	Number	Amount	Number	Amount
Class “A” Multiple Voting Shares				
Balance, beginning of period	4,189,835	$ 1,768	4,193,435	$ 1,770
Converted from Class “A” to Class “B” (1)	(860)	–	(3,600)	(2)
Balance, end of period	4,188,975	$ 1,768	4,189,835	$ 1,768
Class “B” Subordinate Voting Shares				
Balance, beginning of period	28,248,611	$ 201,532	28,210,545	$ 200,630
Converted from Class “A” to Class “B” (1)	860	–	3,600	2
Reclassification from contributed surplus due to settlement of deferred share units (Note 12)	743	13	34,466	900
Balance, end of period	28,250,214	$ 201,545	28,248,611	$ 201,532
TOTAL SHARE CAPITAL		$ 203,313		$ 203,300

(1) During the nine months ended September 30, 2018, the Company converted 860 Class “A” Multiple Voting Shares into Class “B” Subordinate Voting Shares (year ended December 30, 2017 – 3,600) at an average rate of $0.63 per share (year ended December 30, 2017 – $0.63 per share).

12. Share-based payments

Stock option plan

The Company has a stock option plan for which stock options on the Class "B" Subordinate Voting Shares can be granted at the discretion of the Board of Directors, to senior executives and certain key employees. During the third quarter of 2018, all remaining outstanding stock options under this plan expired.

Directors' Deferred Share Unit Plan

The Company has a Directors' Deferred Share Unit Plan under which an external director of the Company may elect annually to have their director's fees and fees for attending meetings of the Board of Directors or committees thereof paid in the form of deferred share units ("DSUs"). A plan participant may also receive dividend equivalents paid in the form of DSUs.

The changes in outstanding number of DSUs are as follows:

	Nine Months Ended September 30, 2018	Year Ended December 30, 2017
DSUs outstanding, beginning of period	137,849	165,036
Issued for fees forfeited	4,598	8,160
Issued for dividend equivalents	6,274	6,351
Settlement of deferred share units (1)	–	(41,698)
DSUs outstanding, end of period	148,721	137,849

(1) During the year ended December 30, 2017, 41,698 DSUs were settled for which $1,074 was debited to contributed surplus and $900 credited to share capital; the difference representing the withholding taxes the Company was required by law to withhold upon settlement.

The employee benefits expense included in general and administrative expenses for fees forfeited for the third quarter and nine months ended September 30, 2018 amounts to $49 and $87, respectively (2017 – $50 and $141, respectively) and was credited to contributed surplus. In addition, DSUs issued for dividend equivalents for the third quarter and nine months ended September 30, 2018 amount to $43 and $126, respectively (2017 – $39 and $114, respectively) which were charged to retained earnings and credited to contributed surplus. As at September 30, 2018, there were 148,721 DSUs outstanding with related contributed surplus amounting to $4,320.

Executive Deferred Share Unit Plan

The Company has an Executive Deferred Share Unit Plan under which executive officers of the Company may elect annually to have a portion of their annual salary and bonus paid in the form of deferred share units ("DSUs"). The Board of Directors may also grant at its discretion DSUs with vesting conditions, such as service and non-market performance conditions. A plan participant may also receive dividend equivalents paid in the form of DSUs.

12. Share-based payments (continued)

Executive Deferred Share Unit Plan (continued)

The changes in outstanding number of DSUs are as follows:

	Nine Months Ended September 30, 2018	Year Ended December 30, 2017
DSUs outstanding, beginning of period	140,885	90,455
Issued for salaries and bonus paid	22,768	38,001
Discretionary DSUs granted	22,610	12,103
Issued for dividend equivalents	7,656	6,289
Performance adjustment	(11,530)	(4,727)
Forfeited	–	(1,236)
Settlement of deferred share units (1)	(905)	–
DSUs outstanding, end of period	181,484	140,885
Total vested, end of period	154,832	126,534

(1) During the nine months ended September 30, 2018, 905 DSUs were settled for which $20 was debited to contributed surplus and $13 credited to share capital; the difference representing the withholding taxes the Company was required by law to withhold upon settlement.

