CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	As at March 31, 2020	As at December 30, 2019
ASSETS		
Current assets		
Cash and cash equivalents (Note 16)	$ 146,341	$ 39,141
Trade accounts receivable (Note 5)	385,833	398,956
Inventories	568,766	633,614
Income taxes receivable	6,062	8,292
Other assets	50,138	43,853
	1,157,140	1,123,856
Assets held for sale	6,678	6,757
	1,163,818	1,130,613
Non-current assets		
Property, plant and equipment	155,025	163,812
Right-of-use assets	163,257	174,038
Intangible assets (Note 6)	233,113	238,541
Goodwill (Note 6)	40,895	84,478
Deferred tax assets (Note 15)	59,695	60,421
Other assets	9,679	8,203
	661,664	729,493
	$ 1,825,482	$ 1,860,106
LIABILITIES		
Current liabilities		
Bank indebtedness	$ 65,432	$ 59,698
Trade and other payables	451,562	502,999
Lease liabilities	39,397	40,580
Income taxes payable	11,059	12,510
Long-term debt (Note 8)	25,747	24,233
Provisions	46,014	50,841
Other liabilities	7,383	10,953
	646,594	701,814
Non-current liabilities		
Lease liabilities	137,043	147,803
Long-term debt (Note 8)	527,412	417,869
Net pension and post-retirement defined benefit liabilities (Note 9)	28,556	25,820
Deferred tax liabilities	12,478	12,855
Provisions	2,580	2,699
Other liabilities	18,367	17,080
	726,436	624,126
EQUITY		
Share capital (Note 12)	203,967	203,932
Contributed surplus	30,817	30,873
Accumulated other comprehensive loss	(137,881)	(114,169)
Other equity	19,029	19,189
Retained earnings	336,520	394,341
	452,452	534,166
	$ 1,825,482	$ 1,860,106
Going concern (Note 1)		

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS

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

	Three Months Ended	
	March 31, 2020	**March 31, 2019**
REVENUE (Note 17)	$ 580,755	$ 625,560
Cost of sales (Note 7)	474,222	495,527
GROSS PROFIT	106,533	130,033
Selling expenses	47,458	52,714
General and administrative expenses	40,828	48,636
Research and development expenses	9,742	9,573
Impairment loss (reversal) on trade accounts receivable	3,007	(4)
Restructuring costs (Note 7)	1,308	13,966
Impairment loss on goodwill (Note 6)	43,125	–
OPERATING (LOSS) PROFIT	(38,935)	5,148
Finance expenses (Note 15)	15,309	10,335
LOSS BEFORE INCOME TAXES	(54,244)	(5,187)
Income taxes expense (recovery) (Note 15)		
Current	2,838	3,663
Deferred	739	(577)
	3,577	3,086
NET LOSS	$ (57,821)	$ (8,273)
LOSS PER SHARE (Note 14)		
Basic	$ (1.78)	$ (0.26)
Diluted	$ (1.78)	$ (0.26)

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	Three Months Ended	
	March 31, 2020	March 31, 2019
NET LOSS	$ (57,821)	$ (8,273)
OTHER COMPREHENSIVE 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	(18,316)	1,335
Net gains (losses) on hedge of net investments in foreign operations, net of tax of nil	(1,296)	(1,868)
	(19,612)	(533)
Net changes in cash flow hedges:		
Net change in unrealized gains (losses) on derivatives designated as cash flow hedges	473	794
Reclassification to net income	(79)	(101)
Reclassification to the related non-financial asset	(432)	(79)
Deferred income taxes	11	(52)
	(27)	562
Items that will not be reclassified to net income:		
Defined benefit plans:		
Remeasurements of the net pension and post-retirement defined benefit liabilities (Note 9)	(5,288)	(52)
Deferred income taxes	1,215	205
	(4,073)	153
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME	(23,712)	182
TOTAL COMPREHENSIVE LOSS	$ (81,533)	$ (8,091)

See accompanying notes to the condensed consolidated interim financial statements.

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, 2018 (1)	$ 203,313	$ 28,555	$ (92,893)	$ (31)	$ (12,895)	$ 17,350	$ 437,704	$ 581,103
Adjustment on initial application of IFRS 16 (net of tax)	–	–	–	–	–	–	(18,147)	(18,147)
Adjusted balance as at December 31, 2018	$ 203,313	$ 28,555	$ (92,893)	$ (31)	$ (12,895)	$ 17,350	$ 419,557	$ 562,956
Total comprehensive loss:								
Net loss	–	–	–	–	–	–	(8,273)	(8,273)
Other comprehensive income (loss)	–	–	(533)	562	153	–	–	182
	–	–	(533)	562	153	–	(8,273)	(8,091)
Reclassification from contributed surplus due to settlement of deferred share units	106	(163)	–	–	–	–	–	(57)
Share-based payments (Note 13)	–	89	–	–	–	–	–	89
Remeasurement of written put option liabilities	–	–	–	–	–	(355)	–	(355)
Dividends on common shares	–	–	–	–	–	–	(4,866)	(4,866)
Dividends on deferred share units	–	51	–	–	–	–	(51)	–
Balance as at March 31, 2019	$ 203,419	$ 28,532	$ (93,426)	$ 531	$ (12,742)	$ 16,995	$ 406,367	$ 549,676
Balance as at December 30, 2019	$ 203,932	$ 30,873	$ (98,343)	$ (1,199)	$ (14,627)	$ 19,189	$ 394,341	$ 534,166
Total comprehensive loss:								
Net loss	–	–	–	–	–	–	(57,821)	(57,821)
Other comprehensive loss	–	–	(19,612)	(27)	(4,073)	–	–	(23,712)
	–	–	(19,612)	(27)	(4,073)	–	(57,821)	(81,533)
Reclassification from contributed surplus due to settlement of deferred share units (Notes 12 and 13)	35	(75)	–	–	–	–	–	(40)
Share-based payments (Note 13)	–	19	–	–	–	–	–	19
Remeasurement of written put option liabilities	–	–	–	–	–	(160)	–	(160)
Balance as at March 31, 2020	$ 203,967	$ 30,817	$ (117,955)	$ (1,226)	$ (18,700)	$ 19,029	$ 336,520	$ 452,452

