CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	As at September 30, 2020	As at December 30, 2019
ASSETS		
Current assets		
Cash and cash equivalents (Note 16)	$ 44,192	$ 39,141
Trade accounts receivable	476,751	398,956
Inventories	480,834	633,614
Income taxes receivable	10,648	8,292
Other assets	44,501	43,853
	1,056,926	1,123,856
Assets held for sale	10,724	6,757
	1,067,650	1,130,613
Non-current assets		
Property, plant and equipment	145,761	163,812
Right-of-use assets	148,875	174,038
Intangible assets (Note 5)	229,595	238,541
Goodwill (Note 5)	40,941	84,478
Deferred tax assets (Note 15)	51,753	60,421
Other assets	5,748	8,203
	622,673	729,493
	$ 1,690,323	$ 1,860,106
LIABILITIES		
Current liabilities		
Bank indebtedness	$ 45,868	$ 59,698
Trade and other payables	492,918	502,999
Lease liabilities	38,217	40,580
Income taxes payable	16,055	12,510
Long-term debt (Note 8)	224,503	24,233
Provisions	47,792	50,841
Other liabilities	14,411	10,953
	879,764	701,814
Non-current liabilities		
Lease liabilities	124,982	147,803
Long-term debt (Note 8)	128,607	417,869
Net pension and post-retirement defined benefit liabilities (Note 9)	29,468	25,820
Deferred tax liabilities	10,779	12,855
Provisions	2,682	2,699
Other liabilities (Note 7)	10,452	17,080
	306,970	624,126
EQUITY		
Share capital (Note 12)	203,967	203,932
Contributed surplus	30,903	30,873
Accumulated other comprehensive loss	(132,857)	(114,169)
Other equity (Note 7)	27,759	19,189
Retained earnings	373,817	394,341
	503,589	534,166
	$ 1,690,323	$ 1,860,106

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)

	Third Quarters Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
REVENUE (Note 17)	$ 753,419	$ 685,669	$ 2,058,127	$ 1,981,211
Cost of sales (Notes 6 and 15)	588,343	550,179	1,641,819	1,578,279
GROSS PROFIT	165,076	135,490	416,308	402,932
Selling expenses	50,438	57,203	139,865	166,114
General and administrative expenses	55,732	47,326	146,869	143,414
Research and development expenses	9,053	9,672	26,587	28,821
Impairment loss on trade accounts receivable	585	3,449	7,112	3,901
Restructuring costs (Note 6)	3,482	6,925	7,730	24,180
Impairment loss on goodwill (Note 5)	–	–	43,125	–
OPERATING PROFIT	45,786	10,915	45,020	36,502
Finance expenses (Note 15)	10,902	12,797	38,396	35,865
INCOME (LOSS) BEFORE INCOME TAXES	34,884	(1,882)	6,624	637
Income taxes expense (Note 15)				
Current	8,804	1,374	18,759	7,965
Deferred	(85)	1,081	8,389	2,486
	8,719	2,455	27,148	10,451
NET INCOME (LOSS)	$ 26,165	$ (4,337)	$ (20,524)	$ (9,814)
EARNINGS (LOSS) PER SHARE (Note 14)				
Basic	$ 0.81	$ (0.13)	$ (0.63)	$ (0.30)
Diluted	$ 0.80	$ (0.13)	$ (0.63)	$ (0.30)

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	Third Quarters Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
NET INCOME (LOSS)	$ 26,165	$ (4,337)	$ (20,524)	$ (9,814)
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	1,885	(11,234)	(17,190)	(10,356)
Net gains (losses) on hedge of net investments in foreign operations, net of tax of nil	4,342	(3,424)	4,710	(4,174)
	6,227	(14,658)	(12,480)	(14,530)
Net changes in cash flow hedges:				
Net change in unrealized losses on derivatives designated as cash flow hedges	(2,167)	(533)	(2,369)	(742)
Reclassification to net income	247	6	388	(122)
Reclassification to the related non-financial asset	511	997	(729)	261
Deferred income taxes	176	(20)	503	601
	(1,233)	450	(2,207)	(2)
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)	69	(490)	(5,200)	(504)
Deferred income taxes	(12)	105	1,199	304
	57	(385)	(4,001)	(200)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	5,051	(14,593)	(18,688)	(14,732)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 31,216	$ (18,930)	$ (39,212)	$ (24,546)