The employee benefits expense included in general and administrative expenses for salaries and bonus paid and for discretionary DSUs for the third quarter and nine months ended September 30, 2018 amounts to a recovery of $3 and an expense of $518, respectively (2017 – a recovery of $7 and an expense of $916, respectively) and was charged to contributed surplus. In addition, DSUs issued for dividend equivalents for the third quarter and nine months ended September 30, 2018 amount to $58 and $153, respectively (2017 – $43 and $111, respectively) which were charged to retained earnings and credited to contributed surplus. As at September 30, 2018, there were 181,484 DSUs outstanding with related contributed surplus amounting to $4,010.

Long-term incentive plans (cash-settled)

The Company has the following long-term incentive plans for senior executives and certain key employees:

- A restricted share unit (RSUs) plan that entitles them to a cash payment equal to the number of the Company’s Class “B” Subordinate Voting Shares underlying the vested RSUs multiplied by the weighted average trading price during the five trading days immediately preceding the vesting date. The RSUs granted vest in whole after three years from the date of the issuance of the grant. The RSUs vest based on service conditions and are not subject to performance conditions. A plan participant may also receive dividend equivalents paid in the form of RSUs.
- A share appreciation rights (SARs) plan that entitles them to a cash payment based on the increase in the share price of the Company’s Class “B” Subordinate Voting Shares from the grant date to the settlement date. The SARs vest based on service conditions and are not subject to performance conditions.
- A performance share unit (PSUs) plan that entitles them to a cash payment. The PSUs vest based on non-market performance conditions. The number of PSUs that can vest can be up to 1.5 times the actual number of PSUs awarded if exceptional financial performance is achieved. A plan participant may also receive dividend equivalents paid in the form of PSUs.

The employee benefits expense included in general and administrative expenses for these plans for the third quarter and nine months ended September 30, 2018 amounts to an expense of $581 and a recovery of $77, respectively (2017 – recoveries of $632 and $405, respectively) for which recognized amounts as at September 30, 2018 of $1,152 (December 30, 2017 – $2,721) are included in trade and other payables and $2,402 (December 30, 2017 – $3,773) in other long-term liabilities.

13. Earnings (loss) per share

The following table provides a reconciliation between the number of basic and fully diluted shares outstanding:

	Third Quarters Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Weighted daily average number of Class “A” Multiple and Class “B” Subordinate Voting Shares	32,438,503	32,403,980	32,438,465	32,403,980
Dilutive effect of deferred share units	300,327	295,895	–	272,214
Weighted average number of diluted shares	32,738,830	32,699,875	32,438,465	32,676,194
Number of anti-dilutive stock options and deferred share units excluded from fully diluted earnings (loss) per share calculation	–	51,000	303,553	51,000

As at September 30, 2018 and 2017, convertible debentures were excluded from the calculation of diluted earnings (loss) per share as these debentures were deemed to be anti-dilutive.

14. Finance expenses and other information

a) Finance expenses

Finance expenses consist of the following:

	Third Quarters Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Interest on long-term debt – including effect of cash flow hedge related to the interest rate swaps and the accreted interest related to long-term debt bearing interest at fixed rates	$ 6,619	$ 5,598	$ 19,315	$ 17,607
Remeasurement of forward purchase agreement liabilities	–	–	–	276
Amortization of deferred financing costs	264	436	798	1,200
Loss on early extinguishment of long-term debt	–	–	–	10,199
Other interest	1,371	1,689	3,911	5,744
	$ 8,254	$ 7,723	$ 24,024	$ 35,026

14. Finance expenses and other information (continued)

b) Cost of inventories and write-downs of inventories included in the condensed consolidated interim income statements