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	$ (57,821)	$ (8,273)
Items not involving cash:		
Depreciation and amortization (Note 15)	24,184	23,293
Impairment loss on goodwill (Note 6)	43,125	–
Unrealized gains arising on financial assets and financial liabilities classified at fair value through profit or loss	(510)	(208)
Share-based payments (Note 13)	19	89
Defined benefit pension and post-retirement costs	914	787
Net gain on disposal of property, plant and equipment and lease modifications	(326)	(11)
Restructuring costs (Note 7)	(67)	(1,296)
Finance expenses (Note 15)	15,309	10,335
Income taxes expense	3,577	3,086
Net changes in balances related to operations (Note 16)	(13,551)	(31,536)
Income taxes paid	(3,494)	(2,282)
Income taxes received	1,142	1,962
Interest paid	(14,726)	(7,764)
Interest received	120	77
CASH USED IN OPERATING ACTIVITIES	(2,105)	(11,741)
FINANCING ACTIVITIES		
Net increase of bank indebtedness	17,217	2,321
Proceeds from issuance of long-term debt (Note 8)	114,029	21,353
Repayments of long-term debt	(3,763)	(3,750)
Financing costs	(530)	(547)
Net (payment) proceeds from settlement of interest rate swaps	(79)	92
Payments of lease liabilities	(11,153)	(10,626)
CASH PROVIDED BY FINANCING ACTIVITIES	115,721	8,843
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(4,131)	(5,818)
Disposals of property, plant and equipment	880	68
Additions to intangible assets	(3,429)	(4,731)
CASH USED IN INVESTING ACTIVITIES	(6,680)	(10,481)
Effect of foreign currency exchange rate changes on cash and cash equivalents	264	1,141
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	107,200	(12,238)
Cash and cash equivalents, beginning of period	39,141	39,272
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 146,341	$ 27,034

See accompanying notes to the condensed consolidated interim financial statements.

All figures in thousands of US dollars, except per share amounts (unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

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 through its Dorel Home, Dorel Juvenile and Dorel Sports segments. The principal geographic markets for the Company's products are the United States, Europe, Latin America, Canada and Asia. The Company, whose shares are traded on the Toronto Stock Exchange ("TSX"), is incorporated and domiciled in Canada. The registered office is in Westmount, Québec.

The Company's reporting segments are based on three distinctive lines of activities which include:

Reporting segment	Principal revenue generating activities
Dorel Home	From the sale of ready-to-assemble furniture and home furnishings which include metal folding furniture, futons, children's furniture, step stools, hand trucks, ladders, outdoor furniture and other imported furniture items.
Dorel Juvenile	From the sale of children's accessories which include infant car seats, strollers, high chairs and infant health and safety aids.
Dorel Sports	From the sale of recreational and leisure products and accessories which include bicycles, jogging strollers, scooters and other recreational products.

Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, management must take into account all available information about the future, including estimated future cash flows, for a period of at least twelve months following the end of the reporting period.

Under the Company's senior unsecured notes agreement and the revolving bank loans and term loan agreement, the Company is subject to maintaining certain financial ratios on a quarterly basis. In the event the Company is unable to comply with such quarterly covenants, the senior unsecured notes, revolving bank loans and term loan will become due in full at the date of non-compliance, which could have a material adverse effect on the Company's financial condition and results of operations. As at March 31, 2020, the carrying amounts of the Company's senior unsecured notes, revolving bank loans and term loan were $121,763, $305,578 and $117,928, respectively. The availability of the funds under the revolving bank loans, including the accordion feature, are also dependent on Dorel continuing to meet its financial covenants under its credit agreement. The revolving bank loans and term loan agreement also have cross-default provisions of which an event of default by the Company under another significant debt agreement, such as the senior unsecured notes agreement, would constitute an event of default under the credit agreement. As at March 31, 2020, the Company also had available bank lines of credit amounting to approximately $74,911, of which $65,432 had been used. The Company's bank lines of credit do not impose any financial covenants.