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	–	–	–	–	–	–	(9,814)	(9,814)
Other comprehensive loss	–	–	(14,530)	(2)	(200)	–	–	(14,732)
	–	–	(14,530)	(2)	(200)	–	(9,814)	(24,546)
Reclassification from contributed surplus due to settlement of deferred share units	448	(505)	–	–	–	–	–	(57)
Share-based payments	–	630	–	–	–	–	–	630
Reclassification of the equity component of convertible debentures, net of tax of $727	–	2,037	–	–	–	(2,037)	–	–
Remeasurement of written put option liabilities	–	–	–	–	–	418	–	418
Dividends on common shares	–	–	–	–	–	–	(14,599)	(14,599)
Dividends on deferred share units	–	164	–	–	–	–	(164)	–
Balance as at September 30, 2019	$ 203,761	$ 30,881	$ (107,423)	$ (33)	$ (13,095)	$ 15,731	$ 394,980	$ 524,802
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	–	–	–	–	–	–	(20,524)	(20,524)
Other comprehensive loss	–	–	(12,480)	(2,207)	(4,001)	–	–	(18,688)
	–	–	(12,480)	(2,207)	(4,001)	–	(20,524)	(39,212)
Reclassification from contributed surplus due to settlement of deferred share units (Notes 12 and 13)	35	(75)	–	–	–	–	–	(40)
Share-based payments (Note 13)	–	105	–	–	–	–	–	105
Remeasurement of written put option liabilities (Note 7)	–	–	–	–	–	8,570	–	8,570
Balance as at September 30, 2020	$ 203,967	$ 30,903	$ (110,823)	$ (3,406)	$ (18,628)	$ 27,759	$ 373,817	$ 503,589

(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)

	Third Quarters Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net income (loss)	$ 26,165	$ (4,337)	$ (20,524)	$ (9,814)
Items not involving cash:				
Depreciation and amortization (Note 15)	23,886	24,153	71,873	71,020
Impairment loss on goodwill (Note 5)	–	–	43,125	–
Unrealized losses (gains) arising on financial assets and financial liabilities classified at fair value through profit or loss	56	(579)	(43)	(607)
Share-based payments (Note 13)	52	59	105	153
Defined benefit pension and post-retirement costs	1,109	(1,444)	3,450	111
Net (gain) loss on disposal of property, plant and equipment and lease modifications	(1,917)	(523)	(3,228)	141
Restructuring costs (Note 6)	(627)	2,822	1,470	1,817
Finance expenses (Note 15)	10,902	12,797	38,396	35,865
Income taxes expense	8,719	2,455	27,148	10,451
Net changes in balances related to operations (Note 16)	(15,046)	27,476	38,092	(19,398)
Income taxes paid	(15,006)	(3,341)	(21,665)	(8,679)
Income taxes received	795	1,589	3,602	4,771
Interest paid	(9,771)	(12,597)	(35,483)	(33,152)
Interest received	75	272	923	558
CASH PROVIDED BY OPERATING ACTIVITIES	29,392	48,802	147,241	53,237
FINANCING ACTIVITIES				
Net (decrease) increase of bank indebtedness	(5,747)	10,180	972	16,981
Proceeds from issuance of long-term debt	3,250	116,875	4,376	127,040
Repayments of long-term debt	(16,965)	(148,944)	(96,105)	(138,988)
Increase of written put options liabilities	–	–	–	442
Financing costs	–	(1,226)	(530)	(1,877)
Net (payment) proceeds from settlement of interest rate swaps	(274)	1	(559)	106
Payments of lease liabilities, net of lease incentive received	(10,449)	(9,543)	(30,812)	(30,904)
Dividends on common shares	–	(4,866)	–	(14,598)
CASH USED IN FINANCING ACTIVITIES	(30,185)	(37,523)	(122,658)	(41,798)
INVESTING ACTIVITIES				
Acquisition of businesses	–	(162)	–	(162)
Additions to property, plant and equipment, net of subsidy received related to land use rights	(5,974)	(4,777)	(12,823)	(14,787)
Disposals of property, plant and equipment	777	615	1,925	775
Additions to intangible assets	(2,598)	(4,640)	(8,838)	(13,185)
Net proceeds from disposals of assets held for sale	–	4,821	–	4,821
CASH USED IN INVESTING ACTIVITIES	(7,795)	(4,143)	(19,736)	(22,538)
Effect of foreign currency exchange rate changes on cash and cash equivalents	754	624	204	782
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,834)	7,760	5,051	(10,317)
Cash and cash equivalents, beginning of period	52,026	21,195	39,141	39,272
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 44,192	$ 28,955	$ 44,192	$ 28,955

See accompanying notes to the condensed consolidated interim financial statements.

