DOREL

THIRD QUARTERLY REPORT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

Management's Discussion and Analysis

of Financial Conditions and Results of Operations

For the third quarter and nine months ended September 30, 2019
All figures in US dollars

This Interim Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for Dorel Industries Inc. ("Dorel" or "the Company") as at and for the third quarter and nine months ended September 30, 2019 and the Company's audited consolidated financial statements and MD&A as at and for the year ended December 30, 2018. This MD&A is based on reported earnings prepared in accordance with International Financial Reporting Standards ("IFRS"), using the US dollar as the reporting currency.

The Company's condensed consolidated interim financial statements have been prepared using the same accounting policies as described in Note 4 of the Company's audited consolidated financial statements for the year ended December 30, 2018, except for new accounting standards noted within this MD&A. 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.

Quarterly reports, the annual report and supplementary information filed with the Canadian securities regulatory authorities can be found on-line at ***www.sedar.com****, as well as on the Company's corporate Web site at* ***www.dorel.com****.*

Note that there have been no significant changes with regards to the "Corporate Overview", "Operating Segments", "Derivative Financial Instruments", "Critical Accounting Estimates" or "Market Risks and Uncertainties" to those outlined in the Company's 2018 annual MD&A as filed with the Canadian securities regulatory authorities on March 14, 2019. As such, they are not repeated herein. The information in this MD&A is current as of November 8, 2019.

1. SIGNIFICANT EVENTS IN 2019

Long-term debt update

Senior unsecured notes

On June 17, 2019, Dorel entered into a five-year $175.0 million senior unsecured notes agreement ("senior unsecured notes") with several institutional lenders. These senior unsecured notes are divided into two tranches: (i) a $125.0 million tranche that was fully drawn and used to redeem at par Dorel's $120.0 million convertible debentures maturing on November 30, 2019; and (ii) a $50.0 million tranche that is available for general corporate purposes with the consent of the lenders. These senior unsecured notes mature five years from the date of the initial advance, bear interest at a rate of 7.50% per annum payable quarterly in cash, rank *pari passu* with all of Dorel's other senior unsecured indebtedness and are guaranteed by certain of Dorel's subsidiaries. In addition, Dorel is subject to certain covenants under the senior unsecured notes agreement, including maintaining certain financial ratios. The first tranche of $125.0 million was fully drawn by Dorel on July 19, 2019 (date of the initial advance).

Convertible debentures

In June 2019, Dorel provided the holders of the convertible debentures with a redemption notice. During the second quarter of 2019, Dorel revised its estimated cash flows related to its convertible debentures considering the expected early redemption of the convertible debentures on July 22, 2019. Accordingly, Dorel recorded a loss on revision of estimated payments related to its convertible debentures in the amount of $0.7 million during the second quarter of 2019, within finance expenses. On July 22, 2019, Dorel redeemed its convertible debentures, in whole, at the par value of $120.0 million, plus accrued and unpaid interest amounting to $0.9 million, using the net proceeds from the senior unsecured notes.

Revolving bank loans and term loan

On March 8, 2019, Dorel amended and restated its revolving bank loans and term loan agreement to modify the covenants to permit additional indebtedness with other lenders to refinance and repay the convertible debentures. In addition, the covenants were adjusted in light of the previous twelve months results of operations in order to facilitate their compliance. The amendment also extended the maturity date to July 1, 2021 if the convertible debentures were repaid or refinanced by May 30, 2019. On May 8, 2019, Dorel amended its revolving bank loans and term loan agreement to extend their maturity date to the earlier of (i) July 1, 2021 and (ii) July 31, 2019 if the convertible debentures had not been repaid or refinanced, in cash or in shares of the Company, by that date. As the convertible debentures were repaid on July 22, 2019, the maturity date of the revolving bank loans and term loan was extended to July 1, 2021. On September 30, 2019, the Company amended and restated its revolving bank loans and term loan agreement to modify the covenants in order to facilitate their compliance.

Dividends on common shares update

On March 14, 2019, Dorel announced that it had adjusted its quarterly dividend from the prior $0.30 a share to $0.15 a share for the current year. During the first and the second quarters of 2019, a quarterly dividend of $0.15 per share was declared by the Board of Directors.

On September 30, 2019, the Board of Directors suspended the declaration of Dorel's dividends.

Restructuring initiatives – Dorel Juvenile segment

During the first quarter of 2019, Dorel Juvenile segment initiated a new restructuring program across several regions. The overriding objective of this program is to simplify the organization and optimize its global footprint. These changes will also identify and prioritize opportunities that will improve Dorel's competitive position in the marketplace.

The following areas of opportunity have been identified. In Europe, the objective is to streamline the organization and better leverage its scale of operations by adopting technologies and processes that allow for the centralization of certain operating activities. In Latin America, distribution operations based in Colombia and Panama were closed, with supply continuing through a local distributor. In Asia, further efficiencies and savings initiatives are anticipated, enabled partly by investments in technology already in place. In addition, the China domestic sales organization is being re-oriented to sell directly to the consumer and is exiting unprofitable product lines and customer arrangements.

As of the date of this MD&A, total costs related to these restructuring initiatives are estimated to be between $26.0 million and $30.0 million and are expected to be incurred in 2019 and 2020. The majority of these estimated costs are for employee severance and termination benefits, net of curtailment gain on net pension defined benefit liabilities. Of this estimated range of costs, $7.2 million was recorded in the third quarter of 2019 and $25.6 million in the nine months ended September 30, 2019.

Annualized cost savings of between $12.0 million to $15.0 million are expected once the restructuring activities are completed in 2020, of which approximately $5.0 million will be realized in 2019.

Acquisition of Canbest Marketing Inc.

On July 1, 2019, Dorel acquired certain assets and operations of Canbest Marketing Inc. ("Canbest"), a Montréal-based company engaged in the development, design and marketing of home furnishings products, for a purchase price of $9.2 million, which will be paid in three instalments, non-interest bearing (i) $3.2 million payable on October 1, 2019; (ii) $3.0 million payable on October 1, 2020; and (iii) $3.0 million payable on October 1, 2021. Canbest is a sales, marketing and design company which provided these services to the Dorel Home segment. For almost 20 years, Canbest supported Dorel Living in the furniture product categories of wooden bedroom, upholstery, nursery and dining.

2. OPERATING RESULTS

(All tabular figures are in thousands, except per share amounts)

a) Non-GAAP financial measures

The Company is presenting in this MD&A certain non-GAAP financial measures, as described below. These non-GAAP financial measures do not have a standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. These non-GAAP financial measures should not be considered in isolation or as a substitute for a measure prepared in accordance with IFRS. Contained within this MD&A are reconciliations of the non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with IFRS.

The terms and the definitions of the non-GAAP financial measures contained in this MD&A are as follows:

Organic revenue and adjusted organic revenue

Organic revenue:	Total revenue growth compared to the previous period, excluding the impact of varying foreign exchange rates
Adjusted organic revenue:	Total revenue growth compared to the previous period, excluding the impact of varying foreign exchange rates and the impact of the divestment of the performance apparel line of business (Sugoi)

The Company believes that these measures provide investors with a better comparability of the Company's total revenue trends by providing total revenue growth on a consistent basis between the periods presented.

<u>Other financial information prepared under IFRS adjusted to exclude impairment loss on intangible assets, restructuring and other costs</u>

Adjusted cost of sales:	Cost of sales excluding restructuring and other costs
Adjusted gross profit:	Gross profit excluding restructuring and other costs
Adjusted operating profit:	Operating profit excluding impairment loss on intangible assets, restructuring and other costs
Adjusted income before income taxes:	Income before income taxes excluding impairment loss on intangible assets, restructuring and other costs
Adjusted income taxes expense:	Income taxes expense excluding the tax impact relating to impairment loss on intangible assets, restructuring and other costs
Adjusted tax rate:	Tax rate excluding the tax impact relating to impairment loss on intangible assets, restructuring and other costs
Adjusted net income:	Net income excluding impairment loss on intangible assets, restructuring and other costs, net of taxes
Adjusted earnings per basic and diluted share:	Earnings per basic and diluted share calculated on the basis of adjusted net income

The Company believes that the adjusted financial information provides investors with additional information to measure the Company's financial performance by excluding certain items that the Company believes do not reflect its core business performance and provides better comparability between the periods presented. Accordingly, the Company believes that the adjusted financial information will assist investors in analyzing the Company's financial results and performance. The adjusted financial information is also used by management to assess the Company's financial performance and to make operating and strategic decisions.

b) Impairment loss on intangible assets, restructuring and other costs

Reconciliation of non-GAAP financial measures:

	Third Quarters ended September 30,									
	2019					2018(1)				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**685,669**	100.0	-	**685,669**	100.0	**670,437**	100.0	-	**670,437**	100.0
Cost of sales	**550,179**	80.2	126	**550,305**	80.3	**531,603**	79.3	(100)	**531,503**	79.3
GROSS PROFIT	**135,490**	19.8	(126)	**135,364**	19.7	**138,834**	20.7	100	**138,934**	20.7
Selling expenses	**57,203**	8.3	-	**57,203**	8.3	**59,177**	8.8	-	**59,177**	8.8
General and administrative expenses	**47,326**	6.9	-	**47,326**	6.9	**47,431**	7.1	-	**47,431**	7.1
Research and development expenses	**9,672**	1.4	-	**9,672**	1.4	**9,276**	1.4	-	**9,276**	1.4
Impairment loss on trade and other receivables	**3,449**	0.5	-	**3,449**	0.5	**246**	-	-	**246**	-
Restructuring and other costs	**6,925**	1.1	(6,925)	**-**	-	**1,093**	0.2	(1,093)	**-**	-
OPERATING PROFIT	**10,915**	1.6	6,799	**17,714**	2.6	**21,611**	3.2	1,193	**22,804**	3.4
Finance expenses	**12,797**	1.8	-	**12,797**	1.8	**8,254**	1.2	-	**8,254**	1.2
INCOME (LOSS) BEFORE INCOME TAXES	**(1,882)**	(0.2)	6,799	**4,917**	0.8	**13,357**	2.0	1,193	**14,550**	2.2
Income taxes expense	**2,455**	0.4	107	**2,562**	0.5	**3,763**	0.6	(201)	**3,562**	0.6
Tax rate	***(130.4)%***			***52.1%***		***28.2%***			***24.5%***	
NET INCOME (LOSS)	**(4,337)**	(0.6)	6,692	**2,355**	0.3	**9,594**	1.4	1,394	**10,988**	1.6
EARNINGS (LOSS) PER SHARE										
Basic	**(0.13)**		0.20	**0.07**		**0.30**		0.04	**0.34**	
Diluted	**(0.13)**		0.20	**0.07**		**0.29**		0.05	**0.34**	
SHARES OUTSTANDING										
Basic - weighted average	**32,444,656**			**32,444,656**		**32,438,503**			**32,438,503**	
Diluted - weighted average	**32,444,656**			**32,838,148**		**32,738,830**			**32,738,830**	

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

The principal changes in net income (loss) from 2018 to 2019 are summarized as follows:

	Third Quarters Ended September 30,		
	Change		
	Reported	Restructuring and other costs	**Adjusted**
	$	$	**$**
Dorel Home (decrease)	**(3,839)**	-	**(3,839)**
Dorel Juvenile (decrease) increase	**(5,601)**	6,518	**917**
Dorel Sports (decrease)	**(1,036)**	(912)	**(1,948)**
OPERATING PROFIT (DECREASE)	**(10,476)**	5,606	**(4,870)**
(Increase) in finance expenses	**(4,543)**	-	**(4,543)**
(Increase) in corporate expenses	**(220)**	-	**(220)**
Decrease in income taxes expense	**1,308**	(308)	**1,000**
NET INCOME (DECREASE)	**(13,931)**	5,298	**(8,633)**

The causes of these variations are discussed in more detail as part of the consolidated operating review.

Reconciliation of non-GAAP financial measures:

	Nine Months Ended September 30,									
	2019					2018[1]				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Impairment loss on intangible assets, restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**1,981,211**	100.0	-	**1,981,211**	100.0	**1,935,967**	100.0	-	**1,935,967**	100.0
Cost of sales	**1,578,279**	79.7	(1,262)	**1,577,017**	79.6	**1,514,222**	78.2	(1,771)	**1,512,451**	78.1
GROSS PROFIT	**402,932**	20.3	1,262	**404,194**	20.4	**421,745**	21.8	1,771	**423,516**	21.9
Selling expenses	**166,114**	8.4	-	**166,114**	8.4	**176,965**	9.1	-	**176,965**	9.1
General and administrative expenses	**143,414**	7.2	-	**143,414**	7.2	**146,841**	7.7	-	**146,841**	7.7
Research and development expenses	**28,821**	1.5	-	**28,821**	1.5	**27,337**	1.4	-	**27,337**	1.4
Impairment loss on trade and other receivables	**3,901**	0.2	-	**3,901**	0.2	**13,407**	0.7	-	**13,407**	0.7
Restructuring and other costs	**24,180**	1.2	(24,180)	**-**	-	**13,593**	0.7	(13,593)	**-**	-
Impairment loss on intangible assets	**-**	-	-	**-**	-	**24,193**	1.2	(24,193)	**-**	-
OPERATING PROFIT	**36,502**	1.8	25,442	**61,944**	3.1	**19,409**	1.0	39,557	**58,966**	3.0
Finance expenses	**35,865**	1.8	-	**35,865**	1.8	**24,024**	1.2	-	**24,024**	1.2
INCOME (LOSS) BEFORE INCOME TAXES	**637**	-	25,442	**26,079**	1.3	**(4,615)**	(0.2)	39,557	**34,942**	1.8
Income taxes expense (recovery)	**10,451**	0.5	1,165	**11,616**	0.6	**(4,170)**	(0.2)	9,926	**5,756**	0.3
Tax rate	***1,640.7%***			***44.5%***		***90.4%***			***16.5%***	
NET INCOME (LOSS)	**(9,814)**	(0.5)	24,277	**14,463**	0.7	**(445)**	-	29,631	**29,186**	1.5
EARNINGS (LOSS) PER SHARE										
Basic	**(0.30)**		0.75	**0.45**		**(0.01)**		0.91	**0.90**	
Diluted	**(0.30)**		0.74	**0.44**		**(0.01)**		0.90	**0.89**	
SHARES OUTSTANDING										
Basic - weighted average	**32,442,592**			**32,442,592**		**32,438,465**			**32,438,465**	
Diluted - weighted average	**32,442,592**			**32,797,585**		**32,438,465**			**32,722,433**	

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

The principal changes in net income (loss) from 2018 to 2019 are summarized as follows:

	Nine Months Ended September 30,		
	Change		
	Reported	Impairment loss on intangible assets, restructuring and other costs	**Adjusted**
	$	$	**$**
Dorel Home (decrease)	**(8,488)**	-	**(8,488)**
Dorel Juvenile increase	**9,433**	(1,966)	**7,467**
Dorel Sports increase	**17,616**	(12,149)	**5,467**
OPERATING PROFIT INCREASE	**18,561**	(14,115)	**4,446**
(Increase) in finance expenses	**(11,841)**	-	**(11,841)**
(Increase) in corporate expenses	**(1,468)**	-	**(1,468)**
(Increase) in income taxes expense	**(14,621)**	8,761	**(5,860)**
NET INCOME (DECREASE)	**(9,369)**	(5,354)	**(14,723)**

The causes of these variations are discussed in more detail as part of the consolidated operating review.