On March 9, 2020, the Company amended and restated its revolving bank loans and term loan agreement to amend the quarterly financial covenants to facilitate their compliance based on the quarterly forecasted projections for 2020 at that time. Based on information available at that time, management expected that it would be able to meet its amended quarterly financial covenants for 2020, as it had not seen any significant impact on consumer spending for its products or anticipated any significant disruption in its product supply as a result of COVID-19. However, as the outbreak of COVID-19 continued to spread around the globe, the Company's results of operations were adversely affected from supply chain disruptions, reduced workforce productivity and the prolonged closure of stores by many of the Company's customers.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

In light of the COVID-19 pandemic impacting the Company's business, financial condition and results of operations, as well as global economies and financial markets, the Company amended its senior unsecured notes agreement on March 30, 2020, and its revolving bank loans and term loan agreement on March 31, 2020, to facilitate compliance with its financial covenants (see Note 8). Accordingly, the Company's senior unsecured notes, revolving bank loans and term loan were not due on demand as at March 31, 2020.

As COVID-19 continues to quickly spread worldwide, this has adversely affected global economies and financial markets, resulting in an economic downturn which could extend for a prolonged period of time and in turn could continue to have a material adverse effect on the demand for the Company's products and on the Company's business, financial condition and results of operations in the future. The extent to which COVID-19 will impact the Company's business, including its supply chain and its operations, will depend on future developments, which are highly uncertain and cannot be predicted at this time. These future developments include the duration, severity and scope of the COVID-19 outbreak, the measures taken by various government authorities to contain it, and the reaction of the general public to, and comply with, such containment measures.

Assessing the Company's estimated future cash flows and liquidity, including its future compliance with covenants under the senior unsecured notes agreement and revolving bank loans and term loan agreement, requires significant judgment. As there is significant uncertainty surrounding the impact of COVID-19 on the Company's business, management incorporated weighted-probability scenarios in its assessment of future cash flows, taking into consideration the most recently available information as of the date of these condensed consolidated interim financial statements authorized by the Company's Board of Directors for issue. Management concluded that due to these uncertainties the Company may not be able to meet its quarterly financial covenants during the next twelve months. Management is closely monitoring its cash flows, and it will continue to have discussions with its current lenders to address any potential breach of its future quarterly covenants. In addition, the Company is in discussions with other potential lenders to strategize on other potential sources of financing. However, the outcome of these alternatives cannot be predicted with great certainty at this time. There can be no assurance that the Company will be successful in obtaining a waiver if it is in default of its financial covenants in the future, that alternative financing will be available to the Company, or that the Company will generate sufficient cash flows to meet its obligations. Accordingly, these circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not reflect adjustments that would be necessary to the carrying amounts and the classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE, 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, 2019, 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 2019 audited consolidated annual financial statements. Certain comparative amounts in the condensed consolidated interim financial statements have been reclassified in order to conform to the 2020 financial statements presentation. Changes to significant accounting policies are described in Note 3.

2. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND MEASUREMENT (continued)

While preparing these condensed consolidated interim financial statements, management exercised significant judgment in connection with the potential impact of the COVID-19 pandemic on the Company's reported assets, liabilities, revenue and expenses, and on the related disclosures, using estimates and assumptions which are subject to significant uncertainties. The extent to which COVID-19 will impact the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted at this time. These future developments include the duration, severity and scope of the COVID-19 outbreak, the measures taken by various government authorities to contain it and the reaction of the general public to, and compliance with, such containment measures. Accordingly, actual results could differ materially from those estimates and assumptions made by management.

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

	Measurement basis
Derivative financial instruments	Fair value
Written put option liabilities	Fair value
Share-based payment arrangements	In accordance with IFRS 2, *Share-Based Payment*
Assets held for sale	At the lower of the carrying amount and fair value less costs to sell
Business combinations: identifiable assets acquired and liabilities assumed	At fair value at acquisition date
Net pension and post-retirement defined benefit liabilities	Net total of plan assets measured at fair value less the discounted present value of the defined benefit obligations
Product liability	Discounted present value

These condensed consolidated interim financial statements were authorized by the Company's Board of Directors for issue on May 8, 2020.

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

The following are amendments to standards applied by the Company in the preparation of these condensed consolidated interim financial statements. The Company adopted the following amendments for the annual period beginning on December 31, 2019.

Amendment to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020, the IASB amended IAS 1, *Presentation of Financial Statements*, to clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The adoption of these amendments did not have an impact on the Company's consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

In September 2019, the IASB amended IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRS 7, *Financial Instruments: Disclosures*, to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty arising from the interest rate benchmark reform. In addition, the amendments to IFRS 7 provide specific disclosure requirements regarding uncertainty arising from interest rate benchmark reform. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. A portion of the Company's revolving bank loans, for which amounts drawn are subject to Interbank Offered Rates ("IBORs") as interest reference rates, is being hedged with a $50,000 interest rate swap with a floating USD LIBOR rate and maturing on April 9, 2024. The Company has designated this interest rate swap as a cash flow hedge and applies hedge accounting. The Company's interest rate swap agreement is governed by the International Swaps and Derivatives Association ("ISDA")'s Master Agreement.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company expects to modify its revolving bank loans and term loan agreement and its interest rate swap agreement in order to include new fallback clauses once the standard ISDA definitions will be amended in light of the interest rate benchmark reform. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

Amendments to IAS 1 and IAS 8 – Definition of Material

In October 2018, the IASB amended IAS 1, *Presentation of Financial Statements*, and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to clarify the definition of material and how it should be applied. In addition, the explanations accompanying the definition have been improved. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

Amendment to IFRS 3 – Definition of a Business

In October 2018, the IASB amended IFRS 3, *Business Combinations*, to clarify the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are applicable to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, with earlier application permitted. The adoption of these amendments did not have an impact on the Company's consolidated financial statements, but may impact future periods if the Company enters into any business combinations.