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 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.

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.

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 the pandemic-related estimates and assumptions made by management in the preparation of these condensed consolidated interim financial statements.

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

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	Expected present value of the exercise price
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 November 6, 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.

Amendment to IFRS 16 – COVID-19-Related Rent Concessions

In May 2020, the IASB amended IFRS 16, *Leases*, to include a practical expedient which permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. In addition, the amendment to IFRS 16 provides specific disclosure requirements regarding COVID-19-related rent concessions. The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Company elected to apply the practical expedient to all eligible rent concessions. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements, but may impact future periods if the Company receives additional rent concessions.

Other amendments to standards

The Company also adopted the following amendments for the annual period beginning on December 31, 2019. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

- Amendment to IAS 1 – Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform – Phase 1;
- Amendments to IAS 1 and IAS 8 – Definition of Material;
- Amendment to IFRS 3 – Definition of a Business.

Further information on adoption of these amendments to standards can be found in the Company's first quarter consolidated financial statements for the three months ended March 31, 2020.

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 nine months ended September 30, 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. IMPAIRMENT OF NON-FINANCIAL ASSETS

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. Given the uncertainties surrounding the impact of the COVID-19 pandemic, management also expected that the Company's three segments would be further impacted during the second quarter of 2020 as prolonged social distancing measures continued 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, on March 31, 2020, management performed impairment tests for its Dorel Juvenile – Europe, Dorel Sports – Mass markets and Dorel Home cash-generating units ("CGU"), 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 as at the measurement date. As there were significant uncertainties 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 rates, 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.

The Company has not identified a triggering event for impairment or reversal of impairment during the third quarter of 2020.

Key assumptions used in the March 31, 2020 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%

5. IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

Sensitivity to changes in assumptions for the basis of the calculation of the March 31, 2020 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.

6. RESTRUCTURING COSTS

For the nine months ended September 30, 2020, the Company recorded total expenses of $10,046 (2019 – $25,442) with respect to restructuring costs, of which $2,316 (2019 – $1,262) were recorded within gross profit and $7,730 (2019 – $24,180) were recorded as restructuring costs as a separate line within the condensed consolidated interim income statements.

	Third Quarters Ended September 30,							
	TOTAL		Dorel Home		Dorel Juvenile		Dorel Sports	
	2020	2019	2020	2019	2020	2019	2020	2019
Recorded within gross profit	$ –	$ (126)	$ –	$ –	$ –	$ –	$ –	$ (126)
Recorded within a separate line in the condensed consolidated interim income statements	$ 3,482	$ 6,925	$ –	$ –	$ (118)	$ 7,155	$ 3,600	$ (230)
Total restructuring costs	**$ 3,482**	**$ 6,799**	**$ –**	**$ –**	**$ (118)**	**$ 7,155**	**$ 3,600**	**$ (356)**

	Nine Months Ended September 30,							
	TOTAL		Dorel Home		Dorel Juvenile		Dorel Sports	
	2020	2019	2020	2019	2020	2019	2020	2019
Recorded within gross profit	$ 2,316	$ 1,262	$ 2,230	$ –	$ 86	$ 1,388	$ –	$ (126)
Recorded within a separate line in the condensed consolidated interim income statements	$ 7,730	$ 24,180	$ 545	$ –	$ 3,195	$ 24,410	$ 3,990	$ (230)
Total restructuring costs	**$ 10,046**	**$ 25,442**	**$ 2,775**	**$ –**	**$ 3,281**	**$ 25,798**	**$ 3,990**	**$ (356)**

6. RESTRUCTURING COSTS (continued)

During the second quarter of 2020, the Dorel Home segment initiated a restructuring plan as part of its strategy to reorganize its North American ready-to-assemble ("RTA") manufacturing plants with the transformation of its Dowagiac, Michigan manufacturing facility into a distribution and warehouse facility which will result in the reduction of its workforce. Total costs related to these restructuring initiatives of $2,775 was recognized during the second quarter of 2020 and are mostly related to employee severance and termination benefits, write-down of long-lived assets and inventory markdowns.

