# 2021 ANNUAL REPORT

TSX: DII.B, DII.A

# Message to Shareholders

Dear Fellow Shareholder,

A major achievement of 2021 was the sale of Dorel Sports to Pons Holdings B.V., a Dutch mobility group, for US$810 million, enabling us to reward shareholders in a meaningful way. We disbursed US$390 million from the net proceeds through a one-time special dividend of US$12.00. The timing of the sale was excellent, and we monetized the segment at a very attractive price. Dorel's bicycle business grew significantly during the prolonged COVID-19 shut-down when many were looking for a safe way to stay fit outdoors. A further benefit of the sale was the ability to reduce the Company's indebtedness. Our balance sheet is now strong again. At the same time, we announced a normal course issuer bid to repurchase up to 10% of our Class B Shares. Share buy-backs are popular to protect and enhance shareholder value and Dorel's Board of Directors firmly supports this strategy.

Dorel Home and Dorel Juvenile have considerable potential. We are building for the future with several initiatives to grow the businesses. Investments in equipment at Ameriwood's ready-to assemble (RTA) furniture plants in Tiffin, Ohio and Cornwall, Ontario will increase domestic production and improve margins through 2022 and beyond. At Dorel Home Products' Montreal factory, new machinery will permit expansion into domestic production of coiled spring mattresses. This will allow selected production to be moved from Asia into the segment's various domestic facilities.

Last November, Dorel Home acquired Notio Living. Headquartered in Denmark, Notio has been sourcing and manufacturing furniture for over 25 years. The combination of Dorel Home's existing strong product portfolio and brands with Notio's distribution capabilities in mainland Europe is expected to significantly augment Dorel Home's European business. It is also reinforcing its overall market position with additional name brand products that carry higher margins.

Dorel Juvenile is among the leaders in all of its markets. A plan is underway to simplify the organization and to more rapidly introduce a broader product line. This led to the divestiture of the two China factories last year permitting the segment to focus on domestic production combined with a diverse supplier base in Asia. While the U.S. and other markets recovered well through 2021 post the Covid peak, Europe continued to suffer from stock shortages created by supply chain bottlenecks. Several initiatives, including management changes, have been implemented with a new, aggressive go-to market strategy.

In the U.S., Juvenile has benefited from consistent robust consumer demand. Their domestic manufacturing footprint at the 1.2 million square foot Columbus, Indiana factory is a strong competitive advantage. Performance in Chile was considerably better last year, driven by full store openings and government aid which stimulated consumption.

Earnings visibility remains uncertain going forward due primarily to supply chain and other macro-economic issues. However, our improved financial position will let us navigate current challenges and solidify our businesses to maximize opportunities in the longer term. When the storm dissipates, we will be in good shape to move quickly.

The pandemic has been tough on everyone. On behalf of senior management, I sincerely thank our employees worldwide for their consistent efforts to keep things moving forward. I am grateful to our Board of Directors for their guidance and expertise. Special thanks to long-time Board member Dian Cohen who has stepped down after many years of valuable service to Dorel. I also thank our suppliers and customers for their continued commitment to Dorel. We are pleased that our shareholders were meaningfully rewarded and thank them for their belief in Dorel.

I invite you to read our sustainability initiatives that follow.

**Martin Schwartz**
President & Chief Operating Officer

# Sustainability Initiatives

At Dorel we have found that our focus on sustainability produces a win-win result, in that the majority of measures taken to protect the environment and conserve energy work in tandem with the overall goal of increasing shareholder value. Accordingly, our commitment to sustainability represents an important component of our corporate strategy and our efforts in this regard are regularly reviewed. In addition, the Company has a Code of Conduct to which all suppliers must adhere. Our programs include:

**Recycling and Energy Management**
Standard practices include the recycling of packaging materials such as shrink wrap, cardboard, plastics. Increasingly, corrugated cardboard is replacing the use of styrofoam. High volume scanners in many offices considerably reduce paper usage. Energy management systems include use of energy efficient lighting, controls for intensity levels and motion detectors to turn off lights in unoccupied offices and other facilities.

**Going Green**
Dorel has developed programs to encourage its employees to use bicycles, carpools and mass transit to commute to and from work. The addition of hybrid working schedules allows employees to work remotely certain days per week, further reducing the carbon footprint. The use of Electric or Hybrid cars is also encouraged by offering charging stations for use by employees at certain locations.

**Creating a Healthy Lifestyle**
The link between employee wellbeing and overall corporate success is well-documented. Accordingly, Dorel pursues several pro-active initiatives to create an environment where employees can continuously monitor their health and make adjustments to become healthier.

**Built-in Sustainability**
The product development process at Dorel anticipates and forestalls environmental impact. **Dorel Juvenile Europe**'s research and development center is progressively implementing new and alternative materials in products to lower their environmental impact, while training programs on ECO-design methods have been intensified to increase the competence of the center's R&D specialists. **Dorel Juvenile USA** is increasing the use of recycled plastics in its new product initiatives.

Some initiatives include:

- Launched by **Dorel Juvenile Europe** in Q1 2022, the Mica Pro Eco car seat is Maxi-Cosi's benchmark in safety and comfort, and features an innovative new material called Eco Care, which is 100% recycled fabric made from plastic (PET) bottles. Built to the highest i-Size safety standards, the Mica Pro Eco combines best-in-class comfort with future-focused fabrics, to create the first sustainable car seat of its kind.
- In 2021 PureCosi™ was introduced, a new car seat fabric line for Maxi-Cosi that meets flammability standards without the use of added fire-retardant chemicals. This helps protect babies from toxins while reducing the accumulation of toxic PBDEs and PFAs in the environment.
- In partnership with Landcare Australia, **Dorel Juvenile Australia** plants a native seedling for every product sold.
- **Dorel Juvenile USA** launched on April 22nd, 2018 Earth Day the Safety 1st RIVA Travel System which is the only recycled resin stroller frame made in the U.S.
- **Dorel Juvenile USA**'s 1.2 million square foot Columbus, Indiana car seat plant is a zero-landfill facility that recycles over 99% of its plastic manufacturing waste and other materials. The installation of cooling tower systems (for plastic pressers and air compressors) has also reduced water usage by over 97% or 1.5 million gallons of water per day.
- At **Dorel Juvenile USA** and **Cosco Home and Office Products**, on-site Health and Wellness Centers provide employees rapid access to a range of services. Additionally, Dorel conducts the American Lung Association's "Freedom From Smoking" program, which produces excellent results and should lead to reduced healthcare costs over the long-term.
- **Dorel Home Products** (DHP) holds formal periodic reviews of its policies through an outside firm to chart progress in reducing its carbon footprint. DHP's plant precludes the use of chemicals or the possibility of water contamination in the processing function; its Recycle/Shred initiative significantly reduces landfill use. The facility is FSC (Forest Stewardship Council) certified and audited by QMI (Quality Management Institute). Approximately 25% of its fleet of forklifts have been converted from propane to electric. This will be extended to other divisions as well. The 2021 investments in new equipment at **Dorel Home** facilities in North America include more energy efficient machinery.

# MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED DECEMBER 30, 2021 AND 2020

DOREL INDUSTRIES INC.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis of financial conditions and results of operations ("MD&A") should be read in conjunction with the consolidated financial statements for Dorel Industries Inc. ("Dorel" or "the Company") as at and for the years ended December 30, 2021 and 2020 ("the consolidated financial statements"), as well as with the notes to the consolidated financial statements. All financial information contained in this MD&A and in the Company's consolidated financial statements are in US dollars, unless indicated otherwise, and have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"), using the US dollar as the reporting currency.

The audited annual consolidated financial statements and this MD&A were reviewed by the Company's Audit Committee and were approved and authorized for issuance by its Board of Directors. This MD&A is current as at March 10, 2022.

Forward-looking statements are included in this MD&A. See the "Caution Regarding Forward-Looking Information" section included at the end of this MD&A for a discussion of risks, uncertainties and assumptions relating to these statements. For a description of the risks relating to the Company, see the "Market Risks and Uncertainties" section of this MD&A. Further information on Dorel's public disclosures, including the Company's Annual Information Form ("AIF"), are to be available within the prescribed filing deadlines online at **www.sedar.com** and Dorel's website at **www.dorel.com**.

Note: All tabular figures are in thousands of US dollars except per share amounts or otherwise specified. Certain totals, subtotals and percentages may not agree due to rounding.

## 1. CORPORATE OVERVIEW

Dorel's head office is based in Westmount, Québec, Canada. Established in 1962, the Company operates in twenty-two countries with sales made throughout the world and employs approximately 4,200 people. Dorel's goal is to produce innovative, quality products and satisfy consumer needs while achieving maximum financial results for its shareholders. It operates in two distinct reporting segments: Dorel Home and Dorel Juvenile. The Company's growth over the years has resulted from both increasing sales of existing businesses and by acquiring businesses.

### *a) Strategy*

Dorel is a global organization, operating two distinct businesses in home products and juvenile products. Dorel's strength lies in the diversity, innovation, and quality of its products as well as the superiority of its brands. Dorel Home, with its comprehensive e-commerce platform, markets a wide assortment of domestically produced and imported furniture. Dorel Juvenile's powerfully branded products include global brands Maxi-Cosi, Safety 1st and Tiny Love, complemented by regional brands such as Bébé Confort, Cosco, Mother's Choice and Infanti.

Within each of the two segments, there are several operating divisions or subsidiaries. Each segment has its own President & CEO and is operated independently by a separate group of managers. Senior management of the Company coordinates the businesses of both segments and maximizes cross-selling, cross-marketing, procurement, and other complementary business opportunities.

Dorel's channels of distribution vary by segment, but overall, its largest customers are major retail chains and Internet retailers. The retail chains include mass merchant discount chains, department stores, club format outlets and hardware/home centers while the Internet retailers consist of both mass merchant sites such as Walmart.com and pure Internet retailers such as Amazon. Within Dorel Juvenile, sales are also made to independent boutiques and juvenile

specialty stores. Dorel also owns and operates approximately 88 retail stores in Chile and Peru, as well as factory outlet retail locations in Europe.

Dorel conducts its business through a variety of sales and distribution arrangements. These consist of salaried employees; individual agents who carry the Company's products on either an exclusive or non-exclusive basis; individual specialized agents who sell products, including Dorel's, exclusively to one customer such as a major discount chain; and sales agencies which employ their own sales forces.

Both segments market, advertise and promote their products through the use of advertisements online, via social media and on Company-owned websites, in specific magazines, multi-product brochures, and other media outlets. The Company's major retail customers also advertise Dorel's products, principally through circulars and brochures.

Dorel believes that its commitment to providing a high quality, industry-leading level of service has allowed it to develop successful and mutually beneficial relationships with major retailers. A high level of customer satisfaction has been achieved by fostering particularly close contacts between Dorel's sales representatives and clients. Permanent full-service agency account teams have been established in close proximity to certain major accounts. These dedicated account teams provide such customers with the assurance that inventory and supply requirements will be met and that issues will be immediately addressed.

Dorel is a designer and manufacturer of a wide range of products, as well as an importer of finished goods, the majority of the latter from overseas suppliers. As such, the Company relies on its suppliers for both finished goods and raw materials and has always prided itself on establishing successful long-term relationships both domestically and overseas. The Company has established a workforce in mainland China whose role is to ensure the highest standard of quality of its products and to ensure that the flow of product is not interrupted.

In addition to its solid supply chain, quality products and dedicated customer service, recognized consumer brands are an important element of Dorel's strategy. As examples, Safety 1st is a highly regarded Dorel brand in the North American juvenile products market. Throughout Europe, the Maxi-Cosi brand has become synonymous with quality car seats. In most of Dorel's Latin American markets, Infanti is a leading brand in Dorel Juvenile for lower to medium priced products.

These brands, and the fact that Dorel has a wide range of other brand names, allow for product and price differentiation within the same product categories. Product development is a significant element of Dorel's past and future growth. Dorel has invested heavily in this area, focusing on innovation, quality, safety, and speed to market with several design and product development centers.

### ***b) Operating Segments***

### Dorel Home

Dorel Home participates in the approximately $105.0 billion North American furniture and mattress industry. Dorel ranks in the top five of North American furniture manufacturers and marketers and has a strong foothold in both North American manufacturing and importation of furniture, with a significant portion of its supply coming from its own manufacturing facilities with the balance through sourcing efforts in Asia. Dorel also ranks number two as manufacturer of Ready-to-Assemble ("RTA") furniture in North America. Products are distributed from Dorel's North American manufacturing locations as well as from several distribution facilities. In 2021, the Dorel Home segment accounted for 52% of Dorel's revenue.

Dorel Home consists of five operating divisions. Ameriwood Home ("Ameriwood"), Cosco Home & Office ("Cosco"), DHP Furniture ("DHP"), Dorel Home Europe and the recently acquired Notio Living. Ameriwood Home specializes in both domestically manufactured and import RTA furniture and is headquartered in Wright City, Missouri. Ameriwood's manufacturing facilities are located in Tiffin, Ohio, and Cornwall, Ontario. Ameriwood designs, manufactures and imports furniture mainly within the home entertainment, bedroom, and home office categories. Cosco is located in Columbus, Indiana. The majority of its sales consist of folding furniture, step stools, hand trucks, specialty ladders and outdoor furniture. DHP is located in Montréal, Québec, and is a leading manufacturer and importer of quality futons, mattresses and bedroom furniture. DHP also imports upholstery, kitchen, nursery, and dining room furniture. DHP was created through the merger of Dorel Home Products and Dorel Living in 2019. Major distribution facilities for all three divisions are located in Quebec, California, Michigan and Georgia. Dorel Home Europe is located in the United Kingdom and designs and distributes a wide selection of furniture for the home and includes the Alphason brand, focusing on the home office audio-visual categories. Purchased in 2021, Notio Living, located in Denmark, has furniture distribution in much of

mainland Europe with a strong sales presence in Germany. Notio distributes primarily thru e-commerce channels an assortment of imported furniture including bedroom, office, upholstered, kitchen, living, and dining room furniture.

Due to overall reduced on-line demand in 2021, along with reduced demand at the big box retailers, Dorel Home's revenue declined by approximately 2% compared to 2020. Dorel Home has significant market share within its product categories and has a strong presence in its customer base. Sales are concentrated with Internet retailers, mass merchants, warehouse clubs, home centers and office and electronic superstores. On-line sales represent a significant portion of Dorel Home revenue and Dorel Home has made many investments in this channel. Dorel Home markets its products under generic retail house brands as well as under a range of branded products including: Ameriwood, Altra, System Build, Ridgewood, DHP, Dorel Fine Furniture, Dorel Living, Signature Sleep, Cosmo Living, Novogratz, Little Seeds, Queer Eye, Cosco and Alphason. Dorel Home's many competitors include Sauder Manufacturing, Southshore Furniture, and Whalen Furniture in the RTA category, Meco in the folding furniture category, Tricam in step stools, Werner in ladders and Zinus in mattresses.

**Dorel Juvenile**

Dorel Juvenile manufactures and distributes products such as infant car seats, strollers, highchairs, playpens, developmental toys and infant health and safety aids. Globally, within its principal categories, Dorel's combined juvenile operations make it one of the leading juvenile products companies in the world. Innovative products and a strong brand portfolio form an integral part of Dorel Juvenile's business strategy.

The Maxi-Cosi, Safety 1st and Tiny Love brands are sold globally in most of Dorel Juvenile's markets. Other brands such as Bébé Confort, Cosco, Mother's Choice and Infanti are strong regional brands and Dorel Juvenile is able to address all price points with its range of brands and products. In addition, sales are made under licensed brands such as Disney, principally in North America. Sales are also made to customers under their own unique house brand names. Dorel Juvenile has divisions in North America, Europe, Latin America, China, Israel, Australia and New Zealand. In total, the segment sells product to over 100 countries around the world. In 2021, the Dorel Juvenile segment accounted for 48% of Dorel's revenues.

Dorel Juvenile U.S.' head office is in Foxboro, Massachusetts where the majority of its products are conceived, designed and developed. Manufacturing and warehousing operations are based in Columbus, Indiana where car seat development is also done at the Company's state-of-the-art Dorel Technical Center for Child Safety. Additional West Coast warehousing is in Ontario, California. Dorel Juvenile Canada is in Toronto, Ontario and sells to customers throughout Canada. The principal brand names sold in North America are Safety 1st, Cosco, Tiny Love and Maxi-Cosi.

In North America, the majority of juvenile sales are to larger retailers such as mass merchants, Internet retailers and department stores, where consumers' priorities are design oriented, with a focus on safety and quality at reasonable prices. Dorel is one of several large juvenile products companies servicing the North American market along with Graco (a part of Newell Brands Inc.), Evenflo Company Inc. (a subsidiary of Goodbaby International Holdings Limited), Uppababy, Chicco and Britax. Dorel Juvenile's premium brands and innovative product designs are a focus for sales of medium to higher price points available on-line, at smaller boutiques and specialty stores. This North American collection, principally under the Maxi-Cosi brand name, also competes with smaller premium product juvenile companies.

Dorel Juvenile Europe's head office is in Helmond, Netherlands where its major product design facilities are located. Sales operations along with manufacturing and assembly facilities are located in the Netherlands and Portugal. In addition, sales and/or distribution subsidiaries are located in France, Italy, Spain, the United Kingdom, Germany and Poland. Europe markets its products primarily under the brand names Maxi-Cosi, Bébé Confort, Safety 1$^{st}$ and Tiny Love.

In Europe, Dorel sells the majority of its products across the mid-level to high-end price points. With Dorel's well-recognized brand names, superior designs and product quality, the majority of European sales are to large European juvenile product retail chains, Internet retailers, independent boutiques and specialty stores. Dorel is one of the leading juvenile products companies in Europe, competing with others such as Britax, Nania (Team-Tex group), Joie Baby, Artsana (Chicco) and Cybex (a subsidiary of Goodbaby International Holdings Limited), as well as several smaller companies.

In Latin America, Dorel Juvenile has operating locations in Brazil, Chile, Peru and Mexico. Dorel Juvenile Brazil, one of the largest juvenile products companies in the country, assembles car seats locally and imports other juvenile products, such as strollers. Brands sold in Brazil include local brands Infanti and Voyage, as well as Dorel's international brands such as Safety 1st, Cosco and Maxi-Cosi. Dorel Juvenile Chile has direct operations in Chile and Peru where it operates

approximately 88 retail locations, the majority under the Infanti banner. With a focus on opening to mid-price points, the principal Dorel brand sold by Dorel Juvenile Chile across multiple product lines is Infanti. It also sells other ranges of juvenile products, including non-Dorel owned brands. In addition, it sells via e-commerce and to local customers and via distributors in Argentina, Bolivia, Colombia, Panama and other Latin American countries.

Dorel Juvenile Australia distributes its products under both global brands and local brand Mother's Choice and serves Australia and New Zealand with sales to both large retailers and specialty stores. The greater East Asian market is serviced via a network of third-party distributors. Tiny Love, based in Tel Aviv, Israel is recognized as an innovator in the developmental toy category, which comprises products such as activity gyms, mobiles, light gear and toys designed specifically for babies and toddlers. As one of Dorel's global brands, Tiny Love sells products in approximately 80 countries worldwide, both through Dorel subsidiaries and via a worldwide distributor network.

## 2. SIGNIFICANT EVENTS IN 2021 AND SUBSEQUENT EVENTS

### Definitive agreement to sell Dorel Sports

On October 11, 2021, the Company announced that it had entered into a definitive agreement to sell its Sports segment to Pon Holdings B.V. for total consideration of $810.0 million in cash, payable to Dorel at closing. The sale was subject to customary closing conditions, including receipt of applicable regulatory approvals and the absence of any material adverse changes with respect to Dorel Sports until closing. The sale was not subject to any financing conditions. The transaction consists of the sale by Dorel of 100% of the shares of its indirect wholly owned subsidiary companies comprising its Sports segment as well as certain related assets. Refer to Note 6 – Assets Held for Sale and Discontinued Operation in our annual consolidated financial statements for the years ended December 30, 2021 and 2020 for more details.

On January 4, 2022, the Company completed the sale of the Sports segment for $810.0 million of which $35.0 million is being held in escrow to cover post-closing adjustments. Dorel used part of the proceeds for payment of a special dividend of $12.00 per share and to repay long-term debts. As a result of the sale, the Company expects to incur a non-cash gain of approximately $200.0 million, which includes the effect of the reclassification of the accumulated other comprehensive loss of the Sports segment for an approximate amount of $50.0 million. The non-cash gain of approximately $200.0 million is net of transaction and other costs in the amount of $51.9 million recognized in the income from discontinued operation, net of tax for the year ended December 30, 2021.

For clarity, continuing operations include financial results of Dorel Home and Dorel Juvenile as well as the corporate cost structure supporting the segments. As such, continuing operations should not be interpreted as representing the future results of Dorel Home and Dorel Juvenile following the sale of Dorel Sports.

| | Fourth Quarters Ended December 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Continuing operations | Discontinued operation | Summation of continuing operations and discontinued operation | Continuing operations *restated (1)* | Discontinued operation *restated (1)* | Summation of continuing operations and discontinued operation |
| Revenue | 435,269 | 280,685 | 715,954 (3) | 439,020 | 265,338 | 704,358 (3) |
| Cost of sales | 386,633 | 227,835 | 614,468 (3) | 341,990 | 210,052 | 552,042 (3) |
| Gross profit | 48,636 | 52,850 | 101,486 (3) | 97,030 | 55,286 | 152,316 (3) |
| Selling expenses | 31,683 | 26,576 | 58,259 (3) | 28,836 | 26,628 | 55,464 (3) |
| General and administrative expenses (2) | 33,178 | 22,142 | 55,320 (3) | 45,096 | 23,104 | 68,200 (3) |
| Research and development expenses | 6,274 | 1,448 | 7,722 (3) | 11,706 | 1,928 | 13,634 (3) |
| Impairment (reversal) loss on trade accounts receivable | (351) | 392 | 41 (3) | 1,776 | 620 | 2,396 (3) |
| Restructuring costs | 4,027 | - | 4,027 (3) | 3,152 | 1,124 | 4,276 (3) |
| Operating (loss) profit | (26,175) | 2,292 | (23,883) (3) | 6,464 | 1,882 | 8,346 (3) |
| Finance expenses | 8,075 | 3,197 | 11,272 (3) | 7,505 | 1,937 | 9,442 (3) |
| Loss before income taxes | (34,250) | (905) | (35,155) (3) | (1,041) | (55) | (1,096) (3) |
| Income taxes (recovery) expense | (4,661) | (10,856) | (15,517) (3) | 12,290 | 9,493 | 21,783 (3) |
| Net (loss) income | (29,589) | 9,951 | (19,638) | (13,331) | (9,548) | (22,879) |
| (Loss) earnings per share | | | | | | |
| Basic | (0.91) | 0.31 | (0.60) | (0.41) | (0.29) | (0.70) |
| Diluted | (0.91) | 0.30 | (0.60) | (0.41) | (0.29) | (0.70) |

(1) Dorel Sports was classified as a discontinued operation as of September 30, 2021. As a result, the results of operations have been restated for comparative periods. Refer to Note 6 - Assets Held for Sale and Discontinued Operation in the consolidated financial statements for more details.

(2) General and administrative expenses of discontinued operation for the fourth quarter ended December 30, 2021 include transaction and other costs of $943.

(3) This is a non-GAAP financial ratio or measure with no standardized meaning. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

| | Years Ended December 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Continuing operations | Discontinued operation | Summation of continuing operations and discontinued operation | Continuing operations *restated (1)* | Discontinued operation *restated (1)* | Summation of continuing operations and discontinued operation |
| Revenue | 1,758,705 | 1,171,981 | 2,930,686 (3) | 1,717,702 | 1,044,783 | 2,762,485 (3) |
| Cost of sales | 1,464,334 | 911,743 | 2,376,077 (3) | 1,379,246 | 814,615 | 2,193,861 (3) |
| Gross profit | 294,371 | 260,238 | 554,609 (3) | 338,456 | 230,168 | 568,624 (3) |
| Selling expenses | 125,293 | 95,618 | 220,911 (3) | 109,143 | 86,186 | 195,329 (3) |
| General and administrative expenses (2) | 139,798 | 133,918 | 273,716 (3) | 139,662 | 75,407 | 215,069 (3) |
| Research and development expenses | 28,878 | 5,290 | 34,168 (3) | 34,186 | 6,035 | 40,221 (3) |
| Impairment (reversal) loss on trade accounts receivable | (308) | (595) | (903) (3) | 4,345 | 5,163 | 9,508 (3) |
| Restructuring costs | 15,982 | - | 15,982 (3) | 6,892 | 5,114 | 12,006 (3) |
| Impairment loss on goodwill | - | - | - | 43,125 | - | 43,125 |
| Reversal of prior year impairment losses on intangible assets | - | (72,900) | (72,900) | - | - | - |
| Operating (loss) profit | (15,272) | 98,907 | 83,635 (3) | 1,103 | 52,263 | 53,366 (3) |
| Finance expenses | 38,268 | 9,461 | 47,729 | 37,530 | 10,308 | 47,838 |
| (Loss) income before income taxes | (53,540) | 89,446 | 35,906 | (36,427) | 41,955 | 5,528 |
| Income taxes expense | 58,295 | 9,235 | 67,530 | 28,337 | 20,594 | 48,931 |
| Net (loss) income | (111,835) | 80,211 | (31,624) | (64,764) | 21,361 | (43,403) |
| (Loss) earnings per share | | | | | | |
| Basic | (3.44) | 2.47 | (0.97) | (1.99) | 0.66 | (1.34) |
| Diluted | (3.44) | 2.43 | (0.97) | (1.99) | 0.65 | (1.34) |

(1) Dorel Sports was classified as a discontinued operation as of September 30, 2021. As a result, the results of operations have been restated for comparative periods. Refer to Note 6 - Assets Held for Sale and Discontinued Operation in the consolidated financial statements for more details.

(2) General and administrative expenses of discontinued operation for the year ended December 30, 2021 include transaction and other costs of $51,893.

(3) This is a non-GAAP financial ratio or measure with no standardized meaning. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

**Acquisition of Notio Living**

On November 30, 2021, the Company acquired Notio Living, an e-commerce home furnishings firm based in Holstebro, Denmark, for an amount of $17.0 million (net of assumed debt of $1.5 million), of which $10.9 million has been paid at closing. The remaining balance of $6.1 million, which is non-interest bearing, will be paid in three instalments: $0.1 million to be paid in March 2022, $3.0 million to be paid in April 2022 and $3.0 million to be paid in April 2023.

By achieving certain annual earnings before interest, taxes, depreciation and amortization, additional earnouts could be paid in cash during the next two years.

At the acquisition date, the Company recorded an amount of $1.3 million as a contingent consideration liability representing the present value of the expected payout in cash for the earnouts in the next two years. The contingent consideration is classified as a liability and is required to be remeasured at fair value at each reporting date and subsequent changes to the fair value will be recognized in the consolidated income statements.

The acquisition has been accounted for using the acquisition method with the results of the operations of Notio Living being included in the consolidated financial statements since the date of acquisition. The contingent consideration liability is included in Level 3 of the fair value hierarchy. The fair value was determined considering the expected earnout payments, discounted to present value using a risk-adjusted discount rate of 15%.

Acquisition-related costs of $0.3 million have been excluded from the consideration transferred and have been recognized as an expense within general and administrative expenses in the consolidated income statements within the Home segment.