4. FUTURE ACCOUNTING CHANGES

New standards and amendments to existing standards have been issued by the IASB, which are mandatory but not yet effective for the three months ended March 31, 2020. Management does not expect that any of the new standards and amendments to existing standards issued but not yet effective would have a material impact on the Company's consolidated financial statements.

5. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable consist of the following:

	March 31, 2020	December 30, 2019
Trade accounts receivable – gross	$ 401,619	$ 414,491
Impairment loss allowance	(15,786)	(15,535)
	$ 385,833	$ 398,956

The movement in the impairment loss allowance with respect to trade accounts receivable was as follows:

	Three Months Ended March 31, 2020	Year Ended December 30, 2019
Balance, beginning of period	$ 15,535	$ 27,002
Net remeasurement of impairment loss allowance	3,007	5,759
Uncollectible accounts written-off	(1,583)	(17,236)
Effect of foreign currency exchange rate changes	(1,173)	10
Balance, end of period	$ 15,786	$ 15,535

5. TRADE ACCOUNTS RECEIVABLE (continued)

The Company recognizes an impairment loss allowance for expected credit losses ("ECLs") on trade accounts receivable, using a probability-weighted estimate of credit 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. Collective assessment is carried out by grouping together trade accounts receivable with similar characteristics, mainly by geographic area and number of days past due. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected. In its assessment of the impairment loss allowance as at March 31, 2020, the Company considered the economic impact of the COVID-19 pandemic on its ECL assessment, including the risk of default of its customers given the economic downturn caused by the COVID-19 pandemic.

The aging of gross trade accounts receivable is as follows:

		March 31, 2020		December 30, 2019
Current (not past due)	$	293,406	$	327,135
Past due 0-30 days		44,257		37,684
Past due 31-60 days		13,772		15,468
Past due 61-90 days		13,505		6,099
Past due over 90 days		36,679		28,105
	$	401,619	$	414,491

6. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses at each reporting date whether there is an indication that an asset or a cash-generating unit ("CGU") may be impaired. During the first quarter of 2020, global economies and financial markets were impacted by the COVID-19 outbreak as it quickly spread around the world and on March 11, 2020, the World Health Organization declared it a global pandemic. Government authorities around the world have taken actions in an effort to slowdown the spread of COVID-19, including measures such as the closure of non-essential businesses and social distancing. The Company's three segments were adversely impacted during the first quarter of 2020 due to the closure of certain of their manufacturing facilities and the prolonged closure of stores by many of the Company's customers around the world, as well as disruptions in their supply chains and reduced workforce productivity. Management also expects that the Company's three segments will be further impacted during the second quarter of 2020 as prolonged social distancing measures continue to take place globally. Accordingly, management concluded that these factors, including the further decline in the Company's stock price, were indicators of impairment.

As such, management performed impairment tests for its Dorel Juvenile – Europe, Dorel Sports – Mass markets and Dorel Home CGUs, for which it revised its assumptions on projected earnings and cash flows growth, as well as its assumptions on discount rates used to apply to the forecasted cash flows, using its best estimate of the conditions existing at March 31, 2020. As there is significant uncertainty surrounding the extent of the impact of COVID-19 on the Company's business, management incorporated weighted-probability scenarios in its assessment of forecasted cash flows. Although management used its best estimate to assess the potential impact of the COVID-19 outbreak on the Company's business, including its duration and severity, management exercised significant judgment to estimate forecasted cash flows and discount rate, using assumptions which are subject to significant uncertainties. Accordingly, differences in estimates could affect whether a CGU is impaired and the dollar amount of that impairment, which could be material.

As a result of the impairment tests performed, management concluded that the recoverable amount of the Dorel Juvenile – Europe CGU was less than its carrying amount, resulting in an impairment loss on goodwill of $43,125 recorded during the first quarter of 2020. The impairment loss reflects reduced earnings and cash flows projections, and a higher risk adjusted discount rate, in light of the economic uncertainties caused by the COVID-19 pandemic. As for Dorel Sports – Mass markets and Dorel Home CGUs, management concluded that their recoverable amounts were higher than their carrying amounts, resulting in no impairment loss recorded.

6. IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

Key assumptions used in value in use calculations:

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model and the long-term growth rate used for extrapolation purposes. The following table presents the basis used as the recoverable amount and the key assumptions used in calculating the recoverable amount:

			March 31, 2020
	Basis used as recoverable amount	**Pre-tax Discount Rate**	**Terminal Growth Rate**
Dorel Juvenile – Europe	Value in use	14.48%	2.00%
Dorel Sports – Mass markets	Value in use	14.09%	2.00%
Dorel Home	Value in use	17.41%	2.00%

Sensitivity to changes in assumptions for the basis of the calculation of recoverable amounts:

Two key assumptions were identified that if changed, could cause the carrying amount to exceed its recoverable amount. Varying the assumptions in the values of the recoverable amount calculation would have the following effects as at March 31, 2020, assuming that all other variables remained constant:

	Increase in basis points of pre-tax discount rate that would result in carrying value equal to recoverable amount	**Decrease in basis points of terminal long-term growth rate that would result in carrying value equal to recoverable amount**
Dorel Juvenile – Europe (1)	–	–
Dorel Sports – Mass markets	644	1,140
Dorel Home (2)	2,055	–

(1) No sensitivity test was performed for this CGU since an impairment loss was recorded as a result of the impairment test performed during the first quarter of 2020.
(2) The recoverable amount of Dorel Home is not sensitive to its long-term growth rate assumption.

7. RESTRUCTURING COSTS

						Three Months Ended March 31,
		TOTAL		**Dorel Juvenile**		**Dorel Sports**
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Inventory markdowns*	$ –	$ 293	$ –	$ 293	$ –	$ –
Other associated costs	–	138	–	138	–	–
Recorded within gross profit	$ –	$ 431	$ –	$ 431	$ –	$ –
Employee severance and termination benefits	$ 1,161	$ 14,991	$ 1,078	$ 14,991	$ 83	$ –
Net losses from the remeasurement of assets held for sale*	–	307	–	307	–	–
Curtailment gain on net pension defined benefit liabilities*	(67)	(1,896)	(67)	(1,896)	–	–
Other associated costs	214	564	214	564	–	–
Recorded within a separate line in the condensed consolidated interim income statements	$ 1,308	$ 13,966	$ 1,225	$ 13,966	$ 83	$ –
Total restructuring costs	$ 1,308	$ 14,397	$ 1,225	$ 14,397	$ 83	$ –

* non-cash

8. LONG-TERM DEBT, LIQUIDITY RISK AND CAPITAL MANAGEMENT

a) Long-term debt

The terms and conditions of outstanding loans are as follows:

				March 31, 2020		December 30, 2019	
	Currency	**Nominal interest rate**	**Maturity date**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Senior unsecured notes, interest payable on the last business day of each quarter	USD	7.50% plus applicable margin	July 19, 2024	$ 126,500	$ 121,763	$ 125,000	$ 119,941
Revolving bank loans bearing interest at various rates per annum, averaging 5.21% (December 30, 2019 – 5.77%), total availability of $350,000. This agreement also includes an accordion feature allowing the Company to have access to an additional amount of $100,000 on a revolving basis.	USD/ Euro/CAD	LIBOR, Euribor, Canadian or U.S. bank rates plus a margin	July 1, 2021	305,578	305,578	192,761	192,761
Term loan bearing interest at various rates per annum, averaging 5.39% (December 30, 2019 – 5.73%).	USD	LIBOR plus a margin	July 1, 2021	118,550	117,928	122,300	121,714
Balance of sale on acquisition of Canbest, bearing no interest	USD	–	October 1, 2021	6,000	5,664	6,000	5,583
Other				2,226	2,226	2,103	2,103
Total outstanding loans				$ 558,854	$ 553,159	$ 448,164	$ 442,102
Current portion					(25,747)		(24,233)
					$ 527,412		$ 417,869

Senior unsecured notes

On March 30, 2020, the Company amended its senior unsecured notes agreement to facilitate compliance with its financial covenants for the first and second quarters of 2020, in light of increased debt levels needed to increase the Company's liquidity on hand to face the global economic and market uncertainties surrounding the COVID-19 pandemic. The nominal interest rate was amended to include an applicable margin of up to 3.5% per annum, for a period of one year, dependent on the Company achieving certain financial covenant thresholds. As a result, a loss on debt modification of $3,656 was recorded as finance expenses during the first quarter of 2020 (Note 15).

Revolving bank loans and term loan

On March 9, 2020, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and term loan to amend the quarterly financial covenants to facilitate their compliance based on the quarterly forecasted projections for 2020 at that time. On March 31, 2020, the Company further amended and restated its Credit Agreement with respect to its revolving bank loans and term loan to facilitate compliance with its financial covenants for the first quarter of 2020, allowing the Company to increase its liquidity on hand to face the current economic downturn caused by the COVID-19 pandemic.

Under the term loan, the Company is required to make quarterly instalments corresponding to the quarterly Excess Cash Flow, in addition to its quarterly fixed instalments, as principal repayments. On April 1, 2020, $1,840 was repaid relating to the December 30, 2019 Excess Cash Flow calculation. As at March 31, 2020, there is no required instalment as a result of the Excess Cash Flow calculation. The Excess Cash Flow amount has been classified as current portion of long-term debt as at March 31, 2020.