During the fourth quarter of 2019, the Dorel Sports segment initiated restructuring activities as part of its focus into a more fully integrated operation in various markets. Dorel Sports segment is strengthening its European CSG operations which will be centralized in the Netherlands. Total costs related to these restructuring initiatives of $3,600 was recognized during the third quarter of 2020 and are mostly related to employee severance and termination benefits.

7. OTHER LIABILITIES

Written put option liabilities

As at September 30, 2020, the Company has reduced its written put option liabilities to nil, which reflects the expected present value of the exercise price. The remeasurement of the written put option liabilities is recognized in other equity.

8. LONG-TERM DEBT

The terms and conditions of outstanding loans are as follows:

				September 30, 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	$ 119,941	$ 125,000	$ 119,941
Revolving bank loans bearing interest at various rates per annum, averaging 5.51% (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	162,929	162,929	192,761	192,761
Term loan bearing interest at various rates per annum, averaging 5.25% (December 30, 2019 – 5.73%).	USD	LIBOR plus a margin	July 1, 2021	58,382	58,009	122,300	121,714
Other				12,401	12,231	8,103	7,686
Total outstanding loans				$ 360,212	$ 353,110	$ 448,164	$ 442,102
Current portion					(224,503)		(24,233)
					$ 128,607		$ 417,869

8. LONG-TERM DEBT (continued)

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. During the second quarter of 2020, the Company revised its estimated cash flows related to its senior unsecured notes as the Company's three segments were less adversely impacted by the COVID-19 pandemic than initially anticipated. As a result, the Company recorded a gain on revision of its estimated payments related to its senior unsecured notes in the amount of $1,514 during the second quarter of 2020.

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.

The carrying amounts of the revolving bank loans and term loan have been presented in the current portion of long-term debt in the statement of financial position as at September 30, 2020 because the maturity of the underlying Credit Agreement is in less than 12 months from the reporting date. Management is currently in discussions with its lenders to extend the due dates on these facilities and is also looking at other financing alternatives.

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 September 30, 2020, the Company was compliant with all its borrowing covenant requirements.

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 ended March 31, 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 30, 2019 – 2.21%).

10. GOVERNMENT ASSISTANCE

Governments around the world introduced financial assistance programs in order to support companies experiencing financial challenges resulting from the COVID-19 pandemic outbreak and to stimulate the economy. The Company assessed its eligibility related to these government assistance programs available in each country and took advantage of deferral of certain payroll taxes, value-added taxes and income taxes payment obligations. In addition, the Company concluded it was also eligible to receive grants mainly related to compensation for certain employee related costs. During the nine months ended September 30, 2020, the Company recognized an amount of $4,489 as a reduction of employee benefits expense and of other expenses related to government grants received or expected to be received, mainly within the Dorel Juvenile segment, most of which were received during the second and third quarters of 2020.

11. 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:

	September 30, 2020		December 30, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt – bearing interest at fixed rates	$ 132,172	$ 136,904	$ 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. The balance of the Company's derivative financial assets and liabilities are not significant as at September 30, 2020 and December 30, 2019.

Concentration of credit risk

During the nine months ended September 30, 2020, two customers accounted for respectively 27.6% and 10.1%, for an aggregate of 37.7% of the Company's total revenue (2019 – one customer accounted for 29.9%). As at September 30, 2020, three customers accounted for respectively 23.2%, 13.0% and 10.9%, for an aggregate of 47.1%, of the Company's total trade accounts receivable balance (December 30, 2019 – one customer accounted for 14.2%).