The details of impairment loss on intangible assets, restructuring and other costs are presented below:

	Third Quarters Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	$	$	$	$
Inventory markdowns (reversal)	(126)	100	693	1,771
Other associated costs	-	-	569	-
Recorded within gross profit	**(126)**	**100**	**1,262**	**1,771**
Employee severance and termination benefits	3,777	398	21,059	3,820
Write-down of long-lived assets	3,039	-	3,039	7,962
Net (gains) losses from the remeasurement and disposals of assets held for sale	(59)	-	248	-
Curtailment gain on net pension defined benefit liabilities	(32)	-	(2,163)	-
Other associated costs	200	695	1,997	1,811
Recorded within a separate line in the condensed consolidated interim income statements	**6,925**	**1,093**	**24,180**	**13,593**
Total restructuring and other costs	**6,799**	**1,193**	**25,442**	**15,364**
Impairment loss on intangible assets	**-**	**-**	**-**	**24,193**
Total restructuring and other costs and impairment loss on intangible assets before income taxes(1)	**6,799**	**1,193**	**25,442**	**39,557**
Total restructuring and other costs and impairment loss on intangible assets after income taxes	**6,692**	**1,394**	**24,277**	**29,631**
Total impact on diluted earnings (loss) per share	**(0.20)**	**(0.05)**	**(0.74)**	**(0.90)**
(1) **Includes non-cash amounts of:**	**2,822**	**100**	**1,817**	**33,558**

Restructuring costs

For the nine months ended September 30, 2019, the Company recorded total restructuring costs of $25.4 million compared to $15.4 million in 2018, of which $1.3 million (2018 - $1.8 million) were recorded within gross profit and $24.2 million (2018 - $13.6 million) as a separate line in the condensed consolidated interim income statements.

Dorel Juvenile segment

For the third quarter and nine months ended September 30, 2019, Dorel Juvenile segment recorded restructuring and other costs of $7.2 million and $25.8 million respectively, of which $25.6 million relates to Dorel Juvenile segment's 2019 restructuring plan and $0.2 million relates to Dorel Juvenile segment's previous plan, which was essentially completed in the fourth quarter of 2018. Refer to section "Restructuring initiatives – Dorel Juvenile segment" for further details on the 2019 plan.

Dorel Sports segment

During the second quarter of 2018, the Company had announced that it was divesting its performance apparel line of business to focus on its core strategic businesses of bikes, parts and accessories and electric ride-ons and had sold the SUGOI and Sombrio brands. During the third quarter and nine months ended September 30, 2019, the Company reversed a total of $0.4 million of its previously recognized restructuring costs.

Impairment loss on intangible assets

During the second quarter of 2018, as Dorel Juvenile – Latin America's business continued to face a decline in sales and profitability as a result of changes in the market and consumer behaviour, assumptions on projected earnings and cash flow growth for Dorel Juvenile – Latin America cash generating unit were revised. As a result, during the second quarter of 2018, the Company recorded impairment charges on customer relationships of $8.9 million and trademarks of $15.3 million (Infanti brand) for a total of $24.2 million.

c) Selected financial information

The table below shows selected financial information for the eight most recently completed quarters ended:

	2019			2018[1]				2017[1][2]
	Sep. 30	Jun. 30	Mar. 31	Dec. 30	Sep. 30	Jun. 30	Mar. 31	Dec. 30
	$	$	$	$	$	$	$	$
Total revenue	685,669	669,982	625,560	683,546	670,437	623,244	642,286	677,052
Net income (loss)	(4,337)	2,796	(8,273)	(443,898)	9,594	(14,768)	4,729	(6,134)
Per share - Basic	(0.13)	0.09	(0.26)	(13.68)	0.30	(0.46)	0.15	(0.19)
Per share - Diluted	(0.13)	0.09	(0.26)	(13.68)	0.29	(0.46)	0.14	(0.19)
Adjusted net income	2,355	6,317	5,791	10,298	10,988	12,656	5,542	17,268
Per share - Basic	0.07	0.19	0.18	0.32	0.34	0.39	0.17	0.53
Per share - Diluted	0.07	0.19	0.18	0.31	0.34	0.39	0.17	0.53
After-tax impact of impairment losses on goodwill, intangible assets and property, plant and equipment and restructuring and other costs on the diluted earnings (loss) per share for the quarter	(0.20)	(0.10)	(0.44)	(13.99)	(0.05)	(0.85)	(0.03)	(0.72)

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

[2] The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated.

In the fourth quarter of 2017, the Company reported a net loss of $6.1 million or $0.19 per diluted share due to an impairment loss on goodwill and restructuring and other costs, for a net amount of $0.72 per diluted share. Adjusted net income was $17.3 million for the fourth quarter or $0.53 adjusted diluted earnings per share (“EPS”).

In the second quarter of 2018, the Company reported a net loss of $14.8 million or $0.46 per diluted share due to an impairment loss on intangible assets and restructuring and other costs, for a net amount of $0.85 per diluted share. Adjusted net income was $12.7 million for the second quarter or $0.39 adjusted diluted EPS.

In the fourth quarter of 2018, the Company reported a net loss of $443.9 million or $13.68 per diluted share due to impairment losses on goodwill, intangible assets and property, plant and equipment, as well as restructuring and other costs, for a net amount of $13.99 per diluted share. Adjusted net income was $10.3 million for the fourth quarter or $0.31 adjusted diluted EPS.

In the first quarter of 2019, the Company reported a net loss of $8.3 million or $0.26 per diluted share due to restructuring and other costs for a net amount of $0.44 per diluted share. Adjusted net income was $5.8 million for the first quarter or $0.18 adjusted diluted EPS.

In the second quarter of 2019, the Company reported a net income of $2.8 million or $0.09 per diluted share due to restructuring and other costs for a net amount of $0.10 per diluted share. Adjusted net income was $6.3 million for the second quarter or $0.19 adjusted diluted EPS.

In the third quarter of 2019, the Company reported a net loss of $4.3 million or $0.13 per diluted share due to restructuring and other costs for a net amount of $0.20 per diluted share. Adjusted net income was $2.4 million for the third quarter or $0.07 adjusted diluted EPS.

d) Consolidated operating review

Reconciliation of non-GAAP financial measures - total revenue and organic revenue growth:

	Third Quarters Ended September 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	%	%	**%**	%	**%**	%	**%**	%
Total revenue growth (decline)	**2.3**	4.3	**(4.1)**	10.0	**(2.9)**	(2.5)	**14.2**	6.6
Impact of varying foreign exchange rates	**1.3**	1.8	**-**	0.2	**2.4**	2.1	**1.4**	3.0
Organic revenue growth (decline)	**3.6**	6.1	**(4.1)**	10.2	**(0.5)**	(0.4)	**15.6**	9.6
Impact of the divestment of the performance apparel line of business (SUGOI)	**-**	0.7	**-**	-	**-**	-	**0.1**	2.2
Adjusted organic revenue growth (decline)	**3.6**	6.8	**(4.1)**	10.2	**(0.5)**	(0.4)	**15.7**	11.8

	Nine Months Ended September 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	%	%	**%**	%	**%**	%	**%**	%
Total revenue growth (decline)	**2.3**	1.9	**6.0**	0.9	**(2.3)**	1.2	**3.9**	3.5
Impact of varying foreign exchange rates	**2.1**	(0.9)	**0.1**	-	**3.6**	(2.2)	**2.3**	(0.3)
Organic revenue growth (decline)	**4.4**	1.0	**6.1**	0.9	**1.3**	(1.0)	**6.2**	3.2
Impact of the divestment of the performance apparel line of business (SUGOI)	**0.5**	0.2	**-**	-	**-**	-	**1.5**	0.7
Adjusted organic revenue growth (decline)	**4.9**	1.2	**6.1**	0.9	**1.3**	(1.0)	**7.7**	3.9

For the third quarter of 2019, Dorel's revenue increased by $15.2 million, or 2.3%, to $685.7 million compared to a year ago. Organic revenue improved by approximately 3.6%, after removing the variation of foreign exchange rates year-over-year. These revenue and organic revenue growths were in Dorel Sports, offset in part by declines in Dorel Home and Dorel Juvenile. In Dorel Sports, the sales growth was in all three divisions, with the newly launched model-year 2020 products at Cycling Sports Group (CSG), strong volume from the country's bike sharing program at Caloi and improved point-of-sale (POS) at Pacific Cycle. In Dorel Home, higher retail prices and reduced promotional activities had a negative impact on revenue growth. In Dorel Juvenile, growth in Brazil, driven by e-commerce, improvement in the Chilean and U.S. markets was offset by declines mainly in Europe, due to the changing juvenile market trends, as well as declines in the rest of the regions.

For the nine months, Dorel's revenue increased by $45.2 million, or 2.3%, to $1,981.2 million compared to $1,936.0 million recorded a year ago. Organic revenue improved by approximately 4.4% after removing the variation of foreign exchange rates year-over-year. When also removing the impact on revenue related to the divestment of the performance apparel line of business (SUGOI) in the second quarter of 2018, adjusted organic revenue improved by approximately 4.9%. The year-to-date revenue and organic revenue growth is explained mainly by increases driven by e-commerce in Dorel Home and innovation at CSG in Dorel Sports, which was partly offset by the challenges in Dorel Juvenile, mainly in the European market.

Gross profit for the quarter decreased by 90 basis points to 19.8% compared to 20.7% in the third quarter of 2018. When excluding restructuring and other costs, adjusted gross profit was 19.7%, representing a decrease of 100 basis points. The decline in the quarter was mainly in Dorel Home with increased warehouse costs as well as the impact of imposed importation tariffs and in Dorel Sports due to tariff increases as the margin percentage is negatively impacted. In Dorel Juvenile, the unfavourable product mix in Europe was offset by the curtailment gain on the amendment of a post-retirement defined benefits plan.

The year-to-date gross profit decreased by 150 basis points to 20.3% compared to 21.8% in 2018. When excluding restructuring and other costs, adjusted gross profit also decreased 150 basis points to 20.4% from 21.9%. Both declines are explained by decreases in gross profit in all the segments and are explained mainly by the same reasons as in the quarter.

Selling expenses for the third quarter declined by $2.0 million, or 3.3%, to $57.2 million and decreased by 50 basis points as a percentage of revenue. For the nine months, selling expenses decreased by $10.9 million, or 6.1%, to $166.1 million representing a decrease of 70 basis points as a percentage of revenue. These decreases are explained mainly by lower people costs and lower amortization of customer relationships in Dorel Juvenile as a result of the impairment loss recorded in the fourth quarter of 2018.

General and administrative expenses were at $47.3 million for the third quarter, comparable with the prior year, but decreased by 20 basis points as a percentage of revenue. For the year-to-date, these expenses decreased by $3.4 million, or 2.3%, to $143.4 million representing a decrease of 50 basis points as a percentage of revenue. The overall decrease year-to-date was mainly explained by lower people costs in Dorel Juvenile as well as the savings due to the exit of the performance apparel line of business in Dorel Sports.

Research and development expenses increased in the quarter by $0.4 million, or 4.3%, to $9.7 million and increased by $1.5 million, or 5.4%, to $28.8 million for the nine months, and is comparable to the previous year's periods as a percentage of revenue.

Impairment loss on trade and other receivables was $3.4 million for the third quarter of 2019 compared to $0.2 million in 2018. The increase in the quarter was due to the bankruptcy of a Canadian customer in Dorel Home and of a customer entering administration in the United Kingdom in Dorel Juvenile. For the nine months, this impairment loss was $3.9 million compared to $13.4 million. The year-to-date decrease is mainly explained by the net variance between the impairment loss of $12.5 million with respect to the trade accounts receivable from Toys"R"Us U.S. recorded in the first quarter of 2018, of which $2.1 million was within Dorel Home, $3.8 million was within Dorel Juvenile and $6.6 million was within Dorel Sports, and the impairment loss recorded during the third quarter of 2019 mentioned above.

For the quarter, the Company reported an operating profit of $10.9 million compared to $21.6 million in 2018. Excluding restructuring and other costs, adjusted operating profit decreased by $5.1 million, or 22.3%, to $17.7 million from $22.8 million in the comparable quarter. Year-to-date, the Company reported an operating profit of $36.5 million compared to $19.4 million in 2018. Excluding impairment loss on intangible assets, restructuring and other costs, the adjusted operating profit increased by $3.0 million, or 5.1%, to $61.9 million. When also removing the impairment loss of $12.5 million with respect to the trade accounts receivable from Toys"R"Us U.S. recorded in the first quarter of 2018, the year-to-date adjusted operating profit decreased by $9.5 million.

Details of finance expenses are summarized below:

	Third Quarters Ended September 30,				Nine Months Ended September 30,			
	2019	**2018[(1)]**	**Change**		**2019**	**2018[(1)]**	**Change**	
	$	$	$	%	**$**	$	$	%
Interest on lease liabilities	**1,989**	-	1,989	100.0	**5,960**	-	5,960	100.0
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	**8,876**	6,619	2,257	34.1	**23,963**	19,315	4,648	24.1
Amortization of deferred financing costs	**380**	264	116	43.9	**960**	798	162	20.3
Loss on revision of estimated payments related to convertible debentures	**-**	-	-	-	**670**	-	670	100.0
Other interest	**1,552**	1,371	181	13.2	**4,312**	3,911	401	10.3
TOTAL FINANCE EXPENSES	**12,797**	8,254	4,543	55.0	**35,865**	24,024	11,841	49.3

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

Finance expenses increased by $4.5 million to $12.8 million during the third quarter and increased by $11.8 million to $35.9 million year-to-date from 2018 periods. The increases are partly explained by the interest expense on lease liabilities recorded of $2.0 million for the quarter and $6.0 million year-to-date as a result of the adoption of IFRS 16, *Leases*, during 2019 for which the prior year figures were not restated. The increases in finance expenses are also explained by increases of interest on long-term debt of $2.3 million for the quarter and $4.6 million year-to-date, due to higher average long-term debt balances and higher average interest rates compared to last year. Lastly, the Company recorded a loss on revision of estimated payments related to its convertible debentures in the amount of $0.7 million during the second quarter of 2019.

Third quarter loss before income taxes was $1.9 million compared with an income before income taxes of $13.4 million in 2018. Excluding restructuring and other costs, third quarter adjusted income before income taxes decreased by $9.6 million to $4.9 million. For the nine months, the Company reported an income before income taxes of $0.6 million in

2019, compared with a loss before income taxes of $4.6 million in 2018. Year-to-date adjusted income before income taxes declined by $8.8 million to $26.1 million in 2019 from $34.9 million in 2018.