8. LONG-TERM DEBT, LIQUIDITY RISK AND CAPITAL MANAGEMENT (continued)

The total financing costs related to the Credit Agreement amendments recognized during the first quarter of 2020 amounted to approximately $530, of which $396 was allocated to the revolving bank loans and $134 to the term loan. As the amendments and restatements of the Credit Agreement were accounted for as non-substantial modifications, the total financing costs allocated to the revolving bank loans were recorded as an addition to other assets and are being amortized as interest expense on a straight-line basis over the term of the related debt. The total financing costs allocated to the term loan were recorded as a reduction of its carrying amount and are being amortized over the remaining term of the loan using the effective interest rate method. There was no material impact on the carrying amount of the revolving bank loans and term loan as a result of the modifications of the Credit Agreement.

Financial covenants

Under the senior unsecured notes, revolving bank loans and term loan, the Company is subject to certain covenants, including maintaining certain financial ratios. In the event the Company is not able to meet its quarterly debt covenant requirements, the senior unsecured notes, revolving bank loans and term loan will become due in full at the date of non-compliance. As at March 31, 2020, the Company was compliant with all its amended borrowing covenant requirements.

b) Liquidity risk and capital management

The following table summarizes the contractual maturities of financial liabilities of the Company as at March 31, 2020, excluding future interest payments but including accrued interest:

	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Bank indebtedness	$ 65,432	$ 65,432	$ –	$ –	$ –
Trade and other payables	451,562	451,562	–	–	–
Long-term debt:					
Senior unsecured notes	126,500	–	–	126,500	–
Revolving bank loans and term loan	424,128	21,840	402,288	–	–
Balance of sale on acquisition of Canbest	6,000	3,000	3,000	–	–
Other	2,226	1,196	1,030	–	–
Other liabilities:					
Written put option liabilities	8,730	–	–	8,730	–
Other financial liabilities	6,464	1,005	3,509	1,790	160
Total	$ 1,091,042	$ 544,035	$ 409,827	$ 137,020	$ 160

At the end of the first quarter of 2020, the Company increased its debt levels to maintain additional cash on hand and liquidity to meet its obligations during the current economic downturn caused by the COVID-19 pandemic, while at the same time ensuring it remained compliant with its amended borrowing covenant requirements as at March 31, 2020. However, due to the uncertainties surrounding the impact of COVID-19 on the Company's business, as disclosed in Note 1, management concluded that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern, as the Company may not be able to meet its quarterly financial covenants during the next twelve months. This could result in the senior unsecured notes, revolving bank loans and term loan becoming due in full at the date of non-compliance. As management is closely monitoring its cash flows to ensure it will have sufficient liquidity to meet its obligations as they become due, the Company may need to change the timing of its capital expenditures spending and will continue to focus on further cost saving opportunities. As indicated in Note 1, management will also continue to have discussions with its current lenders to address any potential breach of its future quarterly covenants. In addition, the Company is in discussions with other potential lenders to strategize on other potential sources of financing. However, the outcome of these alternatives cannot be predicted with great certainty at this time. There can be no assurance that the Company will be successful in obtaining a waiver if it is in default of its financial covenants in the future, that alternative financing will be available to the Company, or that the Company will generate sufficient cash flows to meet the Company's obligations.

9. NET PENSION AND POST-RETIREMENT DEFINED BENEFIT LIABILITIES

As at March 31, 2020, the Company remeasured its net defined benefit obligations, with the assistance of independent actuaries, due to the significant market fluctuations observed as a result of the economic uncertainties stemming from the COVID-19 pandemic. Accordingly, a remeasurement loss of $5,266 was recognized in other comprehensive loss during the first quarter of 2020, resulting from a decrease in fair value of plan assets, partly offset by a net increase in the discount rate used to measure the present value of the defined benefit obligations. The weighted-average discount rate used to determine the defined benefits obligations as at March 31, 2020 was 2.40% (December 31, 2019 – 2.21%).

10. GOVERNMENT ASSISTANCE

During the first quarter of 2020, governments around the world were introducing measures to support companies experiencing financial challenges resulting from the COVID-19 pandemic and to stimulate the economy. As at March 31, 2020, the Company assessed its eligibility related to these government assistance programs available in each country. While most government announced assistance programs were not yet legislated as at March 31, 2020 and were still subject to change, management will continue to closely monitor the support available to the Company. To date, the Company believes it is eligible to receive grants mainly related to compensation for certain employee related costs, and to take advantage of the deferral of certain payroll taxes, value-added taxes and income taxes payment obligations.

Government assistance is recognized when there is reasonable assurance that it will be received and the Company will comply with all of the conditions associated with the assistance. Government grants related to an expense or a waiver of expenses are recognized as a reduction of related expense for which the grant is intended to compensate. Government grants related to the construction or acquisition of an asset are recognized as a deduction of the cost of the related asset.

During the first quarter of 2020, the Company recognized an amount of $572 as a reduction of employee benefits expense related to government grants received or expected to be received.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

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:

	March 31, 2020		December 30, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt – bearing interest at fixed rates	$ 129,653	$ 120,501	$ 127,627	$ 130,281

Fair value measurement

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 Company's financial assets and liabilities measured at fair value consist of derivative financial instruments and written put option liabilities. The balance of the Company's derivative financial assets and liabilities are not significant as at March 31, 2020 and December 30, 2019.