12. SHARE CAPITAL

Details of the issued and outstanding shares are as follows:

	September 30, 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"	(100)	–	(300)	–
Balance, end of period	4,188,375	$ 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"	100	–	300	–
Reclassification from contributed surplus due to settlement of deferred share units (Note 13)	7,871	35	41,046	619
Balance, end of period	28,299,731	$ 202,200	28,291,760	$ 202,165
TOTAL SHARE CAPITAL		$ 203,967		$ 203,932

13. SHARE-BASED PAYMENTS

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

The changes in outstanding number of DSUs are as follows:

	Nine Months Ended September 30, 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	–	5,295	–	(2,971)
Forfeited	–	(2,895)	–	(9,604)
Settlement of deferred share units	(16,857)	–	–	(34,238)
DSUs outstanding, end of period	194,254	224,630	211,111	222,230
Total vested, end of period	194,254	196,408	211,111	194,323

13. SHARE-BASED PAYMENTS (continued)

Long-term incentive plans (cash-settled)

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

	Nine Months Ended September 30, 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	–	–	25,762	–	–	(120,727)
Settled	(64,473)	–	(25,933)	–	–	(31,965)
Expired	–	–	–	–	(420,287)	–
Forfeited	(9,455)	(1,488)	(4,153)	(20,096)	(40,820)	(38,018)
Outstanding, end of period	172,963	336,596	223,263	246,891	338,084	227,587

14. EARNINGS (LOSS) PER SHARE

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

	Third Quarters Ended		Nine Months Ended	
	September 30, 2020	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
Weighted daily average number of Class “A” Multiple and Class “B” Subordinate Voting Shares	32,488,106	32,444,656	32,487,448	32,442,592
Dilutive effect of deferred share units	390,662	–	–	–
Weighted average number of diluted shares	32,878,768	32,444,656	32,487,448	32,442,592
Number of anti-dilutive deferred share units excluded from fully diluted earnings (loss) per share calculation	–	393,336	418,885	393,336

15. FINANCE EXPENSES AND OTHER INFORMATION

a) Finance expenses

	Third Quarters Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 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	$ 7,249	$ 8,876	$ 25,017	$ 23,963
Interest on lease liabilities	1,839	1,989	5,577	5,960
Amortization of deferred financing costs	472	380	1,090	960
Loss on debt modification and loss on revision of estimated payments related to long-term debt (Note 8)	–	–	2,142	670
Other interest	1,342	1,552	4,570	4,312
	$ 10,902	$ 12,797	$ 38,396	$ 35,865

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:

								Third Quarters Ended
				September 30, 2020				September 30, 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	$ 5,914	$ 7,149	$ –	$ 13,063	$ 5,854	$ 7,108	$ –	$ 12,962
Included in selling expenses	158	2,138	1,173	3,469	272	2,521	1,251	4,044
Included in general and administrative expenses	1,381	1,786	1,046	4,213	1,458	1,720	805	3,983
Included in research and development expenses	–	53	3,088	3,141	–	48	3,116	3,164
	$ 7,453	$ 11,126	$ 5,307	$ 23,886	$ 7,584	$ 11,397	$ 5,172	$ 24,153

15. FINANCE EXPENSES AND OTHER INFORMATION (continued)

	Nine Months Ended							
	September 30, 2020				September 30, 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	$ 17,400	$ 21,575	$ –	$ 38,975	$ 17,448	$ 20,887	$ –	$ 38,335
Included in selling expenses	505	6,458	3,534	10,497	748	7,486	3,775	12,009
Included in general and administrative expenses	4,174	5,220	2,940	12,334	4,735	5,114	1,984	11,833
Included in research and development expenses	–	161	9,906	10,067	–	149	8,694	8,843
	$ 22,079	$ 33,414	$ 16,380	$ 71,873	$ 22,931	$ 33,636	$ 14,453	$ 71,020

c) Cost of sales

Amounts recognized as cost of sales in the condensed consolidated interim income statements include mainly the Company's cost of inventories recognized as an expense. Cost of sales also includes the following inventory related expenses:

	Third Quarters Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Write-downs of inventories as a result of net realizable value being lower than cost (including amounts presented in Note 6)	$ 3,505	$ 2,130	$ 11,085	$ 6,475
Reversal of inventory write-downs recognized in previous years	$ (1,365)	$ (1,602)	$ (2,582)	$ (3,447)

d) Income taxes

The effective tax rates for the third quarter and nine months ended September 30, 2020 were 25.0% and 409.8%, respectively (2019 – (130.4)% and 1,640.7%, respectively). The effective tax rates of the third quarter and the nine months were largely due to the non-recognition of tax benefits related to tax losses and temporary differences in light of the management's reassessment of the recoverability of deferred tax assets considering the expected impact of the COVID-19 pandemic on the Company's business and due to the impact of the permanent differences. The effective tax rate for the nine months ended September 30, 2020 is also explained by the impact of the non-deductible impairment loss recorded on goodwill during the first quarter. The variation year-over-year for the third quarter and for the nine months ended September 30, 2020 are also due to changes in the jurisdictions in which the Company generated its income.