During the third quarter of 2019, the net loss was $4.3 million or $0.13 per diluted share compared with a net income of $9.6 million or $0.29 per diluted share in 2018. Excluding restructuring and other costs, adjusted net income for the quarter declined to $2.4 million compared with $11.0 million a year ago. During the nine months of 2019, the Company reported a net loss of $9.8 million or $0.30 per diluted share compared with $0.4 million or $0.01 per diluted share in 2018. When excluding impairment loss on intangible assets, restructuring and other costs, year-to-date adjusted net income was $14.5 million compared to $29.2 million recorded in 2018, while adjusted diluted EPS was $0.44 for the nine months of 2019 compared with $0.89 in 2018. The liquidation of Toys“R”Us in the U.S. resulted in a 2018 first quarter impairment loss on trade and other receivables of $12.5 million ($9.4 million net of tax), or $0.29 per diluted share. When also removing the impairment loss recorded with respect to the trade accounts receivable from Toys“R”Us U.S., adjusted net income for the nine months of 2018 was $38.6 million or $1.18 per diluted share.

As a multi-national company, Dorel is resident in numerous countries and therefore subject to different tax rates in those various tax jurisdictions and by the interpretation and application of tax laws, as well as the application of income tax treaties between various countries. As such, significant variations in the Company’s combined tax rate can occur from year-to-year and between quarters within a given year. During the third quarter and nine months ended September 30, 2019, the Company’s effective tax rates were (130.4)% and 1,640.7%, respectively, versus 28.2% and 90.4% for the same periods in the prior year. Excluding income taxes on restructuring and other costs, the Company’s third quarter adjusted tax rate was 52.1% in 2019 compared with 24.5% in 2018. Excluding income taxes on impairment loss on intangible assets, restructuring and other costs, the Company’s adjusted tax rate for the nine months was 44.5% in 2019 compared with 16.5% in 2018. Considering the significant impairment losses recorded during the fourth quarter of 2018, the Company was unable to recognize certain tax benefits related to tax losses and temporary differences, which resulted in an increase in the reported effective tax rates for both periods compared to prior year. The balance of the increase in the reported effective tax rate and in the adjusted effective tax rate is due to changes in the jurisdictions in which the Company generated its income. The Company expects that for the full year its annual adjusted tax rate to be between 35% and 40%. However, variations in earnings across quarters mean that this rate may vary significantly between quarters.

e) Segmented operating review

Segmented figures are presented in Note 17 of the Company's condensed consolidated interim financial statements. Further reporting segment detail is presented below.

Dorel Home

	Third Quarters Ended September 30,						
	2019		2018[1]		Change		
	$	% of revenue	$	% of revenue	$	%	% of revenue
TOTAL REVENUE	**212,467**	100.0	**221,627**	100.0	**(9,160)**	(4.1)	-
Cost of sales	**180,091**	84.8	**186,783**	84.3	**(6,692)**	(3.6)	0.5
GROSS PROFIT	**32,376**	15.2	**34,844**	15.7	**(2,468)**	(7.1)	(0.5)
Selling expenses	**6,795**	3.2	**6,440**	2.9	**355**	5.5	0.3
General and administrative expenses	**7,460**	3.5	**7,783**	3.5	**(323)**	(4.2)	-
Research and development expenses	**1,184**	0.5	**1,115**	0.5	**69**	6.2	-
Impairment loss on trade and other receivables	**1,272**	0.6	**2**	-	**1,270**	63,500.0	0.6
OPERATING PROFIT	**15,665**	7.4	**19,504**	8.8	**(3,839)**	(19.7)	(1.4)

	Nine Months Ended September 30,						
	2019		2018[1]		Change		
	$	% of revenue	$	% of revenue	$	%	% of revenue
TOTAL REVENUE	**630,679**	100.0	**595,185**	100.0	**35,494**	6.0	-
Cost of sales	**539,110**	85.5	**495,796**	83.3	**43,314**	8.7	2.2
GROSS PROFIT	**91,569**	14.5	**99,389**	16.7	**(7,820)**	(7.9)	(2.2)
Selling expenses	**20,080**	3.2	**19,263**	3.2	**817**	4.2	-
General and administrative expenses	**22,251**	3.5	**22,147**	3.8	**104**	0.5	(0.3)
Research and development expenses	**3,626**	0.6	**3,248**	0.5	**378**	11.6	0.1
Impairment loss on trade and other receivables	**1,423**	0.2	**2,054**	0.3	**(631)**	(30.7)	(0.1)
OPERATING PROFIT	**44,189**	7.0	**52,677**	8.9	**(8,488)**	(16.1)	(1.9)

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

Dorel Home's third quarter revenue decreased by $9.2 million, or 4.1%, to $212.5 million. Organic revenue also declined by approximately 4.1%, as the impact of varying foreign exchange rates year-over-year was not significant during the third quarter. The decrease in revenue and organic revenue is mainly explained by the negative impact on retailers' purchasing decisions due to higher retail prices reflecting imposed tariffs on Chinese-sourced products, and by reduced promotional activities on several brick and mortar items. For the nine months, Dorel Home's revenue improved by $35.5 million, or 6.0%, to $630.7 million from $595.2 million in 2018. Year-to-date, organic revenue improved by approximately 6.1% after removing the impact of varying foreign exchange rates year-over-year. The year-to-date increase in revenue and organic revenue is mainly due to sales increases driven by growth in the e-commerce channel, partly offset by the challenges in the third quarter mentioned above. In the third quarter and for the nine months, the e-commerce sales represented 61% and 60% of total segment gross sales compared to 58% and 55% respectively for the comparable periods in 2018.

Gross profit, at 15.2% in the third quarter and 14.5% year-to-date, decreased by 50 and 220 basis points respectively from last year's third quarter and year-to-date periods. This was mainly due to higher warehouse costs related to the segment's additional overall warehouse footprint and higher inventory levels. It also reflected the impact of tariffs on Chinese-sourced products and also higher promotional incentive offerings in the Internet retail channel.

Selling, general and administrative and research and development expenses were flat for the third quarter compared to last year and increased by $1.3 million, or 2.9%, year-to-date. The increase in the third quarter was related to the e-commerce support and to additional expenses in the European division acquired in the fourth quarter of 2018, and was offset by savings resulting from the Canbest acquisition and lower performance-based incentive plan costs. The year-to-date increase is mostly related to increased commissions and people costs due to higher year-to-date revenue.

Impairment loss on trade and other receivables increased by $1.3 million for the third quarter and decreased by $0.6 million year-to-date. The increase in the quarter was due to the bankruptcy of a Canadian customer. The year-to-date decrease is explained by the net variance between the impairment loss of $2.1 million with respect to the trade accounts receivable from Toys“R”Us U.S. recorded in the first quarter of 2018, and the impairment loss recorded during the third quarter of 2019.

Dorel Home’s operating profit declined by $3.8 million for the quarter to $15.7 million from $19.5 million in 2018. For the nine months, operating profit declined by $8.5 million, or 16.1%, to $44.2 million. Excluding the impairment loss on the trade accounts receivable from Toys“R”Us U.S. of $2.1 million recorded in 2018, the operating profit year-to-date declined by $10.6 million or 19.4%. These declines were due to lower gross profit and higher operating expenses explained above.

Dorel Juvenile

Reconciliation of non-GAAP financial measures:

	Third Quarters Ended September 30,									
	2019					2018[1]				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**222,925**	100.0	-	**222,925**	100.0	**229,690**	100.0	-	**229,690**	100.0
Cost of sales	**166,706**	74.8	-	**166,706**	74.8	**171,844**	74.8	-	**171,844**	74.8
GROSS PROFIT	**56,219**	25.2	-	**56,219**	25.2	**57,846**	25.2	-	**57,846**	25.2
Selling expenses	**26,789**	12.0	-	**26,789**	12.0	**29,726**	12.9	-	**29,726**	12.9
General and administrative expenses	**18,079**	8.1	-	**18,079**	8.1	**19,055**	8.4	-	**19,055**	8.4
Research and development expenses	**7,137**	3.2	-	**7,137**	3.2	**6,987**	3.0	-	**6,987**	3.0
Impairment loss on trade and other receivables	**1,622**	0.7	-	**1,622**	0.7	**403**	0.2	-	**403**	0.2
Restructuring and other costs	**7,155**	3.2	(7,155)	**-**	-	**637**	0.2	(637)	**-**	-
OPERATING PROFIT (LOSS)	**(4,563)**	(2.0)	7,155	**2,592**	1.2	**1,038**	0.5	637	**1,675**	0.7

	Nine Months Ended September 30,									
	2019					2018[1]				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Impairment loss on intangible assets, restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**674,682**	100.0	-	**674,682**	100.0	**690,462**	100.0	-	**690,462**	100.0
Cost of sales	**499,244**	74.0	(1,388)	**497,856**	73.8	**507,727**	73.5	(87)	**507,640**	73.5
GROSS PROFIT	**175,438**	26.0	1,388	**176,826**	26.2	**182,735**	26.5	87	**182,822**	26.5
Selling expenses	**81,076**	12.0	-	**81,076**	12.0	**89,106**	12.9	-	**89,106**	12.9
General and administrative expenses	**56,083**	8.4	-	**56,083**	8.4	**60,412**	8.8	-	**60,412**	8.8
Research and development expenses	**21,145**	3.1	-	**21,145**	3.1	**20,108**	2.9	-	**20,108**	2.9
Impairment loss on trade and other receivables	**2,045**	0.3	-	**2,045**	0.3	**4,186**	0.6	-	**4,186**	0.6
Restructuring and other costs	**24,410**	3.6	(24,410)	**-**	-	**3,484**	0.5	(3,484)	**-**	-
Impairment loss on intangible assets	**-**	-	-	**-**	-	**24,193**	3.5	(24,193)	**-**	-
OPERATING PROFIT (LOSS)	**(9,321)**	(1.4)	25,798	**16,477**	2.4	**(18,754)**	(2.7)	27,764	**9,010**	1.3

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

The principal changes in operating profit (loss) from 2018 to 2019 are summarized as follows:

	Third Quarter Ended September 30,					Nine Months Ended September 30,				
	Change									
	Reported		Restructuring and other costs	Adjusted		Reported		Impairment loss on intangible assets, restructuring and other costs	Adjusted	
	$	%	$	$	%	$	%	$	$	%
TOTAL REVENUE	**(6,765)**	(2.9)	-	**(6,765)**	(2.9)	**(15,780)**	(2.3)	-	**(15,780)**	(2.3)
Cost of sales	**(5,138)**	(3.0)	-	**(5,138)**	(3.0)	**(8,483)**	(1.7)	(1,301)	**(9,784)**	(1.9)
GROSS PROFIT	**(1,627)**	(2.8)	-	**(1,627)**	(2.8)	**(7,297)**	(4.0)	1,301	**(5,996)**	(3.3)
Selling expenses	**(2,937)**	(9.9)	-	**(2,937)**	(9.9)	**(8,030)**	(9.0)	-	**(8,030)**	(9.0)
General and administrative expenses	**(976)**	(5.1)	-	**(976)**	(5.1)	**(4,329)**	(7.2)	-	**(4,329)**	(7.2)
Research and development expenses	**150**	2.1	-	**150**	2.1	**1,037**	5.2	-	**1,037**	5.2
Impairment loss on trade and other receivables	**1,219**	302.5	-	**1,219**	302.5	**(2,141)**	(51.1)	-	**(2,141)**	(51.1)
Restructuring and other costs	**6,518**	1,023.2	(6,518)	**-**	-	**20,926**	600.6	(20,926)	**-**	-
Impairment loss on intangible assets	**-**	-	-	**-**	-	**(24,193)**	(100.0)	24,193	**-**	-
OPERATING PROFIT (LOSS)	**(5,601)**	(539.6)	6,518	**917**	54.7	**9,433**	50.3	(1,966)	**7,467**	82.9

Dorel Juvenile’s third quarter revenue declined by $6.8 million, or 2.9%, to $222.9 million from $229.7 million in 2018. Organic revenue declined by approximately 0.5%, after removing the impact of varying foreign exchange rates year-over-year. Organic revenue growth in the quarter was in Brazil driven by continued growth in the e-commerce channel, as well as in Chile recovering from a difficult 2018 with improved retail sales, and in the U.S. with revenue gains at major retailers. This was offset by declines in Europe’s demand for mono-age use car seat categories contracts. The segment’s revenue for the nine months decreased by $15.8 million, or 2.3%, to $674.7 million versus the prior year’s $690.5 million. Year-to-date, organic revenue improved by approximately 1.3%, while removing the net unfavourable impact due to the weakening of most currencies against the U.S. dollar.

Gross profit for the third quarter was 25.2%, comparable to 2018. 2019 third quarter gross profit included a curtailment gain which resulted from a plan amendment in a post-retirement defined benefits plan, which offset the decrease due to less favourable product mix in Dorel Juvenile Europe. Year-to-date gross profit was 26.0%, representing a decline of 50 basis points compared to last year. Excluding restructuring and other costs, the adjusted gross profit was 26.2%, a decline of 30 basis points versus last year. Significant variations in gross margin were declines at Dorel Juvenile Europe, partly offset by improved productivity and favourable foreign exchange rates at Dorel Juvenile China’s factory.

Selling expenses in the third quarter decreased by $2.9 million, or 9.9%, to $26.8 million from $29.7 million in 2018 representing a decrease of 0.9% as a percentage of revenue. For the nine months, selling expenses decreased by $8.0 million, or 9.0%, to $81.1 million and by 0.9% as a percentage of revenue. As in the first and second quarters, the decreases in both the quarter and year-to-date are due to lower people costs across the segment, as a result of the previous and on-going restructuring activities, and lower amortization of customer relationships as a result of the impairment loss recorded in the fourth quarter of 2018.

General and administrative expenses decreased by $1.0 million, or 5.1%, during the quarter, and for the nine months, decreased by $4.3 million, or 7.2 % compared to last year. The decreases are mainly due to lower people costs related to cost containment initiatives.

Research and development expenses remained flat in the quarter and increased by $1.0 million, or 5.2%, year-to-date. Higher spending and amortization of deferred development costs were offset in part by lower people costs.

The impairment loss on trade and other receivables was $1.6 million during the third quarter of 2019 compared to $0.4 million in 2018, the increase is mainly due to its customer, Mothercare, entering administration in the United Kingdom. Year-to-date, the impairment loss decreased by $2.1 million to $2.0 million in 2019 compared to last year, mainly explained by the net variance between the impairment loss of $3.8 million with respect to the trade accounts receivable from Toys“R”Us U.S. which was recorded in the first quarter of 2018, and the impairment loss recorded in the third quarter of 2019 as mentioned above.

Operating loss was $4.6 million during the third quarter of 2019 compared to an operating profit of $1.0 million in 2018. Excluding restructuring and other costs, adjusted operating profit improved by $0.9 million to $2.6 million from $1.7 million in 2018. The year-to-date operating loss was $9.3 million compared to $18.8 million during the prior year, while adjusted operating profit for the nine months improved by $7.5 million to $16.5 million from $9.0 million in the same period of 2018. When also excluding the impairment loss on the trade accounts receivable from Toys“R”Us U.S., adjusted operating profit for the year-to-date was $16.5 million compared to $12.8 million last year. The increases in adjusted operating profit in the quarter and year-to-date are mainly explained by the cost containment in operating expenses partly offset by decreased gross profit.