The fair value of the consideration transferred of $18.2 million was allocated to the following identifiable assets acquired: goodwill for an amount of $4.6 million, customer relationships for an amount of $7.6 million and net working capital for an amount of $6.0 million. The goodwill is attributed to the workforce, know-how and expected supply chain cost synergies and was allocated to the Dorel Home segment. Goodwill and intangible assets are deductible for tax purposes.

For the one month ended December 30, 2021, Notio Living contributed revenue of $1.7 million and an insignificant net income amount to Dorel's consolidated results from continuing operations. If the acquisition had occurred on December 31, 2020, management estimates that consolidated revenue would have been $1,791.7 million and the consolidated net loss from continuing operations for the year would have been $111.8 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on December 31, 2020.

**Senior secured asset based revolving credit facility ("ABL facility")**

On June 11, 2021, the Company entered into a two-year $450.0 million ABL facility with institutional lenders led by Bank of Montreal as lead arranger, administrative agent and sole bookrunner. This ABL facility, which is guaranteed by certain of Dorel's subsidiaries, will mature two years from the date of the initial advance (June 11, 2021) and may be extended for additional one-year terms with the consent of the lenders. For further information concerning the ABL facility refer to Note 18 – Long-term debt in the annual consolidated financial statements for the years ended December 30, 2021 and 2020.

On January 4, 2022, following the sale of its Sports segment, the Company used a portion of the proceeds received to completely reimburse the balance of the ABL facility (refer to Note 6 – Assets Held for Sale and Discontinued Operation in the annual consolidated financial statements for the years ended December 30, 2021 and 2020 for more details). On January 4, 2022, the Company also amended the ABL facility to reduce the total availability to $300.0 million.

**Sale of manufacturing facilities in China**

On March 31, 2021, Dorel completed the sale of its juvenile products manufacturing facility in Zhongshan, China to Guangdong Roadmate Group Co., Ltd. for gross proceeds of $51.0 million, which have been all received in 2021. The sale transaction does not include Dorel Juvenile's domestic sales operation based in Shanghai that was acquired along with the manufacturing facility in 2014.

In December 2021, Dorel completed the sale of its remaining juvenile products manufacturing facility in Huangshi, China to Ningbo Xihe Children Products Co, Ltd. for gross proceeds of $4.9 million, of which $4.0 million has been received during 2021.

As a result of the sale, Dorel incurred a loss on disposal of its subsidiaries of $8.6 million. The sale of the manufacturing facilities is part of the overall strategic direction of Dorel Juvenile that includes the co-development of innovative new products with a diverse supplier base, of which Roadmate is one. It is expected that Roadmate will continue to be a key supplier from the Zhongshan facility as well as from its existing facilities, also based in Zhongshan.

**COVID-19 update**

During the fourth quarter of 2021, global economies and financial markets continued to be impacted by new variants of COVID-19. Government authorities around the world have maintained the actions taken since the start of the pandemic in an effort to slowdown the spread of these COVID-19 variants. These actions include measures such as the closure of non-essential businesses, lockdowns and social distancing as countries around the world continue their vaccination campaigns in an effort to reach herd immunity status. Dorel's focus remains to closely monitor its cash position and control its spending, while managing its inventory levels in line with the unprecedented change in demand behavior since the COVID-19 pandemic started. While some of Dorel's products remain in high demand, sales of other products suffered from the lockdown of many countries. Dorel Home continued to experience strong demand in 2021, but not at the unprecedented levels the segment experienced in 2020 when the COVID-19 pandemic started. Dorel Juvenile was negatively impacted in 2020 primarily by retail store closures as some countries entered imposed lockdowns. As countries around the world start easing COVID-19 measures, Dorel Juvenile revenue is increasing, but has not reestablished its 2019 levels.

Refer to the "Operating results" section for further details of the impact on Dorel's business during the fourth quarter and twelve months ended December 30, 2021.

**Subsequent events**

*Special Dividend*

On January 4, 2022, Dorel announced that, following the closing of the sale of its Sports segment, its Board of Directors declared a special dividend of $12.00 per share on Dorel's outstanding Class "B" Subordinate Voting Shares, Class "A" Multiple Voting Shares, Deferred Share Units, cash-settled Restricted Share Units and cash-settled Performance Share Units, representing an aggregate amount of approximately $390.0 million. The special dividend was paid on February 1, 2022 to shareholders of record as at the close of business on January 18, 2022.

*Normal Course Issuer Bid ("NCIB")*

On January 4, 2022, Dorel also announced that the Toronto Stock Exchange ("TSX") has approved Dorel's NCIB. Under the NCIB, Dorel may purchase for cancellation a maximum of 1,891,222 Class "B" Subordinate Voting Shares, representing 10% of the 18,912,225 Class "B" Subordinate Voting Shares forming the public float. The shares may be purchased through the facilities of the TSX and on alternative trading systems in Canada over the twelve-month period from January 6, 2022 to January 5, 2023.

Any shares purchased by Dorel under the NCIB will be at the market price of the shares at the time of such purchases. The actual number of Class "B" Subordinate Voting Shares that may be purchased and the timing of any such purchases will be determined by Dorel. Any purchases made by Dorel pursuant to the NCIB will be made in accordance with the rules and policies of the TSX.

*Repayment of the senior unsecured notes*

On January 4, 2022, following the sale of its Sports segment, the Company used a portion of the proceeds received to completely reimburse the balance of the senior unsecured notes, including a prepayment fee of $6.4 million recognized in finance expenses in 2022.

## 3. OPERATING RESULTS

All tabular figures are in thousands of US dollars, except per share amounts.

***a) Non-GAAP financial ratios and measures***

Dorel uses non-GAAP financial ratios and measures to assess our operating performance and liquidity. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. In this MD&A, we and certain investors and analysts use non-GAAP financial ratios and measures including adjusted gross profit, adjusted gross margin, adjusted operating profit (loss), adjusted net income (loss) from continuing operations, adjusted diluted income (loss) per share from continuing operations, and organic revenue growth (decline) and adjusted organic revenue growth (decline) to measure our performance and financial condition from one period to the next, which excludes the variation caused by certain adjustments that could potentially distort the analysis of trends in our operating performance, and because we believe such measures provide meaningful information to investors and analysts on the Company's financial condition and financial performance. Dorel also use non-GAAP financial ratios and measures including total debt, debt-to-equity ratio and free cash flow.

We refer the reader to section entitled "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A for the definition and complete reconciliation of all non-GAAP financial ratios and measures used and presented by Dorel to the most directly comparable IFRS measures.

## *b) Fourth quarter and year-end operating results*

| | Fourth Quarters Ended | | | | Years Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | **Dec 30, 2021** | Dec 30, 2020 (5) | Variation $ | % | **Dec 30, 2021** | Dec 30, 2020 (5) | Variation $ | % |
| **CONTINUING OPERATIONS** | | | | | | | | |
| Revenue | **435,269** | 439,020 | (3,751) | (0.9)% | **1,758,705** | 1,717,702 | 41,003 | 2.4% |
| Cost of sales | **386,633** | 341,990 | 44,643 | 13.1% | **1,464,334** | 1,379,246 | 85,088 | 6.2% |
| Gross profit | **48,636** | 97,030 | (48,394) | (49.9)% | **294,371** | 338,456 | (44,085) | (13.0)% |
| Adjusted gross profit (1) | **62,699** | 97,389 | (34,690) | (35.6)% | **308,434** | 341,131 | (32,697) | (9.6)% |
| Selling expenses | **31,683** | 28,836 | 2,847 | 9.9% | **125,293** | 109,143 | 16,150 | 14.8% |
| General and administrative expenses | **33,178** | 45,096 | (11,918) | (26.4)% | **139,798** | 139,662 | 136 | 0.1% |
| Research and development expenses | **6,274** | 11,706 | (5,432) | (46.4)% | **28,878** | 34,186 | (5,308) | (15.5)% |
| Impairment (reversal) loss on trade accounts receivable | **(351)** | 1,776 | (2,127) | n.m. | **(308)** | 4,345 | (4,653) | n.m. |
| Restructuring costs | **4,027** | 3,152 | 875 | 27.8% | **15,982** | 6,892 | 9,090 | 131.9% |
| Impairment loss on goodwill | **-** | - | - | n/a | **-** | 43,125 | (43,125) | (100.0)% |
| Operating (loss) profit | **(26,175)** | 6,464 | (32,639) | n.m. | **(15,272)** | 1,103 | (16,375) | n.m. |
| Adjusted operating (loss) profit (1) | **(8,085)** | 9,975 | (18,060) | n.m. | **14,773** | 53,795 | (39,022) | (72.5)% |
| Finance expenses | **8,075** | 7,505 | 570 | 7.6% | **38,268** | 37,530 | 738 | 2.0% |
| Loss before income taxes | **(34,250)** | (1,041) | (33,209) | n.m. | **(53,540)** | (36,427) | (17,113) | (47.0)% |
| Income taxes (recovery) expense | **(4,661)** | 12,290 | (16,951) | n.m. | **58,295** | 28,337 | 29,958 | 105.7% |
| Net loss from continuing operations | **(29,589)** | (13,331) | (16,258) | (122.0)% | **(111,835)** | (64,764) | (47,071) | (72.7)% |
| Adjusted net loss from continuing operations (1) | **(11,950)** | (9,788) | (2,162) | (22.1)% | **(82,713)** | (13,082) | (69,631) | (532.3)% |
| Basic loss per share from continuing operations | **(0.91)** | (0.41) | (0.50) | (122.0)% | **(3.44)** | (1.99) | (1.45) | (72.9)% |
| Diluted loss per share from continuing operations | **(0.91)** | (0.41) | (0.50) | (122.0)% | **(3.44)** | (1.99) | (1.45) | (72.9)% |
| Adjusted diluted loss per share from continuing operations (1) | **(0.37)** | (0.30) | (0.07) | (23.3)% | **(2.54)** | (0.40) | (2.14) | (535.0)% |
| **DISCONTINUED OPERATION** | | | | | | | | |
| Income (loss) from discontinued operation, net of tax | **9,951** | (9,548) | 19,499 | n.m. | **80,211** | 21,361 | 58,850 | 275.5% |
| Net loss | **(19,638)** | (22,879) | 3,241 | 14.2% | **(31,624)** | (43,403) | 11,779 | 27.1% |
| Basic loss per share | **(0.60)** | (0.70) | 0.10 | 14.3% | **(0.97)** | (1.34) | 0.37 | 27.6% |
| Diluted loss per share | **(0.60)** | (0.70) | 0.10 | 14.3% | **(0.97)** | (1.34) | 0.37 | 27.6% |
| Weighted average number of shares - Basic | **32,508,515** | 32,504,372 | n/a | n/a | **32,505,967** | 32,491,656 | n/a | n/a |
| Weighted average number of shares - Diluted | **32,508,515** | 32,504,372 | n/a | n/a | **32,505,967** | 32,491,656 | n/a | n/a |
| Gross margin (2) | **11.2%** | 22.1% | n/a | (1,090) bp | **16.7%** | 19.7% | n/a | (300) bp |
| Adjusted gross margin (1) | **14.4%** | 22.2% | n/a | (780) bp | **17.5%** | 19.9% | n/a | (240) bp |
| Selling expenses as a percentage of revenue (3) | **7.3%** | 6.6% | n/a | 70 bp | **7.1%** | 6.4% | n/a | 70 bp |
| General and administrative expenses as a percentage of revenue (4) | **7.6%** | 10.3% | n/a | (270) bp | **7.9%** | 8.1% | n/a | (20) bp |

n.m. = not meaningful

n/a = not applicable

bp = basis point

(1) This is a non-GAAP financial ratio or measure with no standardized meaning. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

(2) Gross margin is defined as gross profit divided by revenue.

(3) Selling expenses as a percentage of revenue is defined as selling expenses divided by revenue.

(4) General and administrative expenses as a percentage of revenue is defined as general and administrative expenses divided by revenue.

(5) Dorel Sports was classified as a discontinued operation as of September 30, 2021. As a result, the results of operations have been restated for comparative periods. Refer to Note 6 - Assets Held for Sale and Discontinued Operation in the consolidated financial statements for more details.

***c) Impairment loss on goodwill and restructuring costs – Continuing operations***

The details of impairment loss on goodwill and restructuring costs of continuing operations are presented below:

| | **Fourth Quarters Ended** | | **Years Ended** | |
|---|---|---|---|---|
| | **Dec 30, 2021** | Dec 30, 2020 (2) | **Dec 30, 2021** | Dec 30, 2020 (2) |
| Inventory markdowns | **13,668** | 414 | **13,668** | 1,665 |
| Write-down of property, plant and equipment | **-** | (147) | **-** | 918 |
| Other associated costs | **395** | 92 | **395** | 92 |
| Recorded within gross profit | **14,063** | 359 | **14,063** | 2,675 |
| Employee severance and termination benefits | **2,372** | 875 | **4,100** | 4,254 |
| Loss on disposal of subsidiaries | **(25)** | - | **8,551** | - |
| (Gain) loss on disposals of assets held for sale | **-** | (487) | **172** | (487) |
| Curtailment (gain) loss on net pension defined benefit liabilities | **(120)** | 20 | **(346)** | (270) |
| Write-down (reversal) of property, plant and equipment | **-** | 2,263 | **(51)** | 1,707 |
| Other associated costs | **1,800** | 481 | **3,556** | 1,688 |
| Recorded within a separate line in the consolidated income statements | **4,027** | 3,152 | **15,982** | 6,892 |
| Total restructuring costs (1) | **18,090** | 3,511 | **30,045** | 9,567 |
| (1) Includes non-cash amounts of | **13,523** | 2,063 | **21,994** | 3,533 |
| Impairment loss on goodwill | **-** | - | **-** | 43,125 |

(2) Dorel Sports was classified as a discontinued operation as of September 30, 2021. As a result, the results of operations have been restated for comparative periods. Refer to Note 6 - Assets Held for Sale and Discontinued Operation in the consolidated financial statements for more details.

**Impairment loss on goodwill**

Considering the adverse impact of the COVID-19 pandemic on global economies and financial markets and on Dorel's business, during the first quarter of 2020 management concluded that indicators of impairment existed as at March 31, 2020 requiring Dorel to perform impairment tests. As such, management performed impairment tests for its Dorel Juvenile – Europe and Dorel Home CGUs, for which it revised its assumptions on projected earnings and cash flows growth, as well as its assumptions on discount rates used to apply to the forecasted cash flows, using its best estimate of the conditions existing at March 31, 2020.

As a result of the impairment tests performed, management concluded that the recoverable amount of the Dorel Juvenile – Europe CGU was less than its carrying amount, resulting in an impairment loss on goodwill of $43.1 million recorded in 2020. The impairment loss reflected reduced earnings and cash flows projections, and a higher risk adjusted discount rate, considering the economic uncertainties caused by the COVID-19 pandemic. As for Dorel Home CGUs, management concluded that their recoverable amounts were higher than their carrying amounts, resulting in no impairment loss recorded.

On October 31, 2021, the Company performed its annual impairment testing of goodwill and trademarks. As the recoverable amounts of the CGUs were at or higher than their carrying amount, no impairment loss or reversal of impairment was recorded.

**Restructuring costs**

For the year ended December 30, 2021, the Company recorded total restructuring costs of $30.0 million compared to $9.6 million in 2020, of which $14.0 million (2020 - $2.7 million) were recorded within gross profit and $16.0 million (2020 - $6.9 million) as a separate line within the consolidated income statements.

These restructuring costs are mainly related to inventory markdowns, the loss on disposal of subsidiaries, and employee severance and termination benefits.

Dorel Home segment

During the year ended December 30, 2021, Dorel Home segment incurred acquisition-related costs of $0.3 million in connection with the Notio Living business acquisition. These costs have been included in other associated costs within restructuring costs.

During 2020, Dorel Home segment initiated a restructuring plan as part of its strategy to reorganize its North American ready-to-assemble (“RTA”) manufacturing plants. Total costs related to Dorel Home segment restructuring activities of $2.7 million were recognized during the year ended December 30, 2020.

Dorel Juvenile segment

*2019 Restructuring Plan*

During 2019, Dorel Juvenile segment initiated a new restructuring program across several regions, whose main objective was to simplify the organization and optimize its global footprint in order to improve its competitive position in the marketplace. These restructuring initiatives were expected to be completed in 2020, however, in light of the COVID-19 pandemic, some initiatives were delayed and were only completed in 2021, for which employee severance and termination benefits of $2.4 million were recorded during the year. In 2021, Dorel also initiated restructuring initiatives to streamline the activities of its domestic sales business in Shanghai, China. As such, restructuring costs include inventory markdowns for an amount of $10.0 million related to these initiatives, which is expected to be completed by the end of fiscal 2022.

*Sale of manufacturing facilities in Zhongshan and Huangshi, China*

On March 31, 2021, the Company completed the sale of its juvenile products manufacturing facility in Zhongshan, China, for gross sale proceeds of $51.0 million, which have been all received in 2021. In December 2021, the Company completed the sale of its remaining juvenile products manufacturing facility in Huangshi, China, for gross sale proceeds of $4.9 million, of which $4.0 million has been received in 2021. As a result of the sale, Dorel incurred a loss on disposal of its subsidiaries of $8.6 million.

The disposal of these manufacturing facilities is in line with the main objective pursued by the restructuring program initiated in 2019 of optimizing Dorel Juvenile segment’s global footprint. For further information concerning the disposals, refer to Note 7 – Restructuring costs in the consolidated financial statements for the years ended December 30, 2021 and 2020.

*2021 Restructuring Plan*

Also in the fourth quarter of 2021, a new restructuring program was approved for the United States and European markets. In the United States, several operating divisions have been combined into one organization. The expected principal benefits of this change will be in the sales and marketing area where process harmonization and the creation of a more nimble organization is expected to reduce costs and bring efficiencies. In Europe, with the successful conclusion of the first phase of restructuring that was initiated in 2019, further cost savings opportunities have been identified enabled by the supplier new product co-development program and the consolidation of manufacturing into one European factory. As a result, restructuring costs of $5.4 million were recorded for these initiatives, consisting mostly of inventory markdowns for $3.7 million and employee severance and termination benefits for $1.7 million.

## *d) Selected financial information*

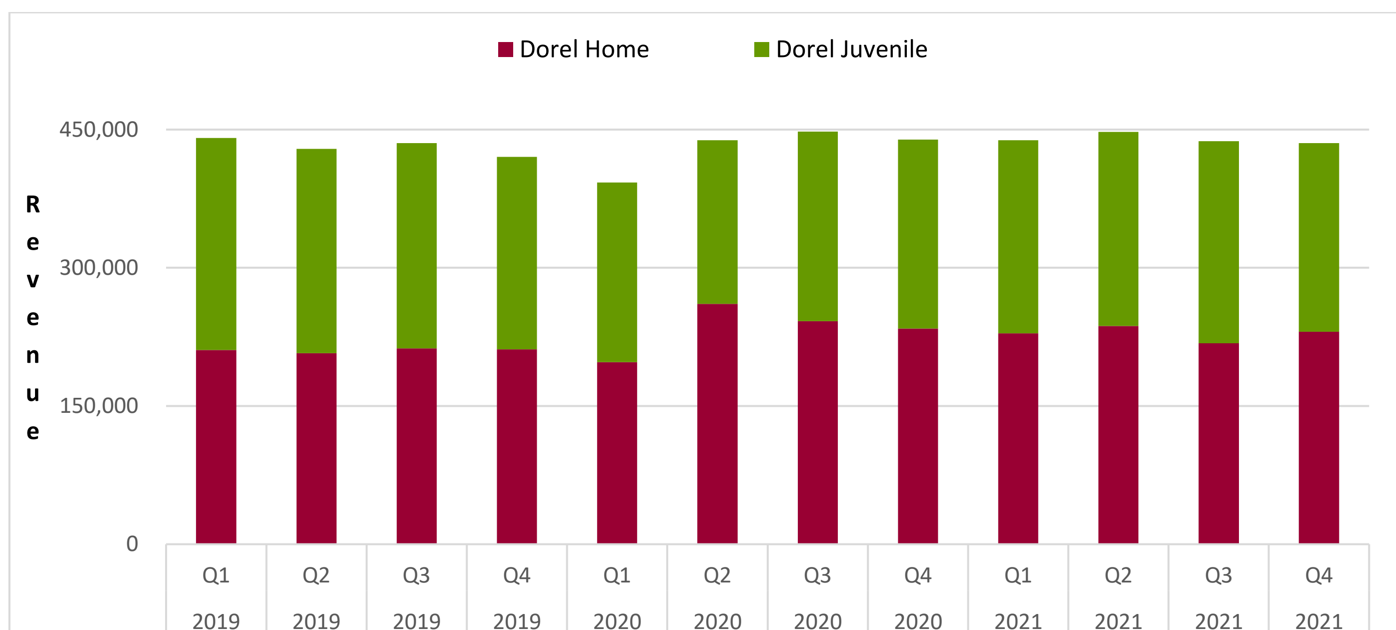
Variations in revenue across the Company's segments for the fourth quarters and years ended December 30:

| | Fourth Quarters Ended | | | | Years Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | **Dec 30, 2021** | Dec 30, 2020 *restated (1)* | Variation $ | % | **Dec 30, 2021** | Dec 30, 2020 *restated (1)* | Variation $ | % |
| Dorel Home | **230,740** | 234,110 | (3,370) | (1.4)% | **914,344** | 934,362 | (20,018) | (2.1)% |
| Dorel Juvenile | **204,529** | 204,910 | (381) | (0.2)% | **844,361** | 783,340 | 61,021 | 7.8% |
| Revenue | **435,269** | 439,020 | (3,751) | (0.9)% | **1,758,705** | 1,717,702 | 41,003 | 2.4% |

(1) Dorel Sports was classified as a discontinued operation as of September 30, 2021. As a result, the results of operations have been restated for comparative periods. Refer to Note 6 - Assets Held for Sale and Discontinued Operation in the consolidated financial statements for more details.

### Seasonality

Although revenue in the operating segments within Dorel may vary in their seasonality, for the Company as a whole, variations between quarters are not significant as illustrated below.



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

| | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Dec 30** | **Sept 30** | **June 30** *restated (1)* | **March 31** *restated (1)* | **Dec 30** *restated (1)* | **Sept 30** *restated (1)* | **June 30** *restated (1)* | **March 31** *restated (1)* |
| Revenue from continuing operations | 435,269 | 437,236 | 447,647 | 438,553 | 439,020 | 447,798 | 438,317 | 392,567 |
| Net (loss) income from continuing operations | (29,589) | (68,022) | (1,377) | (12,847) | (13,331) | 9,284 | (6,756) | (53,961) |
| Per share - Basic | (0.91) | (2.09) | (0.04) | (0.40) | (0.41) | 0.29 | (0.21) | (1.66) |
| Per share - Diluted | (0.91) | (2.09) | (0.04) | (0.40) | (0.41) | 0.28 | (0.21) | (1.66) |
| Net (loss) income | (19,638) | (36,951) | 22,238 | 2,727 | (22,879) | 26,165 | 11,132 | (57,821) |
| Per share - Basic | (0.60) | (1.14) | 0.68 | 0.08 | (0.70) | 0.81 | 0.34 | (1.78) |
| Per share - Diluted | (0.60) | (1.14) | 0.67 | 0.08 | (0.70) | 0.80 | 0.34 | (1.78) |

(1) Dorel Sports was classified as a discontinued operation as of September 30, 2021. As a result, the results of operations have been restated for comparative periods. Refer to Note 6 - Assets Held for Sale and Discontinued Operation in the consolidated financial statements for more details.

In the first quarter of 2020, the Company reported a net loss of $54.0 million or $1.66 per diluted share from continuing operations due to impairment loss on goodwill for $43.1 million and restructuring costs for $1.3 million. The decrease in net income was mainly attributable to the adverse impact of the COVID-19 pandemic on Dorel's business as well as higher finance expenses compared with previous quarters. For the first quarter of 2020, the decrease in revenue from continuing operations compared to the first quarter of 2019 was in both Dorel Home and Dorel Juvenile as last year's first quarter was adversely impacted due to the COVID-19 outbreak.

For both the second and third quarters of 2020, the increase in revenue from continuing operations mainly relates to higher sales in Dorel Home as consumer demand for home products increased since the COVID-19 pandemic started, partly offset by a decrease in revenue within the Dorel Juvenile segment. Demand for home products, including outdoor furniture, increased due to stay-at-home orders in place to reduce the spread of the COVID-19 virus. Dorel Juvenile segment's revenue was adversely impacted during the third quarter of 2020 by the continued closure of brick-and-mortar stores in certain markets due to country-imposed lockdowns considering the COVID-19 pandemic.

For the fourth quarter of 2020, the increase in revenue from continuing operations compared to the fourth quarter of 2019 mainly relates to higher sales in Dorel Home as consumer demand for home products continued to increase since the COVID-19 pandemic started. In addition, the lower net income from continuing operations for the fourth quarter was mainly due to the increase in corporate expenses and income taxes expense offset by the increase in gross profit dollars from the higher sales and the overall lower finance expenses.

For the first quarter of 2021, the increase in revenue from continuing operations compared to the first quarter of 2020 was in both the Dorel Home and Dorel Juvenile segments as last year's first quarter was adversely impacted due to the COVID-19 outbreak. Net income from continuing operations for the first quarter of 2021 increased in both the Dorel Home and Dorel Juvenile segments due to the increase in gross profit resulting from higher sales, overall lower finance expenses, offset in part by increased income taxes expense.

For the third quarter of 2021, the decrease in revenue from continuing operations compared to the third quarter of 2020 was in Dorel Home partly offset by Dorel Juvenile. The decrease in net income from continuing operations in the quarter was mainly due to the tax and interest recorded on the transfer of certain assets following the judgment of Luxembourg Administrative Court, and to the lower gross profit dollars from the lower gross profit in percentage of revenue.

For the fourth quarter of 2021, the decrease in net income from continuing operations compared to the fourth quarter of 2020 was mainly due to a decrease in the gross profit in both Dorel Home and Dorel Juvenile. This decrease was partly offset by a decrease in general and administrative expenses, in research and development expenses, and in income taxes expense.

Selected financial information from the consolidated statement of financial position and from the consolidated income statement as at and for the years ended December 30:

| | December 30, 2021 | December 30, 2020 | December 30, 2019 |
|---|---|---|---|
| Revenue | 1,758,705 | 1,717,702 (1) | 1,725,617 (1) |
| Net loss from continuing operations | (111,835) | (64,764) (1) | (21,795) (1) |
| Per share - Basic | (3.44) | (1.99) (1) | (0.67) (1) |
| Per share - Diluted | (3.44) | (1.99) (1) | (0.67) (1) |
| Net loss | (31,624) | (43,403) | (10,453) |
| Per share - Basic | (0.97) | (1.34) | (0.32) |
| Per share - Diluted | (0.97) | (1.34) | (0.32) |
| Cash dividends declared per share | - | - | 0.45 |
| Total assets | 1,851,068 | 1,719,116 | 1,860,826 |
| Total non-current financial liabilities | 511,401 | 272,470 | 575,996 |

(1) Dorel Sports was classified as a discontinued operation as of September 30, 2021. As a result, the results of operations have been restated for comparative periods.
Refer to Note 6 - Assets Held for Sale and Discontinued Operation in the consolidated financial statements for more details.