	Third Quarters Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Included in cost of sales:				
Cost of inventories recognized as an expense	$ 491,217	$ 446,040	$ 1,394,564	$ 1,326,118
Write-downs of inventories as a result of net realizable value being lower than cost (including amounts presented in Note 5)	$ 1,969	$ 2,516	$ 5,404	$ 8,873
Reversal of inventory write-downs recognized in previous years	$ (449)	$ (504)	$ (3,316)	$ (1,466)

c) Income taxes

The effective tax rates for the third quarter and nine months ended September 30, 2018 were 28.2% and 90.4%, respectively (2017 – 21.3% and 27.6%, respectively). The main cause of the variation year-over-year for the third quarter and nine months is explained largely due to changes in the jurisdictions in which the Company generated its income, including the impact related to the U.S. Tax Reform signed into law on December 22, 2017, effective as of January 1, 2018. The 90.4% tax rate for the nine months ended September 30, 2018 is as well partly explained by the impact of the impairment loss and related tax recovery on the effective tax rate calculation. The variation year-over-year for the nine months is also due to the loss on early extinguishment of long-term debt for which a tax benefit was not recognized in the first quarter of 2017.

15. Supplemental cash flow information

The condensed consolidated interim statements of cash flows exclude the following non-cash transactions:

	September 30,	
	2018	**2017**
Acquisition of property, plant and equipment financed by trade and other payables	$ 2,416	$ 2,537
Acquisition of property, plant and equipment financed by obligations under finance leases	$ 478	$ 617
Acquisition of intangible assets financed by trade and other payables	$ 278	$ 1,265

15. Supplemental cash flow information (continued)

Net changes in balances related to operations are as follows:

	Third Quarters Ended September 30,		Nine Months Ended September 30,	
	2018	**2017 (1)**	**2018**	**2017 (1)**
Trade and other receivables	$ (30,944)	$ (44)	$ (9,564)	$ 35,125
Inventories	(3,157)	(51,181)	(19,619)	(78,792)
Other financial assets	72	(119)	–	(624)
Prepaid expenses	3,341	3,480	(1,160)	(8,577)
Other assets	6	(1,730)	(1,529)	(5,956)
Trade and other payables	39,905	53,796	50,592	35,641
Net pension and post-retirement defined benefit liabilities	(225)	(683)	(2,885)	(3,146)
Provisions, other financial liabilities and other liabilities	(2,560)	(2,905)	4,542	(22,769)
	$ 6,438	$ 614	$ 20,377	$ (49,098)

(1) The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated. See Note 3.

The components of cash and cash equivalents are:

	September 30, 2018	**December 30, 2017**
Cash	$ 29,920	$ 35,217
Short-term investments	748	1,624
Cash and cash equivalents	$ 30,668	$ 36,841

16. Segmented information

Reporting Segments

	Third Quarters Ended September 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2018	2017 (1)	2018	2017 (1)	2018	2017 (1)	2018	2017 (1)
Total revenue	$ 670,437	$ 642,634	$ 221,627	$ 201,449	$ 229,690	$ 235,645	$ 219,120	$ 205,540
Cost of sales (Note 5)	531,603	491,802	186,783	166,041	171,844	166,044	172,976	159,717
Gross profit	138,834	150,832	34,844	35,408	57,846	69,601	46,144	45,823
Selling expenses	59,000	60,523	6,440	6,429	29,726	29,450	22,834	24,644
General and administrative expenses	41,684	48,261	7,783	7,450	19,055	22,271	14,846	18,540
Research and development expenses	9,276	8,309	1,115	983	6,987	5,876	1,174	1,450
Impairment loss on trade and other receivables (reversal)	246	1,513	2	9	403	649	(159)	855
Restructuring and other costs (Note 5)	1,093	1,358	–	–	637	1,200	456	158
Operating profit	27,535	30,868	$ 19,504	$ 20,537	$ 1,038	$ 10,155	$ 6,993	$ 176
Finance expenses	8,254	7,723						
Corporate expenses	5,924	6,259						
Income taxes expense	3,763	3,592						
Net income	$ 9,594	$ 13,294						
Depreciation and amortization included in operating profit	$ 12,506	$ 12,409	$ 1,097	$ 1,049	$ 9,184	$ 9,031	$ 2,225	$ 2,329

(1) The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated. Comparative information has been reclassified due to a new impairment loss line presentation. See Note 3.