Dorel Sports

Reconciliation of non-GAAP financial measures:

	Third Quarters Ended September 30,									
	2019					**2018(1)**				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**250,277**	100.0	-	**250,277**	100.0	**219,120**	100.0	-	**219,120**	100.0
Cost of sales	**203,382**	81.3	126	**203,508**	81.3	**172,976**	78.9	(100)	**172,876**	78.9
GROSS PROFIT	**46,895**	18.7	(126)	**46,769**	18.7	**46,144**	21.1	100	**46,244**	21.1
Selling expenses	**23,571**	9.4	-	**23,571**	9.4	**22,834**	10.4	-	**22,834**	10.4
General and administrative expenses	**15,691**	6.4	-	**15,691**	6.4	**14,846**	6.9	-	**14,846**	6.9
Research and development expenses	**1,351**	0.5	-	**1,351**	0.5	**1,174**	0.5	-	**1,174**	0.5
Impairment loss (reversal) on trade and other receivables	**555**	0.2	-	**555**	0.2	**(159)**	(0.1)	-	**(159)**	(0.1)
Restructuring and other costs	**(230)**	(0.2)	230	**-**	-	**456**	0.2	(456)	**-**	-
OPERATING PROFIT	**5,957**	2.4	(356)	**5,601**	2.2	**6,993**	3.2	556	**7,549**	3.4

	Nine Months Ended September 30,									
	2019					**2018(1)**				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**675,850**	100.0	-	**675,850**	100.0	**650,320**	100.0	-	**650,320**	100.0
Cost of sales	**539,925**	79.9	126	**540,051**	79.9	**510,699**	78.5	(1,684)	**509,015**	78.3
GROSS PROFIT	**135,925**	20.1	(126)	**135,799**	20.1	**139,621**	21.5	1,684	**141,305**	21.7
Selling expenses	**64,758**	9.6	-	**64,758**	9.6	**67,920**	10.4	-	**67,920**	10.4
General and administrative expenses	**46,361**	6.8	-	**46,361**	6.8	**47,507**	7.3	-	**47,507**	7.3
Research and development expenses	**4,050**	0.6	-	**4,050**	0.6	**3,981**	0.6	-	**3,981**	0.6
Impairment loss on trade and other receivables	**433**	0.1	-	**433**	0.1	**7,167**	1.1	-	**7,167**	1.1
Restructuring and other costs	**(230)**	-	230	**-**	-	**10,109**	1.6	(10,109)	**-**	-
OPERATING PROFIT	**20,553**	3.0	(356)	**20,197**	3.0	**2,937**	0.5	11,793	**14,730**	2.3

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

The principal changes in operating profit from 2018 to 2019 are summarized as follows:

	Third Quarters Ended September 30,					Nine Months Ended September 30,				
	Change									
	Reported		Restructuring and other costs	**Adjusted**		**Reported**		Restructuring and other costs	**Adjusted**	
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**31,157**	14.2	-	**31,157**	14.2	**25,530**	3.9	-	**25,530**	3.9
Cost of sales	**30,406**	17.6	226	**30,632**	17.7	**29,226**	5.7	1,810	**31,036**	6.1
GROSS PROFIT	**751**	1.6	(226)	**525**	1.1	**(3,696)**	(2.6)	(1,810)	**(5,506)**	(3.9)
Selling expenses	**737**	3.2	-	**737**	3.2	**(3,162)**	(4.7)	-	**(3,162)**	(4.7)
General and administrative expenses	**845**	5.7	-	**845**	5.7	**(1,146)**	(2.4)	-	**(1,146)**	(2.4)
Research and development expenses	**177**	15.1	-	**177**	15.1	**69**	1.7	-	**69**	1.7
Impairment loss on trade and other receivables	**714**	449.1	-	**714**	449.1	**(6,734)**	(94.0)	-	**(6,734)**	(94.0)
Restructuring and other costs	**(686)**	(150.4)	686	**-**	-	**(10,339)**	(102.3)	10,339	**-**	-
OPERATING PROFIT	**(1,036)**	(14.8)	(912)	**(1,948)**	(25.8)	**17,616**	599.8	(12,149)	**5,467**	37.1

For the third quarter of 2019, Dorel Sports' revenue increased by $31.2 million, or 14.2%, to $250.3 million from $219.1 million in 2018. When excluding the impact of varying foreign exchange rates year-over-year, the organic revenue improved by approximately 15.6%. The revenue and organic revenue growth during the third quarter was seen in all divisions. Double-digit growth at CSG was mainly in the key accounts and Independent Bike Dealer (IBD) channels, driven by model-year 2020 products. Caloi also delivered double-digit revenue growth in Brazilian Real in the quarter due to the country's bike sharing program, as well as an improved product mix due to the growth of the Cannondale brand in the country. Pacific Cycle delivered revenue improvement during the third quarter, driven by strong POS at mass retailers, despite some large U.S. customers delaying Christmas 2019 deliveries to the beginning of the fourth quarter. The segment's revenue for the nine months of 2019 increased by $25.5 million, or 3.9%, to $675.9 million. When excluding the impact of varying foreign exchange rates year-over-year, the organic revenue improved by approximately 6.2%, and when also removing the impact of the divestment of the performance apparel line of business, the organic revenue improved by 7.7%. Year-to-date, the strong revenue growth in the second and third quarter was partially offset by the decline observed in the first quarter, mainly due to the weak start of the year in Pacific Cycle.

During the third quarter, gross profit declined by 240 basis points to 18.7% from 21.1% in 2018 and adjusted gross profit was the same when excluding restructuring and other costs. The primary impact on the gross margin continued to be the impact of tariff increases on Chinese-sourced products, as the margin in percentage was negatively affected even though the dollar impact was largely offset and this also had a negative impact on the product mix as the revenue growth was higher in lower margin product categories.

On a year-to-date basis, gross profit declined by 140 basis points to 20.1% from 21.5% in 2018 and when excluding restructuring and other costs, adjusted gross profit declined by 160 basis points to 20.1% from 21.7% reported in the nine months of 2018. The explanations above for the quarter are also valid for the year-to-date decline.

Selling expenses in the third quarter increased by $0.7 million, or 3.2%, but decreased by 1.0% as a percentage of revenue. For the nine months, selling expenses decreased by $3.2 million, or 4.7%, and by 0.8% as a percentage of revenue. The increased dollar amount in the third quarter was mainly due to growing marketing and e-commerce spending to support the increased revenue. The year-to-date decrease was mainly driven by savings due to the exit of the performance apparel line of business in the second quarter of 2018.

General and administrative expenses for the third quarter increased by $0.8 million, or 5.7%, during the quarter but decreased by 0.5% as a percentage of revenue, and for the nine months, decreased by $1.1 million, or 2.4%, and by 0.5% as a percentage of revenue. The increase in the dollar amount in the third quarter was mainly due to increased people costs year-over-year. The year-to-date decrease is due to the divestment of the performance apparel line of business and other cost savings from previous restructuring plans.

Research and development expenses were comparable for the quarter and year-to-date.

Impairment loss on trade and other receivables increased by $0.7 million for the third quarter and decreased by $6.7 million year-to-date. The year-to-date decrease is explained by the impairment loss of $6.6 million with respect to the trade accounts receivable from Toys"R"Us U.S. recorded in the first quarter of 2018.

The segment reported an operating profit in the third quarter of $6.0 million compared to $7.0 million in 2018. When excluding restructuring and other costs, adjusted operating profit declined by $1.9 million, or 25.8%, to $5.6 million from $7.5 million in 2018, which is mainly due to lower gross margin as a result of increased tariffs and higher expenses. Year-to-date, the segment reported an operating profit of $20.6 million compared to $2.9 million last year and adjusted operating profit was $20.2 million compared to $14.7 million in 2018. When excluding the impairment loss on the trade accounts receivable from Toys"R"Us U.S. recorded in the first quarter of 2018, adjusted operating profit for the nine months was $20.2 million compared to $21.3 million last year which is mainly explained by lower gross margin partly offset by lower year-to-date operating expenses.

3. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

a) Statements of financial position

Certain of the Company's ratios are as follows:

	As at:		
	Sep. 30, 2019	**Dec. 30, 2018[1]**	**Sep. 30, 2018[1]**
Debt[2] to equity	0.94	0.84	0.47
# of days in receivables	54	57	59
# of days in inventory	123	113	107
# of days in payables	87	80	74

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

[2] Debt is defined as bank indebtedness plus long-term debt.

The increase in debt to equity ratio compared to December 30, 2018 is a function of higher borrowings mainly due to the temporary increase of inventories at Dorel Sports, as discussed below, as well as the timing of repayments of borrowings. The increase in debt to equity ratio is also due to the impact of adopting IFRS 16 which resulted in an adjustment to the opening balance of retained earnings of $18.1 million. The increase in debt to equity ratio compared to September 30, 2018 is mainly due to the impact on the Company's equity resulting from the significant impairment losses on goodwill, intangible assets and property, plant and equipment recorded during the fourth quarter of 2018.

The net working capital position was unchanged as at September 30, 2019 at 90 days as compared to December 30, 2018 and decreased by 2 days compared to 92 days as at September 30, 2018. The decrease compared to September 30, 2018 is mainly explained by increases in inventories related to a combination of increased costs of inventories as a result of the imposition of the U.S. tariffs on Chinese-sourced products in both Dorel Home and Dorel Sports and Christmas 2019 deliveries to some of the Company's large U.S. customers delayed to the beginning of the fourth quarter. The impact of increases in inventories is almost entirely offset by an increase in trade and other payables of $99.8 million, or 20.7%, to $581.6 million as at September 30, 2019 from September 30, 2018 related to the timing of payments to suppliers.

Compared to December 30, 2018, the Company's total assets and total liabilities increased mainly as a result of the adoption of IFRS 16 as total assets increased by $165.2 million and total liabilities increased by $183.3 million on transition. Further information can be found in Note 3 of the March 31, 2019 and September 30, 2019 condensed consolidated interim financial statements.

On July 22, 2019, the Company redeemed its convertible debentures, in whole, at the par value of $120.0 million, plus accrued and unpaid interest amounting to $0.9 million, using the net proceeds from the $125.0 million tranche under the senior unsecured notes. Refer to section "Long-term debt update" for further information.

Under the terms of its financing agreements, 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. During the first and third quarters of 2019, certain of the Company's borrowing covenant requirements with respect to its revolving bank loans and term loan were amended. Further information can be found in Note 10 of the September 30, 2019 condensed consolidated interim financial statements. As at September 30, 2019, the Company was compliant with all its amended borrowing covenant requirements and the senior unsecured notes, revolving bank loans and term loan were not due on demand on September 30, 2019. Assessing the Company's future compliance with covenants requires judgment, as disclosed in Note 4 b) Use of Estimates and Judgments in the consolidated annual financial statements. The Company does not expect a liquidity problem in the foreseeable future, however no assurance can be provided.

b) Statements of cash flows

For the third quarter of 2019, cash flow provided by operating activities was $48.8 million compared to $31.2 million in 2018, an increase of $17.6 million. During the nine months of 2019, cash flow provided by operating activities decreased by $23.6 million to $53.3 million. The increase for the quarter is mainly explained by positive net changes in balances related to operations, mainly as a result of the timing of collection of trade accounts receivable. The year-to-date decrease in cash flow provided by operating activities is mainly explained by negative net changes in balances related to operations, mainly as a result of the increased inventories in Dorel Sports and in Dorel Home mentioned above, partly offset by the timing of collection of trade accounts receivable. In addition, the adoption of IFRS 16 had a positive impact on the cash flow provided by operating activities, as the straight-line operating lease expense was replaced by a depreciation charge for right-of-use assets and interest expense on lease liabilities. IFRS 16 positively impacted cash flow from operating activities as the lease payments related to the principal portion of lease liabilities of $9.5 million for the third quarter and $30.9 million for the year-to-date are classified as cash flow from financing activities.

When compared to 2018, cash flow used in financing activities increased by $1.4 million for the third quarter of 2019 and remained comparable for the nine months. For both periods, the payments of lease liabilities and the additional financing costs resulting from debt refinancing were offset by the decrease in payments of dividends on common shares.

Cash flow used in investing activities decreased by $8.1 million to $4.1 million for the third quarter of 2019, and by $16.8 million to $22.5 million for the nine months ended September 30, 2019. The decreases are mainly explained by the Company's current assessment of its capital expenditures to align with and support the Company's strategy going forward and the sale of an underutilized facility in Dorel Juvenile completed during the third quarter of 2019.

c) Contractual obligations and off-balance sheet arrangements

The main change from the summary contractual obligations table and off-balance sheet arrangements information reported in the Company's 2018 annual MD&A relates to the adoption of IFRS 16 on December 31, 2018, for which the Company has recognized lease liabilities for leases previously classified as operating leases, whereas the lease payments under these leases were disclosed as commitments under the previous standard. As at September 30, 2019, total contractual undiscounted cash flows of lease liabilities was $218.3 million. In addition, as at September 30, 2019, the Company had undiscounted future lease payments of $4.1 million related to leases not yet commenced to which it was committed, which are not reflected in the measurement of lease liabilities. Refer to Note 8 of the Company's condensed consolidated interim financial statements for further details on the Company's leases.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 30, 2018.

The Company has initially adopted IFRS 16, *Leases*, as at December 31, 2018, which resulted in the recognition of right-of-use assets and related lease liabilities for leases previously classified as operating leases. As the Company adopted IFRS 16 using the modified retrospective method of adoption, the cumulative effect of initially applying IFRS 16 of $18.1 million has been recognized as an adjustment to the opening balance of retained earnings as at December 31, 2018. The Company has also adopted the *Annual Improvements to IFRS Standards 2015-2017 Cycle* and amendments to IAS 19, *Plan Amendment, Curtailment or Settlement*, on December 31, 2018.

Further information can be found in Note 3 of the March 31, 2019 and September 30, 2019 condensed consolidated interim financial statements.

5. FUTURE ACCOUNTING CHANGES

New standards and amendments to existing standards have been issued by the International Accounting Standards Board, which are mandatory but not yet effective for the nine months ended September 30, 2019. 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.

6. OTHER INFORMATION

The designation, number and amount of each class and series of the Company's shares outstanding as of November 6, 2019 are as follows:

- An unlimited number of preferred shares without nominal or par value, issuable in series and fully paid;
- An unlimited number of Class "A" Multiple Voting Shares without nominal or par value, convertible at any time at the option of the holder into Class "B" Subordinate Voting Shares on a one-for-one basis; and
- An unlimited number of Class "B" Subordinate Voting Shares without nominal or par value, convertible into Class "A" Multiple Voting Shares, under certain circumstances, if an offer is made to purchase the Class "A" shares.

Details of the issued and outstanding shares are as follows:

Class A		Class B		Total
Number	**$('000)**	**Number**	**$('000)**	**$('000)**
4,188,475	$1,767	28,271,237	$202,000	$203,767

Outstanding Deferred Share Units, cash-settled Restricted Share Units, cash-settled Share Appreciation Rights and cash-settled Performance Share Units are disclosed in Note 13 to the Company's condensed consolidated interim financial statements. There were no significant changes to these values in the period between the quarter-end and the date of the preparation of this MD&A.

7. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

As reported previously, the Company has selected a global lease accounting software to gather its lease information and to quantify the required components of IFRS 16. The Company finalized the process of implementing this lease accounting software throughout its locations, and finalized the development of new reports to capture information required for presentation and disclosure under IFRS 16 during the first quarter ended March 31, 2019. Accordingly, internal control processes and procedures have been put in place and updated in order to ensure proper internal controls over financial reporting, and disclosure controls and procedures have been updated to capture information required for presentation and disclosure under IFRS 16.

During the third quarter ended September 30, 2019, the Company has made no change that has materially affected or is likely to materially affect the Company's internal controls over financial reporting.

Limitation on scope of design

The Company has limited the scope of its design of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of a business acquired not more than 365 days before the last day of the period covered by the interim filing. The Company elected to exclude the Alphason business acquired as allowed by National Instrument 52-109 and in accordance with practices accepted by the Autorités des Marchés Financiers.

The tables below present the summary financial information included in the Company's condensed consolidated interim financial statements for the excluded acquired business:

Alphason Selected financial information from the income statement	**Nine Months Ended September 30, 2019**
	$
Total revenue	3,987
Operating loss	(1,128)

Alphason Selected financial information from the statement of financial position	**As at September 30, 2019**
	$
Total current assets	5,103
Total non-current assets	2,290
Total current liabilities	1,810
Total non-current liabilities	4,274

8. CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements included in this MD&A may constitute "forward-looking statements" within the meaning of applicable Canadian securities legislation. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from the Company's expectations expressed in or implied by such forward-looking statements and that the objectives, plans, strategic priorities and business outlook may not be achieved. As a result, the Company cannot guarantee that any forward-looking statement will materialize, or if any of them do, what benefits the Company will derive from them. Forward-looking statements are provided in this MD&A for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this MD&A are based on a number of assumptions that the Company believed were reasonable on the day it made the forward-looking statements. Factors that could cause actual results to differ materially from the Company's expectations expressed in or implied by the forward-looking statements include: general economic conditions; changes in product costs and supply channels; foreign currency fluctuations; customer and credit risk including the concentration of revenues with a small number of customers; costs associated with product liability; changes in income tax legislation or the interpretation or application of those rules; the continued ability to develop products and support brand names; changes in the regulatory environment; continued access to capital resources, including compliance with covenants, and the related costs of borrowing; failure related to information technology systems; changes in assumptions in the valuation of goodwill and other intangible assets and future decline in market capitalization; and there being no certainty that the Company's current dividend policy will be maintained. These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking statements are discussed in the Company's annual MD&A and Annual Information Form filed with the applicable Canadian securities regulatory authorities. The risk factors outlined in the previously-mentioned documents are specifically incorporated herein by reference.

The Company cautions readers that the risks described above are not the only ones that could impact it. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial may also have a material adverse effect on the Company's business, financial condition or results of operations. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	As at September 30, 2019	As at December 30, 2018 (1)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 16)	$ 28,955	$ 39,272
Trade and other receivables	392,989	410,773
Inventories	713,185	635,153
Other financial assets	2,105	139
Income taxes receivable	12,546	14,284
Prepaid expenses	25,668	24,734
Other assets	18,144	13,770
	1,193,592	1,138,125
Assets held for sale (Note 6)	6,658	8,464
	1,200,250	1,146,589
NON-CURRENT ASSETS		
Property, plant and equipment	163,493	185,794
Right-of-use assets (Note 8)	175,419	–
Intangible assets	239,411	259,580
Goodwill (Note 17)	83,632	76,416
Deferred tax assets	57,820	57,674
Other financial assets	847	506
Other assets	6,384	6,947
	727,006	586,917
	$ 1,927,256	$ 1,733,506
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 10)	$ 63,493	$ 50,098
Trade and other payables	581,617	533,608
Lease liabilities (Note 8)	40,279	–
Other financial liabilities	316	113
Income taxes payable	12,849	10,370
Long-term debt (Note 10)	37,110	432,950
Provisions (Note 5)	53,486	40,124
Other liabilities	11,731	11,916
	800,881	1,079,179
NON-CURRENT LIABILITIES		
Lease liabilities (Note 8)	150,545	–
Long-term debt (Note 10)	392,219	4,119
Net pension and post-retirement defined benefit liabilities (Notes 5 and 15)	24,001	29,515
Deferred tax liabilities	10,598	13,860
Provisions	2,870	2,950
Written put option liabilities (Note 11)	12,026	12,002
Other financial liabilities	4,851	2,137
Other liabilities	4,463	8,641
	601,573	73,224
EQUITY		
Share capital (Note 12)	203,761	203,313
Contributed surplus	30,881	28,555
Accumulated other comprehensive loss	(120,551)	(105,819)
Other equity (Note 10)	15,731	17,350
Retained earnings	394,980	437,704
	524,802	581,103
	$ 1,927,256	$ 1,733,506

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

(See accompanying notes)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS

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

	Third Quarters Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018 (1)	September 30, 2019	September 30, 2018 (1)
Sales	$ 685,456	$ 670,112	$ 1,980,425	$ 1,934,886
Licensing and commission income	213	325	786	1,081
TOTAL REVENUE (Note 17)	685,669	670,437	1,981,211	1,935,967
Cost of sales (Notes 5 and 15)	550,179	531,603	1,578,279	1,514,222
GROSS PROFIT	135,490	138,834	402,932	421,745
Selling expenses	57,203	59,177	166,114	176,965
General and administrative expenses	47,326	47,431	143,414	146,841
Research and development expenses	9,672	9,276	28,821	27,337
Impairment loss on trade and other receivables (Note 11)	3,449	246	3,901	13,407
Restructuring and other costs (Note 5)	6,925	1,093	24,180	13,593
Impairment loss on intangible assets (Note 9)	–	–	–	24,193
OPERATING PROFIT	10,915	21,611	36,502	19,409
Finance expenses (Note 15)	12,797	8,254	35,865	24,024
INCOME (LOSS) BEFORE INCOME TAXES	(1,882)	13,357	637	(4,615)
Income taxes expense (recovery) (Note 15)	2,455	3,763	10,451	(4,170)
NET INCOME (LOSS)	$ (4,337)	$ 9,594	$ (9,814)	$ (445)
EARNINGS (LOSS) PER SHARE				
Basic	$ (0.13)	$ 0.30	$ (0.30)	$ (0.01)
Diluted	$ (0.13)	$ 0.29	$ (0.30)	$ (0.01)
SHARES OUTSTANDING (Note 14)				
Basic – weighted average	32,444,656	32,438,503	32,442,592	32,438,465
Diluted – weighted average	32,444,656	32,738,830	32,442,592	32,438,465

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

(See accompanying notes)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	Third Quarters Ended		Nine Months Ended	
	September 30, 2019	**September 30, 2018 (1)**	**September 30, 2019**	**September 30, 2018 (1)**
NET INCOME (LOSS)	$ (4,337)	$ 9,594	$ (9,814)	$ (445)
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	(11,234)	(8,541)	(10,356)	(34,847)
Net gains (losses) on hedge of net investments in foreign operations, net of tax of nil	(3,424)	(599)	(4,174)	(3,189)
	(14,658)	(9,140)	(14,530)	(38,036)
Net changes in cash flow hedges:				
Net change in unrealized gains (losses) on derivatives designated as cash flow hedges	(533)	477	(742)	2,272
Reclassification to net income	6	47	(122)	71
Reclassification to the related non-financial asset	997	(738)	261	2,828
Deferred income taxes	(20)	64	601	(1,367)
	450	(150)	(2)	3,804
Items that will not be reclassified to net income:				
Defined benefit plans:				
Remeasurements of the net pension and post-retirement defined benefit liabilities	(490)	5	(504)	39
Deferred income taxes	105	(1)	304	(75)
	(385)	4	(200)	(36)
TOTAL OTHER COMPREHENSIVE LOSS	(14,593)	(9,286)	(14,732)	(34,268)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ (18,930)	$ 308	$ (24,546)	$ (34,713)

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

(See accompanying notes)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	Attributable to equity holders of the Company							
			Accumulated other comprehensive income (loss)					
	Share Capital	Contributed Surplus	Cumulative Translation Account	Cash Flow Hedges	Defined Benefit Plans	Other Equity	Retained Earnings	Total Equity
Balance as at December 30, 2017 (1) (2)	$ 203,300	$ 27,557	$ (49,478)	$ (3,242)	$ (17,485)	$ 5,888	$ 925,611	$ 1,092,151
Adjustment on initial application of IFRS 15 (net of tax)	–	–	–	–	–	–	(497)	(497)
Adjustment on initial application of IFRS 9 (net of tax)	–	–	–	–	–	–	(3,758)	(3,758)
Adjusted balance as at December 31, 2017 (2)	$ 203,300	$ 27,557	$ (49,478)	$ (3,242)	$ (17,485)	$ 5,888	$ 921,356	$ 1,087,896
Total comprehensive loss:								
Net loss	–	–	–	–	–	–	(445)	(445)
Other comprehensive income (loss)	–	–	(38,036)	3,804	(36)	–	–	(34,268)
	–	–	(38,036)	3,804	(36)	–	(445)	(34,713)
Reclassification from contributed surplus due to settlement of deferred share units	13	(20)	–	–	–	–	–	(7)
Share-based payments (Note 13)	–	605	–	–	–	–	–	605
Remeasurement of written put option liabilities	–	–	–	–	–	7,238	–	7,238
Dividends on common shares (Note 12)	–	–	–	–	–	–	(29,200)	(29,200)
Dividends on deferred share units (Note 13)	–	279	–	–	–	–	(279)	–
Balance as at September 30, 2018 (2)	$ 203,313	$ 28,421	$ (87,514)	$ 562	$ (17,521)	$ 13,126	$ 891,432	$ 1,031,819
Balance as at December 30, 2018 (2)	$ 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) (Note 3)	–	–	–	–	–	–	(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 (Notes 12 and 13)	448	(505)	–	–	–	–	–	(57)
Share-based payments (Note 13)	–	630	–	–	–	–	–	630
Reclassification of the equity component of convertible debentures, net of tax of $727 (Note 10)	–	2,037	–	–	–	(2,037)	–	–
Remeasurement of written put option liabilities (Note 11)	–	–	–	–	–	418	–	418
Dividends on common shares (Note 12)	–	–	–	–	–	–	(14,599)	(14,599)
Dividends on deferred share units (Note 13)	–	164	–	–	–	–	(164)	–
Balance as at September 30, 2019	$ 203,761	$ 30,881	$ (107,423)	$ (33)	$ (13,095)	$ 15,731	$ 394,980	$ 524,802

(1) The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated.
(2) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

(See accompanying notes)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	Third Quarters Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018 (1)	September 30, 2019	September 30, 2018 (1)
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net income (loss)	$ (4,337)	$ 9,594	$ (9,814)	$ (445)
Items not involving cash:				
Depreciation and amortization	24,153	12,611	71,020	36,709
Impairment loss on intangible assets (Note 9)	–	–	–	24,193
Unrealized losses (gains) arising on financial assets and financial liabilities classified as mandatorily at fair value through profit or loss	(579)	570	(607)	167
Share-based payments (Note 13)	59	46	153	126
Defined benefit pension and post-retirement costs	(1,444)	1,029	111	3,313
Net loss (gain) on disposal of property, plant and equipment and on lease modifications	(523)	(606)	141	(356)
Restructuring and other costs (Note 5)	2,822	100	1,817	9,365
Finance expenses (Note 15)	12,797	8,254	35,865	24,024
Income taxes expense (recovery)	2,455	3,763	10,451	(4,170)
Net changes in balances related to operations (Note 16)	27,476	6,438	(19,398)	20,377
Income taxes paid	(3,341)	(6,214)	(8,679)	(20,329)
Income taxes received	1,589	1,297	4,771	4,295
Interest paid (Note 8)	(12,596)	(5,762)	(33,046)	(20,684)
Interest received	272	104	558	320
CASH PROVIDED BY OPERATING ACTIVITIES	48,803	31,224	53,343	76,905
FINANCING ACTIVITIES				
Bank indebtedness	10,180	8,244	16,981	3,066
Increase of long-term debt	116,875	–	127,040	9,264
Repayments of long-term debt	(148,944)	(34,604)	(138,988)	(25,352)
Increase of written put option liabilities (Note 11)	–	–	442	–
Payments of lease liabilities, net of lease incentive received (Note 8)	(9,543)	–	(30,904)	–
Financing costs (Note 10)	(1,226)	–	(1,877)	(13)
Dividends on common shares (Note 12)	(4,866)	(9,737)	(14,598)	(29,200)
CASH USED IN FINANCING ACTIVITIES	(37,524)	(36,097)	(41,904)	(42,235)
INVESTING ACTIVITIES				
Acquisition of businesses (Note 16)	(162)	–	(162)	–
Additions to property, plant and equipment, net of subsidy received related to land use rights	(4,777)	(9,659)	(14,787)	(26,217)
Disposals of property, plant and equipment	615	1,900	775	3,335
Additions to intangible assets	(4,640)	(4,459)	(13,185)	(16,500)
Net proceeds from disposals of assets held for sale (Note 6)	4,821	–	4,821	–
CASH USED IN INVESTING ACTIVITIES	(4,143)	(12,218)	(22,538)	(39,382)
Effect of foreign currency exchange rate changes on cash and cash equivalents	624	(1,125)	782	(1,461)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,760	(18,216)	(10,317)	(6,173)
Cash and cash equivalents, beginning of period	21,195	48,884	39,272	36,841
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 28,955	$ 30,668	$ 28,955	$ 30,668

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

(See accompanying notes)

1. Nature of operations

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

2. Statement of compliance and basis of preparation and measurement

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as adopted by the International Accounting Standards Board ("IASB"), using the US dollar as the reporting currency. The US dollar is the functional currency of the Canadian parent company. All financial information is presented in US dollars and has been rounded to the nearest thousand, unless otherwise indicated. These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and with the same accounting policies and methods of computation followed in the most recent audited consolidated annual financial statements as at and for the year ended December 30, 2018, 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 2018 audited consolidated annual financial statements. This is the third quarter of the Company's consolidated financial statements where IFRS 16, *Leases* has been applied. Changes to significant accounting policies are described in Note 3 of the Company's first quarter consolidated financial statements.

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

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

These condensed consolidated interim financial statements were authorized by the Company's Board of Directors for issue on November 8, 2019.

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

3. Changes in significant accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 30, 2018.

The Company has initially adopted IFRS 16, *Leases,* as at December 31, 2018. The Company has also adopted amendments to IAS 12, *Income Taxes*, IAS 23*, Borrowing Costs* and *IAS 19 – Plan Amendment, Curtailment or Settlement*, as at December 31, 2018, but they did not have a material impact on the Company's consolidated financial statements. Detailed information on initial adoption of these standards and interpretations to standards, and the related changes to significant accounting policies can be found in the Company's first quarter consolidated financial statements for the three months ended March 31, 2019. The changes in significant accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 30, 2019.

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, 2019. 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. Restructuring and other costs

For the nine months ended September 30, 2019, the Company recorded total expenses of $25,442 (2018 – $15,364) with respect to restructuring and other costs, of which $1,262 (2018 – $1,771) were recorded within gross profit and $24,180 (2018 – $13,593) were recorded as restructuring and other costs as a separate line within the condensed consolidated interim income statements.