## *e) Consolidated operating review – Continuing operations*

Revenue, organic revenue and adjusted organic revenue growth:

| | Fourth Quarters Ended December 30, | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Consolidated | | | | Dorel Home | | | | Dorel Juvenile | | | |
| | 2021 | | 2020[1] | | 2021 | | 2020 | | 2021 | | 2020 | |
| | $ | % | $ | % | $ | % | $ | % | $ | % | $ | % |
| Revenue of the period | **435,269** | | 439,020 | | **230,740** | | 234,110 | | **204,529** | | 204,910 | |
| Revenue of the comparative period | **(439,020)** | | (420,256) | | **(234,110)** | | (211,406) | | **(204,910)** | | (208,850) | |
| Revenue (decline) growth | **(3,751)** | **(0.9)** | 18,764 | 4.5 | **(3,370)** | **(1.4)** | 22,704 | 10.7 | **(381)** | **(0.2)** | (3,940) | (1.9) |
| Impact of varying foreign exchange rates | **(1,156)** | **(0.2)** | (1,101) | (0.3) | **(237)** | **(0.1)** | (81) | - | **(919)** | **(0.4)** | (1,020) | (0.5) |
| Organic revenue (decline) growth [2] | **(4,907)** | **(1.1)** | 17,663 | 4.2 | **(3,607)** | **(1.5)** | 22,623 | 10.7 | **(1,300)** | **(0.6)** | (4,960) | (2.4) |
| Impact of the sale of divisions | **6,380** | **1.4** | - | - | **-** | **-** | - | - | **6,380** | **3.2** | - | - |
| Adjusted organic revenue growth (decline) [2] | **1,473** | **0.3** | 17,663 | 4.2 | **(3,607)** | **(1.5)** | 22,623 | 10.7 | **5,080** | **2.6** | (4,960) | (2.4) |

(1) Dorel Sports was classified as a discontinued operation as of September 30, 2021. As a result, the results of operations have been restated for comparative periods.
(2) This is a non-GAAP financial ratio or measure with no standardized meaning. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

| | Years Ended December 30, | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Consolidated | | | | Dorel Home | | | | Dorel Juvenile | | | |
| | 2021 | | 2020[1] | | 2021 | | 2020 | | 2021 | | 2020 | |
| | $ | % | $ | % | $ | % | $ | % | $ | % | $ | % |
| Revenue of the period | **1,758,705** | | 1,717,702 | | **914,344** | | 934,362 | | **844,361** | | 783,340 | |
| Revenue of the comparative period | **(1,717,702)** | | (1,725,617) | | **(934,362)** | | (842,085) | | **(783,340)** | | (883,532) | |
| Revenue growth (decline) | **41,003** | **2.4** | (7,915) | (0.5) | **(20,018)** | **(2.1)** | 92,277 | 11.0 | **61,021** | **7.8** | (100,192) | (11.3) |
| Impact of varying foreign exchange rates | **(34,763)** | **(2.0)** | 14,888 | 0.9 | **(1,873)** | **(0.2)** | 266 | - | **(32,890)** | **(4.2)** | 14,622 | 1.6 |
| Organic revenue growth (decline) [2] | **6,240** | **0.4** | 6,973 | 0.4 | **(21,891)** | **(2.3)** | 92,543 | 11.0 | **28,131** | **3.6** | (85,570) | (9.7) |
| Impact of the sale of divisions | **22,459** | **1.3** | - | - | **-** | **-** | - | - | **22,459** | **3.1** | - | - |
| Adjusted organic revenue growth (decline) [2] | **28,699** | **1.7** | 6,973 | 0.4 | **(21,891)** | **(2.3)** | 92,543 | 11.0 | **50,590** | **6.7** | (85,570) | (9.7) |

(1) Dorel Sports was classified as a discontinued operation as of September 30, 2021. As a result, the results of operations have been restated for comparative periods.
(2) This is a non-GAAP financial ratio or measure with no standardized meaning. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

*Revenue*

For the fourth quarter of 2021, Dorel's revenue decreased by $3.8 million, or 0.9%, to $435.3 million compared to a year ago. Organic revenue declined by approximately 1.1.%, after removing the variation of foreign exchange rates year-over-year. When also removing the impact on revenue of the sale of the juvenile manufacturing facilities in Zhongshan and Huangshi, China, adjusted organic revenue was flat. Revenue and organic revenue declines were mainly in Dorel Home explained by overall reduced e-commerce sales as well as overall lower sales in the brick-and-mortar channel caused by the on-going supply chain disruptions. Adjusted organic revenue was flat as the declines in Dorel Home discussed above, were offset by the adjusted organic revenue improvements in Dorel Juvenile. The Dorel Juvenile improvement in adjusted organic revenue in the fourth quarter was mainly in the U.S. and Chilean markets and were offset by declines in the European market.

For the full year, Dorel's revenue increased by $41.0 million, or 2.4%, to $1,758.7 million compared to a year ago. Organic revenue was flat, after removing the variation of foreign exchange rates year-over-year. When also removing the impact on revenue of the sale of the juvenile manufacturing facilities in Zhongshan and Huangshi, China, adjusted organic revenue improved by approximately 1.7%. Year-to-date revenue and organic revenue improvements in Dorel Juvenile were partially offset by declines in Dorel Home. In Dorel Juvenile, all divisions with the exception of Europe, and in particular the U.S. and Chile, saw full year organic revenue improvements. In Dorel Home, the year-to-date decline was mainly due to reduced online sales during the year partly offset by strong POS sales in most product categories in the brick-and-mortar channel in the first half of this year. Last year's first quarter was heavily impacted by delayed shipments resulting from the supply chain disruptions in China caused by the COVID-19 outbreak.

*Gross profit and gross margin*

Gross profit for the quarter decreased by $48.4 million, or 49.9%, compared to a year ago. Gross margin for the quarter decreased by 1090 basis points as a percentage of revenue to 11.2% compared to 22.1% in the fourth quarter of 2020. When excluding restructuring costs, adjusted gross margin decreased 780 basis points as a percentage of revenue to 14.4% from 22.2% in the fourth quarter last year. The decline in the quarter was in both Dorel Home and in Dorel Juvenile. In Dorel Home, the gross profit and gross margin declines were due to higher warehousing costs, increased ocean freight costs, and increased board and overseas finished goods costs. In Dorel Juvenile, the decline was mainly due to the under-performance of the European market that was impacted by lower sales volume, supply chain disruptions, and higher costs.

The year-to-date gross profit decrease by $44.1 million, or 13.0%, compared to 2020. The year-to-date gross margin decreased by 300 basis points as a percentage of revenue to 16.7% compared to 19.7% in 2020. When excluding restructuring costs, adjusted gross margin decreased by 240 basis points as a percentage of revenue to 17.5% from 19.9% in 2020. The year-to-date decline was in both segments. In Dorel Home, the year-to-date decline was principally for the same reasons as in the quarter partly offset by higher margins in the first quarter of this year helped by reduced markdowns. In Dorel Juvenile, each division performed well, but were not enough to compensate for the challenges in the European market.

*Selling expenses*

Selling expenses for the fourth quarter increased by $2.8 million, or 9.9%, to $31.7 million and increased by 70 basis points as a percentage of revenue. For the full year, selling expenses increased by $16.2 million, or 14.8%, to $125.3 million representing an increase of 70 basis points as a percentage of revenue. The increase in selling expenses is mainly due to increased people costs as the prior year cost containment measures which were initiated to mitigate the impact of the lower sales mainly resulting from the COVID-19 pandemic did not repeat.

*General and administrative expenses*

General and administrative expenses declined in the quarter by $11.9 million, or 26.4%, and decreased by 270 basis points as a percentage of revenue. The overall decrease in general and administrative expenses for the quarter was mainly due to lower people costs from lower management incentive expense and overall lower product liability costs in Dorel Home, offset in part by an increase in Dorel Juvenile due to higher people costs and higher product liability costs. In addition, corporate expenses declined in the quarter as last year's fourth quarter was higher from the privatization costs and increased people costs. For the year-to-date, these expenses increased by $0.1 million, or 0.1%, to $139.8 million and were flat as a percentage of revenue as last year's costs were lower due to the cost containment measures implemented to mitigate the impacts of the COVID-19 pandemic.

*Research and development expenses*

Research and development expenses declined in the quarter by $5.4 million, or 46.4%, to $6.3 million and decreased by $5.3 million, or 15.5%, to $28.9 million for the year-to-date. The quarter and year-to-date decreases were mainly due to Dorel Juvenile's write-off of previously capitalized costs in 2020 related to products that were discontinued. In addition, the decrease was due to reduced spending from the restructuring activities leading to the co-development of innovative new products with a diverse supplier base.

*Impairment (reversal) loss on trade accounts receivable*

Impairment (reversal) loss on trade accounts receivable was a reversal of $0.4 million for the fourth quarter of 2021 compared to an impairment loss of $1.8 million in 2020. For the full year, the impairment (reversal) loss on trade accounts receivable was a reversal of $0.3 million compared to an impairment loss of $4.3 million last year. The decreases in both the quarter and year-to-date were mainly due to the lower impairment loss allowance assessment as the prior year's assessment considered the economic impact of the COVID-19 pandemic in Dorel Juvenile. Dorel Home's impairment (reversal) loss on trade accounts receivable remained comparable to last year's fourth quarter and year-to-date periods.

*Operating (loss) profit*

For the fourth quarter, Dorel reported an operating loss of $26.2 million compared to an operating profit of $6.5 million in 2020. Excluding restructuring costs, adjusted operating profit decreased by $18.1 million to an adjusted operating loss of $8.1 million. The decrease in the operating profit and adjusted operating profit were mainly due to the decrease in gross profit dollars from the lower gross margin as a percentage of revenue offset in part by the decrease in overall operating expenses as detailed above.

Year-to-date, Dorel reported an operating loss of $15.3 million compared to an operating profit of $1.1 million in 2020. Excluding impairment loss on goodwill and restructuring costs, the adjusted operating profit decreased by $39.0 million, or 72.5%, to $14.8 million from $53.8 million in 2020. The decrease in operating profit for the full year is mainly due to the decrease in gross profit dollars from the lower gross margin in percentage of revenue and by the overall increased expenses as detailed above, partly offset by the impairment loss on goodwill that was recorded in 2020.

*Finance expenses*

Details of finance expenses are summarized below:

| | **Fourth Quarters Ended** | | | | **Years Ended** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Dec 30, 2021** | Dec 30, 2020 *restated (1)* | Variation $ | Variation % | **Dec 30, 2021** | Dec 30, 2020 *restated (1)* | Variation $ | Variation % |
| 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 | **5,566** | 4,761 | 805 | 16.9% | **21,092** | 25,486 | (4,394) | (17.2)% |
| Interest on lease liabilities | **1,030** | 1,243 | (213) | (17.1)% | **4,385** | 5,140 | (755) | (14.7)% |
| Amortization of deferred financing costs | **11** | 290 | (279) | (96.2)% | **336** | 1,071 | (735) | (68.6)% |
| Loss on debt modification and loss on revision of estimated payments related to long-term debt | **-** | 1,000 | (1,000) | (100.0)% | **-** | 3,142 | (3,142) | (100.0)% |
| Other interest | **1,468** | 211 | 1,257 | 595.7% | **12,455** | 2,691 | 9,764 | 362.8% |
| Finance expenses from continuing operations | **8,075** | 7,505 | 570 | 7.6% | **38,268** | 37,530 | 738 | 2.0% |

(1) Dorel Sports was classified as a discontinued operation as of September 30, 2021. As a result, the results of operations have been restated for comparative periods. Refer to Note 6 - Assets Held for Sale and Discontinued Operation in the consolidated financial statements for more details.

Finance expenses increased by $0.6 million to $8.1 million during the fourth quarter compared to $7.5 million in 2020. Year-to-date, finance expenses increased by $0.7 million to $38.3 million. The increase in finance expenses for the year is mainly explained by an increase of $9.8 million in other interest mainly due to the judgement of the Luxembourg Administrative Court, partly offset by a decrease of $4.4 million in interest on long-term debt due to lower average debt balances year-over-year and by a decrease in the loss on debt modification and loss on revision of estimated payments related to the senior unsecured notes agreement of $3.1 million.

*Income taxes (recovery) expenses*

For the fourth quarter and the year ended December 30, 2021, the Company's effective tax rates were 13.6% and (108.9%), respectively compared to (1,180.6%) and (77.8%) for the same periods in the prior year. 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 can occur from year-to-year and between quarters within a given year. The effective tax rate year-over-year is largely due to the non-recognition of tax benefits related to tax losses and temporary differences in certain jurisdictions, as well as changes in the jurisdictions in which the Company generated its income. The effective tax rate for the year ended December 30, 2021 is also impacted by the tax on the transfer of certain assets following the judgment of the Luxembourg Administrative Court, and the permanent differences including various impacts related to the sale of its juvenile products manufacturing facilities in Zhongshan and Huangshi, China. The effective tax rate for the year ended December 30, 2020 is also due to the non-deductible impairment of goodwill recorded in the first quarter of 2020 and to a write-down of a deferred tax asset.

On January 26, 2021, the Company announced that it intends to appeal a decision of the Luxembourg Administrative Tribunal received on January 22, 2021 with respect to taxation on the transfer of certain assets in connection with an internal corporate reorganization that took place in 2015. The decision of the Luxembourg Administrative Tribunal concluded that one of the Company's wholly owned subsidiaries owed $64.2 million (EUR $54.6 million) in tax including interest. The Company considers that the transfer of assets was not taxable and initiated its appeal process on February 26, 2021.

On October 28, 2021, the Luxembourg Administrative Court confirmed on appeal the previously-announced decision of the Luxembourg Administrative Tribunal to the effect that one of Dorel's wholly-owned subsidiaries owed $64.2 million (EUR $54.6 million) in tax including interest. As a result of the judgment of the Luxembourg Administrative Court, the Company recognized an income tax expense of $52.6 million related to this decision in the 2021 consolidated financial statements. In January 2022, the Company paid the remaining cash balance due to the Luxembourg tax authorities.

The components of the Company's tax rate from 2020 to 2021 are summarized below:

| | **2021** | | 2020 (2) | |
|---|---|---|---|---|
| | **$** | **%** | $ | % |
| Loss from continuing operations before income taxes | **(53,540)** | **-** | (36,427) | - |
| Provision for income taxes (1) | **(14,027)** | **26.2** | (9,507) | 26.1 |
| Add (deduct) effect of: | | | | |
| Difference in statutory tax rates of foreign subsidiaries | **(3,433)** | **6.4** | 514 | (1.4) |
| Non-recognition of tax benefits related to tax losses and temporary differences | **15,541** | **(29.0)** | 26,106 | (71.7) |
| Benefit arising from previously unrecognized tax losses and temporary differences of a prior period | **(1,154)** | **2.2** | - | - |
| Tax incentives | **(683)** | **1.3** | (638) | 1.8 |
| Non-deductible impairment of goodwill | **-** | **-** | 10,443 | (28.7) |
| Permanent differences | **10,457** | **(19.6)** | (728) | 2.0 |
| Tax rates changes | **102** | **(0.2)** | (583) | 1.6 |
| Tax on transfer of asset - Luxembourg | **52,615** | **(98.3)** | - | - |
| Foreign exchange and other - net | **(1,123)** | **2.1** | 2,730 | (7.5) |
| | **58,295** | **(108.9)** | 28,337 | (77.8) |

(1) The applicable statutory tax rates are 26.2% and 26.1%, respectively for the years ended December 30, 2021 and 2020. The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

(2) Dorel Sports was classified as a discontinued operation as of September 30, 2021. As a result, the results of operations have been restated for comparative periods. Refer to Note 6 - Assets Held for Sale and Discontinued Operation in the consolidated financial statements for more details.

*Net loss from continuing operations*

During the fourth quarter of 2021, the net loss was $29.6 million, or $0.91 per diluted share compared with $13.3 million, or $0.41 per diluted share in 2020. Excluding restructuring costs, adjusted net loss for the quarter was $12.0 million, or $0.37 per diluted share compared to $9.8 million, or $0.30 per diluted share a year ago. For the full year of 2021, the Company reported a net loss of $111.8 million, or $3.44 per diluted share compared with $64.8 million, or $1.99 per diluted share in 2020. When excluding impairment loss on goodwill and restructuring costs, year-to-date adjusted net loss was $82.7 million, or $2.54 per diluted share compared to $13.1 million, or $0.40 per diluted share recorded in 2020.

## ***f) Segmented operating review***

Segmented figures are presented in Note 32 of the Company's consolidated financial statements. Further reporting segment detail is presented below.

### ***Dorel Home***

| | Fourth Quarters Ended | | | | Years Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | **Dec 30, 2021** | Dec 30, 2020 | Variation $ | % | **Dec 30, 2021** | Dec 30, 2020 | Variation $ | % |
| Revenue | **230,740** | 234,110 | (3,370) | (1.4)% | **914,344** | 934,362 | (20,018) | (2.1)% |
| Cost of sales | **209,848** | 197,057 | 12,791 | 6.5% | **807,754** | 800,907 | 6,847 | 0.9% |
| Gross profit | **20,892** | 37,053 | (16,161) | (43.6)% | **106,590** | 133,455 | (26,865) | (20.1)% |
| Adjusted gross profit (1) | **20,892** | 36,926 | (16,034) | (43.4)% | **106,590** | 135,558 | (28,968) | (21.4)% |
| Selling expenses | **7,662** | 5,918 | 1,744 | 29.5% | **27,334** | 23,562 | 3,772 | 16.0% |
| General and administrative expenses | **7,566** | 12,254 | (4,688) | (38.3)% | **33,911** | 37,021 | (3,110) | (8.4)% |
| Research and development expenses | **1,156** | 1,039 | 117 | 11.3% | **4,774** | 4,347 | 427 | 9.8% |
| Impairment (reversal) loss on trade accounts receivable | **(130)** | 29 | (159) | n.m. | **(19)** | 394 | (413) | n.m. |
| Restructuring costs | **322** | - | 322 | 100.0% | **322** | 545 | (223) | (40.9)% |
| Operating profit | **4,316** | 17,813 | (13,497) | (75.8)% | **40,268** | 67,586 | (27,318) | (40.4)% |
| Adjusted operating profit (1) | **4,638** | 17,686 | (13,048) | (73.8)% | **40,590** | 70,234 | (29,644) | (42.2)% |
| Gross margin (2) | **9.1%** | 15.8% | n/a | (670) bp | **11.7%** | 14.3% | n/a | (260) bp |
| Adjusted gross margin (1) | **9.1%** | 15.8% | n/a | (670) bp | **11.7%** | 14.5% | n/a | (280) bp |
| Selling expenses as a percentage of revenue (3) | **3.3%** | 2.5% | n/a | 80 bp | **3.0%** | 2.5% | n/a | 50 bp |
| General and administrative expenses as a percentage of revenue (4) | **3.3%** | 5.2% | n/a | (190) bp | **3.7%** | 4.0% | n/a | (30) bp |

n.m. = not meaningful

n/a = not applicable

bp = basis point

(1) This is a non-GAAP financial ratio or measure with no standardized meaning. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

(2) Gross margin is defined as gross profit divided by revenue.

(3) Selling expenses as a percentage of revenue is defined as selling expenses divided by revenue.

(4) General and administrative expenses as a percentage of revenue is defined as general and administrative expenses divided by revenue.

Dorel Home's fourth quarter revenue declined by $3.4 million, or 1.4%, to $230.7 million from $234.1 million last year. The decrease in revenue in the quarter is mainly explained by overall reduced e-commerce sales as well as overall lower sales in the brick-and-mortar channel caused by the on-going supply chain disruptions. The revenue for the full year declined by $20.0 million, or 2.1%, to $914.3 million. The year-to-date decline was mainly due to reduced online sales during the year partly offset by strong POS sales in most product categories in the brick-and-mortar channel in the first half of this year. Last year's first quarter was heavily impacted by delayed shipments from China resulting from the supply chain disruptions in that country caused by the COVID-19 outbreak.

Gross profit for the quarter decreased by $16.2 million, or 43.6%, compared to a year ago and decreased by $26.9 million, or 20.1%, compared to 2020. Gross margin, at 9.1% in the fourth quarter and 11.7% for the full year, declined by 670 and 260 basis points respectively from last year's fourth quarter and year-to-date periods. During the second quarter of 2020, Dorel Home initiated a restructuring plan, for which $2.1 million was recognized within cost of sales. Excluding restructuring costs, adjusted gross margin at 11.7% year-to-date, declined by 280 basis points. The decline in the fourth quarter was due to higher warehousing costs, increased ocean freight costs, increased board and overseas finished goods costs and increased promotional incentive offerings in an effort to reduce inventory levels. The year-to-date decline was principally for the same reasons as in the quarter partly offset by higher margins in the first quarter of this year helped by reduced markdowns.

Selling expenses for the fourth quarter were higher by $1.7 million, or 29.5%, compared to last year's fourth quarter and higher by $3.8 million, or 16.0%, year-to-date. The increase in both the quarter and year-to-date periods was due to increased people costs as last year saw reductions amid the economic uncertainties caused by the COVID-19 outbreak.

General and administrative expenses for the fourth quarter were lower by $4.7 million, or 38.3%, compared to last year's fourth quarter and lower by $3.1 million, or 8.4%, year-to-date, representing a decrease of 190 and 30 basis points as a percentage of revenue, respectively in the quarter and year-to-date periods. The decrease in both the quarter and year-to-date periods was due to lower people costs from lower management incentive expense and overall lower product liability costs.

Research and development expenses remained comparable to last year's fourth quarter and year-to-date periods.

Similarly, the impairment (reversal) loss on trade accounts receivable also remained comparable to last year's fourth quarter and year-to-date periods.

Dorel Home's operating profit declined by $13.5 million, or 75.8% for the quarter to $4.3 million from $17.8 million in 2020. For the full year, operating profit declined by $27.3 million, or 40.4%, to $40.3 million from $67.6 million in the previous year. Adjusted operating profit declined by $13.0 million in the quarter and by $29.6 million for the year to $4.6 million and $40.6 million respectively. The declines were mainly due to the lower gross profit dollars from the lower revenue and lower gross margin in percentage of revenue, as detailed above. The decline in the fourth quarter was partly offset by overall lower expenses as detailed above.

## *Dorel Juvenile*

| | Fourth Quarters Ended | | | | Years Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | **Dec 30, 2021** | Dec 30, 2020 | Variation $ | % | **Dec 30, 2021** | Dec 30, 2020 | Variation $ | % |
| Revenue | **204,529** | 204,910 | (381) | (0.2)% | **844,361** | 783,340 | 61,021 | 7.8% |
| Cost of sales | **176,785** | 144,933 | 31,852 | 22.0% | **656,580** | 578,339 | 78,241 | 13.5% |
| Gross profit | **27,744** | 59,977 | (32,233) | (53.7)% | **187,781** | 205,001 | (17,220) | (8.4)% |
| Adjusted gross profit (1) | **41,807** | 60,463 | (18,656) | (30.9)% | **201,844** | 205,573 | (3,729) | (1.8)% |
| Selling expenses | **23,852** | 22,895 | 957 | 4.2% | **97,291** | 85,439 | 11,852 | 13.9% |
| General and administrative expenses | **21,966** | 19,582 | 2,384 | 12.2% | **80,744** | 74,166 | 6,578 | 8.9% |
| Research and development expenses | **5,118** | 10,667 | (5,549) | (52.0)% | **24,104** | 29,839 | (5,735) | (19.2)% |
| Impairment (reversal) loss on trade accounts receivable | **(221)** | 1,747 | (1,968) | n.m. | **(289)** | 3,951 | (4,240) | n.m. |
| Restructuring costs | **3,705** | 3,152 | 553 | 17.5% | **15,660** | 6,347 | 9,313 | 146.7% |
| Impairment loss on goodwill | **-** | - | - | n/a | **-** | 43,125 | (43,125) | (100.0)% |
| Operating (loss) profit | **(26,676)** | 1,934 | (28,610) | n.m. | **(29,729)** | (37,866) | 8,137 | 21.5% |
| Adjusted operating (loss) profit (1) | **(8,908)** | 5,572 | (14,480) | n.m. | **(6)** | 12,178 | (12,184) | (100.0)% |
| Gross margin (2) | **13.6%** | 29.3% | n/a | (1,570) bp | **22.2%** | 26.2% | n/a | (400) bp |
| Adjusted gross margin (1) | **20.4%** | 29.5% | n/a | (910) bp | **23.9%** | 26.2% | n/a | (230) bp |
| Selling expenses as a percentage of revenue (3) | **11.7%** | 11.2% | n/a | 50 bp | **11.5%** | 10.9% | n/a | 60 bp |
| General and administrative expenses as a percentage of revenue (4) | **10.7%** | 9.6% | n/a | 110 bp | **9.6%** | 9.5% | n/a | 10 bp |

n.m. = not meaningful

n/a = not applicable

bp = basis point

(1) This is a non-GAAP financial ratio or measure with no standardized meaning. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

(2) Gross margin is defined as gross profit divided by revenue.

(3) Selling expenses as a percentage of revenue is defined as selling expenses divided by revenue.

(4) General and administrative expenses as a percentage of revenue is defined as general and administrative expenses divided by revenue.

Dorel Juvenile's fourth quarter revenue declined by $0.4 million, or 0.2%, to $204.5 million. Organic revenue was flat, after removing the impact of varying foreign exchange rates year-over-year. Adjusted organic revenue improved by approximately 2.6%, after removing the third-party sales from Dorel Juvenile's Zhongshan, China manufacturing facility and Dorel Juvenile's Huangshi, China manufacturing facility which were disposed of in the first quarter and fourth quarter of 2021 respectively. The improvement in adjusted organic revenue in the fourth quarter was mainly in the U.S. and Chilean markets explained by strong POS sales particularly in the car seat and stroller categories, and in Chile mainly in the retail and wholesale channels. These improvements were offset by declines in the European market as supply chain shortages impacted results in most categories.

Dorel Juvenile's markets in the Americas continued their strong sales performance with the U.S. and Chile reporting significant revenue increases. Dorel Juvenile USA increases came principally from the car seat and stroller categories as demand remained strong. In Chile, sales were up substantially as all company owned retail stores were open, unlike last year's fourth quarter, and both government aid and pension fund withdrawals stimulated consumption. These revenue increases were offset from the declines in Europe, which was negatively impacted from the supply chain disruptions, causing product shortages on certain key items.

The segment's revenue for the full year increased by $61.0 million, or 7.8%, to $844.4 million. Organic revenue improved by approximately 3.6%, after removing the impact of varying foreign exchange rates year-over-year. Adjusted organic revenue improved by approximately 6.7%, after adjusting for the disposition of Dorel Juvenile's China manufacturing facilities. Year-to-date, all divisions saw full year organic revenue improvements with the exception of Europe, which was negatively impacted by softer consumer demand in the first half of the year as well as inventory shortages due to the worldwide shipping container constraints that significantly impacted supply chain.

Gross profit for the quarter decreased by $32.2 million, or 53.7%, compared to a year ago and decreased by $17.2 million, or 8.4%, compared to 2020. Fourth quarter and year-to-date gross margin was 13.6%, and 22.2%, respectively. This represented a decline of 1570 basis points in the quarter and 400 basis points year-to-date, respectively. Excluding restructuring costs, the adjusted gross margin for the quarter and year-to-date was 20.4% and 23.9%, respectively, which represented a decline of 910 basis points in the quarter and 230 basis points year-to-date, respectively. The declines in gross profit, gross margin and adjusted gross margin in the fourth quarter were mainly due to the under-performance of the European market that was impacted by lower sales volume, supply chain disruptions, and higher costs. Year-to-date, each division performed well, but were not enough to compensate for the challenges in the European market. The decrease in gross profit and gross margin is also due to the inventory markdowns recorded in the fourth quarter of 2021 as part of the restructuring activities.