16. Segmented information (continued)

Reporting Segments (continued)

	Nine Months Ended September 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2018	2017 (1)	2018	2017 (1)	2018	2017 (1)	2018	2017 (1)
Total revenue	$ 1,935,967	$ 1,900,616	$ 595,185	$ 589,644	$ 690,462	$ 682,363	$ 650,320	$ 628,609
Cost of sales (Note 5)	1,514,222	1,450,313	495,796	486,792	507,727	477,747	510,699	485,774
Gross profit	421,745	450,303	99,389	102,852	182,735	204,616	139,621	142,835
Selling expenses	176,289	172,921	19,263	19,131	89,106	86,743	67,920	67,047
General and administrative expenses	130,066	144,175	22,147	23,843	60,412	66,620	47,507	53,712
Research and development expenses	27,337	23,026	3,248	2,827	20,108	16,259	3,981	3,940
Impairment loss on trade and other receivables (Note 10)	13,407	3,359	2,054	34	4,186	1,505	7,167	1,820
Restructuring and other costs (Note 5)	13,593	7,676	–	–	3,484	6,578	10,109	1,098
Impairment loss on intangible assets (Note 7)	24,193	–	–	–	24,193	–	–	–
Operating profit (loss)	36,860	99,146	$ 52,677	$ 57,017	$ (18,754)	$ 26,911	$ 2,937	$ 15,218
Finance expenses	24,024	35,026						
Corporate expenses	17,451	17,767						
Income taxes expense (recovery)	(4,170)	12,778						
Net income (loss)	$ (445)	$ 33,575						
Depreciation and amortization included in operating profit (loss)	$ 36,198	$ 36,412	$ 3,200	$ 3,077	$ 26,467	$ 26,442	$ 6,531	$ 6,893

(1) The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated. Comparative information has been reclassified due to a new impairment loss line presentation. See Note 3.

16. Segmented information (continued)

Disaggregation of Total Revenue

Within each reporting segment, the Company disaggregates its revenue from customers based on the geographic area where the selling entity is located and based on channels of distribution as it believes it best depicts how the nature, timing and uncertainty of the Company's revenue and cash flows are affected by economics factors. The following table provides the disaggregation of the Company's total revenue:

	Third Quarters Ended September 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2018	2017 (1)	2018	2017 (1)	2018	2017 (1)	2018	2017 (1)
Geographic area								
Canada	$ 52,327	$ 55,757	$ 41,960	$ 40,853	$ 6,514	$ 8,126	$ 3,853	$ 6,778
United States	395,540	353,276	173,532	154,320	79,603	73,823	142,405	125,133
Europe	125,048	123,493	42	5	79,002	80,426	46,004	43,062
Latin America	59,177	64,097	–	–	36,516	38,921	22,661	25,176
Asia	20,656	28,297	37	17	16,440	22,895	4,179	5,385
Other countries	17,689	17,714	6,056	6,254	11,615	11,454	18	6
Total	$ 670,437	$ 642,634	$ 221,627	$ 201,449	$ 229,690	$ 235,645	$ 219,120	$ 205,540
Channels of distribution								
Brick and mortar retailers	$ 475,257	$ 465,874	$ 107,640	$ 104,394	$ 165,800	$ 171,544	$ 201,817	$ 189,936
Internet retailers	184,290	162,507	113,188	96,926	54,063	50,251	17,039	15,330
Other	10,890	14,253	799	129	9,827	13,850	264	274
Total	$ 670,437	$ 642,634	$ 221,627	$ 201,449	$ 229,690	$ 235,645	$ 219,120	$ 205,540

(1) The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated. See Note 3.