Restructuring costs

Dorel Juvenile segment

2019 Plan

The restructuring activities were initiated during the first quarter as part of the Dorel Juvenile segment's new restructuring program across several regions, whose main objective is to simplify the organization and optimize its global footprint. These changes will also identify and prioritize opportunities that will improve the Company's competitive position in the marketplace.

The following areas of opportunity have been identified. In Europe, the objective is to streamline the organization and better leverage its scale of operations by adopting technologies and processes that allow for the centralization of certain operating activities. In Latin America, distribution operations based in Colombia and Panama were closed, with supply continuing through a local distributor. In Asia, further efficiencies and savings initiatives are anticipated, enabled partly by investments in technology already in place. In addition, the China domestic sales organization is being re-oriented to sell directly to the consumer and is exiting unprofitable product lines and customer arrangements.

As at the date of issuance of the condensed consolidated interim financial statements, total costs related to these restructuring initiatives are estimated to be between $26,000 and $30,000 and are expected to be incurred in 2019 and 2020. The majority of these estimated costs are for employee severance and termination benefits, net of curtailment gain on net pension defined benefit liabilities. Of this estimated range of costs, $25,550 was recorded in 2019, details of which can be found in the tables below.

5. Restructuring and other costs (continued)

Restructuring costs (continued)

Dorel Juvenile segment (continued)

Previous Plan

The main objective of the restructuring activities initiated previously as part of the Dorel Juvenile segment's on-going transformation, was to further align its operations to drive profitable sales growth by concentrating on improved agility with a more market-focused approach to reduce costs and better react to trends in the juvenile industry. The segment re-positioned itself through further investments in digital capabilities, changes in support functions and the re-orientation of its workforce. The ability to develop and bring meaningful products to market faster have been improved by decreasing complexity and by sourcing opportunities to supplement existing best-in-class product development and manufacturing.

These restructuring initiatives were essentially completed in the fourth quarter of 2018. Total costs related to these restructuring initiatives were $43,113, including $13,573 of non-cash charges related to the write-down of long-lived assets and net losses from the remeasurement and disposals of assets held for sale, $3,076 of non-cash inventory markdowns, $3,295 of curtailment gain on net pension defined benefit liabilities, $24,807 of employee severance and termination benefits and $4,952 of other associated costs. Of this amount, $10,276 was recorded for the year ended December 30, 2015, $13,825 was recorded for the year ended December 30, 2016, $11,933 was recorded for the year ended December 30, 2017, $6,831 was recorded for the year ended December 30, 2018, and $248 was recorded in 2019. There are no significant remaining costs associated with these restructuring initiatives.

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

	Third Quarters Ended September 30,							
	TOTAL		**Dorel Juvenile (2019 Plan)**		**Dorel Juvenile (Previous Plan)**		**Dorel Sports (2018 Plan)**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Inventory markdowns (reversal)* recorded within gross profit	$ (126)	$ 100	$ –	$ –	$ –	$ –	$ (126)	$ 100
Employee severance and termination benefits	$ 3,777	$ 398	$ 3,811	$ –	$ –	$ 498	$ (34)	$ (100)
Write-down of long-lived assets*	3,039	–	3,039	–	–	–	–	–
Gain from the disposals of assets held for sale*	(59)	–	–	–	(59)	–	–	–
Curtailment gain on net pension defined benefit liabilities*	(32)	–	(32)	–	–	–	–	–
Other associated costs	200	695	396	–	–	139	(196)	556
Recorded within a separate line in the condensed consolidated interim income statements	$ 6,925	$ 1,093	$ 7,214	$ –	$ (59)	$ 637	$ (230)	$ 456
Total restructuring costs	**$ 6,799**	**$ 1,193**	**$ 7,214**	**$ –**	**$ (59)**	**$ 637**	**$ (356)**	**$ 556**
Total other costs	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Total restructuring and other costs	**$ 6,799**	**$ 1,193**	**$ 7,214**	**$ –**	**$ (59)**	**$ 637**	**$ (356)**	**$ 556**

* non-cash

5. Restructuring and other costs (continued)

Restructuring costs (continued)

	Nine Months Ended September 30,							
	TOTAL		**Dorel Juvenile (2019 Plan)**		**Dorel Juvenile (Previous Plan)**		**Dorel Sports (2018 Plan)**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Inventory markdowns (reversal)*	$ 693	$ 1,771	$ 819	$ –	$ –	$ 87	$ (126)	$ 1,684
Other associated costs	569	–	569	–	–	–	–	–
Recorded within gross profit	$ 1,262	$ 1,771	$ 1,388	$ –	$ –	$ 87	$ (126)	$ 1,684
Employee severance and termination benefits	$ 21,059	$ 3,820	$ 21,093	$ –	$ –	$ 3,119	$ (34)	$ 701
Write-down of long-lived assets*	3,039	7,962	3,039	–	–	–	–	7,962
Net losses from the remeasurement and disposals of assets held for sale*	248	–	–	–	248	–	–	–
Curtailment gain on net pension defined benefit liabilities*	(2,163)	–	(2,163)	–	–	–	–	–
Other associated costs	1,997	1,811**	2,193	–	–	365	(196)	1,446**
Recorded within a separate line in the condensed consolidated interim income statements	$ 24,180	$ 13,593	$ 24,162	$ –	$ 248	$ 3,484	$ (230)	$ 10,109
Total restructuring costs	**$ 25,442**	**$ 15,364**	**$ 25,550**	**$ –**	**$ 248**	**$ 3,571**	**$ (356)**	**$ 11,793**
Total other costs	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Total restructuring and other costs	**$ 25,442**	**$ 15,364**	**$ 25,550**	**$ –**	**$ 248**	**$ 3,571**	**$ (356)**	**$ 11,793**

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

Restructuring provision

As at September 30, 2019, the related restructuring plans provision totaling $16,851 consists of employee severance and termination benefits and other associated costs. A summary of the Company's restructuring plans provision is as follows:

	Balance December 30, 2018	**Adjustment on initial application of IFRS 16 on December 31, 2018 (Note 3)**	**Adjusted balance December 31, 2018**	**2019 provision**	**Cash paid**	**Effect of foreign exchange**	**Balance September 30, 2019**
Dorel Juvenile segment (2019 Plan):							
Employee severance and termination benefits	$ –	$ –	$ –	$ 21,093	$ (4,188)	$ (557)	$ 16,348
Other associated costs	–	–	–	2,762	(2,761)	(1)	–
	$ –	$ –	$ –	$ 23,855	$ (6,949)	$ (558)	$ 16,348
Dorel Juvenile segment (Previous Plan):							
Employee severance and termination benefits	$ 1,838	$ –	$ 1,838	$ –	$ (1,524)	$ (55)	$ 259
Other associated costs	–	–	–	–	–	–	–
	$ 1,838	$ –	$ 1,838	$ –	$ (1,524)	$ (55)	$ 259
Dorel Sports segment:							
Employee severance and termination benefits	$ 198	$ –	$ 198	$ (34)	$ (87)	$ –	$ 77
Other associated costs	1,067	(557)	510	(196)	(146)	(1)	167
	$ 1,265	$ (557)	$ 708	$ (230)	$ (233)	$ (1)	$ 244
Total	$ 3,103	$ (557)	$ 2,546	$ 23,625	$ (8,706)	$ (614)	$ 16,851

6. Assets held for sale

	September 30, 2019	December 30, 2018
Balance, beginning of period	$ 8,464	$ 8,481
Additions (1)	3,270	–
Remeasurement	(307)	–
Disposals (2)	(4,762)	–
Effect of foreign currency exchange rate changes	(7)	(17)
Balance, end of period	$ 6,658	$ 8,464

(1) As part of the on-going restructuring program described in Note 5, one additional property was made available for sale during the third quarter of 2019 within the Dorel Juvenile segment.
(2) During the third quarter of 2019, the Company completed the sale of an underutilized facility that was classified as an asset held for sale as at December 30, 2018, within the Dorel Juvenile segment.

Assets held for sale consist of properties which are measured at the lower of carrying amount and fair value less costs to sell. The fair value measurement of the assets held for sale have been categorized in Level 2 in the fair value hierarchy based on observable market inputs, i.e. offers from third-party buyers for these assets or similar assets or recent market prices of similar properties in similar locations.

7. Business acquisition

On July 1, 2019, the Company acquired certain assets and operations of Canbest Marketing Inc. (“Canbest”), a Montréal-based company engaged in the development, design and marketing of home furnishings products, for a purchase price of $9,200, which will be paid in three instalments, non-interest bearing (i) $3,200 payable on October 1, 2019; (ii) $3,000 payable on October 1, 2020; and (iii) $3,000 payable on October 1, 2021. Canbest is a sales, marketing and design company which provided these services to the Dorel Home segment. For almost 20 years, Canbest supported Dorel Living in the furniture product categories of wooden bedroom, upholstery, nursery and dining.

The acquisition has been recorded under the acquisition method of accounting with the results of the acquired business being included in the Company’s consolidated financial statements since the date of acquisition. The fair value of the consideration transferred of $8,578 was allocated all to goodwill as the fair value of the identifiable assets acquired was not material. The goodwill is attributed to the workforce, know-how and expected supply chain cost synergies and was allocated to the Dorel Home segment (Note 17). The goodwill is deductible for tax purposes.

8. Leases

The Company has entered into lease contracts mainly for buildings, machinery and equipment, which expire at various dates through the year 2034. Lease contracts are negotiated and entered into by local management. Some leases have extension options and/or termination options included in the contracts for various terms. Some lease payments are based on changes in local price indices, sales or actual space used. The lease contracts do not impose any financial covenants on the Company.

8. Leases (continued)

a) Right-of-use assets

	Land use rights	Land and buildings	Machinery and equipment	Furniture and fixtures	Computer equipment	Vehicles	Total
Balance as at December 31, 2018	$ 16,713	$ 153,200	$ 7,178	$ 639	$ 3,007	$ 2,788	$ 183,525
Additions	–	13,225	694	67	476	1,470	15,932
Subsidy received	(1,795)*	–	–	–	–	–	(1,795)
Depreciation for the period	(356)	(28,689)	(1,909)	(150)	(1,072)	(1,460)	(33,636)
Reassessment of lease liabilities and lease modifications	–	13,912	47	(21)	(62)	25	13,901
Effect of foreign currency exchange rate changes	–	(2,265)	(93)	–	(32)	(118)	(2,508)
Balance as at September 30, 2019	$ 14,562	$ 149,383	$ 5,917	$ 535	$ 2,317	$ 2,705	$ 175,419

* includes $369 received during the third quarter of 2019 and $1,426 reclassified from other long-term liabilities as a result of the negotiation with the Chinese government to finalize a previous subsidy program related to the Company's land use rights.

b) Lease liabilities

The following table summarizes the lease liabilities amounts recognized in the condensed consolidated interim statement of financial position as at September 30, 2019:

	September 30, 2019
Current	$ 40,279
Non-current	$ 150,545

The reconciliation of movements of the lease liabilities to cash flows arising from financing activities is as follows for the third quarter and nine months ended September 30, 2019:

Third Quarter Ended September 30, 2019								
		Cash used in financing activities	Cash used in operating activities	Non-cash changes				
	Balance as at June 30, 2019	Payments, net of lease incentive received	Interest paid	Additions	Reassessment of lease liabilities and lease modifications	Interest expense	Effect of foreign currency exchange rate changes	Balance as at September 30, 2019
Lease liabilities	$ 194,695	$ (9,543)*	$ (1,983)	$ 2,381	$ 6,832	$ 1,989	$ (3,547)	$ 190,824

* includes lease incentive received of $1,447

Nine Months Ended September 30, 2019								
		Cash used in financing activities	Cash used in operating activities	Non-cash changes				
	Balance as at December 31, 2018	Payments, net of lease incentive received	Interest paid	Additions	Reassessment of lease liabilities and lease modifications	Interest expense	Effect of foreign currency exchange rate changes	Balance as at September 30, 2019
Lease liabilities	$ 195,170	$ (30,904)*	$ (5,984)	$ 15,932	$ 13,711	$ 5,960	$ (3,061)	$ 190,824

* includes lease incentive received of $1,447

8. Leases (continued)

c) Amounts recognized in the condensed consolidated interim income statement

	Third Quarter Ended September 30, 2019	Nine Months Ended September 30, 2019
Depreciation of right-of-use assets	$ 11,397	$ 33,636
Interest expense on lease liabilities (Note 15)	$ 1,989	$ 5,960
Expense related to variable lease payments not included in the measurement of lease liabilities	$ 2,772	$ 7,933
Loss (gain) related to lease modifications	$ (184)	$ (190)
Foreign exchange loss (gain) on lease liabilities – lease contracts denominated in a currency different from the functional currency of the lessee	$ (278)	$ 61

Depreciation of right-of-use assets is included in the condensed consolidated interim income statement in the following captions:

	Third Quarter Ended September 30, 2019	Nine Months Ended September 30, 2019
Included in cost of sales	$ 7,108	$ 20,887
Included in selling expenses	2,521	7,486
Included in general and administrative expenses	1,720	5,114
Included in research and development expenses	48	149
	$ 11,397	$ 33,636

d) Cash outflow for leases recognized in the condensed consolidated interim statement of cash flows

	Third Quarter Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating activities:		
Cash outflow for variable lease payments not included in the measurement of lease liabilities – included within net income (loss)	$ 2,772	$ 7,933
Cash outflow for interest portion of lease liabilities – included within interest paid	1,983	5,984
	$ 4,755	$ 13,917
Financing activities:		
Cash outflow for principal portion of lease liabilities	$ 10,990	$ 32,351
Total cash outflow for leases	$ 15,745	$ 46,268

8. Leases (continued)

e) Maturity analysis – contractual undiscounted cash flows

The following table summarizes the contractual undiscounted cash flows of lease liabilities as at September 30, 2019:

		September 30, 2019
Less than 1 year	$	47,177
Between 1 and 5 years		117,203
More than 5 years		53,889
Total contractual undiscounted cash flows of lease liabilities	$	218,269

As at September 30, 2019, the Company had undiscounted future lease payments of $4,061 related to leases not yet commenced to which it was committed, which are not reflected in the measurement of lease liabilities.

f) Extension options and termination options

The following table summarizes the potential undiscounted future lease payments that have not been reflected in the measurement of lease liabilities as at September 30, 2019 as it was not reasonably certain that the leases would be extended or not be terminated.

		September 30, 2019
Extension options	$	91,128
Termination options (net of payments of penalties for terminating the leases)	$	8,205

9. Impairment of intangible assets

During the second quarter of 2018, as Dorel Juvenile – Latin America's business continued to face a decline in sales and profitability as a result of changes in the market and consumer behaviour, assumptions on projected earnings and cash flows growth for Dorel Juvenile – Latin America cash generating unit ("CGU") were revised. As a result, during the second quarter of 2018, the Company recorded impairment charges on customer relationships of $8,915 and trademarks of $15,278 (Infanti brand) for a total of $24,193, as it had concluded that the recoverable amount based on the value in use was less than the carrying amount of the CGU.