Selling expenses in the fourth quarter increased by $1.0 million, or 4.2%, to $23.9 million, representing an increase of 50 basis points as a percentage of revenue. For the full year, selling expenses increased by $11.9 million, or 13.9%, to $97.3 million and by 60 basis points as a percentage of revenue. The increase in selling expenses is explained mainly by the non-repeat of prior year cost containment measures which were initiated to mitigate the impact of the lower sales primarily resulting from the COVID-19 pandemic.

General and administrative expenses for the fourth quarter increased by $2.4 million, or 12.2%, to $22.0 million from $19.6 million in 2020, and for the year-to-date, increased by $6.6 million, or 8.9% compared to last year. The increase in the quarter and year-to-date is mainly due to higher people costs and higher product liability costs. In addition, prior year costs were lower due to the cost containment measures initiated to mitigate the impact of COVID-19, as well as COVID-19 government grants which were received in 2020 and did not repeat in 2021.

Research and development expenses decreased in the quarter by $5.5 million, or 52.0%, compared to 2020. Year-to-date research and development expenses decreased by $5.7 million, or 19.2%, compared to last year. The quarter and year-to-date decreases were mainly due to the write-off of previously capitalized costs in 2020 related to products that were discontinued. In addition, the decrease was due to reduced spending from the restructuring activities leading to the co-development of innovative new products with a diverse supplier base.

Impairment (reversal) loss on trade accounts receivable was a reversal of $0.2 million during the fourth quarter of 2021 compared to a loss of $1.7 million in 2020. Year-to-date, the impairment (reversal) loss on trade accounts receivable decreased by $4.2 million to a reversal of $0.3 million compared to last year. The decrease in both the quarter and year-to-date were due to the lower impairment loss allowance assessment as the prior year's assessment considered the economic impact of the COVID-19 pandemic.

Restructuring costs increased by $0.6 million for the fourth quarter and increased by $9.3 million for the full year compared to 2020. The year-to-date increase was mainly due to the net loss on disposal of the juvenile products manufacturing facilities in Zhongshan, China and Huangshi, China. Refer to "Restructuring costs" within the operating section for further details.

Year-to-date impairment loss on goodwill decreased by $43.1 million as an impairment loss was recorded in the first quarter of 2020 related to Dorel Juvenile – Europe CGU due to reduced earnings and cash flows projections, and a higher risk adjusted discount rate in light of the economic uncertainties caused by the COVID-19 pandemic.

Operating loss was $26.7 million during the fourth quarter compared to an operating profit of $1.9 million in 2020. Excluding restructuring costs, adjusted operating loss increased by $14.5 million to $8.9 million from an adjusted operating profit of $5.6 million in 2020. The decline in operating profit and adjusted operating profit in the fourth quarter is mainly explained by the decrease in gross profit dollars from the lower gross margin in percentage of revenue partly offset by lower expenses as detailed above. The year-to-date operating loss was $29.7 million compared to $37.9 million during the prior year, while excluding impairment loss on goodwill and restructuring costs, adjusted operating profit for the full year declined by $12.2 million. The increase in the operating profit for the full year is mainly due to the impairment loss on goodwill that was recorded in 2020, partly offset by the decrease in gross profit dollars from the lower gross margin in percentage of revenue and the inventory markdowns, and by the overall increased expenses as detailed above. For the year-to-date, the decline in adjusted operating profit is explained by the decline in gross profit and by overall higher expenses as detailed above.

### *Discontinued operation – Dorel Sports*

| | Fourth Quarters Ended | | | | Years Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | **Dec 30, 2021** | Dec 30, 2020 | Variation $ | % | **Dec 30, 2021** | Dec 30, 2020 | Variation $ | % |
| Revenue | **280,685** | 265,338 | 15,347 | 5.8% | **1,171,981** | 1,044,783 | 127,198 | 12.2% |
| Cost of sales | **227,835** | 210,052 | 17,783 | 8.5% | **911,743** | 814,615 | 97,128 | 11.9% |
| Gross profit | **52,850** | 55,286 | (2,436) | (4.4)% | **260,238** | 230,168 | 30,070 | 13.1% |
| Selling expenses | **26,576** | 26,628 | (52) | (0.2)% | **95,618** | 86,186 | 9,432 | 10.9% |
| General and administrative expenses | **22,142** | 23,104 | (962) | (4.2)% | **133,918** | 75,407 | 58,511 | 77.6% |
| Research and development expenses | **1,448** | 1,928 | (480) | (24.9)% | **5,290** | 6,035 | (745) | (12.3)% |
| Impairment loss (reversal) on trade accounts receivable | **392** | 620 | (228) | (36.8)% | **(595)** | 5,163 | (5,758) | n.m. |
| Restructuring costs | **-** | 1,124 | (1,124) | (100.0)% | **-** | 5,114 | (5,114) | (100.0)% |
| Reversal of prior year impairment losses on intangible assets | **-** | - | - | n/a | **(72,900)** | - | (72,900) | (100.0)% |
| Operating profit | **2,292** | 1,882 | 410 | 21.8% | **98,907** | 52,263 | 46,644 | 89.2% |
| Gross margin (1) | **18.8%** | 20.8% | n/a | (200) bp | **22.2%** | 22.0% | n/a | 20 bp |
| Selling expenses as a percentage of revenue (2) | **9.5%** | 10.0% | n/a | (50) bp | **8.2%** | 8.2% | n/a | - bp |
| General and administrative expenses as a percentage of revenue (3) | **7.9%** | 8.7% | n/a | (80) bp | **11.4%** | 7.2% | n/a | 420 bp |

n.m. = not meaningful

n/a = not applicable

bp = basis point

(1) Gross margin is defined as gross profit divided by revenue.

(2) Selling expenses as a percentage of revenue is defined as selling expenses divided by revenue.

(3) General and administrative expenses as a percentage of revenue is defined as general and administrative expenses divided by revenue.

For the fourth quarter of 2021, Dorel Sports' revenue increased by $15.3 million, or 5.8%, to $280.7 million. Dorel Sports' revenue improvements were at Pacific Cycle offset in part by declines at Caloi, while CSG revenue was flat for the quarter. Pacific Cycle revenue grew as retailers continued to refill bike inventory and improve in-stock levels versus the prior year. At CSG all divisions saw revenue improvements with the exception of the key accounts due to retailers front-loading inventory in the second and third quarters to secure inventory prior to scheduled price increases, and CSG UK due to supply chain challenges. Caloi's revenue decline was mainly due to supply shortages and overall lower consumer demand.

For the full year, Dorel Sport's revenue increased by $127.2 million, or 12.2%, to $1,172.0 million. Dorel Sports' revenue continues to reflect the unprecedented consumer demand for bikes around the globe since the beginning of the COVID-19 pandemic.

During the fourth quarter, gross margin declined by 200 basis points as a percentage of revenue to 18.8% from 20.8% in 2020. The decline in gross margin was mainly due to increased ocean freight and supply chain costs. On a year-to-date basis, gross margin was comparable to the prior year at 22.2% compared with 22.0% as first half-year gains in gross margin were offset by the declines in the second half of the year.

Selling expenses for the fourth quarter were comparable to the prior year. For the full year, selling expenses increased by $9.4 million, or 10.9%, and was comparable on a percentage of revenue basis. The year-to-date increase was largely driven by increased commissions from higher sales, increased marketing spends as well as higher people costs. Last year saw reduced marketing costs in light of the COVID-19 outbreak on the segment's business.

General and administrative expenses for the fourth quarter decreased by $1.0 million, or 4.2%, and by 80 basis points as a percentage of revenue, and for the full year, increased by $58.5 million, or 77.6%, and by 420 basis points as a percentage of revenue. The year-to-date increase was mainly due to the transaction and other costs related to the sale of the Sports segment in the amount of $51.9 million and increased people costs.

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

Impairment loss on trade accounts receivable decreased by $0.2 million for the fourth quarter and decreased by $5.8 million year-to-date. The decrease year-to-date is mainly due to a customer filing for bankruptcy protection in the second quarter of 2020 and the consideration of the economic impact of the COVID-19 pandemic in the impairment loss allowance assessment last year.

Prior to the reclassification as assets held for sale as at September 30, 2021, Dorel concluded that the transaction to sell the Sports segment was an indication that previously recognized impairment losses in the Sports segment may no longer exist or may have decreased. Dorel calculated the assets' recoverable amount and therefore recorded a reversal of previously recognized impairment losses of $72.9 million on trademarks of Dorel Sports – Mass markets CGU ($9.1 million), Dorel Sports – Independent bike dealers (IBD) CGU ($52.5 million) and Dorel Sports – Caloi CGU ($11.3 million).

Operating profit in the fourth quarter of $2.3 million was flat when compared to last year as the overall lower expenses was offset by the lower gross profit. Year-to-date, the segment reported an operating profit of $98.9 million compared to $52.3 million last year which is mainly explained by the increased revenue and gross profit as well as the reversal of prior year impairment losses on intangible assets, offset in part by an overall increase in operating expenses as detailed above.

## 4. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

### *a) Selected information from the statement of financial position*

| | **December 30, 2021** | December 30, 2020 | December 30, 2019 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | **709,883** | 1,082,392 | 1,124,576 |
| Assets held for sale | **817,896** | 7,250 | 6,757 |
| | **1,527,779** | 1,089,642 | 1,131,333 |
| Non-current assets | **323,289** | 629,474 | 729,493 |
| Total assets | **1,851,068** | 1,719,116 | 1,860,826 |
| **Liabilities** | | | |
| Current liabilities | **465,172** | 893,654 | 701,814 |
| Liabilities directly associated with assets held for sale | **369,806** | - | - |
| | **834,978** | 893,654 | 701,814 |
| Non-current liabilities | **547,090** | 329,254 | 624,126 |
| **Equity** | **469,000** | 496,208 | 534,886 |

Compared to December 30, 2020, Dorel's total current assets increased mainly as a result of:

- an increase in current assets in the amount of $313.0 million from the reclassification of Dorel Sports non-current assets to assets held for sale;
- an increase in inventories of $20.1 million;
- an increase in cash and cash equivalents of $13.9 million;
- partly offset by a decrease in trade accounts receivable of $24.5 million; and
- the reduction in current assets from the sale of the juvenile products manufacturing facilities in Zhongshan and Huangshi, China.

Compared to December 30, 2020, Dorel's total non-current assets decreased mainly as a result of:

- a decrease in non-current assets in the amount of $313.0 million from the reclassification of Dorel Sports non-current assets to assets held for sale including the reversal of the previously recorded impairment losses on intangible assets;
- the depreciation and amortization of $68.7 million recorded during the year ended December 30, 2021; and
- the reduction in non-current assets from the sale of the juvenile products manufacturing facilities in Zhongshan and Huangshi, China.

Compared to December 30, 2020, Dorel's total current liabilities decreased mainly as a result of:

- a decrease in current liabilities in the amount of $308.0 million from the reclassification of debt balances from current to long-term as a result of the new revolving credit facility that was entered into in the second quarter of this year;
- the reduction in current liabilities from the sale of the juvenile products manufacturing facilities in Zhongshan and Huangshi, China;
- partly offset by an increase in trade and other payables of $24.0 million;
- an increase in current liabilities in the amount of $87.6 million from the reclassification of Dorel Sports non-current liabilities to liabilities directly associated with the assets held for sale; and
- an increase in income taxes payable of $45.4 million following the judgment of the Luxembourg Administrative Court.

Compared to December 30, 2020, Dorel's total non-current liabilities increased mainly as a result of:

- an increase in non-current liabilities in the amount of $308.0 million from the reclassification of debt balances from current to long-term as a result of the new revolving credit facility that was entered into in the second quarter of this year;
- partly offset by a decrease in non-current liabilities in the amount of $87.6 million from the reclassification of Dorel Sports non-current liabilities to liabilities directly associated with the assets held for sale.

### *b) Debt-to-equity ratio*

| | **Dec 30, 2021** | Dec 30, 2020 |
|---|---|---|
| Long-term debt | **438,337** | 402,736 |
| Bank indebtedness | **3,783** | 30,562 |
| Total debt | **442,120** | 433,298 |
| Equity | **469,000** | 496,208 |
| Debt-to-equity ratio (1) | **0.94** | 0.87 |

(1) This is a non-GAAP financial ratio with no standardized meaning. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

The increase in the debt-to-equity ratio compared to December 30, 2020 is mainly due to higher debt levels, offset in part by lower equity. The increase in Dorel's debt levels reflects the increase in Dorel's working capital as at December 30, 2021 while the lower equity is due to the lower earnings for the year.

## c) Cash flow

| | Years Ended | | |
|---|---|---|---|
| | **Dec 30, 2021** | Dec 30, 2020 | Variation $ |
| Cash flow provided by (used in): | | | |
| Operating activities | **19,819** | 134,534 | (114,715) |
| Financing activities | **(23,691)** | (109,803) | 86,112 |
| Investing activities | **14,141** | (27,261) | 41,402 |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | **3,662** | 1,624 | 2,038 |
| Net increase (decrease) in cash and cash equivalents | **13,931** | (906) | 14,837 |

### *Cash flow provided by operating activities*

For the year, cash flow provided by operating activities decreased by $114.7 million to $19.8 million compared to $134.5 million reported in 2020.

| | Source (use) of cash | | |
|---|---|---|---|
| | **2021** | 2020 | Variation |
| Net loss | **(31,624)** | (43,403) | 11,779 |
| Items not involving cash: | | | |
| Depreciation and amortization | **84,188** | 98,088 | (13,900) |
| Impairment loss on goodwill | **-** | 43,125 | (43,125) |
| Reversal of prior year impairment losses on intangible assets | **(72,900)** | - | (72,900) |
| Unrealized (gains) losses arising on financial assets and financial liabilities classified at fair value through profit or loss | **(616)** | 93 | (709) |
| Share-based payments | **49** | 135 | (86) |
| Defined benefit pension and post-retirement costs | **4,507** | 3,798 | 709 |
| Net gain on disposal of property, plant and equipment and intangible assets and on lease modifications | **(602)** | (2,195) | 1,593 |
| Restructuring costs | **11,149** | 4,037 | 7,112 |
| Finance expenses | **47,729** | 47,838 | (109) |
| Income taxes expense | **67,530** | 48,931 | 18,599 |
| Net changes in balances related to operations: | | | |
| Trade accounts receivable | **5,590** | (48,139) | 53,729 |
| Inventories | **(158,739)** | 94,254 | (252,993) |
| Other assets | **(13,198)** | (3,020) | (10,178) |
| Trade and other payables | **134,189** | (34,225) | 168,414 |
| Net pension and post-retirement defined benefit liabilities | **(3,927)** | (4,909) | 982 |
| Provisions | **4,636** | (4,264) | 8,900 |
| Other liabilities | **5,046** | 6,057 | (1,011) |
| Income taxes paid | **(30,778)** | (31,451) | 673 |
| Income taxes received | **1,412** | 1,906 | (494) |
| Interest paid | **(34,252)** | (43,763) | 9,511 |
| Interest received | **430** | 1,641 | (1,211) |
| Cash provided by operating activities | **19,819** | 134,534 | (114,715) |

The decrease in the cash flow provided by operating activities compared to 2020 is mainly explained by the overall lower contribution from earnings in 2021 and by a net negative change in balances related to operations due to the increased level of inventories, partly offset by an increase in trade and other payables and a decrease in accounts receivable. The increase in trade and other payables is mainly related to the increase in inventories while the decrease in accounts receivable is due to the timing of receipts from customers.

*Free cash flow*

| | **Dec 30, 2021** | Dec 30, 2020 | Variation |
|---|---|---|---|
| Cash provided by operating activities | **19,819** | 134,534 | (114,715) |
| Less: | | | |
| Acquisition of businesses | **(10,893)** | - | (10,893) |
| Additions to property, plant and equipment | **(28,683)** | (21,021) | (7,662) |
| Disposals of property, plant and equipment | **242** | 2,311 | (2,069) |
| Additions to intangible assets | **(7,586)** | (12,689) | 5,103 |
| Net proceeds on sale of assets held for sale | **6,061** | 4,138 | 1,923 |
| Gross proceeds on sale of subsidiaries | **55,000** | - | 55,000 |
| Free cash flow [(1)] | **33,960** | 107,273 | (73,313) |

(1) This is a non-GAAP financial ratio or measure with no standardized meaning. Refer to the section “Definition and reconciliation of non-GAAP financial ratios and measures” in this MD&A.

*Cash flow used in financing activities*

When compared to 2020, cash flow used in financing activities decreased by $86.1 million to $23.7 million, mainly as a result of the increase of long-term debt due to the increased working capital as at December 30, 2021.

*Cash flow provided by (used in) investing activities*

Cash flow provided by investing activities increased by $41.4 million to $14.1 million for 2021. The increase is mainly explained by the gross proceeds on the sale of Dorel’s juvenile manufacturing facilities in Zhongshan and Huangshi, China in the amount of $55.0 million partly offset by the cash used for the acquisition of businesses in the amount of $10.9 million.

### *d) Contractual obligations*

| | **Total** | **Less than 1 year** | **1 - 3 years** | **4 - 5 years** | **After 5 years** |
|---|---|---|---|---|---|
| Bank indebtedness | 3,783 | 3,783 | - | - | - |
| Trade and other payables | 343,145 | 343,145 | - | - | - |
| Long-term debt repayments: | | | | | |
| Senior unsecured notes [(1)] | 127,500 | - | 127,500 | - | - |
| ABL facility [(1)] | 305,931 | - | 305,931 | - | - |
| Balance of sale | 6,076 | 3,074 | 3,002 | - | - |
| Other long-term debt | 5,011 | 1,427 | 1,588 | 1,588 | 408 |
| Contractual undiscounted cash flows of lease liabilities | 114,826 | 32,655 | 38,698 | 19,208 | 24,265 |
| Other financial liabilities | 4,908 | 1,292 | 2,258 | 1,358 | - |
| Capital expenditure commitments | 10,463 | 10,463 | - | - | - |
| **Total contractual obligations** | **921,643** | **395,839** | **478,977** | **22,154** | **24,673** |

(1) The senior unsecured notes and the ABL facility were completely reimbursed on January 4, 2022 following the closing of the sale of the Sports segment.

The Company does not have significant contractual commitments beyond those reflected in the consolidated statement of financial position, the commitments listed in Note 26 to the consolidated financial statements or those listed in the table above.

**Bank indebtedness**

As at December 30, 2021, Dorel had available bank lines of credit amounting to approximately $30.6 million of which $3.8 million have been used. The availability of these funds are dependent on Dorel continuing to meet the financial covenants of its credit agreements.

**Financial covenants**

Under the senior unsecured notes, Dorel is subject to certain covenants, including maintaining certain financial ratios. In the event Dorel is not able to meet its quarterly debt covenant requirements, the senior unsecured notes will become due in full at the date of non-compliance. As at December 30, 2021, the Company was compliant with all its borrowing covenant requirements.

**Lease liabilities**

As at December 30, 2021, total contractual undiscounted cash flows of lease liabilities were $114.8 million. In addition, as at December 30, 2021, Dorel had undiscounted future lease payments of $0.1 million related to leases not yet commenced to which it was committed, which are not reflected in the measurement of lease liabilities.

**Other considerations**

As new product development is vital to the continued success of Dorel, the Company must make capital investments in research and development, moulds and other machinery, equipment, and technology. It is expected that Dorel will invest between $40.0 million and $50.0 million in 2022 to meet its new product development and other growth objectives. Dorel expects its existing operations to be able to generate sufficient cash flow to provide for this and other requirements as they arise throughout the year. As part of its capital management strategy to ensure it will have sufficient liquidity to meet its obligations as they become due, Dorel may need to reduce or change the timing of its expected capital investments during 2022.

Contractual obligations for the purchases of goods or services are defined as agreements that are enforceable and legally binding on the Company and that specify all significant terms, including: fixed or variable price provisions, and the approximate timing of the transaction. With the exception of those listed in the contractual obligations table, Dorel does not have significant agreements for the purchase of raw materials or finished goods specifying minimum quantities or set prices that exceed its short term expected requirements. Therefore, not included in the contractual obligations table are Dorel's outstanding purchase orders for raw materials, finished goods or other goods and services which are based on current needs and are fulfilled by its vendors on relatively short timetables.

As detailed in Note 22 of the consolidated financial statements, an amount of $19.6 million pertains to Dorel's pension and post-retirement benefit plans. In 2022, contributions expected to be paid for funded plans and benefits expected to be paid for unfunded plans under these plans amount to approximately $3.2 million.

### *e) Off-Balance Sheet Arrangements*

In addition to the contractual obligations listed above, Dorel has certain off-balance sheet arrangements and commitments that have financial implications, specifically standby letters of credit and other guarantees. Off-balance sheet arrangements are described in Note 26 to the consolidated financial statements.

Requests for providing commitments to extend credit and financial guarantees are reviewed and approved by senior management. Management regularly reviews all outstanding commitments; standby letters of credit and financial guarantees and the result of these reviews are considered in assessing the adequacy of Dorel's reserve for possible credit and guarantee losses.

### *f) Financial Instruments*

In the normal course of business, Dorel is subject to various risks relating to foreign exchange, interest rate, credit and liquidity. Dorel manages these risk exposures on an ongoing basis. In order to limit the effects of changes in foreign exchange rates on its revenues, expenses and cash flows, the Company can avail itself of various derivative financial

instruments. Dorel's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing or anticipated risks, commitments or obligations based on its past experience.

Dorel is exposed to interest rate fluctuations, related primarily to its senior secured asset based revolving credit facility (ABL facility), for which amounts borrowed bear interest at variable rates based on the Eurodollar rate, the bankers' acceptance rate, the prime rate, the Federal funds effective rate, the US base rate, the Canadian prime rate, the Dutch tranche Euro offered rate and the Dutch tranche USD offered rate in effect at the time of borrowing, plus a variable margin. The Company manages its interest rate exposure and enters into swap agreements consisting of exchanging variable rates for fixed rates for an extended period of time. Most of other long-term debts have fixed interest rates and are therefore not exposed to interest rate risk. The Company uses 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.

Dorel is subject to other various risks relating primarily to foreign exchange risk. In order to mitigate the effects of changes in foreign exchange rates on its revenue, its expenses and its cash flows, the Company uses various derivative financial instruments such as swaps, options, futures and forward contracts to hedge against adverse fluctuations in foreign currency rates. The Company's main source of foreign exchange rate risk resides in sales and purchases of goods denominated in currencies other than the functional currency of each of Dorel's entities. Dorel's financial debt mainly consists of long-term debt issued in US dollars for which no foreign currency hedging is required. Most of the short-term lines of credit, overdrafts and long-term debt commonly used by Dorel's entities are in the currency of the borrowing entity and therefore carry no foreign exchange rate risk. Inter-company loans/borrowings are economically hedged as appropriate, whenever they present a net exposure to foreign exchange rate risk and some are used to hedge net investments in their foreign subsidiaries. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of each of Dorel's entities at the rates of exchange at each financial position date, the impact of which is reported as a foreign exchange gain or loss in the consolidated income statements.

As such, derivative financial instruments are used as a method for meeting the risk reduction objectives of Dorel by generating offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted transactions. Dorel does not hold or use derivative financial instruments for trading or speculative purposes.

Further information on Dorel's financial instruments can be found in Note 20 of the consolidated financial statements.

## 5. CRITICAL ACCOUNTING ESTIMATES

Dorel's consolidated financial statements have been prepared in accordance with IFRS. The preparation of these consolidated financial statements requires using judgments, which includes making estimates and assumptions at the date of the consolidated financial statements that affect the reported amounts of assets and liabilities, related amounts of revenue and expenses, and disclosure of contingent assets and liabilities. A complete list of all significant accounting policies is listed in Note 4 to the consolidated financial statements.

Dorel believes the following are the most critical accounting estimates that would have the most material effect on the consolidated financial statements should these accounting estimates change materially or should these accounting policies change or be applied in a different manner:

***Basis of preparation of the consolidated financial statements***

At each reporting period, management assesses the basis of preparation of the consolidated financial statements. Dorel's consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

***Impairment testing of goodwill and intangible assets with indefinite useful lives***

Significant management estimates are required to determine both fair value and value in use of a CGU to which goodwill and intangible assets with indefinite useful lives are allocated. Estimates of fair value, selling costs or the discounted future cash flows related to the CGUs are required. Differences in estimates could affect whether goodwill or intangible assets with indefinite useful lives are in fact impaired and the dollar amount of that impairment.

***Provisions and contingent liabilities***
A provision is recognized if the Company has a present legal or constructive obligation, as a result of past events, that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation for product liability, accrual of product warranties, liabilities for potential litigation claims and settlements. Management must use judgment in determining whether all of the above three conditions have been met to recognize a provision or instead whether a contingent liability is in existence at the reporting date.

Management formulates a reliable estimate for the obligation once the applicable criteria have been satisfied to recognize the liability. Management's estimate is based on the likelihood and timing of economic outflows, discount rates, historical experience, nature of provision, opinions of legal counsel and other advisors and if there is a claim amount.

***Product liability***
Dorel insures itself to mitigate its product liability exposure. The estimated product liability exposure requires the use of judgment and is discounted and calculated by an independent actuary based on historical sales volumes, past claims history and management and actuarial assumptions. The estimated exposure includes incidents that have occurred, as well as incidents anticipated to occur on products sold prior to the reporting date. Significant assumptions used in the actuarial model include management's estimates for pending claims, product life cycle, discount rates, and the frequency and severity of product incidents. Dorel reviews periodically its recorded product liability provisions and any adjustment is recorded in general and administrative expenses.

***Income taxes***
Dorel follows the liability method of accounting for income taxes. Under this method, deferred income taxes relate to the expected future tax consequences of differences between the carrying amount of assets and liabilities for financial reporting purposes in the consolidated statement of financial position and their corresponding tax values using the enacted or substantively enacted income tax rate, which are expected to be in effect for the year in which the differences are expected to reverse.

A deferred tax asset is recorded when it is probable that it will be realized in the future. The ultimate realization of deferred tax assets is based on management's estimates of the generation of future income and estimates of the impact of tax planning strategies. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing on the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company's income tax provision is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities from various jurisdictions. Management's estimates of income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as for changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final result of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the provision for income taxes and in valuing income tax assets and liabilities.

***Revenue recognition - sales returns and other customer programs***
At contract inception, Dorel estimates customer programs and incentive offerings that give rise to variable consideration. Estimated amounts of variable consideration are based on various assumptions including agreements with comparable customers, past experience with customers and/or products, and other relevant factors. The amount of revenue recognized is adjusted for expected returns, which are estimated by management based on the historical data for the related types of goods sold. Actual results can differ from management's estimates.

***Impairment loss allowance for trade accounts receivable***
Dorel recognizes an impairment loss allowance for expected credit losses on trade accounts receivable, using a probability-weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

***Inventory valuation***
Dorel regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, damaged, if they have become obsolete, or if their selling prices or estimated forecast of product demand declines. If actual market conditions are less favourable than previously projected, or if liquidation of the inventory no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.