	Nine Months Ended September 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2018	2017 (1)	2018	2017 (1)	2018	2017 (1)	2018	2017 (1)
Geographic area								
Canada	$ 157,462	$ 163,894	$ 112,171	$ 112,133	$ 20,849	$ 23,716	$ 24,442	$ 28,045
United States	1,120,918	1,083,380	466,259	460,949	242,288	221,898	412,371	400,533
Europe	382,400	365,411	123	16	242,792	239,803	139,485	125,592
Latin America	166,426	166,957	–	–	104,567	107,226	61,859	59,731
Asia	59,441	70,459	61	81	47,235	55,689	12,145	14,689
Other countries	49,320	50,515	16,571	16,465	32,731	34,031	18	19
Total	$ 1,935,967	$ 1,900,616	$ 595,185	$ 589,644	$ 690,462	$ 682,363	$ 650,320	$ 628,609
Channels of distribution								
Brick and mortar retailers	$ 1,401,576	$ 1,410,647	$ 292,219	$ 314,530	$ 507,728	$ 513,682	$ 601,629	$ 582,435
Internet retailers	502,927	453,336	301,429	274,543	153,590	133,337	47,908	45,456
Other	31,464	36,633	1,537	571	29,144	35,344	783	718
Total	$ 1,935,967	$ 1,900,616	$ 595,185	$ 589,644	$ 690,462	$ 682,363	$ 650,320	$ 628,609

(1) The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated. See Note 3.

16. Segmented information (continued)

The continuity of goodwill by reporting segment is as follows:

a) Gross amount

	Total	Dorel Home	Dorel Juvenile	Dorel Sports
Balance as at December 30, 2016	$ 578,056	$ 31,172	$ 351,676	$ 195,208
Effect of foreign currency exchange rate changes	23,395	–	23,399	(4)
Balance as at December 30, 2017	$ 601,451	$ 31,172	$ 375,075	$ 195,204
Disposal (1)	(9,237)	–	–	(9,237)
Effect of foreign currency exchange rate changes	(12,029)	–	(7,610)	(4,419)
Balance as at September 30, 2018	$ 580,185	$ 31,172	$ 367,465	$ 181,548

b) Accumulated impairment losses

	Total	Dorel Home	Dorel Juvenile	Dorel Sports
Balance as at December 30, 2016	$ 142,266	$ –	$ 81,882	$ 60,384
Impairment loss	19,929	–	19,929	–
Effect of foreign currency exchange rate changes	1,184	–	1,185	(1)
Balance as at December 30, 2017	$ 163,379	$ –	$ 102,996	$ 60,383
Disposal (1)	(9,237)	–	–	(9,237)
Effect of foreign currency exchange rate changes	(6,034)	–	(1,615)	(4,419)
Balance as at September 30, 2018	$ 148,108	$ –	$ 101,381	$ 46,727

c) Net book value

	Total	Dorel Home	Dorel Juvenile	Dorel Sports
Balance as at December 30, 2017	$ 438,072	$ 31,172	$ 272,079	$ 134,821
Balance as at September 30, 2018	$ 432,077	$ 31,172	$ 266,084	$ 134,821

(1) As a result of the sale of the performance apparel line of business in the second quarter of 2018 (Note 5), SUGOI’s related goodwill was derecognized.

17. Event after the reporting date

On October 1, 2018, Dorel Home segment acquired the assets and operations of UK-based Alphason for a purchase price of approximately $3,282 (GBP 2,500) of which a balance of sale of $328 (GBP 250) remains to be paid. Established some 30 years ago, Alphason designs and distributes award-winning home office and audio-visual furniture. The operations will be integrated into Dorel Home's existing Dorel Home Furnishings Europe entity, and will provide Dorel Home with a new base as well as a distribution hub to serve its growing European business. The acquisition will be recorded under the acquisition method of accounting with the results of the acquired business being included in the Company's consolidated financial statements since the date of acquisition. The Company is presently in the process of establishing the fair value of the identifiable assets acquired. The preliminary fair value of the assets acquired and the consideration transferred includes amounts of $827 allocated to customer relationships and $1,371 allocated to goodwill. The goodwill will not be deductible for tax purposes.