10. Long-term debt, bank indebtedness and capital management

a) <u>Long-term debt and bank indebtedness</u>

The terms and conditions of outstanding loans are as follows:

				September 30, 2019		December 30, 2018	
	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 (See below)	USD	7.50%	July 19, 2024	$125,000	$115,969	$ –	$ –
Revolving bank loans bearing interest at various rates per annum, averaging 6.36% (2018 – 5.32%), 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. Extended in July 2019. (See below)	USD/ Euro/CAD	LIBOR, Euribor, Canadian or U.S. bank rates plus a margin	July 1, 2021	$160,722	$160,722	$152,728	$152,728
Term loan bearing interest at various rates per annum, averaging 4.67% (2018 – 3.86%). Extended in July 2019. (See below)	USD	LIBOR plus a margin	July 1, 2021	$141,850	$141,153	$160,800	$160,261
Balance of sale on acquisition of Canbest, bearing no interest (Note 7)	USD	–	October 1, 2021	$ 9,200	$ 8,702	$ –	$ –
Convertible debentures. Prepaid in July 2019. (See below)	USD	5.50%		$ –	$ –	$120,000	$118,344
Other				$ 2,783	$ 2,783	$ 5,736	$ 5,736
Total outstanding loans				$439,555	$429,329	$439,264	$437,069
Current portion					(37,110)		(432,950)
					$392,219		$ 4,119

Senior unsecured notes

On June 17, 2019, the Company entered into a five-year $175,000 senior unsecured notes agreement ("senior unsecured notes") with several institutional lenders. These senior unsecured notes are divided into two tranches: (i) a $125,000 tranche that was fully drawn and used to redeem at par the Company's $120,000 convertible debentures maturing on November 30, 2019; and (ii) a $50,000 tranche that is available for general corporate purposes with the consent of the lenders. These senior unsecured notes mature five years from the date of the initial advance, bear interest at a rate of 7.50% per annum payable quarterly in cash, rank *pari passu* with all of the Company's other senior unsecured indebtedness and are guaranteed by certain of the Company's subsidiaries. The first tranche of $125,000 was fully drawn by the Company on July 19, 2019 (date of the initial advance).

The financing costs related to the senior unsecured notes amounted to approximately $2,077, of which $1,845 was allocated to the $125,000 tranche and $232 to the $50,000 tranche. The financing costs allocated to the $125,000 tranche were recorded as a reduction of the carrying amount of the senior unsecured notes and will be amortized over the remaining term of the loan using the effective interest rate method. As the $50,000 tranche was not drawn as at September 30, 2019, the related financing costs were recognized as an addition to other assets.

The senior unsecured notes also contain options to prepay the notes prior to their maturity date, which were accounted for as embedded derivatives, separate from the host contract. The fair value of the embedded derivatives related to the prepayment options was not material as at the date of the issuance of the first tranche of the senior unsecured notes and as at September 30, 2019.

10. Long-term debt, bank indebtedness and capital management (continued)

a) Long-term debt and bank indebtedness (continued)

Convertible debentures

In June 2019, the Company provided the holders of the convertible debentures with a redemption notice. During the second quarter of 2019, the Company revised its estimated cash flows related to its convertible debentures considering the expected early redemption of the convertible debentures on July 22, 2019. Accordingly, the Company recorded a loss on revision of estimated payments related to its convertible debentures in the amount of $670 during the second quarter of 2019, within finance expenses (see Note 15). On July 22, 2019, the Company redeemed its convertible debentures, in whole, at the par value of $120,000, plus accrued and unpaid interest amounting to $935, using the net proceeds from the senior unsecured notes. The equity component of the convertible debentures totaling $2,037, net of tax, was reclassified to contributed surplus.

Revolving bank loans and term loan

On March 8, 2019, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and term loan to modify the covenants to permit additional indebtedness with other lenders to refinance and repay the convertible debentures. In addition, the covenants were adjusted in light of the previous twelve months results of operations in order to facilitate their compliance. The amendment also extended the maturity date to July 1, 2021 if the convertible debentures were repaid or refinanced by May 30, 2019. On May 8, 2019, the Company amended its Credit Agreement with respect to its revolving bank loans and term loan to extend their maturity date to the earlier of (i) July 1, 2021 and (ii) July 31, 2019 if the convertible debentures had not been repaid or refinanced, in cash or in shares of the Company, by that date. As the convertible debentures were repaid on July 22, 2019, the maturity date of the revolving bank loans and term loan was extended to July 1, 2021. On September 30, 2019, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and term loan to modify the covenants in order to facilitate their compliance.

Following the March 8, 2019 amendment, the principal repayments of the term loan are as follows:

(i) – 4 quarterly instalments of $3,750 starting in April 2019 to the extent the maturity date has not yet occurred;
– quarterly instalments of $5,000 starting in April 2020 to the extent the maturity date has not yet occurred; and
– any remaining outstanding amount on the maturity date;

(ii) 50% of the quarterly Excess Cash Flow (1) to be applied as principal repayment for any quarter where the indebtedness to adjusted EBITDA ratio is more than 3.0x at the end of any quarter or 25% of the quarterly Excess Cash Flow (1) to be applied as principal repayment for any quarter where the indebtedness to adjusted EBITDA ratio is equal to or greater than 2.5x and less than or equal to 3.0x at the end of any quarter; and

(iii) an amount equal to the aggregate amount of the indebtedness to refinance and repay the convertible debentures which would be in excess of $150,000 payable no later than the business day following that on which such financing occurs. On July 22, 2019, the Company redeemed its convertible debentures.

(1) Excess Cash Flow is defined as the quarterly adjusted EBITDA less income taxes paid, net paid additions to property, plant and equipment and intangible assets, interest paid, scheduled repayments of long-term debt and acquisition-related costs paid plus or minus the net changes in balances related to operations.

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. $7,700 was repaid on April 5, 2019 related to the December 30, 2018 Excess Cash Flow calculation. As at September 30, 2019, the required instalment as a result of the Excess Cash Flow calculation amounts to $15,800 and has been presented within the current portion of long-term debt.

The total financing costs related to the Credit Agreement amendments amounted to approximately $1,512, of which $1,038 was allocated to the revolving bank loans and $474 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.

10. Long-term debt, bank indebtedness and capital management (continued)

a) Long-term debt and bank indebtedness (continued)

Revolving bank loans and term loan (continued)

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.

For the nine months ended September 30, 2019, the average interest rate on the Company's long-term debt was 6.2% (2018 – 5.0%).

Financial covenants

The availability of the funds under the revolving bank loans, including the accordion feature, and the $50,000 tranche under the senior unsecured notes are dependent on the Company continuing to meet the financial covenants under its credit agreements. 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. During the first and third quarters of 2019, certain of the Company's borrowing covenant requirements with respect to its revolving bank loans and term loan were amended. As at September 30, 2019, the Company was compliant with all its amended borrowing covenant requirements and the senior unsecured notes, revolving bank loans and term loan were not due on demand on September 30, 2019. Assessing the Company's future compliance with covenants requires judgment, as disclosed in Note 4 b) Use of Estimates and Judgments in the consolidated annual financial statements. The Company does not expect a liquidity problem in the foreseeable future, however no assurance can be provided.

Bank indebtedness

As at September 30, 2019, certain of the Company's bank lines of credit amounting to $12,086 are secured by trade accounts receivable representing a carrying value of $4,835.

b) Capital management

During the three months ended March 31, 2019, the Company revised its definition of indebtedness and adjusted EBITDA in its indebtedness to adjusted EBITDA ratio in order to align management monitoring of its capital structure with the financial ratios calculation under the covenants of its long-term debt. The revision consists mainly of removing the effect of leases (IFRS 16) from indebtedness and adjusted EBITDA and to include the convertible debentures in indebtedness. The ratio must be kept below a certain threshold so as not to be in breach of its debt agreements.

Indebtedness

Indebtedness is equal to the aggregate of bank indebtedness, face value of long-term debt (excluding leases), guarantees (including all letters of credit and standby letters of credit) and written put option liabilities based on current earnings level less cash and cash equivalents up to a maximum amount of $25,000 subject to certain conditions. For the purpose of the calculation of the ratio indebtedness / adjusted EBITDA, the written put option liabilities are based on current earnings level as opposed to the fair value, which is a function of earnings levels in future periods, and is reflected in the consolidated financial statements.

Adjusted EBITDA

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

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, 2019		December 30, 2018 (1)	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Long-term debt – bearing interest at fixed rates	$ 127,454	$ 132,093	$ 124,080	$ 123,702

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

During the three months ended March 31, 2019, the Company entered into a new interest rate swap agreement to replace the agreements that had matured on March 26, 2019 as it has decided to continue to use interest rate swap agreements to lock-in a portion of its debt cost and reduce its exposure to the variability of interest rates by exchanging variable rate payments for fixed rate payments. The Company has designated its interest rate swaps as cash flow hedges for which it uses hedge accounting.

The maturity analysis associated with the interest rate swap agreement used to manage interest risk associated with long-term debt is as follows:

	September 30, 2019			
	Fixed rate	**Notional amount**	**Maturity**	**Carrying amount**
Interest rate swap agreement	2.32%	$ 50,000	April 9, 2024	$ (2,072)

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 when 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 these assets and liabilities are not significant as at September 30, 2019.

11. Financial instruments (continued)

Fair value measurement (continued)

The fair value of the foreign exchange contracts is measured using level 2 inputs in the fair value hierarchy and a generally accepted valuation technique which is the discounted value of the difference between the contract's value at maturity based on the foreign exchange rate set out in the contract and the contract's value at maturity based on the foreign exchange rate that the counterparty would use if it were to renegotiate the same contract at today's date under the same conditions. The Company's or the counterparty's credit risk is also taken into consideration in determining fair value.

The fair value of interest rate swaps is measured using level 2 inputs in the fair value hierarchy and a generally accepted valuation technique which is the discounted value of the difference between the value of the swap based on variable interest rates (estimated using the yield curve for anticipated interest rates) and the value of the swap based on the swap's fixed interest rate. The counterparty's credit risk is also taken into consideration in determining fair value.

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

Changes in fair value of Level 3 financial instruments were as follows, for the nine months ended September 30, 2019 and the year ended December 30, 2018:

Written Put Option Liabilities	September 30, 2019	December 30, 2018
Balance, beginning of the period	$ 12,002	$ 23,464
Remeasurement of the fair value [unrealized] (1)	(418)	(11,462)
Increase due to capital injection done by the non-controlling interest	442	–
Balance, end of period	$ 12,026	$ 12,002

(1) The assumptions used to fair value the written put option liabilities for the nine months ended September 30, 2019 remained the same as the ones used for the year ended December 30, 2018.

11. Financial instruments (continued)

Management of risks arising from financial instruments: credit risk

On March 15, 2018, Toys“R”Us, one of the Company’s customers, announced that it had filed a motion seeking Bankruptcy Court approval to begin the process of conducting an orderly wind-down of its U.S. business and liquidation of inventory in all of its U.S. stores. In August 2018, the Bankruptcy Court approved the Toys“R”Us settlement agreement with its creditors and lenders. As part of the settlement agreement reached, the Company received approximately 22 cents on the dollar. Considering these events, the Company had determined that trade accounts receivable from this customer was at risk of collection. Accordingly, the Company recorded an impairment loss of $12,481 for the three months ended March 31, 2018 with respect to these trade accounts receivable from Toys“R”Us U.S., within impairment loss on trade and other receivables in its condensed consolidated interim income statement. Of the $12,481, $2,116 was within Dorel Home segment, $3,798 was within Dorel Juvenile segment and $6,567 was within Dorel Sports segment. These amounts represented management’s best estimate of potential losses arising from non-payment based on information available at that time. As at September 30, 2019 and December 30, 2018, $4,601 was received under the settlement agreement and in total, the Company had a remaining balance of trade accounts receivable from Toys“R”Us U.S. amounting to $260 (net of impairment loss allowance).

12. Share capital

Details of the issued and outstanding shares are as follows:

	Nine Months Ended September 30, 2019		Year Ended December 30, 2018	
	Number	**Amount**	**Number**	**Amount**
Class “A” Multiple Voting Shares				
Balance, beginning of period	4,188,775	$ 1,767	4,189,835	$ 1,768
Converted from Class “A” to Class “B” (1)	(300)	–	(1,060)	(1)
Balance, end of period	4,188,475	$ 1,767	4,188,775	$ 1,767
Class “B” Subordinate Voting Shares				
Balance, beginning of period	28,250,414	$ 201,546	28,248,611	$ 201,532
Converted from Class “A” to Class “B” (1)	300	–	1,060	1
Reclassification from contributed surplus due to settlement of deferred share units (Note 13)	19,813	448	743	13
Balance, end of period	28,270,527	$ 201,994	28,250,414	$ 201,546
TOTAL SHARE CAPITAL		$ 203,761		$ 203,313

(1) During the nine months ended September 30, 2019, the Company converted 300 Class “A” Multiple Voting Shares into Class “B” Subordinate Voting Shares (year ended December 30, 2018 – 1,060) at an average rate of $0.63 per share (year ended December 30, 2018 – $0.63 per share).

Dividends on common shares

On March 14, 2019, the Company announced that it had adjusted its quarterly dividend from the prior $0.30 a share to $0.15 a share for the current year. During the first and second quarters of 2019, a quarterly dividend of $0.15 per share (first, second and third quarters of 2018 – $0.30 per share) was declared by the Board of Directors. On September 30, 2019, the Board of Directors suspended the declaration of dividends. The dividend declared on August 2, 2019 was not affected and was paid on October 2, 2019. Accordingly, as at September 30, 2019, dividends payable on common shares amounting to $4,867 are included within trade and other payables (December 30, 2018 – nil).

13. Share-based payments

Directors' Deferred Share Unit Plan

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

The changes in outstanding number of DSUs are as follows:

	Nine Months Ended September 30, 2019	Year Ended December 30, 2018
DSUs outstanding, beginning of period	155,701	137,849
Issued for fees forfeited	26,236	8,574
Issued for dividend equivalents	8,284	9,278
DSUs outstanding, end of period	190,221	155,701

The employee benefits expense included in general and administrative expenses for fees forfeited for the third quarter and nine months ended September 30, 2019 amounts to $93 and $198, respectively (2018 – $49 and $87, respectively) and was credited to contributed surplus. In addition, DSUs issued for dividend equivalents for the third quarter and nine months ended September 30, 2019 amount to $19 and $67, respectively (2018 – $43 and $126, respectively) which were charged to retained earnings and credited to contributed surplus. As at September 30, 2019, there were 190,221 DSUs outstanding with related contributed surplus amounting to $4,678.

Executive Deferred Share Unit Plan

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

The changes in outstanding number of DSUs are as follows:

	Nine Months Ended September 30, 2019	Year Ended December 30, 2018
DSUs outstanding, beginning of period	178,743	140,885
Issued for salaries and bonus paid	59,071	22,768
Discretionary DSUs granted	–	22,610
Issued for dividend equivalents	12,365	11,639
Performance adjustment	5,368	(18,254)
Forfeited	(9,604)	–
Settlement of deferred share units (1)	(22,445)	(905)
DSUs outstanding, end of period	223,498	178,743
Total vested, end of period	206,115	157,950

(1) During the nine months ended September 30, 2019, 22,445 DSUs (year ended December 30, 2018 – 905 DSUs) were settled for which $505 was debited to contributed surplus (year ended December 30, 2018 – $20) and $448 credited to share capital (year ended December 30, 2018 – $13); the difference representing the withholding taxes the Company was required by law to withhold upon settlement.