***Determining the lease term of contracts with extension options and termination options***
Dorel determines the lease term as the non-cancellable period of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Dorel applies judgment in assessing whether it is reasonably certain to exercise its options to extend its leases or to not exercise its options to terminate its leases, by considering all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Company.

## 6. CHANGES IN ACCOUNTING POLICIES

The following are amendments to standards applied by the Company in the preparation of the consolidated financial statements. The Company adopted the following amendments for the annual period beginning on December 31, 2020.

*Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*
In August 2020, the IASB published *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* to address issues relating to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements when an existing interest rate benchmark is actually replaced. The amendment introduces a practical expedient for modifications required by the reform. The amendments are effective for annual reporting periods beginning on or after January 1, 2021, with earlier application permitted. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements as the new senior secured asset based revolving credit facility that replaces the revolving bank loans and term loan includes benchmark replacement rate clauses in its agreement. In addition, the Company and its counterparty under the interest rate swap agreement are expected to negotiate the substitution of reference rates in such agreement in the upcoming months.

*Amendment to IFRS 16 – COVID-19-Related Rent Concessions*
In March 2021, the IASB published *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)* to extend, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment permits a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2021). The amendment is effective for annual reporting periods beginning on or after April 1, 2021, with earlier application permitted. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

## 7. 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 year ended December 30, 2021. The new standards and amendments have not been applied in preparing the consolidated financial statements.

*Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*
The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The extent of the impact of adoption of the amendments has not yet been determined.

*Definition of Accounting Estimates (Amendments to IAS 8)*
The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The extent of the impact of adoption of the amendments has not yet been determined.

*Accounting Policy Disclosures (Amendments to IAS 1)*
The amendments change the requirements with regards to disclosure of accounting policies. The amendments require to disclose the material accounting policies rather than the significant accounting policies and also clarify that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The adoption of the amendments is not expected to have a material impact.

*Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*
For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period The amendments apply for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The adoption of the amendments is not expected to have a material impact.

## 8. MARKET RISKS AND UNCERTAINTIES

### *General Economic Conditions*

In its almost 60-year history, Dorel has experienced several economic downturns and its products have proven to be ones that consumers continue to purchase in varying economic conditions. In 2021, in most of its markets, the retail environment could be characterized as challenging. The dominant share of the market represented by Dorel's retail partners, together with changes in consumer shopping patterns, has contributed to dominant retailers and Internet companies that have strong negotiating power with suppliers. Other trends are for retailers and Internet companies to import products directly from foreign sources and to source and sell products under their own private label brands, typically at lower prices, that compete with Dorel's products. As a result, the majority of the Company's retail chains, and Internet retailers continued to emphasize price competitiveness as their primary focus. To provide these retail partners with value over and above competitive pricing, Dorel continued to invest in new product development and various brand support initiatives. The combination of these market influences has created an intensely competitive environment resulting in downward pricing pressures, the need for powerful brands and the ongoing introduction of innovative new products.

In Dorel Home, Dorel concentrates exclusively on value priced items and sells the majority of its products through the mass merchant and Internet sales distribution channels. During difficult economic times, when shopping for furniture, consumers are more likely to shop at the mass merchants, both brick and mortar and online, for reasonably priced items.

In Dorel Juvenile, Dorel believes that demand generally remains steady as child safety is a constant priority and parents require products that fulfill that need. In Dorel's traditional markets, birth rates are trending lower, meaning newer markets like Latin America and Asia with higher birth rates are being exploited. In recent years, while a trend to less expensive items has emerged for certain consumers, a segment of the market is attracted towards higher-end products, thereby dividing the marketplace into two distinct consumer groups that the segment services with its multiple brand strategy.

Should economic conditions worsen significantly, the competitive environment increase, unemployment rises dramatically, importing tariffs increase substantially or bad weather conditions occur, it could have a negative impact on Dorel as consumer spending would likely be curtailed. In addition, as customers are continuously changing their purchasing preferences and habits, the retail industry is experiencing an increase in the number of retailers filing for bankruptcy protection or announcing liquidation of their inventories in recent years. As customers are increasingly embracing shopping online, further investment in digital capabilities is necessary. However, there can be no assurance that these investments will result in increased sales by the Company through e-commerce. There can be no assurance that the economies in which Dorel operates, taken as a whole, will improve going forward and in the event of a substantial deterioration of these economies, Dorel could be adversely affected.

### *Product Costs and Supply*

Dorel purchases raw materials, component parts, and finished goods. The main commodity items purchased for production include particle board and plastic resins, as well as corrugated cartons. Key component parts include car seat covers, hardware, buckles and harnesses, futon frames and covers. These parts are derived from textiles and a wide assortment of metals, plastics, and wood. Dorel's finished goods purchases are largely derived from steel, aluminum, resins, textiles, and wood.

Raw material cost fluctuations were highlighted by significant resin price increases in 2021 in both the U.S. and Europe, while particle board prices also increased in North America in 2021. Crude oil prices are expected to increase and remain volatile in 2022. U.S. resin prices are expected to remain at elevated rates in 2022. Particle board prices are expected to further increase in 2022.

Dorel's suppliers of components and finished goods experienced higher input material costs in 2021. The Chinese currency ("RMB") appreciated approximately 3% in 2021.Labour costs in China remained stable in 2021.

Container freight costs are expected to increase significantly and remain volatile in 2022 due to port congestion, including the shortage of container availability and the unprecedented surge in demand. International air freight and domestic trucking rates increased significantly in 2021 and are expected to remain high in 2022.

Dorel's level of profitability is impacted by its ability to manage these various input costs and adjust pricing to its customers as required. During 2021, the U.S. tariffs increased generally for goods imported from China, affecting Dorel Home in particular. Dorel was able to pass on the tariff increases in dollars to its customers, but this had a negative impact on the sales volume and the gross margin. In addition, Dorel relies on its suppliers to provide quality products on a timely basis and has always prided itself on establishing successful long-term relationships both domestically and overseas. Dorel remains committed to actively working with its supplier base to ensure that the flow of product is not interrupted. Should input costs increase dramatically, should major existing vendors be unable to supply Dorel or the supply chain be disrupted due to crises such as ongoing coronavirus epidemics, it could have an adverse effect on Dorel going forward.

### *Foreign Currency Fluctuations*

Dorel uses the US dollar as its reporting currency. Dorel is subject to risk due to variations in currency values against the US dollar. Foreign currency risk occurs at two levels: transactional and translational. Transactional currency risk occurs when a given division either incurs costs or generates revenue in a currency other than its own functional currency. Dorel's operations that are most affected by transactional currency risk are those that operate in the Euro zone, in Canada and in China. Translational risk occurs upon conversion of non-US functional currency divisions' results to the US dollar for reporting purposes. Dorel's European, Latin American and Asian operations are the most significant divisions that do not use the US dollar as their functional currency, and as such translational risk is limited to those operations. The two major functional currencies in Europe are the Euro and Pound Sterling.

Dorel's European, Latin American, Asian and Australian operations are negatively affected by a stronger US dollar as portions of their respective purchases are in that currency, while their revenues are not. Portions of Dorel Juvenile segment's purchases are in US dollars, while its revenues are not. Dorel's Canadian operations within Dorel Home benefit from a stronger US dollar as large portions of its revenue are generated in the United States and the majority of its costs are in Canadian dollars. This situation is mitigated somewhat by Dorel Juvenile Canada's operations that import US dollar denominated goods and sell to Canadian customers.

Throughout 2021, the weakening of the Euro, Pound Sterling and Brazilian Real against the US dollar had a transactional and translational net negative impact on Dorel Juvenile's operating profit.

The Company uses swaps, options, futures, and forward contracts to hedge against these adverse fluctuations in foreign currency rates. Further details on the Company's hedging strategy can be found in Note 20 of Dorel's consolidated financial statements for the years ended December 30, 2021 and 2020. Significant changes in the value of the US dollar can greatly affect Dorel's future earnings.

### *Concentration of Revenues*

For the year ended December 30, 2021, two customers accounted for more than 10% of the Company's revenue, representing an aggregate of 47.6% of Dorel's revenue. In 2020, three customers accounted for more than 10% of the Company's revenue, at 54.7% of Dorel's revenue. Dorel does not have long-term contracts with its customers, and as such revenues are dependent upon Dorel's continued ability to deliver attractive products at a reasonable price, combined with high levels of service. There can be no assurance that Dorel will be able to sell to such customers on an economically advantageous basis in the future or that such customers will continue to buy from Dorel.

### *Customer and Credit Risk*

The majority of the Company's revenue is derived from sales to major retail chains and Internet retailers. The remainder of Dorel's sales are made mostly to specialty juvenile stores and IBDs. To minimize credit risk, the Company conducts ongoing credit reviews and maintains credit insurance on selected accounts. Should certain of these major retailers have financial difficulty and/or cease operations, there could be a material short-term adverse effect on the Company's consolidated results of operations. In the long term, the Company believes that should certain retailers cease to exist, consumers will shop at competitors at which Dorel's products will generally also be sold. However, in the event that some of the Company's other major customers face financial difficulties and/or cease operations, this could adversely affect the Company's future earnings. As at December 30, 2021, two customers accounted for 47.6% of the Company's total trade accounts receivable balance, while in 2020, three customers accounted for 45.1%.

The Company recognizes an impairment loss allowance for expected credit losses on trade accounts receivable, using a probability-weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

### *Product Liability*

As with all manufacturers of products designed for use by consumers, Dorel is subject to numerous product liability claims, particularly in the United States. Dorel makes ongoing efforts to improve quality control and to ensure the safety of its products. The Company is insured to mitigate its product liability exposure. No assurance can be given that a judgment will not be rendered against Dorel in an amount exceeding the amount of insurance coverage or in respect of a claim for which Dorel is not insured.

### *Income Taxes*

The Company is subject to income tax in various jurisdictions. The Company's organizational structure and the resulting tax rate are supported by current domestic tax laws in the jurisdictions in which the Company operates and by the interpretation and application of these tax laws. The income tax rate can also be affected by the application of tax treaties between these various jurisdictions. Unanticipated changes to these interpretations and applications of current domestic tax laws, or to the tax rates and treaties, could adversely impact the effective income tax rate of the Company going forward.

The Company is regularly under tax audits by various worldwide tax authorities. Although Dorel believes its tax estimates are reasonable, the final outcome of tax audits and related litigation could be materially different than the Company's historical tax provisions and accruals. There can be no assurance that the resolution of any tax audits or related litigation will not have an adverse effect on the Company's future earnings.

### *Product and Brand Development*

To support continued revenue growth, the Company must continue to update existing products, design innovative new items, develop strong brands and make significant capital investments. The Company has invested heavily in product development and plans to keep it at the center of its focus. In addition, the Company must continue to maintain, develop and strengthen its end-user brands. Should the Company invest in or design products that are not accepted in the marketplace, or if its products are not brought to market in a timely manner, or in certain cases, fail to be approved by the appropriate regulatory authorities, this could negatively impact future growth.

### *Regulatory Environment*

The Company operates in certain industries which are highly regulated and as such operates within constraints imposed by various regulatory authorities. In recent years, greater concern regarding product safety has resulted in more onerous regulations being placed on the Company as well as on its competitors operating in these industries. Dorel has always operated within this environment and has allocated a great deal of resources to meeting these obligations and is therefore well positioned to meet these regulatory requirements. However, any future regulations that would require additional costs could have an adverse effect on the Company going forward.

### *Russia-Ukraine Conflict*

In February 2022, Russian military forces invaded Ukraine; the invasion is being actively resisted by Ukrainian military personnel and the people of Ukraine, and the outcome of the conflict is uncertain at this time.

Although Dorel Juvenile has sales in Russia, Ukraine and the neighbouring country Belarus, the amount of such sales is not material to the Company as a whole. Dorel Home does not have any sales in these countries. A prolonged armed conflict in Ukraine or an expansion of the armed conflict to other European countries could have a negative effect on the European and world economies. As well, Russia is a major exporter of oil and natural gas. Any disruption of supplies of oil and natural gas from Russia could have a significant adverse effect on the European and world economies. All of the foregoing factors could potentially have a negative effect on the Company’s sales and results of operations.

The Company has made the decision to cease doing business in Russia.

### *Public Health Crises*

Dorel is exposed to risks related to pandemics or epidemics, such as the outbreak of COVID-19 that surfaced in December 2019 and which, on March 11, 2020, was declared by the World Health Organization to be a global pandemic. Dorel’s two segments were adversely impacted during the first quarter of 2020 due to the closure of certain of their manufacturing facilities and the prolonged closing of stores by many of Dorel’s customers around the world, as well as disruptions in their supply chains and reduced workforce productivity due to lockdowns and social distancing requirements. While some of Dorel’s products have been in high demand during the COVID-19 pandemic, sales of other products suffered from lockdowns in many countries. However, the extent to which the COVID-19 pandemic will impact Dorel’s results in the foreseeable future will depend on further developments which are highly uncertain and which cannot be predicted with any certainty.

### *Liquidity and Access to Capital Resources*

Dorel requires continued access to capital to support its activities. Part of Dorel’s long-term strategy is to grow through the acquisition of complementary businesses that it believes will enhance value for its shareholders. To satisfy its financing needs, Dorel relies on long-term and short-term debt, and on cash flows from operations. Under the senior unsecured notes, Dorel is subject to certain covenants, including maintaining certain financial ratios. In the event Dorel is not able to meet its quarterly debt covenant requirements, the senior unsecured notes will become due in full at the date of non-compliance. While management believes that future cash flows from operations and availability under existing/renegotiated banking arrangements will be adequate to support Dorel’s financial liabilities, assessing Dorel’s liquidity, including expected future compliance with covenants requires significant judgment. Dorel does not expect a liquidity problem in the foreseeable future; however, no assurance can be provided.

Furthermore, any impediments to Dorel’s ability to access capital markets, including significant changes in market interest rates, general economic conditions, or the perception in the capital markets of Dorel’s financial condition or prospects, could also have a material adverse effect on Dorel’s financial condition and results of operations.

### *Reliance on Information Technology Systems*

Dorel relies extensively on information technology systems, networks and services, including Internet sites, facilities and tools used for data hosting and processing, other hardware, software, technical applications and platforms, some of which are managed, hosted, provided and/or used by third parties or their vendors, to assist in conducting business.

Dorel’s information technology systems may be vulnerable to a variety of sources of failure, interruption, or misuse, including by reason of natural disasters, cyberattacks and cybersecurity threats, network communication failures, computer viruses and other security threats to the confidentiality, availability, and integrity of Dorel’s data. Increased

information technology security threats and more sophisticated computer crime have increased in recent years due to the proliferation of new technologies and the increased sophistication of perpetrators of cyberattacks.

Information contained in Dorel's systems include proprietary or sensitive information on its customers, suppliers, partners, employees, business information, research and development activities and Dorel's intellectual property. Unauthorized third parties may be able to penetrate Dorel's network security and misappropriate or compromise Dorel's confidential information, deploy viruses, other malware or phishing that would exploit any security vulnerabilities in Dorel's information technology systems, create system disruptions or cause machinery or plant shutdowns. Such attacks could potentially lead to the publication, manipulation or leakage of information, improper use of Dorel's information technology systems, defective products, production downtimes and supply shortages. Dorel's partners and suppliers also face risks of unauthorized access to their information technology systems which may contain Dorel's confidential information.

As techniques used to obtain unauthorized access to information technology systems change frequently and considering the complexity of the threats, as well as the unpredictability of the timing, nature, and scope of disruptions from such threats, Dorel may be unable to anticipate these techniques or implement adequate preventative measures to counter any such unauthorized access to its information technology systems. If an actual or perceived breach of Dorel's security occurs, it could adversely impact Dorel's reputation, which can lead to losing customers and materially impact Dorel's business and earnings.

## 9. OTHER INFORMATION

The designation, number and amount of each class and series of its shares outstanding as of March 9, 2022 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)** |
| 4,149,365 | 1,748 | 28,436,788 | 204,211 | 205,959 |

Outstanding Deferred Share Units, cash-settled Restricted Share Units, cash-settled Share Appreciation Rights and cash-settled Performance Share Units are disclosed in Note 24 of Dorel's consolidated financial statements. There were no significant changes to these values in the period between the year-end and the date of the preparation of this MD&A.

## 10. DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

### Disclosure controls and procedures (“DC&P”)

National Instrument 52-109, “Certification of Disclosure in Issuers’ Annual and Interim Filings”, issued by the Canadian Securities Administrators requires that the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) certify that they are responsible for establishing and maintaining DC&P for the Company, that DC&P have been designed and are effective in providing reasonable assurance that material information relating to the Company is made known to them, that they have evaluated the effectiveness of the Company’s DC&P, and that their conclusions about the effectiveness of those DC&P at the end of the period covered by the relevant annual filings have been disclosed by the Company.

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Executive Vice-president, Chief Financial Officer and Secretary, management has evaluated the design and operating effectiveness of the Company’s DC&P as at December 30, 2021 and have concluded that those DC&P were appropriately designed and operating effectively in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

### Internal controls over financial reporting (“ICFR”)

National Instrument 52-109 also requires the CEO and CFO to certify that they are responsible for establishing and maintaining ICFR for the Company, that the design and operation of the internal controls are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS, and that the Company has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its ICFR.

During 2021, management evaluated the Company’s ICFR to ensure that their design and operation are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS. Management has used the Internal Control – Integrated Framework (2013) to evaluate the effectiveness of ICFR, which is a recognized and suitable framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Executive Vice-president, Chief Financial Officer and Secretary, management has evaluated the ICFR as at December 30, 2021 and have concluded that those internal controls were appropriately designed and were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS.

### Changes in DC&P and ICFR

During the fourth quarter ended December 30, 2021, 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 it’s DC&P and ICFR 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 annual filing. The Company elected to exclude the Notio Living business acquired as allowed by National Instrument 52-109.

The table below presents the summary of financial information included in the Company's consolidated annual financial statements for the excluded controls related to the acquired business:

**Notio Living**

Selected financial information from the income statement

| | November 30 - December 30, 2021 |
|---|---|
| Revenue | 1,703 |
| Operating profit (1) | - |

(1) Excludes acquisition related costs incurred

**Notio Living**

Selected financial information from the statement of financial position

| | As at December 30, 2021 |
|---|---|
| Total current assets | 11,880 |
| Total non-current assets | 5,207 |
| Total current liabilities | 5,223 |
| Total non-current liabilities | 4,081 |

## 11. LOCAL STATUTORY DISCLOSURE REQUIREMENTS

Brazilian regulatory legislation requires that Caloi publish statutory financial statements in its local market due to the tax benefit received by the division. As such, the following summary financial information of Caloi is provided in the table below:

**Caloi Norte S.A.**

Selected financial information from the income statement

| | Year ended December 30, 2021 |
|---|---|
| Revenue | 71,706 |
| Operating profit | 19,214 |

**Caloi Norte S.A.**

Selected financial information from the statement of financial position

| | As at December 30, 2021 |
|---|---|
| Total current assets | 53,702 |
| Total non-current assets | 25,585 |
| Total current liabilities | 19,678 |
| Total non-current liabilities | 19,468 |

## 12. 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, including statements regarding the impact of the COVID-19 pandemic on the Company’s business, financial position and operations, 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 applicable laws or regulations;
- changes in product costs and supply channels, including disruption of the Company’s supply chain resulting from the COVID-19 pandemic;
- foreign currency fluctuations, including high levels of volatility in foreign currencies with respect to the US dollar reflecting uncertainties related to the COVID-19 pandemic;
- 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;
- outbreak of public health crises, such as the current COVID-19 pandemic, that could adversely affect global economies and financial markets, resulting in an economic downturn which could be for a prolonged period of time and have a material adverse effect on the demand for the Company’s products and on its business, financial condition and results of operations;
- the effect of international conflicts on the Company’s sales;
- continued access to capital resources, including compliance by the Company with financial covenants under its senior unsecured notes and with all of the terms and conditions under its ABL facility, and the related costs of borrowing, all of which may be adversely impacted by the COVID-19 pandemic;
- failures related to information technology systems;
- changes in assumptions in the valuation of goodwill and other intangible assets and future decline in market capitalization;
- there being no certainty that the Company will declare any dividend in the future;
- payment to the Luxembourg tax authorities; and
- decisions by Dorel concerning the use of the net proceeds from the sale of Dorel Sports, in particular the reduction of Dorel’s indebtedness and the declaration and payment of the special dividend.

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 Information Form filed with the applicable Canadian securities regulatory authorities. The risk factors set out in the previously mentioned documents are expressly incorporated by reference herein in their entirety.

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.

## 13. DEFINITION AND RECONCILIATION OF NON-GAAP FINANCIAL RATIOS AND MEASURES

Dorel is presenting in this MD&A certain non-GAAP financial ratios and measures, as described below. These non-GAAP financial ratios and 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 ratios and 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 ratios and measures to the most directly comparable financial measures calculated in accordance with IFRS.

Dorel believes that the non-GAAP financial ratios and measures used in this MD&A provide investors with additional information to analyze its results and to measure its financial performance by excluding the variation caused by certain items that Dorel believes do not reflect its core business performance and provides better comparability between the periods presented. Excluding these items does not imply they are necessarily non-recurring. The non-GAAP financial measures are also used by management to assess Dorel's financial performance and to make operating and strategic decisions.

**Adjustments to non-GAAP financial ratios and measures**
As noted above, certain of our non-GAAP financial measures and ratios exclude the variation caused by certain adjustments that affect the comparability of Dorel's financial results and could potentially distort the analysis of trends in its business performance. Adjustments which impact more than one non-GAAP financial ratio and measure are explained below.

*Restructuring costs*
Restructuring costs are comprised of costs directly related to significant exit activities, including the sale of manufacturing facilities, closure of businesses, reorganization, optimization, transformation, and consolidation to improve the competitive position of the Company in the marketplace and to reduce costs and bring efficiencies, and acquisition-related costs in connection with business acquisitions. Restructuring costs are included as an adjustment of adjusted gross profit, adjusted gross margin, adjusted operating profit (loss) from continuing operations, adjusted net income (loss) from continuing operations and adjusted diluted earnings (loss) per share from continuing operations. Restructuring costs were respectively $18.0 million and $30.0 million for the fourth quarter and year ended December 30, 2021 (2020 - $3.5 million and 9.6 million). Refer to the section “Impairment loss on goodwill and restructuring costs – Continuing operations” in this MD&A for more details.

*Impairment loss on goodwill*
During the first quarter of 2020, Dorel recorded an impairment loss on goodwill for its Dorel Juvenile – Europe CGU. Impairment loss on goodwill is included as an adjustment of adjusted operating profit (loss) from continuing operations and adjusted net income (loss) from continuing operations and adjusted diluted earnings (loss) per share from continuing operations. Refer to the section “Impairment loss on goodwill and restructuring costs – Continuing operations” in this MD&A for more details.

**Summation of continuing operations and discontinued operation**
The summation of continuing operations and discontinued operation for the revenue, cost of sales, gross profit, selling expenses, general and administrative expenses, research and development expenses, impairment (reversal) loss on trade accounts receivable, restructuring costs, reversal of prior year impairment losses on intangible assets, operating profit (loss), finance expenses, income (loss) before income taxes and income taxes expense are defined as the combined reported numbers from continuing operations and reported numbers from discontinued operation. Management uses the summation of continuing operations and discontinued operation to measure its performance from one period to the next, without considering the impact of the sale of the Sports segment. Certain investors and analysts use the summation of continuing operations and discontinued operation to measure the business performance of the Company as a whole when compared with the previous period.

Refer to the reconciliations of summation of continuing operations and discontinued operation on page 5.

**Adjusted gross profit and adjusted gross margin**

Adjusted gross profit is calculated as gross profit excluding the impact of restructuring costs. Adjusted gross margin is a non-GAAP ratio and is calculated as adjusted gross profit divided by revenue. Dorel uses adjusted gross profit and adjusted gross margin to measure its performance from one period to the next, without the variation caused by the impacts of the items described above. Dorel also uses adjusted gross profit and adjusted gross margin on a segment basis to measure its performance at the segment level. Dorel excludes this item because it affects the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Certain investors and analysts use the adjusted gross profit and adjusted gross margin to measure the business performance of the Company as a whole and at the segment level from one period to the next, without the variation caused by the impact of the restructuring costs. Excluding this item does not imply it is necessarily non-recurring. These ratios and measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to a similar measure presented by other companies.

| | Fourth Quarters Ended | | Years Ended | |
|---|---|---|---|---|
| **From continuing operations** | **Dec 30, 2021** | Dec 30, 2020 (2) | **Dec 30, 2021** | Dec 30, 2020 (2) |
| Gross profit | **48,636** | 97,030 | **294,371** | 338,456 |
| Adjustment for: | | | | |
| Restructuring costs recorded within gross profit | **14,063** | 359 | **14,063** | 2,675 |
| Adjusted gross profit | **62,699** | 97,389 | **308,434** | 341,131 |
| Adjusted gross margin (1) | **14.4%** | 22.2% | **17.5%** | 19.9% |

(1) This is a non-GAAP financial ratio and it is calculated as adjusted gross profit divided by revenue.

(2) Dorel Sports was classified as a discontinued operation as of September 30, 2021. As a result, the results of operations have been restated for comparative periods.

Refer to Note 6 - Assets Held for Sale and Discontinued Operation in the consolidated financial statements for more details.

| | Fourth Quarters Ended | | Years Ended | |
|---|---|---|---|---|
| **Dorel Home** | **Dec 30, 2021** | Dec 30, 2020 | **Dec 30, 2021** | Dec 30, 2020 |
| Gross profit | **20,892** | 37,053 | **106,590** | 133,455 |
| Adjustment for: | | | | |
| Restructuring costs recorded within gross profit | **-** | (127) | **-** | 2,103 |
| Adjusted gross profit | **20,892** | 36,926 | **106,590** | 135,558 |
| Adjusted gross margin (1) | **9.1%** | 15.8% | **11.7%** | 14.5% |

(1) This is a non-GAAP financial ratio and it is calculated as adjusted gross profit divided by revenue.

| | Fourth Quarters Ended | | Years Ended | |
|---|---|---|---|---|
| **Dorel Juvenile** | **Dec 30, 2021** | Dec 30, 2020 | **Dec 30, 2021** | Dec 30, 2020 |
| Gross profit | **27,744** | 59,977 | **187,781** | 205,001 |
| Adjustment for: | | | | |
| Restructuring costs recorded within gross profit | **14,063** | 486 | **14,063** | 572 |
| Adjusted gross profit | **41,807** | 60,463 | **201,844** | 205,573 |
| Adjusted gross margin (1) | **20.4%** | 29.5% | **23.9%** | 26.2% |

(1) This is a non-GAAP financial ratio and it is calculated as adjusted gross profit divided by revenue.