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

	Third Quarters Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Trade accounts receivable	$ (32,791)	$ 14,390	$ (87,472)	$ 5,361
Inventories	(23,767)	(14,765)	138,145	(91,420)
Other assets	3,656	375	(2,624)	(6,882)
Trade and other payables	39,738	22,587	(4,113)	59,772
Net pension and post-retirement defined benefit liabilities	(1,296)	(496)	(5,082)	(3,475)
Provisions	3,363	3,016	(2,834)	14,662
Other liabilities	(3,949)	2,369	2,072	2,584
	$ (15,046)	$ 27,476	$ 38,092	$ (19,398)

b) Cash and cash equivalents

	September 30, 2020	December 30, 2019
Cash	$ 42,824	$ 36,246
Short-term investments	1,368	2,895
Cash and cash equivalents	$ 44,192	$ 39,141

c) Non-cash transactions

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

	September 30, 2020	September 30, 2019
Acquisition of property, plant and equipment financed by trade and other payables	$ 2,510	$ 2,622
Acquisition of property, plant and equipment financed by lease liabilities	$ 11,280	$ 15,932
Acquisition of intangible assets financed by trade and other payables	$ 288	$ 1,041
Proceeds from disposal of property, plant and equipment not received and included in other current assets	$ 739	$ –

17. SEGMENTED INFORMATION

Reporting Segments

	Third Quarters Ended September 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	$ 753,419	$ 685,669	$ 242,166	$ 212,467	$ 205,632	$ 222,925	$ 305,621	$ 250,277
Cost of sales (Note 6)	588,343	550,179	205,049	180,091	149,311	166,706	233,983	203,382
Gross profit	165,076	135,490	37,117	32,376	56,321	56,219	71,638	46,895
Selling expenses	50,418	57,155	5,972	6,795	22,257	26,789	22,189	23,571
General and administrative expenses	48,879	41,230	9,071	7,460	19,760	18,079	20,048	15,691
Research and development expenses	9,053	9,672	1,147	1,184	6,301	7,137	1,605	1,351
Impairment loss on trade accounts receivable	585	3,449	52	1,272	488	1,622	45	555
Restructuring costs (Note 6)	3,482	6,925	–	–	(118)	7,155	3,600	(230)
Operating profit (loss)	52,659	17,059	$ 20,875	$ 15,665	$ 7,633	$ (4,563)	$ 24,151	$ 5,957
Finance expenses	10,902	12,797						
Corporate expenses	6,873	6,144						
Income taxes expense	8,719	2,455						
Net income (loss)	$ 26,165	$ (4,337)						
Depreciation and amortization included in operating profit (loss)	$ 23,665	$ 23,911	$ 4,273	$ 4,256	$ 14,625	$ 15,463	$ 4,767	$ 4,192

17. SEGMENTED INFORMATION (continued)

	Nine Months Ended September 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	$ 2,058,127	$ 1,981,211	$ 700,252	$ 630,679	$ 578,430	$ 674,682	$ 779,445	$ 675,850
Cost of sales (Note 6)	1,641,819	1,578,279	603,850	539,110	433,406	499,244	604,563	539,925
Gross profit	416,308	402,932	96,402	91,569	145,024	175,438	174,882	135,925
Selling expenses	139,746	165,914	17,644	20,080	62,544	81,076	59,558	64,758
General and administrative expenses	131,654	124,695	24,767	22,251	54,584	56,083	52,303	46,361
Research and development expenses	26,587	28,821	3,308	3,626	19,172	21,145	4,107	4,050
Impairment loss on trade accounts receivable	7,112	3,901	365	1,423	2,204	2,045	4,543	433
Restructuring costs (Note 6)	7,730	24,180	545	–	3,195	24,410	3,990	(230)
Impairment loss on goodwill (Note 5)	43,125	–	–	–	43,125	–	–	–
Operating profit (loss)	60,354	55,421	$ 49,773	$ 44,189	$ (39,800)	$ (9,321)	$ 50,381	$ 20,553
Finance expenses	38,396	35,865						
Corporate expenses	15,334	18,919						
Income taxes expense	27,148	10,451						
Net loss	$ (20,524)	$ (9,814)						
Depreciation and amortization included in operating profit (loss)	$ 71,210	$ 70,377	$ 12,875	$ 11,999	$ 44,349	$ 45,694	$ 13,986	$ 12,684