13. Share-based payments (continued)

Executive Deferred Share Unit Plan (continued)

The employee benefits expense included in general and administrative expenses for salaries and bonus paid and for discretionary DSUs for the third quarter and nine months ended September 30, 2019 amounts to a recovery of $34 and an expense of $432, respectively (2018 – recovery of $3 and an expense of $518, respectively) and was credited to contributed surplus. In addition, DSUs issued for dividend equivalents for the third quarter and nine months ended September 30, 2019 amount to $33 and $97, respectively (2018 – $58 and $153, respectively) which were charged to retained earnings and credited to contributed surplus. As at September 30, 2019, there were 223,498 DSUs outstanding with related contributed surplus amounting to $4,075.

Long-term incentive plans (cash-settled)

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

- A restricted share unit (RSUs) plan that entitles them to a cash payment equal to the number of the Company's Class "B" Subordinate Voting Shares underlying the vested RSUs multiplied by the weighted average trading price during the five trading days immediately preceding the vesting date. The RSUs granted vest in whole after three years from the date of the issuance of the grant. The RSUs vest based on service conditions and are not subject to performance conditions. A plan participant may also receive dividend equivalents paid in the form of RSUs. There were 167,177 RSUs outstanding as at September 30, 2019 (December 30, 2018 – 172,151).
- A share appreciation rights (SARs) plan that entitles them to a cash payment based on the increase in the share price of the Company's Class "B" Subordinate Voting Shares from the grant date to the settlement date. The SARs vest based on service conditions and are not subject to performance conditions. There were 767,032 SARs outstanding as at September 30, 2019 (December 30, 2018 – 799,191).
- A performance share unit (PSUs) plan that entitles them to a cash payment. The PSUs vest based on non-market performance conditions. The number of PSUs that can vest can be up to 1.5 times the actual number of PSUs awarded if exceptional financial performance is achieved. A plan participant may also receive dividend equivalents paid in the form of PSUs. There were 87,618 PSUs outstanding as at September 30, 2019 (December 30, 2018 – 225,386).

The employee benefits expense included in general and administrative expenses for these plans for the third quarter and nine months ended September 30, 2019 amounts to a recovery of $275 and $630, respectively (2018 – expense of $581 and recovery of $77, respectively) for which recognized amounts as at September 30, 2019 of $553 (December 30, 2018 – $376) are included in trade and other payables and $537 (December 30, 2018 – $1,586) in other long-term liabilities.

14. Earnings (loss) per share

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

	Third Quarters Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Weighted daily average number of Class "A" Multiple and Class "B" Subordinate Voting Shares	32,444,656	32,438,503	32,442,592	32,438,465
Dilutive effect of deferred share units	–	300,327	–	–
Weighted average number of diluted shares	32,444,656	32,738,830	32,442,592	32,438,465
Number of anti-dilutive stock options and deferred share units excluded from fully diluted earnings (loss) per share calculation	393,336	–	393,336	303,553

As at September 30, 2018, convertible debentures were excluded from the calculation of diluted earnings (loss) per share as these debentures were deemed to be anti-dilutive. On July 22, 2019, the Company redeemed its convertible debentures.

15. Finance expenses and other information

a) Finance expenses

Finance expenses consist of the following:

	Third Quarters Ended September 30,		Nine Months Ended September 30,	
	2019	2018 (1)	2019	2018 (1)
Interest on lease liabilities (Note 8)	$ 1,989	$ –	$ 5,960	$ –
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	8,876	6,619	23,963	19,315
Amortization of deferred financing costs	380	264	960	798
Loss on revision of estimated payments related to convertible debentures (Note 10)	–	–	670	–
Other interest	1,552	1,371	4,312	3,911
	$ 12,797	$ 8,254	$ 35,865	$ 24,024

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

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

	Third Quarters Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Included in cost of sales:				
Cost of inventories recognized as an expense	$ 492,945	$ 491,217	$ 1,420,867	$ 1,394,564
Write-downs of inventories as a result of net realizable value being lower than cost (including amounts presented in Note 5)	$ 2,130	$ 1,969	$ 6,475	$ 5,404
Reversal of inventory write-downs recognized in previous years	$ (1,602)	$ (449)	$ (3,447)	$ (3,316)

c) Net pension and post-retirement defined benefit liabilities

During the third quarter of 2019, the Company amended its post-retirement benefits plan as part of the collective agreement renegotiation process related to its unionized employees under the plan. As a result of the plan amendment, a curtailment gain related to past service costs of $2,351 was recorded during the third quarter of 2019, which was included within cost of sales. In addition, during the third quarter of 2019, actuarial net losses arising from changes in financial assumptions and from experience adjustments were recognized in other comprehensive income for $381 in connection with the post-retirement defined benefit obligations.

15. Finance expenses and other information (continued)

d) Income taxes

The effective tax rates for the third quarter and nine months ended September 30, 2019 were (130.4)% and 1,640.7%, respectively (2018 – 28.2% and 90.4%, respectively). Considering the significant impairment losses recorded during the fourth quarter of 2018, the Company was unable to recognize certain tax benefits related to tax losses and temporary differences, which resulted in an increase in the effective tax rates for both periods compared to prior year. The balance of the variation is due to changes in the jurisdictions in which the Company generated its income.

16. Supplemental cash flow information

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

	September 30, 2019	September 30, 2018 (1)
Acquisition of property, plant and equipment financed by trade and other payables	$ 2,622	$ 2,416
Acquisition of property, plant and equipment financed by obligations under finance leases	$ –	$ 478
Acquisition of intangible assets financed by trade and other payables	$ 1,041	$ 278

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

Net changes in balances related to operations are as follows:

	Third Quarters Ended September 30, 2019	Third Quarters Ended September 30, 2018 (1)	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018 (1)
Trade and other receivables	$ 14,805	$ (30,944)	$ 6,857	$ (9,564)
Inventories	(14,765)	(3,157)	(91,420)	(19,619)
Other financial assets	48	72	107	–
Prepaid expenses	(597)	3,341	(3,618)	(1,160)
Other assets	509	6	(4,867)	(1,529)
Trade and other payables	22,587	39,905	59,772	50,592
Net pension and post-retirement defined benefit liabilities	(496)	(225)	(3,475)	(2,885)
Provisions, other financial liabilities and other liabilities	5,385	(2,560)	17,246	4,542
	$ 27,476	$ 6,438	$ (19,398)	$ 20,377

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

16. Supplemental cash flow information (continued)

Details of business acquisitions:

	Third Quarters Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Acquisition of a business (Note 7)	$ (8,578)	$ –	$ (8,578)	$ –
Balance of sale payable	8,540*	–	8,540*	–
Accreted interest related to balance of sale payable	(124)	–	(124)	–
Total	$ (162)	$ –	$ (162)	$ –

* net of the remaining balance of sale paid in the third quarter of 2019 of $162 related to the Alphason business acquisition in the fourth quarter of 2018.

The components of cash and cash equivalents are:

	September 30, 2019	December 30, 2018
Cash	$ 27,708	$ 37,798
Short-term investments	1,247	1,474
Cash and cash equivalents	$ 28,955	$ 39,272

17. Segmented information

Reporting Segments

	Third Quarters Ended September 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018 (1)	2019	2018 (1)	2019	2018 (1)	2019	2018 (1)
Total revenue	$ 685,669	$ 670,437	$ 212,467	$ 221,627	$ 222,925	$ 229,690	$ 250,277	$ 219,120
Cost of sales (Note 5)	550,179	531,603	180,091	186,783	166,706	171,844	203,382	172,976
Gross profit	135,490	138,834	32,376	34,844	56,219	57,846	46,895	46,144
Selling expenses	57,155	59,000	6,795	6,440	26,789	29,726	23,571	22,834
General and administrative expenses	41,230	41,684	7,460	7,783	18,079	19,055	15,691	14,846
Research and development expenses	9,672	9,276	1,184	1,115	7,137	6,987	1,351	1,174
Impairment loss (reversal) on trade and other receivables	3,449	246	1,272	2	1,622	403	555	(159)
Restructuring and other costs (Note 5)	6,925	1,093	–	–	7,155	637	(230)	456
Operating profit (loss)	17,059	27,535	$ 15,665	$ 19,504	$ (4,563)	$ 1,038	$ 5,957	$ 6,993
Finance expenses	12,797	8,254						
Corporate expenses	6,144	5,924						
Income taxes expense	2,455	3,763						
Net income (loss)	$ (4,337)	$ 9,594						
Depreciation and amortization included in operating profit (loss)	$ 23,911	$ 12,506	$ 4,256	$ 1,097	$ 15,463	$ 9,184	$ 4,192	$ 2,225

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

17. Segmented information (continued)

Reporting Segments (continued)

	Nine Months Ended September 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018 (1)	2019	2018 (1)	2019	2018 (1)	2019	2018 (1)
Total revenue	$ 1,981,211	$ 1,935,967	$ 630,679	$ 595,185	$ 674,682	$ 690,462	$ 675,850	$ 650,320
Cost of sales (Note 5)	1,578,279	1,514,222	539,110	495,796	499,244	507,727	539,925	510,699
Gross profit	402,932	421,745	91,569	99,389	175,438	182,735	135,925	139,621
Selling expenses	165,914	176,289	20,080	19,263	81,076	89,106	64,758	67,920
General and administrative expenses	124,695	130,066	22,251	22,147	56,083	60,412	46,361	47,507
Research and development expenses	28,821	27,337	3,626	3,248	21,145	20,108	4,050	3,981
Impairment loss on trade and other receivables (Note 11)	3,901	13,407	1,423	2,054	2,045	4,186	433	7,167
Restructuring and other costs (Note 5)	24,180	13,593	–	–	24,410	3,484	(230)	10,109
Impairment loss on intangible assets (Note 9)	–	24,193	–	–	–	24,193	–	–
Operating profit (loss)	55,421	36,860	$ 44,189	$ 52,677	$ (9,321)	$ (18,754)	$ 20,553	$ 2,937
Finance expenses	35,865	24,024						
Corporate expenses	18,919	17,451						
Income taxes expense (recovery)	10,451	(4,170)						
Net loss	$ (9,814)	$ (445)						
Depreciation and amortization included in operating profit (loss)	$ 70,377	$ 36,198	$ 11,999	$ 3,200	$ 45,694	$ 26,467	$ 12,684	$ 6,531

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

17. Segmented information (continued)

Disaggregation of Total Revenue

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

	Third Quarters Ended September 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018	2019	2018	2019	2018	2019	2018
Geographic area								
Canada	$ 42,645	$ 52,327	$ 31,265	$ 41,960	$ 6,308	$ 6,514	$ 5,072	$ 3,853
United States	414,342	395,540	177,400	173,532	84,463	79,603	152,479	142,405
Europe	127,259	125,048	1,333	42	67,720	79,002	58,206	46,004
Latin America	69,055	59,177	–	–	39,923	36,516	29,132	22,661
Asia	20,608	20,656	–	37	15,220	16,440	5,388	4,179
Other countries	11,760	17,689	2,469	6,056	9,291	11,615	–	18
Total	$ 685,669	$ 670,437	$ 212,467	$ 221,627	$ 222,925	$ 229,690	$ 250,277	$ 219,120
Channels of distribution								
Brick and mortar retailers	$ 475,135	$ 463,478	$ 88,993	$ 95,861	$ 156,890	$ 165,800	$ 229,252	$ 201,817
Internet retailers	201,614	196,069	123,463	124,967	57,303	54,063	20,848	17,039
Other	8,920	10,890	11	799	8,732	9,827	177	264
Total	$ 685,669	$ 670,437	$ 212,467	$ 221,627	$ 222,925	$ 229,690	$ 250,277	$ 219,120

	Nine Months Ended September 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018	2019	2018	2019	2018	2019	2018
Geographic area								
Canada	$ 142,858	$ 157,462	$ 96,775	$ 112,171	$ 20,156	$ 20,849	$ 25,927	$ 24,442
United States	1,193,987	1,120,918	520,930	466,259	254,716	242,288	418,341	412,371
Europe	375,796	382,400	3,987	123	221,059	242,792	150,750	139,485
Latin America	177,642	166,426	–	–	108,623	104,567	69,019	61,859
Asia	54,939	59,441	–	61	43,126	47,235	11,813	12,145
Other countries	35,989	49,320	8,987	16,571	27,002	32,731	–	18
Total	$ 1,981,211	$ 1,935,967	$ 630,679	$ 595,185	$ 674,682	$ 690,462	$ 675,850	$ 650,320
Channels of distribution								
Brick and mortar retailers	$ 1,368,100	$ 1,389,803	$ 270,818	$ 280,446	$ 486,877	$ 507,728	$ 610,405	$ 601,629
Internet retailers	582,733	514,700	359,750	313,202	160,753	153,590	62,230	47,908
Other	30,378	31,464	111	1,537	27,052	29,144	3,215	783
Total	$ 1,981,211	$ 1,935,967	$ 630,679	$ 595,185	$ 674,682	$ 690,462	$ 675,850	$ 650,320

17. Segmented information (continued)

Goodwill

The continuity of goodwill by reporting segment is as follows:

a) Gross amount

	Total	Dorel Home	Dorel Juvenile	Dorel Sports
Balance as at December 30, 2017	$ 601,451	$ 31,172	$ 375,075	$ 195,204
Addition	1,281	1,281	–	–
Disposal (1)	(9,237)	–	–	(9,237)
Effect of foreign currency exchange rate changes	(15,119)	(38)	(11,287)	(3,794)
Balance as at December 30, 2018	$ 578,376	$ 32,415	$ 363,788	$ 182,173
Addition (Note 7)	8,578	8,578	–	–
Effect of foreign currency exchange rate changes	(11,323)	(44)	(9,777)	(1,502)
Balance as at September 30, 2019	$ 575,631	$ 40,949	$ 354,011	$ 180,671

b) Accumulated impairment losses

	Total	Dorel Home	Dorel Juvenile	Dorel Sports
Balance as at December 30, 2017	$ 163,379	$ –	$ 102,996	$ 60,383
Disposal (1)	(9,237)	–	–	(9,237)
Impairment loss	353,634	–	218,813	134,821
Effect of foreign currency exchange rate changes	(5,816)	–	(2,022)	(3,794)
Balance as at December 30, 2018	$ 501,960	$ –	$ 319,787	$ 182,173
Effect of foreign currency exchange rate changes	(9,961)	–	(8,459)	(1,502)
Balance as at September 30, 2019	$ 491,999	$ –	$ 311,328	$ 180,671

c) Net book value

	Total	Dorel Home	Dorel Juvenile	Dorel Sports
Balance as at December 30, 2018	$ 76,416	$ 32,415	$ 44,001	$ –
Balance as at September 30, 2019	$ 83,632	$ 40,949	$ 42,683	$ –

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