### Adjusted operating profit (loss) from continuing operations

Adjusted operating profit (loss) from continuing operations is calculated as operating profit (loss) from continuing operations excluding the impact of restructuring costs. Adjusted operating profit (loss) from continuing operations also excludes impairment loss on goodwill. Management uses adjusted operating profit (loss) from continuing operations to measure its performance from one period to the next, without the variation caused by the impacts of the items described above. Dorel also uses adjusted operating profit (loss) on a segment basis to measure its performance at the segment level. Dorel excludes these items because they affect the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Certain investors and analysts use the adjusted operating profit (loss) from continuing operations to measure the business performance of the Company as a whole and at the segment level from one period to the next, without the variation caused by the impact of the restructuring costs and impairment loss on goodwill. Excluding these items does not imply they are necessarily non-recurring. This measure does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to a similar measure presented by other companies.

| | Fourth Quarters Ended | | Years Ended | |
|---|---|---|---|---|
| **From continuing operations** | **Dec 30, 2021** | Dec 30, 2020 (1) | **Dec 30, 2021** | Dec 30, 2020 (1) |
| Operating (loss) profit from continuing operations | **(26,175)** | 6,464 | **(15,272)** | 1,103 |
| Adjustment for: | | | | |
| Total restructuring costs | **18,090** | 3,511 | **30,045** | 9,567 |
| Impairment loss on goodwill | **-** | - | **-** | 43,125 |
| Adjusted operating (loss) profit from continuing operations | **(8,085)** | 9,975 | **14,773** | 53,795 |

(1) Dorel Sports was classified as a discontinued operation as of September 30, 2021. As a result, the results of operations have been restated for comparative periods.
Refer to Note 6 - Assets Held for Sale and Discontinued Operation in the consolidated financial statements for more details.

| | Fourth Quarters Ended | | Years Ended | |
|---|---|---|---|---|
| **Dorel Home** | **Dec 30, 2021** | Dec 30, 2020 | **Dec 30, 2021** | Dec 30, 2020 |
| Operating profit | **4,316** | 17,813 | **40,268** | 67,586 |
| Adjustment for: | | | | |
| Restructuring costs | **322** | (127) | **322** | 2,648 |
| Adjusted operating profit | **4,638** | 17,686 | **40,590** | 70,234 |

| | Fourth Quarters Ended | | Years Ended | |
|---|---|---|---|---|
| **Dorel Juvenile** | **Dec 30, 2021** | Dec 30, 2020 | **Dec 30, 2021** | Dec 30, 2020 |
| Operating (loss) profit | **(26,676)** | 1,934 | **(29,729)** | (37,866) |
| Adjustment for: | | | | |
| Restructuring costs | **17,768** | 3,638 | **29,723** | 6,919 |
| Impairment loss on goodwill | **-** | - | **-** | 43,125 |
| Adjusted operating (loss) profit | **(8,908)** | 5,572 | **(6)** | 12,178 |

**Adjusted net income (loss) from continuing operations and adjusted diluted earnings (loss) per share from continuing operations**

Adjusted net income (loss) from continuing operations is calculated as net income (loss) from continuing operations excluding the impact of restructuring costs and impairment loss on goodwill, as well as income taxes expense (recovery) relating to the adjustments above. Adjusted diluted earnings (loss) per share from continuing operations is a non-GAAP ratio and is calculated as adjusted net income (loss) from continuing operations divided by the weighted average number of diluted shares. Management uses adjusted net income (loss) from continuing operations and adjusted diluted earnings (loss) per share from continuing operations to measure its performance from one period to the next, without the variation caused by the impacts of the items described above. Dorel excludes these items because they affect the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Certain investors and analysts use the adjusted net income (loss) from continuing operations and adjusted diluted earnings (loss) per share to measure the business performance of the Company from one period to the next. Excluding these items does not imply they are necessarily non-recurring. These measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to a similar measure presented by other companies.

| | Fourth Quarters Ended | | Years Ended | |
|---|---|---|---|---|
| | **Dec 30, 2021** | Dec 30, 2020 [2] | **Dec 30, 2021** | Dec 30, 2020 [2] |
| Net loss from continuing operations | **(29,589)** | (13,331) | **(111,835)** | (64,764) |
| Adjustment for: | | | | |
| Total restructuring costs | **18,090** | 3,511 | **30,045** | 9,567 |
| Impairment loss on goodwill | **-** | - | **-** | 43,125 |
| Income taxes (recovery) expenses relating to the above-noted adjustments | **(451)** | 32 | **(923)** | (1,010) |
| Adjusted net loss from continuing operations | **(11,950)** | (9,788) | **(82,713)** | (13,082) |
| Basic loss per share from continuing operations | **(0.91)** | (0.41) | **(3.44)** | (1.99) |
| Diluted loss per share from continuing operations | **(0.91)** | (0.41) | **(3.44)** | (1.99) |
| Adjusted diluted loss per share from continuing operations [1] | **(0.37)** | (0.30) | **(2.54)** | (0.40) |

(1) This is a non-GAAP financial ratio and it is calculated as adjusted net income (loss) from continuing operations divided by weighted average number of diluted shares.

(2) Dorel Sports was classified as a discontinued operation as of September 30, 2021. As a result, the results of operations have been restated for comparative periods.
Refer to Note 6 - Assets Held for Sale and Discontinued Operation in the consolidated financial statements for more details.

**Organic revenue growth (decline) and adjusted organic revenue growth (decline)**

Organic revenue growth (decline) is calculated as revenue growth (decline) compared to the previous period, excluding the impact of varying foreign exchange rates. Adjusted organic revenue growth (decline) is calculated as revenue growth (decline) compared to the previous period, excluding the impact of varying foreign exchange rates and the impact of the sale of divisions. Management uses organic revenue growth (decline) and adjusted organic revenue growth (decline) to measure its performance from one period to the next, without the variation caused by the impacts of the items described above. Dorel excludes these items because they affect the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Certain investors and analysts use organic revenue growth (decline) and adjusted organic revenue growth (decline) to measure the business performance of the Company as a whole and at the segment level from one period to the next. Excluding these items does not imply they are necessarily non-recurring. These measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to a similar measure presented by other companies.

Refer to the reconciliation of organic revenue growth (decline) and adjusted organic revenue growth (decline) on page 14.

**Total debt and debt-to-equity ratio**

Total debt is defined as long-term debt (including any current portion) and bank indebtedness. Management considers total debt to be important indicators of the financial leverage of the Company. Dorel uses total debt to calculate the debt-to-equity ratio. Certain investors and analysts use the debt-to-equity ratio to measure the financial leverage of the Company. Management uses and believes that certain investors and analysts use the debt-to-equity ratio to measure the financial leverage of Dorel. These measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to a similar measure presented by other companies.

Refer to the reconciliation of total debt and debt to equity ratio on page 24.

**Free cash flow**

The free cash flow is defined as cash provided by (used in) operating activities less dividends paid, shares repurchased, acquisition of businesses, additions to property, plant and equipment, net of subsidy received, additions to intangible assets, including disposals of property, plant and equipment, net proceeds on sale of assets held for sale and gross proceeds on sale of subsidiaries. Dorel considers free cash flow to be an important indicator of the financial strength and performance of its business because it shows how much cash is available after capital expenditures to repay debt and to reinvest in its business, to pursue business acquisitions, and/or to redistribute to its shareholders. Management believes that certain investors and analysts use the free cash flow measure to value a business and its underlying assets. This measure does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to a similar measure presented by other companies.

Refer to the reconciliation of free cash flow on page 26.

**DOREL INDUSTRIES INC.**

CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 30, 2021 AND 2020

**KPMG LLP**
600 de Maisonneuve Blvd. West
Suite 1500, Tour KPMG
Montréal (Québec) H3A 0A3
Canada

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of Dorel Industries Inc.

## *Opinion*

We have audited the consolidated financial statements of Dorel Industries Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 30, 2021 and 2020
- the consolidated statements of income and comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

## *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 30, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

***Evaluation of tax uncertainties***

*Description of the matter*

We draw attention to Note 4 (b) (t) and Note 28 of the financial statements. The Company's income tax provision is based on complex rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities from various jurisdictions. Deferred tax liability estimates and assumptions are periodically reviewed and adjusted as circumstances warrant. Adjustments can result from changes to tax laws, and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the provision for income taxes and valuing deferred income tax liabilities. The Company's estimates and assumptions surrounding the ultimate resolution of tax uncertainties is a significant management judgment.

*Why the matter is a key audit matter*

We identified the evaluation of tax uncertainties as a key audit matter. The breadth of the Company's operations and the global complexity of tax regulations required significant auditor judgment and specialized skills and knowledge in evaluating the Company's assessment of uncertainties and judgments in estimating the ultimate taxes the Company will pay. In addition, significant auditor judgment was required in evaluating the results of our procedures regarding the Company's significant management judgment.

*How the matter was addressed in the audit*

The following are the primary procedures we performed to address this key audit matter. We involved income tax professionals with specialized skills and knowledge who performed the following:

- Obtained an understanding of the Company's tax structure and evaluated the reasonableness of management's judgments and estimates in the application of tax laws, including statutes and regulations;

- Evaluated the estimates and assumptions used by management in their evaluation of tax uncertainties by developing an independent assessment based on our understanding and interpretation of tax laws;
- Inspected the final conclusion of tax audits with applicable taxation authorities and assessed the expiration of statutes of limitations.

***Indefinite Life Intangible assets impairment***

*Description of the matter*

We draw attention to Note 4 (b) (h) (j) and Note 14 of the financial statements. The indefinite useful life intangible asset balance is $24.3 million, of which $23.5 million are Trademarks related to the Dorel Juvenile - Europe (the "CGU"). The Company performs Goodwill and Indefinite life intangible asset impairment testing on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of the CGU likely exceeds its recoverable amount. The recoverable amount is the higher of the CGU's fair value less cost of disposal and its value in use. In determining the recoverable amount of its CGU, the Company's significant assumptions used to derive the CGU's discounted future cash flows include revenue growth rates, operating margins, tax rates, terminal growth rates and discount rates.

*Why the matter is a key audit matter*

We identified the evaluation of the Trademarks Impairment analysis for the CGU as a key audit matter. This matter represented an area of significant risk of misstatement given the high degree of estimation uncertainty in determining the recoverable amount. Significant auditor judgment was required to evaluate the CGU's discounted future cash flows, including revenue growth rates, operating margins, tax rates, terminal growth rates and discount rate assumptions. Minor changes to these assumptions could have a significant effect on the recoverable amount of the CGU and result in impairment charges. As a result, significant auditor judgment requiring specialized skills and knowledge was required in evaluating the results of our procedures.

*How the matter was addressed in the audit*

The following are the primary procedures we performed to address this key audit matter.

- Evaluated the Company's revenue growth rate assumptions for the CGU, by comparing those assumptions to the expected growth rates in the Company's and its peer companies' analyst reports.
- Compared the CGU's future cash flows to historical results. We performed sensitivity analyses to assess the impact of possible changes to the future cash flows and discount rate assumptions on the CGU's recoverable amount.
- Involved a valuation professional with specialized skills and knowledge, who assisted in evaluating the reasonableness of the discount rate assumption used in the determination of the recoverable amount, by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities.

## Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditors' report is Michael Baratta.

KPMG LLP*

Montréal, Canada

March 10, 2022

*CPA auditor, CA, public accountancy permit No. A120841

**DOREL INDUSTRIES INC.**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 30, 2021 and 2020
(All figures in thousands of US dollars)

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents (Note 30) | $ 52,166 | $ 38,235 |
| Trade accounts receivable (Note 8) | 258,501 | 445,896 |
| Inventories (Note 9) | 364,684 | 534,508 |
| Income taxes receivable | 6,584 | 17,350 |
| Other assets (Note 15) | 27,948 | 46,403 |
| | 709,883 | 1,082,392 |
| Assets held for sale (Note 6) | 817,896 | 7,250 |
| | 1,527,779 | 1,089,642 |
| **Non-current assets** | | |
| Property, plant and equipment (Note 11) | 87,541 | 146,842 |
| Right-of-use assets (Note 12) | 84,077 | 166,061 |
| Intangible assets (Note 13) | 81,568 | 225,517 |
| Goodwill (Notes 14 and 32) | 45,523 | 41,016 |
| Deferred tax assets (Note 28) | 20,529 | 44,641 |
| Other assets (Note 15) | 4,051 | 5,397 |
| | 323,289 | 629,474 |
| | $ 1,851,068 | $ 1,719,116 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Bank indebtedness (Note 16) | $ 3,783 | $ 30,562 |
| Trade and other payables (Note 17) | 343,145 | 466,805 |
| Lease liabilities (Note 12) | 29,546 | 39,620 |
| Income taxes payable | 43,264 | 15,947 |
| Long-term debt (Note 18) | 4,501 | 276,913 |
| Provisions (Note 19) | 33,622 | 46,923 |
| Other liabilities (Note 15) | 7,311 | 16,884 |
| | 465,172 | 893,654 |
| Liabilities directly associated with assets held for sale (Note 6) | 369,806 | – |
| | 834,978 | 893,654 |
| **Non-current liabilities** | | |
| Lease liabilities (Note 12) | 72,709 | 140,432 |
| Long-term debt (Note 18) | 433,836 | 125,823 |
| Net pension and post-retirement defined benefit liabilities (Note 22) | 19,644 | 26,280 |
| Deferred tax liabilities (Note 28) | 10,156 | 21,349 |
| Provisions (Note 19) | 2,541 | 2,700 |
| Other liabilities (Note 15) | 8,204 | 12,670 |
| | 547,090 | 329,254 |
| **EQUITY** | | |
| Share capital (Note 23) | 204,737 | 204,701 |
| Contributed surplus | 32,287 | 30,054 |
| Accumulated other comprehensive loss | (115,097) | (117,244) |
| Other equity | 27,759 | 27,759 |
| Retained earnings | 319,314 | 350,938 |
| | 469,000 | 496,208 |
| | $ 1,851,068 | $ 1,719,116 |
| COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 26) | | |
| SUBSEQUENT EVENTS (Note 33) | | |

See accompanying notes.

ON BEHALF OF THE BOARD

Martin Schwartz, Director

Jeffrey Schwartz, Director

**DOREL INDUSTRIES INC.**
CONSOLIDATED INCOME STATEMENTS
For the years ended December 30, 2021 and 2020
(All figures in thousands of US dollars, except per share amounts)

| | 2021 | 2020 (1) |
|---|---|---|
| CONTINUING OPERATIONS | | |
| REVENUE (Note 32) | $ 1,758,705 | $ 1,717,702 |
| Cost of sales (Notes 7 and 9) | 1,464,334 | 1,379,246 |
| GROSS PROFIT | 294,371 | 338,456 |
| Selling expenses | 125,293 | 109,143 |
| General and administrative expenses | 139,798 | 139,662 |
| Research and development expenses | 28,878 | 34,186 |
| Impairment (reversal) loss on trade accounts receivable (Note 8) | (308) | 4,345 |
| Restructuring costs (Note 7) | 15,982 | 6,892 |
| Impairment loss on goodwill (Note 14) | – | 43,125 |
| OPERATING (LOSS) PROFIT | (15,272) | 1,103 |
| Finance expenses (Note 31) | 38,268 | 37,530 |
| LOSS BEFORE INCOME TAXES | (53,540) | (36,427) |
| Income taxes expense (Note 28) | | |
| Current | 59,354 | 16,708 |
| Deferred | (1,059) | 11,629 |
| | 58,295 | 28,337 |
| NET LOSS FROM CONTINUING OPERATIONS | $ (111,835) | $ (64,764) |
| DISCONTINUED OPERATION | | |
| Income from discontinued operation, net of tax (Note 6) | 80,211 | 21,361 |
| NET LOSS | $ (31,624) | $ (43,403) |
| LOSS PER SHARE (Note 29) | | |
| Basic | $ (0.97) | $ (1.34) |
| Diluted | $ (0.97) | $ (1.34) |
| LOSS PER SHARE – CONTINUING OPERATIONS (Note 29) | | |
| Basic | $ (3.44) | $ (1.99) |
| Diluted | $ (3.44) | $ (1.99) |

(1) Comparative information has been restated due to a discontinued operation (refer to Note 6).

See accompanying notes.

**DOREL INDUSTRIES INC.**
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 30, 2021 and 2020
(All figures in thousands of US dollars)

| | 2021 | 2020 |
|---|---|---|
| NET LOSS | $ (31,624) | $ (43,403) |
| OTHER COMPREHENSIVE INCOME (LOSS): | | |
| **Items that are or may be reclassified subsequently to net income:** | | |
| Cumulative translation account: | | |
| Net change in unrealized foreign currency losses on translation of net investments in foreign operations, net of tax of nil | (16,550) | (7,781) |
| Net gains on hedge of net investments in foreign operations, net of tax of nil | 584 | 8,079 |
| Reclassification of CTA upon disposal of subsidiaries (Note 7) | 10,845 | – |
| | (5,121) | 298 |
| Net changes in cash flow hedges: | | |
| Net change in unrealized gains (losses) on derivatives designated as cash flow hedges | 4,383 | (4,070) |
| Reclassification to net income | 1,089 | 544 |
| Reclassification to the related non-financial asset | (1,993) | 99 |
| Deferred income taxes (Note 28) | (664) | 680 |
| | 2,815 | (2,747) |
| **Items that will not be reclassified to net income:** | | |
| Defined benefit plans: | | |
| Remeasurements of the net pension and post-retirement defined benefit liabilities (Note 22) | 6,007 | (1,364) |
| Deferred income taxes (Note 28) | (1,554) | 18 |
| | 4,453 | (1,346) |
| TOTAL OTHER COMPREHENSIVE INCOME (LOSS) | 2,147 | (3,795) |
| TOTAL COMPREHENSIVE LOSS | $ (29,477) | $ (47,198) |
| TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO | | |
| Continuing operations | $ (110,643) | $ (59,304) |
| Discontinued operation | 81,166 | 12,106 |
| TOTAL COMPREHENSIVE LOSS | $ (29,477) | $ (47,198) |

See accompanying notes.

**DOREL INDUSTRIES INC.**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 30, 2021 and 2020

(All figures in thousands of US dollars)

| | Attributable to equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Accumulated other comprehensive 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, 2019** | $ 203,932 | $ 30,873 | $ (98,343) | $ (1,199) | $ (13,907) | $ 19,189 | $ 394,341 | $ 534,886 |
| *Total comprehensive loss:* | | | | | | | | |
| Net loss | – | – | – | – | – | – | (43,403) | (43,403) |
| Other comprehensive income (loss) | – | – | 298 | (2,747) | (1,346) | – | – | (3,795) |
| | – | – | 298 | (2,747) | (1,346) | – | (43,403) | (47,198) |
| Reclassification from contributed surplus due to settlement of deferred share units (Notes 23 and 24) | 769 | (954) | – | – | – | – | – | (185) |
| Share-based payments (Note 24) | – | 135 | – | – | – | – | – | 135 |
| Remeasurement of written put option liabilities (Note 15) | – | – | – | – | – | 8,570 | – | 8,570 |
| **Balance as at December 30, 2020** | $ 204,701 | $ 30,054 | $ (98,045) | $ (3,946) | $ (15,253) | $ 27,759 | $ 350,938 | $ 496,208 |
| *Total comprehensive loss:* | | | | | | | | |
| Net loss | – | – | – | – | – | – | (31,624) | (31,624) |
| Other comprehensive (loss) income | – | – | (5,121) | 2,815 | 4,453 | – | – | 2,147 |
| | – | – | (5,121) | 2,815 | 4,453 | – | (31,624) | (29,477) |
| Reclassification from contributed surplus due to settlement of deferred share units (Notes 23 and 24) | 36 | (36) | – | – | – | – | – | – |
| Share-based payments (Note 24) | – | 2,269 | – | – | – | – | – | 2,269 |
| **Balance as at December 30, 2021** | $ 204,737 | $ 32,287 | $ (103,166) | $ (1,131) | $ (10,800) | $ 27,759 | $ 319,314 | $ 469,000 |

See accompanying notes.

**DOREL INDUSTRIES INC.**
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 30, 2021 and 2020
(All figures in thousands of US dollars)

| | 2021 | 2020 |
|---|---|---|
| **CASH PROVIDED BY (USED IN):** | | |
| **OPERATING ACTIVITIES** | | |
| Net loss | $ (31,624) | $ (43,403) |
| Items not involving cash: | | |
| Depreciation and amortization (Notes 6 and 31) | 84,188 | 98,088 |
| Impairment loss on goodwill (Note 14) | – | 43,125 |
| Reversal of prior year impairment losses on intangible assets (Note 6) | (72,900) | – |
| Unrealized (gains) losses arising on financial assets and financial liabilities classified at fair value through profit or loss | (616) | 93 |
| Share-based payments (Note 24) | 49 | 135 |
| Defined benefit pension and post-retirement costs (Note 22) | 4,507 | 3,798 |
| Net gain on disposal of property, plant and equipment and intangible assets and on lease modifications | (602) | (2,195) |
| Restructuring costs (Note 7) | 11,149 | 4,037 |
| Finance expenses (Notes 6 and 31) | 47,729 | 47,838 |
| Income taxes expense (Notes 6 and 28) | 67,530 | 48,931 |
| Net changes in balances related to operations (Note 30) | (26,403) | 5,754 |
| Income taxes paid | (30,778) | (31,451) |
| Income taxes received | 1,412 | 1,906 |
| Interest paid | (34,252) | (43,763) |
| Interest received | 430 | 1,641 |
| CASH PROVIDED BY OPERATING ACTIVITIES | 19,819 | 134,534 |
| **FINANCING ACTIVITIES** | | |
| Net decrease of bank indebtedness (Note 30) | (27,381) | (17,653) |
| Long-term debt increase (Notes 18 and 30) | 331,906 | 27,944 |
| Repayments of long-term debt (Notes 18 and 30) | (276,313) | (74,153) |
| Financing costs (Note 30) | (7,544) | (3,053) |
| Net payment from settlement of interest rate swaps (Note 30) | (1,124) | (834) |
| Payments of lease liabilities, net of lease incentive received (Note 12) | (43,235) | (42,054) |
| CASH USED IN FINANCING ACTIVITIES | (23,691) | (109,803) |
| **INVESTING ACTIVITIES** | | |
| Acquisition of business (Note 10) | (10,893) | – |
| Additions to property, plant and equipment (Notes 11 and 30) | (28,683) | (21,021) |
| Disposals of property, plant and equipment | 242 | 2,311 |
| Additions to intangible assets (Notes 13 and 30) | (7,586) | (12,689) |
| Net proceeds on sale of assets held for sale | 6,061 | 4,138 |
| Gross proceeds on sale of subsidiaries (Note 7) | 55,000 | – |
| CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | 14,141 | (27,261) |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | 3,662 | 1,624 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 13,931 | (906) |
| Cash and cash equivalents, beginning of year | 38,235 | 39,141 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR (Note 30)** | $ 52,166 | $ 38,235 |

See accompanying notes.

## NOTE 1 – NATURE OF OPERATIONS

Dorel Industries Inc. (the “Company”) is a global consumer products company which designs, manufactures or sources, markets and distributes a diverse portfolio of powerful product brands through its Dorel Home and Dorel Juvenile segments. Dorel Sports segment has been presented as discontinued operation – refer to Note 6. The principal geographic markets for the Company’s products are the United States, Europe, Latin America, Canada and Asia. The principal activities of the Company are described in Note 32. The Company, whose shares are traded on the Toronto Stock Exchange (“TSX”), is incorporated and domiciled in Canada. The registered office is in Westmount, Québec.

The Company’s reporting segments are based on two distinctive lines of activities which include:

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

## NOTE 2 – STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND MEASUREMENT

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) 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.

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

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

These consolidated financial statements were authorized by the Company’s Board of Directors for issue on March 10, 2022.

## NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The following are amendments to standards applied by the Company in the preparation of these consolidated financial statements. The Company adopted the following amendments for the annual period beginning on December 31, 2020.

*Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*
In August 2020, the IASB published *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* to address issues relating to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements when an existing interest rate benchmark is actually replaced. The amendment introduces a practical expedient for modifications required by the reform. The amendments are effective for annual reporting periods beginning on or after January 1, 2021, with earlier application permitted. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements as the new senior secured asset based revolving credit facility that replaces the revolving bank loans and term loan includes benchmark replacement rate clauses in its agreement. In addition, the Company and its counterparty under the interest rate swap agreement are expected to negotiate the substitution of reference rates in such agreement in the upcoming months.

*Amendment to IFRS 16 – COVID-19-Related Rent Concessions*
In March 2021, the IASB published *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)* to extend, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment permits a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2021). The amendment is effective for annual reporting periods beginning on or after April 1, 2021, with earlier application permitted. The adoption of this amendment did not have a material impact on the Company's consolidated financial statements.

## NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES

Except for the changes in significant accounting policies described above in Note 3, the accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements of all years presented and have been applied consistently by the Company's entities. Certain comparative amounts in the consolidated financial statements have been reclassified in order to conform to the 2021 consolidated financial statements presentation.

a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 30, 2021 and 2020. The Company consolidates a 100% interest in all its subsidiaries from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Company is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has power over the investee, exposure, or rights to, variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries are prepared with the same reporting period of the Company.

The accounting policies of subsidiaries are aligned with the policies of the Company. All significant inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated in preparing the consolidated financial statements.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenue and expenses, and disclosure of contingent assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary and in any future periods affected. Actual results could differ from those estimates and such differences could be material.

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

The most critical judgments and significant estimates and assumptions in applying the accounting policies are described below:

- *Basis of preparation of the consolidated financial statements:*

  At each reporting period, management assesses the basis of preparation of the consolidated financial statements. These consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

- *Impairment testing of goodwill and intangible assets with indefinite useful lives:*

  Significant management estimates are required to determine both fair value and value in use of a cash generated unit (CGU) to which goodwill and intangible assets with indefinite useful lives are allocated. Estimates of fair value, selling costs or the discounted future cash flows related to the CGUs are required. Differences in estimates could affect whether goodwill or intangible assets with indefinite useful lives are in fact impaired and the dollar amount of that impairment.

- *Provisions and contingent liabilities:*

  A provision is recognized if the Company has a present legal or constructive obligation, as a result of past events, that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation for product liability, accrual of product warranties, liabilities for potential litigation claims and settlements. Management must use judgment in determining whether all of the above three conditions have been met to recognize a provision or instead whether a contingent liability is in existence at the reporting date.

  Management formulates a reliable estimate for the obligation once the applicable criteria have been satisfied to recognize the liability. Management's estimate is based on the likelihood and timing of economic outflows, discount rates, historical experience, nature of provision, opinions of legal counsel and other advisors and if there is a claim amount.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

- *Income taxes:*

  The Company's income tax provision is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities from various jurisdictions. Management's estimates of income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as for changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the provision for income taxes and in valuing income tax assets and liabilities. A deferred tax asset is recorded when it is probable that it will be realized in the future. The ultimate realization of deferred tax assets is based on management's estimates of the generation of future income and estimates of the impact of tax planning strategies.

- *Revenue recognition: sales returns and other customer programs:*

  At contract inception, the Company estimates customer programs and incentive offerings that give rise to variable consideration. Estimated amounts of variable consideration are based on various assumptions including agreements with comparable customers, past experience with customers and/or products, and other relevant factors. The amount of revenue recognized is adjusted for expected returns, which are estimated by management based on the historical data for the related types of goods sold.

- *Impairment loss allowance for trade accounts receivable:*

  The Company recognizes an impairment loss allowance for expected credit losses on trade accounts receivable, using a probability-weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

- *Inventory valuation:*

  The Company regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, damaged, if they have become obsolete, or if their selling prices or estimated forecast of product demand declines. If actual market conditions are less favourable than previously projected, or if liquidation of the inventory no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.

- *Determining the lease term of contracts with extension options and termination options:*

  The Company determines the lease term as the non-cancellable period of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgment in assessing whether it is reasonably certain to exercise its options to extend its leases or to not exercise its options to terminate its leases, by considering all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Company.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue Recognition

The Company generally recognizes revenue at a point in time for all its reporting segments, when control over a product is transferred to a customer. This usually occurs either on shipment or delivery of the goods. The majority of the Company's contracts across all reporting segments are contracts with customers in which the sale of goods is the only performance obligation.