12. SHARE CAPITAL

Details of the issued and outstanding shares are as follows:

	March 31, 2020		December 30, 2019	
	Number	**Amount**	**Number**	**Amount**
Class "A" Multiple Voting Shares				
Balance, beginning of period	4,188,475	$ 1,767	4,188,775	$ 1,767
Converted from Class "A" to Class "B"	–	–	(300)	–
Balance, end of period	4,188,475	$ 1,767	4,188,475	$ 1,767
Class "B" Subordinate Voting Shares				
Balance, beginning of period	28,291,760	$ 202,165	28,250,414	$ 201,546
Converted from Class "A" to Class "B"	–	–	300	–
Reclassification from contributed surplus due to settlement of deferred share units (Note 13)	7,871	35	41,046	619
Balance, end of period	28,299,631	$ 202,200	28,291,760	$ 202,165
TOTAL SHARE CAPITAL		$ 203,967		$ 203,932

13. SHARE-BASED PAYMENTS

The following table summarizes the share-based payments expense (recovery) recognized within general and administration expenses:

	Three Months Ended	
	March 31, 2020	**March 31, 2019**
DSU – Directors	$ –	$ 53
DSU – Executive	19	36
RSU	(340)	(11)
SAR	–	(1)
PSU	(339)	(125)
	$ (660)	$ (48)

The following table summarizes the carrying amount of the Company's RSU, SAR and PSU plans (cash-settled) recognized in the condensed consolidated interim statements of financial position:

	March 31, 2020	December 30, 2019
Trade and other payables	$ 83	$ 392
Other long-term liabilities	142	555
	$ 225	$ 947

13. SHARE-BASED PAYMENTS (continued)

Directors' Deferred Share Unit Plan and Executives' Deferred Share Unit Plan

The changes in outstanding number of DSUs are as follows:

	Three Months Ended March 31, 2020		Year Ended December 30, 2019	
	DSU – Directors	DSU – Executives	DSU – Directors	DSU – Executives
DSUs outstanding, beginning of period	211,111	222,230	155,701	178,743
Issued for fees forfeited	–	–	47,126	–
Issued for salaries and bonus paid	–	–	–	59,071
Discretionary DSUs granted	–	–	–	18,864
Issued for dividend equivalents	–	–	8,284	12,365
Performance adjustment	–	(6,105)	–	(2,971)
Forfeited	–	(2,895)	–	(9,604)
Settlement of deferred share units	(16,857)	–	–	(34,238)
DSUs outstanding, end of period	194,254	213,230	211,111	222,230
Total vested, end of period	194,254	196,408	211,111	194,323

Long-term incentive plans (cash-settled)

The changes in outstanding number of RSUs, SARs and PSUs are as follows:

	Three Months Ended March 31, 2020			Year Ended December 30, 2019		
	RSU	SAR	PSU	RSU	SAR	PSU
Outstanding, beginning of period	246,891	338,084	227,587	172,151	799,191	225,386
Granted	–	–	–	85,628	–	175,092
Issued for dividend equivalents	–	–	–	9,208	–	17,819
Performance adjustment	–	–	(94,420)	–	–	(120,727)
Settled	–	–	–	–	–	(31,965)
Expired	–	–	–	–	(420,287)	–
Forfeited	(3,719)	(1,488)	(5,509)	(20,096)	(40,820)	(38,018)
Outstanding, end of period	243,172	336,596	127,658	246,891	338,084	227,587

14. LOSS PER SHARE

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

	Three Months Ended	
	March 31, 2020	March 31, 2019
Weighted daily average number of Class "A" Multiple and Class "B" Subordinate Voting Shares	32,486,138	32,439,340
Dilutive effect of deferred share units	–	–
Weighted average number of diluted shares	32,486,138	32,439,340
Number of anti-dilutive deferred share units excluded from fully diluted loss per share calculation	390,662	317,973

As at March 31, 2019, convertible debentures were excluded from the calculation of diluted loss per share as these debentures were deemed anti-dilutive. On July 22, 2019, the Company redeemed its convertible debentures.

15. FINANCE EXPENSES, DEPRECIATION AND AMORTIZATION, AND OTHER INFORMATION

a) Finance expenses

	Three Months Ended	
	March 31, 2020	March 31, 2019
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	$ 8,963	$ 6,711
Interest on lease liabilities	1,857	1,964
Amortization of deferred financing costs	309	282
Loss on debt modification (Note 8)	3,656	–
Other interest	524	1,378
	$ 15,309	$ 10,335

b) Depreciation and amortization

Depreciation of property, plant and equipment and right-of-use assets, and amortization of intangible assets are included in the following condensed consolidated interim income statements captions:

	Three Months Ended							
	March 31, 2020				March 31, 2019			
	Property, plant and equipment	Right-of-use assets	Intangible assets	Total	Property, plant and equipment	Right-of-use assets	Intangible assets	Total
Included in cost of sales	$ 5,814	$ 7,260	$ –	$ 13,074	$ 5,847	$ 6,615	$ –	$ 12,462
Included in selling expenses	175	2,199	1,190	3,564	251	2,553	1,263	4,067
Included in general and administrative expenses	1,498	1,743	815	4,056	1,631	1,771	592	3,994
Included in research and development expenses	–	55	3,435	3,490	–	53	2,717	2,770
	$ 7,487	$ 11,257	$ 5,440	$ 24,184	$ 7,729	$ 10,992	$ 4,572	$ 23,293

c) Income taxes

The effective tax rate for the three months ended March 31, 2020 was (6.6)% (2019 – (59.5)%). The effective tax rate was largely due to the non-deductible impairment loss recorded on goodwill, the non-recognition of tax benefits related to tax losses and temporary differences, the changes in the jurisdictions in which the Company generated its income and management's reassessment of the recoverability of deferred tax assets in light of the potential impact of the COVID-19 pandemic on the Company's business. Assessing the recoverability of deferred tax assets involves estimates of future taxable income and the ability to use tax losses carried forward and tax credits against future taxable profit before they expire, using assumptions that are based on a high degree of uncertainty. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the impact of tax planning strategies.

16. SUPPLEMENTAL CASH FLOW INFORMATION

a) Net changes in balances related to operations

	Three Months Ended	
	March 31, 2020	March 31, 2019
Trade accounts receivable	$ (1,243)	$ (33,213)
Inventories	45,460	(17,549)
Other assets	(8,469)	(2,864)
Trade and other payables	(37,705)	14,493
Net pension and post-retirement defined benefit liabilities	(3,258)	(2,680)
Provisions	(4,153)	10,554
Other liabilities	(4,183)	(277)
	$ (13,551)	$ (31,536)

b) Cash and cash equivalents

	March 31, 2020	December 30, 2019
Cash	$ 137,774	$ 36,246
Short-term investments	8,567	2,895
Cash and cash equivalents	$ 146,341	$ 39,141

c) Non-cash transactions

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

	March 31, 2020	March 31, 2019
Acquisition of property, plant and equipment financed by trade and other payables	$ 2,449	$ 3,033
Acquisition of property, plant and equipment financed by lease liabilities	$ 3,539	$ 1,654
Acquisition of intangible assets financed by trade and other payables	$ 197	$ 634

17. SEGMENTED INFORMATION

Reporting Segments

								Three Months Ended March 31,
		Total		**Dorel Home**		**Dorel Juvenile**		**Dorel Sports**
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Revenue	$ 580,755	$ 625,560	$ 197,412	$ 210,764	$ 195,155	$ 230,252	$ 188,188	$ 184,544
Cost of sales (Note 7)	474,222	495,527	172,912	181,123	148,943	169,119	152,367	145,285
Gross profit	106,533	130,033	24,500	29,641	46,212	61,133	35,821	39,259
Selling expenses	47,386	52,627	5,707	6,362	23,054	26,910	18,625	19,355
General and administrative expenses	38,495	42,025	7,195	7,518	17,212	19,972	14,088	14,535
Research and development expenses	9,742	9,573	1,188	1,168	7,342	7,183	1,212	1,222
Impairment loss (reversal) on trade accounts receivable	3,007	(4)	120	140	463	210	2,424	(354)
Restructuring costs (Note 7)	1,308	13,966	–	–	1,225	13,966	83	–
Impairment loss on goodwill (Note 6)	43,125	–	–	–	43,125	–	–	–
Operating (loss) profit	(36,530)	11,846	$ 10,290	$ 14,453	$ (46,209)	$ (7,108)	$ (611)	$ 4,501
Finance expenses	15,309	10,335						
Corporate expenses	2,405	6,698						
Income taxes expense	3,577	3,086						
Net loss	$ (57,821)	$ (8,273)						
Depreciation and amortization included in operating (loss) profit	$ 23,967	$ 23,076	$ 4,363	$ 3,736	$ 15,110	$ 15,073	$ 4,494	$ 4,267

17. SEGMENTED INFORMATION (continued)

Disaggregation of Revenue

Revenue is composed mainly from revenue generated from sales of goods. 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 revenue:

								Three Months Ended March 31,
		Total		Dorel Home		Dorel Juvenile		Dorel Sports
	2020	2019	2020	2019	2020	2019	2020	2019
Geographic area								
Canada	$ 51,360	$ 49,264	$ 32,604	$ 30,832	$ 5,615	$ 6,139	$ 13,141	$ 12,293
United States	356,109	364,063	162,718	175,391	83,280	86,318	110,111	102,354
Europe	113,996	129,586	2,037	1,529	65,526	81,374	46,433	46,683
Latin America	41,985	55,997	–	–	26,148	36,103	15,837	19,894
Asia	10,412	15,390	53	–	7,693	12,070	2,666	3,320
Other countries	6,893	11,260	–	3,012	6,893	8,248	–	–
Total	$ 580,755	$ 625,560	$ 197,412	$ 210,764	$ 195,155	$ 230,252	$ 188,188	$ 184,544
Channels of distribution								
Brick and mortar retailers	$ 385,823	$ 431,575	$ 76,605	$ 90,795	$ 137,663	$ 171,315	$ 171,555	$ 169,465
Internet retailers	187,658	181,628	120,794	119,925	50,398	49,528	16,466	12,175
Other	7,274	12,357	13	44	7,094	9,409	167	2,904
Total	$ 580,755	$ 625,560	$ 197,412	$ 210,764	$ 195,155	$ 230,252	$ 188,188	$ 184,544