17. SEGMENTED INFORMATION (continued)

Disaggregation of Total Revenue

Revenue is composed mainly of 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:

	Third Quarters Ended September 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2020	2019	2020	2019	2020	2019	2020	2019
Geographic area								
Canada	$ 48,768	$ 42,645	$ 38,553	$ 31,265	$ 5,663	$ 6,308	$ 4,552	$ 5,072
United States	482,979	414,342	200,407	177,400	84,253	84,463	198,319	152,479
Europe	151,069	127,259	3,161	1,333	74,252	67,720	73,656	58,206
Latin America	50,252	69,055	–	–	25,701	39,923	24,551	29,132
Asia	10,215	20,608	41	–	5,631	15,220	4,543	5,388
Other countries	10,136	11,760	4	2,469	10,132	9,291	–	–
Total	$ 753,419	$ 685,669	$ 242,166	$ 212,467	$ 205,632	$ 222,925	$ 305,621	$ 250,277
Channels of distribution								
Brick and mortar retailers	$ 518,408	$ 475,135	$ 105,772	$ 88,993	$ 140,204	$ 156,890	$ 272,432	$ 229,252
Internet retailers	225,560	201,614	136,394	123,463	56,171	57,303	32,995	20,848
Other	9,451	8,920	–	11	9,257	8,732	194	177
Total	$ 753,419	$ 685,669	$ 242,166	$ 212,467	$ 205,632	$ 222,925	$ 305,621	$ 250,277

	Nine Months Ended September 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2020	2019	2020	2019	2020	2019	2020	2019
Geographic area								
Canada	$ 154,271	$ 142,858	$ 112,151	$ 96,775	$ 15,137	$ 20,156	$ 26,983	$ 25,927
United States	1,328,886	1,193,987	579,331	520,930	247,053	254,716	502,502	418,341
Europe	392,661	375,796	8,629	3,987	198,380	221,059	185,652	150,750
Latin America	122,230	177,642	–	–	68,462	108,623	53,768	69,019
Asia	35,179	54,939	137	–	24,502	43,126	10,540	11,813
Other countries	24,900	35,989	4	8,987	24,896	27,002	–	–
Total	$ 2,058,127	$ 1,981,211	$ 700,252	$ 630,679	$ 578,430	$ 674,682	$ 779,445	$ 675,850
Channels of distribution								
Brick and mortar retailers	$ 1,339,854	$ 1,368,100	$ 271,532	$ 270,818	$ 394,777	$ 486,877	$ 673,545	$ 610,405
Internet retailers	692,291	582,733	428,707	359,750	158,264	160,753	105,320	62,230
Other	25,982	30,378	13	111	25,389	27,052	580	3,215
Total	$ 2,058,127	$ 1,981,211	$ 700,252	$ 630,679	$ 578,430	$ 674,682	$ 779,445	$ 675,850

18. SUBSEQUENT EVENT

Potential Going-private Transaction

On November 2, 2020, Dorel announced that it had reached an agreement in principle whereby the Company would be taken private by a buyer group led by affiliates of a US private equity firm and the controlling shareholders. The buyer group has submitted a non-binding proposal to acquire all of Dorel's outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares not currently held by the controlling shareholders and their immediate families at a price of CAD $14.50 per share. Dorel has granted the buyer group exclusivity through November 10, 2020 to complete negotiations and enter into a definitive transaction agreement between the Company and the buyer group. The proposed transaction will be subject to shareholder, regulatory and court approvals, including approval by a majority of votes cast by the Company's minority shareholders.