*Customer Programs and Incentive Offerings*

Some contracts with customers provide customer programs and incentive offerings, including special pricing agreements, promotions, advertising allowances and other volume-based incentives. Such customer programs and incentive offerings give rise to variable consideration and are required to be estimated at contract inception by using either the expected value or the most likely amount, depending on which method the Company expects to better predict the amount of consideration to which it will be entitled. The estimates are based on various assumptions including agreements with comparable customers, past experience with customers and/or products, and other relevant factors. Revenue is recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

d) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid instruments with original maturities of three months or less.

e) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis and includes:

- the purchase price and other costs directly related to the acquisition of materials;
- the costs directly related to the conversion of materials to finished goods, such as direct labour and an allocation of fixed and variable production overheads, including manufacturing depreciation expense. The allocation of fixed production overheads to the cost of inventories is based on a normal range of capacity of the production facilities. Normal capacity is the average production expected to be achieved over a number of periods under normal circumstances; and
- transfers from other comprehensive income (loss) of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed, limited to the amount of the original write-down.

f) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, such as the purchase price or manufacturing cost, capitalized borrowing costs, as well as other costs incurred in bringing the asset to its present location and condition. Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are recognized as an expense as incurred.

**NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property, plant and equipment are depreciated as follows:

| | Method | Rates/useful lives |
|---|---|---|
| Buildings and improvements | Straight-line | 20 to 40 years |
| Machinery and equipment | Declining balance | 15% |
| Moulds | Straight-line | 3 to 5 years |
| Furniture and fixtures | Declining balance | 20% |
| Computer equipment | Declining balance | 30% |
| Vehicles | Declining balance | 30% |
| Leasehold improvements | Straight-line | Over the lesser of the useful life and the term of the lease |

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of assets not yet in service, from the date they are ready for their intended use.

The property, plant and equipment's residual values, useful lives and methods of depreciation are reviewed at least at each financial year-end, and adjusted prospectively, if appropriate.

g) Leases

At inception, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease, i.e. the date the underlying asset is available for use.

*Right-of-Use Assets*

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. Cost of right-of-use assets is comprised of:

- the initial measurement amount of the lease liabilities recognized;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease contract.

Right-of-use assets are depreciated on a straight-line basis over the lesser of i) the estimated useful life of the underlying assets; and ii) the lease term. They are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

*Lease Liabilities*

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date over the lease term. The present value of the lease payments is determined using the lessee's incremental borrowing rate at the commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is a function of the lessee's incremental borrowing rate, the nature of the underlying asset, the geographic location of the asset, the length of the lease and the currency of the lease contract. At the commencement date, lease payments generally include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index (e.g. based on inflation index) or a specified rate, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising the option to terminate the lease. Lease payments also include amounts expected to be paid under residual value guarantees and the exercise price of a purchase option if the Company is reasonably certain to exercise that option.

Variable lease payments that do not depend on an index or a specified rate are not included in the measurement of lease liabilities but instead are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced to reflect lease payments made. In addition, the carrying amount of lease liabilities is remeasured when there is a change in future lease payments arising from a change in an index or specified rate, if there is a modification to the lease terms and conditions, a change in the estimate of the amount expected to be payable under residual value guarantee, or if the Company changes its assessment of whether it will exercise a termination, extension or purchase option. The remeasurement amount of the lease liabilities is recognized as an adjustment to the right-of-use asset, or in the consolidated income statement when the carrying amount of the right-of-use asset is reduced to zero.

h) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Internally generated intangible assets, excluding capitalized development and patent costs, are not capitalized and the expenditure is recognized as an expense when incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which the expenditure relates. All other expenditures are recognized as an expense as incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The residual value, amortization period and amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end and adjusted prospectively, if applicable.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets with finite useful lives are amortized as follows:

| | Method | Useful lives |
|---|---|---|
| Customer relationships | Straight-line | 9 to 25 years |
| Supplier relationship | Straight-line | 10 years |
| Patents | Straight-line | 4 to 18 years |
| Software licenses | Straight-line | 3 to 10 years |
| Research and development costs | Straight-line | 2 to 5 years |

*Trademarks*

Trademarks acquired as part of business combinations and registered trademarks are considered to have an indefinite useful life. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, on October 31, or more frequently if an impairment indicator is identified, either individually or at the CGU level.

*Research and Development Costs*

The Company incurs costs on activities which relate to research and development of new products. Research costs are expensed as they are incurred. Development costs are also expensed as incurred unless all of the following can be demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project.

Following initial recognition of the deferred development costs as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Deferred development costs are expensed immediately if capitalized projects are not completed.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Business Combinations and Related Goodwill

*Business Combinations and Related Goodwill*

Business combinations are accounted for using the acquisition method as at the acquisition date, when control is transferred. The consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any liability and equity interests issued by the Company on the date control of the acquired company is obtained. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date. The Company measures goodwill as the fair value for the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized immediately in the consolidated income statement as a gain from a bargain purchase. The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Restructuring, transaction costs other than those associated with the issue of debt or equity securities, and other direct costs of a business combination are not considered part of the business acquisition transaction and are expensed as incurred.

*Subsequent Recognition of Goodwill*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs or group of CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is not amortized but tested for impairment at least annually, on October 31, and upon occurrence of an indication of impairment.

Where goodwill forms part of a CGU and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the CGU retained.

j) Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication of impairment exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. The Company defines its CGUs based on the way it internally monitors and derives economic benefits from the acquired goodwill.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount immediately. Impairment losses are recognized in the consolidated income statements. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis but no lower than the individual assets' fair value.

**NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The cash flows are derived from long-term plans generally for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The Company assesses the uncertainty of these estimates by making sensitivity analyses.

In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly-traded companies or other available fair value indicators. The Company assesses the uncertainty of these estimates by making sensitivity analyses.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. An impairment loss in respect of goodwill is not reversed in future periods.

k) Discontinued Operation

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative consolidated income statements is restated as if the operation had been discontinued from the start of the comparative year. As a result, the Company's discontinued operation is excluded from the net income (loss) from continuing operations and is presented as a single amount as income (loss) from discontinued operation, net of tax, in the consolidated income statements.

l) Assets Held for Sale

Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell and are not depreciated while classified as held for sale. Assets held for sale are classified within this category if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Foreign Currency

*Foreign Currency Transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Company's subsidiaries at the average exchange rates for the period. The monetary items denominated in currencies other than the functional currency of a subsidiary are translated at the exchange rates prevailing at the statement of financial position date, and translation gains and losses are included in the consolidated income statement. Non-monetary items denominated in foreign currencies other than the functional currency are translated at historical rates.

*Foreign Currency Translation*

The assets and liabilities of foreign operations, whose functional currency is not the US dollar, are translated into US dollars at the exchange rates in effect at the statement of financial position date. Revenue and expenses are translated at average exchange rates for the period. Differences arising from the exchange rate changes are included in other comprehensive income (loss) in the cumulative translation account.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and monetary items for which the settlement of which is planned but that have been designated as a hedge of the net investment in a foreign operation and to the extent the hedge is effective, are recognized in other comprehensive income (loss) in the cumulative translation account and reclassified from equity to the consolidated income statement on the disposal of the net investment.

n) Financial Instruments

All financial instruments, including derivatives, are recognized in the consolidated statement of financial position initially at fair value when the Company becomes a party to the contractual obligations of the instrument. Except for those incurred on the revolving bank loans, transaction costs that are directly attributable to the acquisition or issuance of financial instruments that are not subsequently recognized at fair value are added/deducted from the financial asset/liability and are amortized using the effective interest rate method over the expected life of the related asset/liability. Transaction costs incurred on the revolving bank loans are recorded at cost less accumulated amortization and amortized as interest expense on a straight-line basis over the term or life of the related debt. These deferred charges are included in other assets in the consolidated statement of financial position.

*Financial Assets*

On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A financial asset is subsequently measured at amortized cost using the effective interest method and net of any impairment loss.

The financial assets of the Company that are measured at amortized cost consist of cash and cash equivalents, trade accounts receivable, other receivables, costs relating to revolving bank loans and other financial assets (excluding its derivative financial assets). Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated income statement.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

*Impairment of Financial Assets*

The Company has elected to measure loss allowances for trade accounts receivable at an amount equal to lifetime 'expected credit losses' ("ECLs").

The Company measures loss allowances for other receivables in accordance with the following model:

- When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, including forward-looking information. The Company assumes that the credit risk on a financial asset has increased if it is more than 30 days past due.

The Company considers a financial asset to be in default when either:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as recovering inventory or the Company's credit insurance (if any); or
- the financial asset is more than 90 days past due;

as the Company's historical experience indicates that financial assets that meet either of the above criteria generally have a higher risk of not being recoverable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

*i. Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). The Company establishes an impairment loss allowance on a collective and individual assessment basis, by considering past events, current conditions and forecasts of future economic conditions. Collective assessment is carried out by grouping together trade accounts receivable with similar characteristics, mainly by geographic area, customer credit rating and number of days past due. ECLs are discounted at the effective interest rate of the financial asset.

*ii. Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Examples of events that could occur are:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

It may not be possible to identify a single discrete event; instead, the combined effect of several events may have caused financial assets to become credit-impaired.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

*iii. Presentation of impairment*

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade accounts receivable are presented separately in the consolidated income statements.

*iv. Write-off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

*Derecognition of Financial Assets*

Financial assets are derecognized when the Company's contractual rights to the cash flows from the respective assets have expired or the Company has transferred its rights to the cash flows from the respective assets and either (i) the Company has transferred substantially all of the risks and rewards of the assets or (ii) the Company has neither exposure to the risks inherent in those assets nor entitlement to rewards from them. Any gain or loss on derecognition is recognized in the consolidated income statement.

*Financial Liabilities and Equity Instruments*

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the Company classifies its financial liabilities as subsequently measured at either amortized cost or fair value. A financial liability is subsequently measured at amortized cost, using the effective interest method. The Company currently classifies bank indebtedness, trade and other payables, long-term debt and other financial liabilities (excluding its derivative financial liabilities and written put option liabilities) as financial liabilities measured at amortized cost. Interest expense and foreign exchange gains and losses are recognized in the consolidated income statement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs and applicable income taxes.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in the consolidated income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Derecognition of Financial Liabilities*

Financial liabilities are derecognized when the obligations under the liabilities are discharged, cancelled, expired or are replaced by a new liability with substantially modified terms. Any gain or loss on derecognition is recognized in the consolidated income statement.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Derivative Financial Instruments and Hedge Accounting

*Derivative Financial Instruments*

The Company uses forward exchange contracts and interest rate swap agreements to hedge its foreign currency and interest rate risk exposures. The Company classifies interest rate swap agreements and foreign exchange contracts used for hedging as fair value-hedging instruments, and other foreign exchange contracts as fair value through profit or loss. The Company designates certain foreign exchange contracts and interest rate swap agreements as hedging instruments to hedge the variability in cash flows associated with highly probable forecasted transactions arising from changes in foreign exchange rates and interest rates. The Company also uses non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation. Any derivative instrument that does not qualify for hedge accounting is measured at fair value at each reporting date and the changes in fair value are included in net income.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

*Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (loss) and accumulated in the cash flow hedges reserve in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income (loss) is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net income in the same consolidated income statement caption as the hedged item when realized.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for a cash flow hedge is discontinued, the amount that has been accumulated in the cash flow hedges reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item’s cost on its initial recognition or, for other cash flow hedges, it is reclassified to net income in the same period or periods as the hedged expected future cash flows affect net income.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the cash flow hedges reserve are immediately reclassified to net income.

*Net investment hedges*

When a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of foreign exchange gains and losses is recognized in other comprehensive income (loss) and presented in the cumulative translation account within equity. Any ineffective portion of the foreign exchange gains and losses is recognized immediately in the consolidated income statement. The amount recognized in other comprehensive income (loss) is reclassified to net income as a reclassification adjustment on disposal of the foreign operation.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Written Put Options

As part of certain incorporation or business combination agreements, the Company has written put options to acquire the non-controlling interest holders' stake. Under the terms of these agreements, the holders of the non-controlling interest have an option to sell their stake in the respective companies at a formulaic variable price based mainly on the earnings levels in future periods (the "exit price"). The agreements do not include a minimum exit price.

When the put option granted to the non-controlling shareholders provides for settlement in cash or in another financial asset by the Company, the Company is required to recognize a liability for the present value of the exercise price of the put option.

In accounting for this transaction, the Company applies the anticipated acquisition method of accounting. Under this method of accounting, the written put option is accounted for as if the put option had already been exercised and satisfied by the non-controlling shareholders. As a result, the underlying interests are presented as already owned by the Company in the consolidated statements of financial position, the consolidated income statements and the consolidated statements of comprehensive income (loss), even though legally they are still considered non-controlling interest. In other words, profits and losses attributable to the holders of the non-controlling interest that are subject to the put option are presented as attributable to the Company and not as attributable to those non-controlling shareholders.

The written put options are measured at the expected present value of the exercise price. The Company has chosen to account for the remeasurement of the written put option liability at each reporting period within the other equity account.

q) Employee Benefits

*Short-Term Employee Benefits*

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. Short-term employee benefit obligations are measured on an undiscounted basis and are recognized in operating income as the related service is provided or capitalized if the service rendered is in connection with the creation of an asset. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*Pension Plans*

The Company provides defined benefit and defined contribution plans to certain employees. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

*Defined Contribution Plans*

Certain benefits are given to employees through defined contribution plans administered by governments. The Company's contributions to these plans are recognized on an accrual basis and expensed as the related service is provided.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

*Defined Benefit Plans*

The Company has a number of contributory defined benefit pension plans providing pension benefits to eligible employees. These plans provide a pension based on length of service and eligible pay. The Company's net liability in respect of defined benefits is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Defined benefit obligations are calculated annually by qualified actuaries as at the statement of financial position year-end date. The actuarial valuations are determined based on management's best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates, mortality rates and expected growth rate of health care costs. The discount rate used to value the net defined benefit obligation for accounting purposes is based on the yield on a portfolio of corporate bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit plan obligations.

The fair value of plan assets are deducted from the defined benefit obligation to arrive at the net liability. Plan assets are measured at fair value as at the statement of financial position date. Past service costs arising from plan amendments are recognized in operating income in the year that they arise. Remeasurements of the net defined benefit liability, which comprise actuarial gains or losses, the return on plan assets, excluding interest, and any changes in the effect of the asset ceiling, if any, are recognized in other comprehensive income (loss) in the period in which they arise.

Pension expense consists of the following:

- the cost of pension benefits provided in exchange for employees' services rendered in the period;
- net interest expense (income) on the net defined benefit liability (asset) for the period determined by applying the discount rate used to measure the net defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments;
- past service costs; and
- gains or losses on settlements.

*Post-Retirement Benefits Other Than Pensions*

The Company sponsors post-retirement benefits other than pensions that are classified as a long-term defined benefit arrangement and they include health care and life insurance benefits for retired employees. When the amount of the long-term post-retirement benefits does not depend on length of service, the obligation is recognized when an event occurs that gives rise to an obligation to make payments. When the amount depends on length of service, the cost of providing these benefits are accrued over the working lives of employees in a manner similar to defined benefit pension cost.

The expected costs of these post-retirement benefits other than pensions are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains or losses on post-employment defined benefit plans arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income (loss) in the period in which they arise.

**NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

Significant elements requiring the use of judgment in determining the assets or liabilities and related income or expense for these plans are the discount rate used to value future payment streams, expected trends in health care costs and other actuarial assumptions. Annually, the Company evaluates the significant assumptions to be used to value its pension and post-retirement plan assets and liabilities based on current market conditions and expectations of future costs.

r) Share-Based Payments

*Directors' Deferred Share Units (equity-settled)*

For the Directors' Deferred Share Unit Plan ("DDSU Plan") offered to its external directors, the Company records an expense within general and administrative expenses with a corresponding increase to contributed surplus when the units are granted which is the date the remuneration is to be paid. The amount corresponds to its directors' fees and fees for attending meetings of the Board of Directors or committees.

*Executive Deferred Share Units (equity-settled)*

For the Executive Deferred Share Unit Plan ("EDSU Plan") offered to its executive officers, the Company records an expense within general and administrative expenses with a corresponding increase to contributed surplus when the units are granted which is on the last business day of each month of the Company's fiscal year in the case of salary and on the date on which the bonus is, or would otherwise be, paid to the participant in the case of bonus. The amount corresponds to the portion of salary or bonus elected to be paid in the form of deferred share units.

The discretionary deferred share units ("DSUs") issued under the EDSU Plan are accounted for as equity-settled share-based payment transactions and are measured at fair value at the grant date based on the share price of the Company's Class "B" Subordinate Voting Shares. An expense is recognized over the vesting period as employee benefits expense within general and administrative expenses, with a corresponding amount recognized in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of units for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the units of awards that do meet the related service and non-market performance conditions at the vesting date.

As the Company has the option and intent to settle all the DSUs issued under the DDSU and EDSU Plans in Class "B" Subordinate Voting Shares upon termination of a director or an executive officer, the contributed surplus account is affected on the recognition of the expenses.

*Restricted Share Unit Plan (cash-settled)*

The restricted share unit ("RSUs") plan entitles senior executives and certain key employees 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. A liability is recognized for the services acquired and is recorded at the fair value of the RSUs in other long-term liabilities, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in employee benefits expense within general and administrative expenses, over the period that the employees become unconditionally entitled to the payment. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured based on the market price of the Company's Class "B" Subordinate Voting Shares, with any changes in fair value recognized in the consolidated income statement for the period.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

*Share Appreciation Rights (cash-settled)*

The Share Appreciation Rights ("SARs") plan entitles senior executives and certain key employees 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. A liability is recognized for the services acquired and is recorded at the fair value of the SARs in other long-term liabilities, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in employee benefits expense within general and administrative expenses, over the period that the employees become unconditionally entitled to the payment. The fair value of the employee benefits expense of the SARs is measured using the Black-Scholes pricing model. Estimating fair value requires making assumptions in determining the most appropriate inputs to the valuation model including the expected life of the SARs, volatility, risk-free interest rate and dividend yield and making assumptions about them. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated income statement for the period.

*Performance Share Units (cash-settled)*

The Performance Share Units ("PSUs") plan entitles senior executives and certain key employees to a cash payment. A liability is recognized for the services acquired and is recorded at fair value based on the share price of the Company's Class "B" Subordinate Voting Shares in other long-term liabilities, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in employee benefits expense within general and administrative expenses. The amount recognized as an expense is adjusted to reflect the number of units for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the units of awards that do meet the related service and non-market performance conditions at the vesting date. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated income statement for the period.

s) <u>Government Assistance</u>

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

t) <u>Income Taxes</u>

Income taxes expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in the consolidated income statements except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income (loss).

*Current Income Taxes*

Current income taxes is the expected tax payable or receivable on the taxable income or loss for the year using enacted or substantively enacted income tax rates at the reporting date and any adjustment to tax payable or receivable of previous years.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

*Deferred Income Taxes*

The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes relate to the expected future tax consequences of differences between the carrying amount of assets and liabilities for financial reporting purposes in the consolidated statement of financial position and their corresponding tax values using the enacted or substantively enacted income tax rate, which are expected to be in effect for the year in which the differences are expected to reverse.

A deferred tax asset is recorded when it is probable that it will be realized in the future. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and tax planning strategies. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing on the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets and deferred tax liabilities are recognized on the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of realization or settlement.

u) Provisions

Provisions are recognized when:

- the Company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, current market assessments of the time value of money and the risks specific to the liability. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

*Product Liability*

The Company insures itself to mitigate its product liability exposure. The estimated product liability exposure requires the use of judgment and is discounted and calculated by an independent actuary based on historical sales volumes, past claims history and management and actuarial assumptions. The estimated exposure includes incidents that have occurred, as well as incidents anticipated to occur on products sold prior to the reporting date.

Significant assumptions used in the actuarial model include management's estimates for pending claims, product life cycle, discount rates, and the frequency and severity of product incidents.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

The recorded liability represents the Company's total estimated exposure related to current and future product liability incidents. The Company reviews periodically its recorded product liability provisions and any adjustment is recorded in general and administrative expenses.

*Warranty Provisions*

A provision for warranty cost is recorded in cost of sales when the revenue for the related product is recognized. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of the warranty coverage, the nature of the product sold and in service, counter-warranty coverage available from the Company's suppliers and product recalls.

The Company reviews periodically its recorded product warranty provisions and any adjustment is recorded in cost of sales.

*Employee Compensation*

Employee compensation consists of bonuses based on length of service and profit sharing offered by certain of the Company's subsidiaries.

*Restructuring Provision*

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

*Other Provisions*

Other provisions are mainly composed of litigation provisions and various damage claims having occurred during the period but not covered by insurance companies.

Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions concern numerous cases not material individually. Reversal of such provisions refers to cases resolved in favour of the Company. The timing of cash outflows of litigation provisions is uncertain as it depends upon the outcome of the proceedings. These provisions are therefore not discounted because their present value would not represent meaningful information.

v) Earnings Per Share ("EPS")

Basic EPS is computed based on net income attributable to equity holders of the Company divided by the weighted daily average number of Class "A" Multiple and Class "B" Subordinate Voting Shares outstanding during the year. Diluted EPS is determined by adjusting the net income attributable to equity holders of the Company and the weighted daily average number of Class "A" Multiple and Class "B" Subordinate Voting Shares outstanding during the year for the effects of the exercise of all dilutive elements of share-based options, deferred share units and conversion features of the convertible debentures.

## NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Fair Value Determination

Certain of the Company's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities for both measurement and disclosure purposes. In establishing fair value, the Company uses a fair value hierarchy depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

## NOTE 5 – 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 year ended December 30, 2021. The new standards and amendments have not been applied in preparing these consolidated financial statements.

*Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*
The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The extent of the impact of adoption of the amendments has not yet been determined.

*Definition of Accounting Estimates (Amendments to IAS 8)*
The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The extent of the impact of adoption of the amendments has not yet been determined.

## NOTE 5 – FUTURE ACCOUNTING CHANGES (continued)

*Accounting Policy Disclosures (Amendments to IAS 1)*
The amendments change the requirements with regards to disclosure of accounting policies. The amendments require to disclose the material accounting policies rather than the significant accounting policies and also clarify that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The adoption of the amendments is not expected to have a material impact.

*Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*
For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period The amendments apply for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The adoption of the amendments is not expected to have a material impact.

## NOTE 6 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

On October 11, 2021, the Company announced that it had entered into a definitive agreement to sell its Sports segment to Pon Holdings B.V. for total consideration of $810,000 in cash, payable to Dorel at closing. The sale was subject to customary closing conditions, including receipt of applicable regulatory approvals and the absence of any material adverse changes with respect to Dorel Sports until closing. The sale was not subject to any financing conditions. The transaction consists of the sale by Dorel of 100% of the shares of its indirect wholly owned subsidiary companies comprising its Sports segment as well as certain related assets.

On January 4, 2022, the Company completed the sale of the Sports segment for $810,000 of which $35,000 is being held in escrow to cover post-closing adjustments. Dorel used part of the proceeds for payment of a special dividend of $12.00 per share (refer to Note 33) and to repay long-term debts (refer to Note 18). As a result of the sale, the Company expects to incur a non-cash gain of approximately $200,000, which includes the effect of the reclassification of the accumulated other comprehensive loss of the Sports segment for an approximate amount of $50,000. The non-cash gain of approximately $200,000 is net of transaction and other costs in the amount of $51,893 recognized in the income from discontinued operation, net of tax for the year ended December 30, 2021.

Management committed to a plan to sell this segment in the third quarter of 2021 and as a result has presented the Sports segment as held for sale and as a discontinued operation since September 30, 2021.

## NOTE 6 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATION (continued)

a) Results of discontinued operation

The consolidated income statements for the comparative period have been restated to separately present results from the Sports segment as a discontinued operation. Income from discontinued operation, net of tax reported in the consolidated income statements for the years ended December 30, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Revenue | $ 1,171,981 | $ 1,044,783 |
| Cost of sales | (911,743) | (814,615) |
| Gross profit | 260,238 | 230,168 |
| Selling expenses | 95,618 | 86,186 |
| General and administrative expenses (1) | 133,918 | 75,407 |
| Research and development expenses | 5,290 | 6,035 |
| Impairment (reversal) loss on trade accounts receivable (Note 8) | (595) | 5,163 |
| Restructuring costs | – | 5,114 |
| Reversal of prior year impairment losses on intangible assets | (72,900) | – |
| Operating profit | 98,907 | 52,263 |
| Finance expenses | 9,461 | 10,308 |
| Income before income taxes | 89,446 | 41,955 |
| Income taxes expense | 9,235 | 20,594 |
| Income from discontinued operation, net of tax | $ 80,211 | $ 21,361 |
| | | |
| Earnings per share (Note 29) | | |
| Basic | $ 2.47 | $ 0.66 |
| Diluted | $ 2.43 | $ 0.65 |
| | | |
| Depreciation and amortization included in the income from discontinued operation, net of tax: | | |
| Depreciation of property, plant and equipment | $ 6,242 | $ 7,891 |
| Depreciation of intangible assets | 909 | 1,228 |
| Depreciation of right-of-use assets | 8,343 | 9,396 |
| | $ 15,494 | $ 18,515 |
| | | |
| Interest on lease liabilities included in finance expenses | $ 2,090 | $ 2,168 |

(1) The year ended December 30, 2021 results include transaction and other costs related to the sale of the Sports segment in the amount of $51,893.

Prior to the reclassification as assets held for sale as at September 30, 2021, the Company concluded that the transaction to sell the Sports segment was an indication that previously recognized impairment losses in the Sports segment may no longer exist or may have decreased. The Company calculated the assets' recoverable amount and recorded a reversal of previously recognized impairment losses of $72,900 on trademarks of Dorel Sports – Mass markets CGU ($9,059), Dorel Sports – Independent bike dealers (IBD) CGU ($52,500) and Dorel Sports – Caloi CGU ($11,341).

## NOTE 6 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATION (continued)

b) Cash flows provided by (used in) discontinued operation

Cash flows from discontinued operation reported in the consolidated statements of cash flows for the years ended December 30, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Net cash (used in) provided by operating activities | $ (31,220) | $ 87,260 |
| Net cash provided by (used in) financing activities | 34,985 | (32,240) |
| Net cash used in investing activities | (9,693) | (10,234) |
| Net cash flows for the year | $ (5,928) | $ 44,786 |

c) Assets held for sale

The major classes of assets and liabilities of the Sports segment classified as held for sale as at December 30, 2021 are as follows:

| **Assets held for sale and related liabilities of the Sports segment** | **2021** |
|---|---|
| Trade accounts receivable | $ 172,883 |
| Inventories | 304,471 |
| Property, plant and equipment (Note 11) | 29,961 |
| Right-of-use assets (Note 12) | 65,578 |
| Intangible assets (Note 13) | 204,505 |
| Other | 40,498 |
| Assets held for sale | $ 817,896 |
| | |
| Trade and other payables | $ 235,912 |
| Lease liabilities (Note 12) | 71,544 |
| Non-convertible debenture | 19,307 |
| Other | 43,043 |
| Liabilities directly associated with the assets held for sale | $ 369,806 |

These assets and related liabilities are presented as held for sale in the consolidated statements of financial position and are measured at the lower of carrying amount and fair value less costs to sell. Once classified as held for sale, property, plant and equipment, right-of-use assets and intangible assets are no longer amortized or depreciated.

| | **2021** |
|---|---|
| | **Total** |
| **Balance, December 30, 2020** | $ 7,250 |
| Additions - Sports segment (refer to the table above) | 817,896 |
| Disposals | (7,250) |
| **Balance, December 30, 2021** | $ 817,896 |

## NOTE 7 – RESTRUCTURING COSTS

In 2021, the Company recorded total restructuring expenses from continuing operations of $30,045 (2020 – $9,567), of which $14,063 (2020 – $2,675) were recorded within gross profit and $15,982 (2020 – $6,892) were recorded as restructuring costs as a separate line within the consolidated income statements.

### Dorel Home segment

During the year ended December 30, 2021, Dorel Home segment incurred acquisition-related costs of $322 in connection with the Notio Living business acquisition (refer to Note 10). These costs have been included in other associated costs within restructuring costs.

During 2020, Dorel Home segment initiated a restructuring plan as part of its strategy to reorganize its North American ready-to-assemble ("RTA") manufacturing plants with the transformation of its Dowagiac, Michigan manufacturing facility into a distribution and warehouse facility which resulted in the reduction of its workforce. Total costs related to these restructuring initiatives of $2,648 were recognized during 2020 and were mostly related to employee severance and termination benefits, write-down of property, plant and equipment and inventory markdowns.

### Dorel Juvenile segment

2019 Restructuring Plan

During 2019, Dorel Juvenile segment initiated a new restructuring program across several regions, whose main objective was to simplify the organization and optimize its global footprint in order to improve its competitive position in the marketplace. These restructuring initiatives were expected to be completed in 2020, however, in light of the COVID-19 pandemic, some initiatives were delayed and were only completed in 2021, for which employee severance and termination benefits of $2,405 were recorded during the year. In 2021, Dorel also initiated restructuring initiatives to streamline the activities of its domestic sales business in Shanghai, China. As such, restructuring costs include inventory markdowns for an amount of $10,024 related to these initiatives, which is expected to be completed by the end of fiscal 2022.

*Sale of manufacturing facilities in Zhongshan and Huangshi, China*

On March 31, 2021, the Company completed the sale of its juvenile products manufacturing facility in Zhongshan, China, for gross proceeds of $51,000, which have been all received in 2021. Disposition-related costs of this transaction amounted to $1,424 and were recorded in the loss on disposal of subsidiaries within restructuring costs. The Company continued to consolidate revenues and expenses of this subsidiary until March 31, 2021.

In December 2021, Dorel completed the sale of its remaining juvenile products manufacturing facility in Huangshi, China, for gross proceeds of $4,917, of which $4,000 has been received in 2021. Disposition-related costs of this transaction amounted to $322 and were recorded in the loss on disposal of subsidiaries within restructuring costs. The Company continued to consolidate revenues and expenses of this subsidiary until December 30, 2021.

The loss on disposal of subsidiaries within restructuring costs of $8,551 includes the effect of the reclassification of a loss on CTA for an amount of $10,845 presented in the statements of comprehensive income (loss). The assets included in these subsidiaries were mainly composed of property, plant and equipment with net book value of $30,574 and right-of-use assets of $14,108.

The disposal of these manufacturing facilities is in line with the main objective pursued by the restructuring program initiated in 2019 of optimizing Dorel Juvenile segment's global footprint.

## NOTE 7 – RESTRUCTURING COSTS (continued)

2021 Restructuring Plan

Also in the fourth quarter of 2021, a new restructuring program was approved for the United States and European markets. In the United States, several operating divisions have been combined into one organization. The expected principal benefits of this change will be in the sales and marketing area where process harmonization and the creation of a more nimble organization is expected to reduce costs and bring efficiencies. In Europe, with the successful conclusion of the first phase of restructuring that was initiated in 2019, further cost savings opportunities have been identified enabled by the supplier new product co-development program and the consolidation of manufacturing into one European factory. As a result, restructuring costs of $5,339 were recorded for these initiatives, consisting mostly of inventory markdowns for $3,644 and employee severance and termination benefits for $1,695.

The expenses recorded in the consolidated income statements related to the restructuring costs from continuing operations consist of the following:

| | TOTAL | | Dorel Home | | Dorel Juvenile | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 (1) | 2021 | 2020 | 2021 | 2020 |
| Inventory markdowns (2) | $ 13,668 | $ 1,665 | $ – | $ 1,185 | $ 13,668 | $ 480 |
| Write-down of property, plant and equipment (Note 11) (2) | – | 918 | – | 918 | – | – |
| Other associated costs | 395 | 92 | – | – | 395 | 92 |
| Recorded within gross profit | $ 14,063 | $ 2,675 | $ – | $ 2,103 | $ 14,063 | $ 572 |
| Employee severance and termination benefits | $ 4,100 | $ 4,254 | $ – | $ 282 | $ 4,100 | $ 3,972 |
| Loss on disposal of subsidiaries (2) | 8,551 | – | – | – | 8,551 | – |
| Loss (gain) on disposals of assets held for sale (2) | 172 | (487) | – | – | 172 | (487) |
| Curtailment gain on net pension defined benefit liabilities (Note 22) (2) | (346) | (270) | – | – | (346) | (270) |
| Write-down (reversal) of property, plant and equipment (2) | (51) | 1,707 | – | – | (51) | 1,707 |
| Other associated costs | 3,556 | 1,688 | 322 | 263 | 3,234 | 1,425 |
| Recorded within a separate line in the consolidated income statements | $ 15,982 | $ 6,892 | $ 322 | $ 545 | $ 15,660 | $ 6,347 |
| **Total restructuring costs** | **$ 30,045** | **$ 9,567** | **$ 322** | **$ 2,648** | **$ 29,723** | **$ 6,919** |

(1) Comparative information has been restated due to a discontinued operation (refer to Note 6).
(2) Non-cash expenses for a total amount of $21,994 (2020 - $3,533).

## NOTE 8 – TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable consist of the following:

| | 2021 | 2020 |
|---|---|---|
| Trade accounts receivable – gross | $ 266,600 | $ 465,523 |
| Impairment loss allowance (Note 20) | (8,099) | (19,627) |
| | $ 258,501 | $ 445,896 |

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

| | 2021 | 2020 |
|---|---|---|
| **Balance, beginning of year** | $ 19,627 | $ 15,535 |
| Net remeasurement of impairment loss allowance | (903) | 9,508 |
| Uncollectible accounts written-off | (2,505) | (5,153) |
| Effect of foreign currency exchange rate changes | (878) | (263) |
| Reclassified to assets held for sale | (7,242) | – |
| **Balance, end of year** | $ 8,099 | $ 19,627 |

## NOTE 9 – INVENTORIES

Inventories consist of the following:

| | 2021 | 2020 |
|---|---|---|
| Raw materials | $ 67,111 | $ 100,281 |
| Work in process | 3,046 | 6,247 |
| Finished goods | 293,415 | 426,195 |
| Right to recover returned goods | 1,112 | 1,785 |
| | $ 364,684 | $ 534,508 |

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

| | 2021 | 2020 (1) |
|---|---|---|
| Write-downs of inventories as a result of net realizable value being lower than cost (including amounts presented in Note 7) | $ 25,086 | $ 8,148 |
| Reversal of inventory write-downs recognized in previous years | $ 4,588 | $ 3,417 |

(1) Comparative information has been restated due to a discontinued operation (refer to Note 6).

## NOTE 10 – BUSINESS ACQUISITION

### 2021 acquisition: Notio Living

On November 30, 2021, the Company acquired Notio Living, an ecommerce home furnishings firm based in Holstebro, Denmark, for an amount of $16,964 (net of assumed debt of $1,488), of which $10,893 has been paid at closing. The remaining balance of $6,071, which is non-interest bearing, will be paid in three instalments: $71 to be paid in March 2022, $3,000 to be paid in April 2022 and $3,000 to be paid in April 2023.

By achieving certain annual earnings before interest, taxes, depreciation and amortization, additional earnouts could be paid in cash during the next two years.

At the acquisition date, the Company recorded an amount of $1,253 as a contingent consideration liability representing the present value of the expected payout in cash for the earnouts in the next two years. The contingent consideration is classified as a liability and is required to be remeasured at fair value at each reporting date and subsequent changes to the fair value will be recognized in the consolidated income statements.

The acquisition has been accounted for using the acquisition method with the results of the operations of Notio Living being included in the consolidated financial statements since the date of acquisition. The contingent consideration liability is included in Level 3 of the fair value hierarchy. The fair value was determined considering the expected earnout payments, discounted to present value using a risk-adjusted discount rate of 15%.

Acquisition-related costs of $322 have been excluded from the consideration transferred and have been recognized as an expense within general and administrative expenses in the consolidated income statements within the Home segment.

The fair value of the consideration transferred of $18,217 was allocated to the following identifiable assets acquired: goodwill for an amount of $4,601, customer relationships for an amount of $7,600 and net working capital for an amount of $6,016. The goodwill is attributed to the workforce, know-how and expected supply chain cost synergies and was allocated to the Dorel Home segment. Goodwill and intangible assets are deductible for tax purposes.

For the one month ended December 30, 2021, Notio Living contributed revenue of $1,703 and an insignificant net income amount to Dorel's consolidated results from continuing operations. If the acquisition had occurred on December 31, 2020, management estimates that consolidated revenue would have been $1,791,654 and the consolidated net loss from continuing operations for the year would have been $111,792. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on December 31, 2020.

## NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

| Cost | Land | Buildings and improve-ments | Machinery and equip-ment | Moulds | Furniture and fixtures | Computer equipment | Leasehold improve-ments | Assets not yet in service (1) | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at December 30, 2019** | $ 6,808 | $ 95,007 | $ 127,018 | $ 170,667 | $ 16,656 | $ 63,784 | $ 26,467 | $ 10,323 | $ 3,336 | $ 520,066 |
| Additions | – | 2,091 | 1,169 | 900 | 1,173 | 2,019 | 378 | 11,689 | 129 | 19,548 |
| Disposals | – | (279) | (7,378) | (1,674) | (2,009) | (1,049) | (286) | – | (954) | (13,629) |
| Transfer from assets not yet in service | – | 804 | 2,961 | 7,789 | 324 | 1,093 | 688 | (13,659) | – | – |
| Reclassified to assets held for sale | (1,447) | (5,255) | – | – | – | – | – | – | – | (6,702) |
| Effect of foreign currency exchange rate changes | (177) | 484 | 879 | 4,928 | 177 | 791 | 605 | (528) | 42 | 7,201 |
| **Balance as at December 30, 2020** | $ 5,184 | $ 92,852 | $ 124,649 | $ 182,610 | $ 16,321 | $ 66,638 | $ 27,852 | $ 7,825 | $ 2,553 | $ 526,484 |
| Additions | – | 1,056 | 1,812 | 1,402 | 1,236 | 2,747 | 767 | 22,882 | 35 | 31,937 |
| Disposals | – | (34,603) | (30,275) | (18,627) | (3,106) | (3,872) | (2,084) | – | (283) | (92,850) |
| Transfer from assets not yet in service | 91 | 330 | 792 | 5,783 | 1,302 | 1,849 | 1,507 | (11,654) | – | – |
| Reclassified to assets held for sale (Note 6) | (1,112) | (7,008) | (10,595) | (23,138) | (6,327) | (18,589) | (11,164) | (5,561) | (1,487) | (84,981) |
| Effect of foreign currency exchange rate changes | (290) | (194) | (1,465) | (4,580) | (423) | (793) | (954) | (1,171) | (185) | (10,055) |
| **Balance as at December 30, 2021** | $ 3,873 | $ 52,433 | $ 84,918 | $ 143,450 | $ 9,003 | $ 47,980 | $ 15,924 | $ 12,321 | $ 633 | $ 370,535 |

(1) Assets not yet in service relate mainly to machinery, equipment, and moulds.

## NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (continued)

**Accumulated depreciation and impairment losses**

| | Land | Buildings and improve-ments | Machinery and equip-ment | Moulds | Furniture and fixtures | Computer equipment | Leasehold improve-ments | Assets not yet in service | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at December 30, 2019** | $ – | $ 35,030 | $ 88,525 | $ 141,428 | $ 11,853 | $ 54,499 | $ 22,449 | $ – | $ 2,470 | $ 356,254 |
| Depreciation for the year (Notes 6 and 31) | – | 3,043 | 6,603 | 12,736 | 1,320 | 3,454 | 1,439 | – | 234 | 28,829 |
| Disposals | – | (331) | (6,270) | (1,513) | (1,239) | (912) | (110) | – | (787) | (11,162) |
| Write-down (2) | – | 1,241 | 1,378 | – | 7 | – | 157 | – | – | 2,783 |
| Reclassified to assets held for sale | – | (2,853) | – | – | – | – | – | – | – | (2,853) |
| Effect of foreign currency exchange rate changes | – | (220) | 621 | 3,984 | 131 | 696 | 547 | – | 32 | 5,791 |
| **Balance as at December 30, 2020** | $ – | $ 35,910 | $ 90,857 | $ 156,635 | $ 12,072 | $ 57,737 | $ 24,482 | $ – | $ 1,949 | $ 379,642 |
| Depreciation for the year (Notes 6 and 31) | – | 2,720 | 4,205 | 11,528 | 1,260 | 3,203 | 1,149 | – | 160 | 24,225 |
| Disposals | – | (12,067) | (21,118) | (17,614) | (2,586) | (3,454) | (2,022) | – | (350) | (59,211) |
| Write-down (2) | – | – | (51) | – | – | – | – | – | – | (51) |
| Reclassified to assets held for sale (Note 6) | – | (1,835) | (5,365) | (18,639) | (3,866) | (14,832) | (9,312) | – | (1,171) | (55,020) |
| Effect of foreign currency exchange rate changes | – | 59 | (893) | (3,961) | (278) | (660) | (824) | – | (34) | (6,591) |
| **Balance as at December 30, 2021** | $ – | $ 24,787 | $ 67,635 | $ 127,949 | $ 6,602 | $ 41,994 | $ 13,473 | $ – | $ 554 | $ 282,994 |

(2) Includes amounts presented in Note 7.

**Net book value**

| | Land | Buildings and improve-ments | Machinery and equip-ment | Moulds | Furniture and fixtures | Computer equipment | Leasehold improve-ments | Assets not yet in service | Vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at December 30, 2020** | $ 5,184 | $ 56,942 | $ 33,792 | $ 25,975 | $ 4,249 | $ 8,901 | $ 3,370 | $ 7,825 | $ 604 | $ 146,842 |
| **Balance as at December 30, 2021** | $ 3,873 | $ 27,646 | $ 17,283 | $ 15,501 | $ 2,401 | $ 5,986 | $ 2,451 | $ 12,321 | $ 79 | $ 87,541 |

## NOTE 12 – LEASES

The Company has entered into lease contracts mainly for buildings and machinery and equipment, which expire at various dates through to the year 2034. 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.

a) Right-of-use assets

| | Land use rights | Land and buildings | Machinery and equipment | Other | Total |
|---|---|---|---|---|---|
| **Balance as at December 30, 2019** | $ 14,466 | $ 148,044 | $ 5,765 | $ 5,763 | $ 174,038 |
| Additions | 125 | 34,556 | 737 | 2,236 | 37,654 |
| Depreciation for the year (Notes 6 and 31) | (385) | (38,100) | (2,364) | (3,315) | (44,164) |
| Reassessment of lease liabilities and lease modifications | – | (2,928) | (250) | 234 | (2,944) |
| Effect of foreign currency exchange rate changes | – | 1,441 | (151) | 187 | 1,477 |
| **Balance as at December 30, 2020** | $ 14,206 | $ 143,013 | $ 3,737 | $ 5,105 | $ 166,061 |
| Additions | – | 18,890 | 3,938 | 2,565 | 25,393 |
| Business acquisition (Note 10) | – | 2,385 | – | 44 | 2,429 |
| Depreciation for the year (Notes 6 and 31) | (98) | (35,810) | (1,942) | (2,573) | (40,423) |
| Disposal of subsidiaries (Note 7) | (14,108) | – | – | – | (14,108) |
| Reclassified to assets held for sale (Note 6) | – | (59,499) | (3,202) | (2,877) | (65,578) |
| Reassessment of lease liabilities and lease modifications | – | 14,652 | 147 | 73 | 14,872 |
| Effect of foreign currency exchange rate changes | – | (4,260) | (136) | (173) | (4,569) |
| **Balance as at December 30, 2021** | $ – | $ 79,371 | $ 2,542 | $ 2,164 | $ 84,077 |

## NOTE 12 – LEASES (continued)

b) Lease liabilities

The following table summarizes the lease liabilities amounts recognized in the consolidated statement of financial position:

| | 2021 | 2020 |
|---|---|---|
| Current | $ 29,546 | $ 39,620 |
| Non-current | 72,709 | 140,432 |
| **Total** | $ 102,255 | $ 180,052 |

The reconciliation of movements of lease liabilities to cash flows arising from financing activities is as follows:

| | | Cash used in financing activities | Cash used in operating activities | Non-cash changes | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance, beginning of the year | Payments, net of lease incentive received | Interest paid | Additions | Reclassified to assets held for sale (Note 6) | Business acquisition (Note 10) | Reassessment of lease liabilities and lease modifications | Interest expense | Effect of foreign currency exchange rate changes | Balance, end of year |
| Balance as at December 30, 2020 | $ 188,383 | $ (42,054) | $ (7,083) | $ 37,654 | $ – | $ – | $ (3,081) | $ 7,308 | $ (1,075) | $ 180,052 |
| Balance as at December 30, 2021 | $ 180,052 | $ (43,235) | $ (6,377) | $ 25,393 | $ (71,544) | $ 2,429 | $ 14,143 | $ 6,475 | $ (5,081) | $ 102,255 |

c) Amounts from continuing operations recognized in the consolidated income statement

| | 2021 | 2020 (1) |
|---|---|---|
| Depreciation of right-of-use assets (Note 31) | $ 32,080 | $ 34,768 |
| Interest expense on lease liabilities (Note 31) | $ 4,385 | $ 5,140 |
| Expense related to variable lease payments not included in the measurement of lease liabilities | $ 6,388 | $ 6,117 |
| Gain related to lease modifications | $ (204) | $ (91) |
| Foreign exchange loss on lease liabilities – lease contracts denominated in a currency different from the functional currency of the lessee | $ 448 | $ 245 |

(1) Comparative information has been restated due to a discontinued operation (refer to Note 6).

**NOTE 12 – LEASES (continued)**

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

| | | 2021 | | 2020 |
|---|---|---|---|---|
| **Operating activities:** | | | | |
| Cash outflow for variable lease payments not included in the measurement of lease liabilities – included within net loss | $ | 9,175 | $ | 8,474 |
| Cash outflow for interest portion of lease liabilities – included within interest paid | | 6,377 | | 7,083 |
| | $ | 15,552 | $ | 15,557 |
| **Financing activities:** | | | | |
| Cash outflow for principal portion of lease liabilities | $ | 43,235 | $ | 42,054 |
| **Total cash outflow for leases** | $ | 58,787 | $ | 57,611 |

e) Maturity analysis – contractual undiscounted cash flows of lease liabilities

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Less than 1 year | $ | 32,655 | $ | 46,326 |
| Between 1 and 5 years | | 57,906 | | 109,314 |
| More than 5 years | | 24,265 | | 50,093 |
| **Total contractual undiscounted cash flows of lease liabilities** | $ | 114,826 | $ | 205,733 |

As at December 30, 2021, the Company had undiscounted future lease payments of $81 (2020 – $1,316) 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 December 30, 2021 and 2020 as it was not reasonably certain that the leases would be extended or not be terminated.

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Extension options | $ | 34,940 | $ | 112,755 |
| Termination options (net of payments for penalties for terminating the leases) | $ | 53 | $ | 7,511 |

## NOTE 13 – INTANGIBLE ASSETS

**Cost**

| | Trademarks | Customer relationships | Supplier relation-ship | Patents | Software licenses | Deferred development costs | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at December 30, 2019** | $ 330,664 | $ 138,966 | $ 1,500 | $ 24,786 | $ 29,453 | $ 131,468 | $ 656,837 |
| Additions – internally developed | – | – | – | 312 | 1,352 | 7,676 | 9,340 |
| Additions – externally acquired | – | – | – | 30 | 2,318 | – | 2,348 |
| Disposals | – | (195) | – | (1,315) | (1,022) | (18,624) | (21,156) |
| Effect of foreign currency exchange rate changes | (1,960) | 977 | – | 574 | 1,120 | 8,772 | 9,483 |
| **Balance as at December 30, 2020** | $ 328,704 | $ 139,748 | $ 1,500 | $ 24,387 | $ 33,221 | $ 129,292 | $ 656,852 |
| Additions – internally developed | – | – | – | 260 | 3,413 | 4,549 | 8,222 |
| Additions – externally acquired | – | – | – | – | 1,176 | – | 1,176 |
| Additions through acquisition of business (Note 10) | – | 7,600 | – | – | – | – | 7,600 |
| Reclassified to assets held for sale (Note 6) | (210,327) | (51,437) | (1,500) | (2,133) | (12,578) | – | (277,975) |
| Disposals | – | – | – | (606) | (3,504) | (17,295) | (21,405) |
| Effect of foreign currency exchange rate changes | (8,755) | (4,256) | – | (481) | (1,355) | (7,072) | (21,919) |
| **Balance as at December 30, 2021** | $ 109,622 | $ 91,655 | $ – | $ 21,427 | $ 20,373 | $ 109,474 | $ 352,551 |

**Accumulated depreciation and impairment losses**

| | Trademarks | Customer relationships | Supplier relation-ship | Patents | Software licenses | Deferred development costs | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at December 30, 2019** | $ 178,895 | $ 117,007 | $ 1,500 | $ 18,934 | $ 13,932 | $ 88,028 | $ 418,296 |
| Amortization for the year (Notes 6 and 31) | – | 3,396 | – | 1,473 | 4,239 | 15,987 | 25,095 |
| Disposals | – | (195) | – | (1,315) | (975) | (17,261) | (19,746) |
| Effect of foreign currency exchange rate changes | (473) | 950 | – | 490 | 511 | 6,212 | 7,690 |
| **Balance as at December 30, 2020** | $ 178,422 | $ 121,158 | $ 1,500 | $ 19,582 | $ 17,707 | $ 92,966 | $ 431,335 |
| Amortization for the year (Notes 6 and 31) | – | 3,083 | – | 887 | 3,635 | 11,935 | 19,540 |
| Reversal of prior year impairment losses on intangible assets (Note 6) | (72,900) | – | – | – | – | – | (72,900) |
| Reclassified to assets held for sale (Note 6) | (12,342) | (49,100) | (1,500) | (2,133) | (8,395) | – | (73,470) |
| Disposals | – | – | – | (601) | (882) | (13,139) | (14,622) |
| Effect of foreign currency exchange rate changes | (7,834) | (4,257) | – | (413) | (957) | (5,439) | (18,900) |
| **Balance as at December 30, 2021** | $ 85,346 | $ 70,884 | $ – | $ 17,322 | $ 11,108 | $ 86,323 | $ 270,983 |

**Net book value**

| | Trademarks | Customer relationships | Supplier relation-ship | Patents | Software licenses | Deferred development costs | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at December 30, 2020** | $ 150,282 | $ 18,590 | $ – | $ 4,805 | $ 15,514 | $ 36,326 | $ 225,517 |
| **Balance as at December 30, 2021** | $ 24,276 | $ 20,771 | $ – | $ 4,105 | $ 9,265 | $ 23,151 | $ 81,568 |

## NOTE 14 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill and intangible assets with indefinite useful lives (trademarks) acquired through business combinations are allocated to CGUs or to groups of CGUs.

The aggregate carrying amount of goodwill and intangible assets with indefinite useful lives allocated to each CGU is as follows:

| | Goodwill | | Trademarks | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Dorel Juvenile – Europe | $ – | $ – | $ 23,450 | $ 23,450 |
| Dorel Juvenile – Brazil | – | – | 826 | 886 |
| Dorel Sports – Mass markets (1) | – | – | – | 121,741 |
| Dorel Sports – Caloi (1) | – | – | – | 4,205 |
| Dorel Home | 45,523 | 41,016 | – | – |
| **Total** | $ 45,523 | $ 41,016 | $ 24,276 | $ 150,282 |

(1) Dorel Sports segment has been presented as discontinued operation – refer to Note 6.

The continuity of goodwill by segment is presented in Note 32.

The Company performs goodwill and indefinite life intangible asset impairment testing on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of the CGU or group of CGUs likely exceeds its recoverable amount. Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs to which goodwill or trademarks are allocated and comparing it to the CGUs' carrying amount.

During the first quarter of 2020, global economies and financial markets were impacted by the COVID-19 outbreak as it quickly spread around the world and on March 11, 2020, the World Health Organization declared it a global pandemic. Government authorities around the world took actions in an effort to slowdown the spread of COVID-19, including measures such as the closure of non-essential businesses and social distancing. The Company's three segments were adversely impacted during the first quarter of 2020 due to the closure of certain of their manufacturing facilities and the prolonged closure of stores by many of the Company's customers around the world, as well as disruptions in their supply chains and reduced workforce productivity. Given the uncertainties surrounding the impact of the COVID-19 pandemic, management expected that the Company's three segments would be further impacted during the second quarter of 2020 as prolonged social distancing measures continued to take place globally. Accordingly, management concluded that these factors, including the further decline in the Company's stock price, were indicators of impairment.

## NOTE 14 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (continued)

As such, on March 31, 2020, management performed impairment tests for its Dorel Juvenile – Europe and Dorel Home cash-generating units ("CGU"), for which it revised its assumptions on projected earnings and cash flows growth, as well as its assumptions on discount rates used to apply to the forecasted cash flows, using its best estimate of the conditions existing as at the measurement date. As there were significant uncertainties surrounding the extent of the impact of COVID-19 on the Company's business, management incorporated weighted-probability scenarios in its assessment of forecasted cash flows. Although management used its best estimate to assess the potential impact of the COVID-19 outbreak on the Company's business, including its duration and severity, management exercised significant judgment to estimate forecasted cash flows and discount rates, using assumptions which are subject to significant uncertainties.

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

On October 31, 2021, the Company performed its annual impairment testing of goodwill and trademarks. As the recoverable amounts of the CGUs were at or higher than their carrying amount, no impairment loss or reversal of impairment was recorded.

The valuation techniques, significant assumptions and sensitivity analysis applied in the annual goodwill and trademarks impairment tests are described below:

Valuation Techniques and key assumptions used:

The Company has not made any changes since the prior year to the valuation methodology used to assess the recoverable amounts of its CGUs or group of CGUs. The recoverable amount has been defined as the higher of the value in use and the fair value less costs of disposal.

*Value in use:*

The income approach was used and was based upon the future cash flows that the CGU or group of CGUs will generate going forward. The discounted cash flow method was used which involves projecting cash flows and converting them into a present value equivalent through the use of discounting. The discounting process uses a rate of return that represents the risk associated with the business or asset and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates, terminal growth rates and discount rates.

The value in use was determined by using discounted cash flow projections from financial budgets approved by senior management. The Company projected revenue growth rates, operating margins, capital expenditures and working capital for a period of five years and applied a terminal long-term growth rate thereafter. In arriving at its forecasts, the Company considered past experience, economic trends such as GDP growth and inflation, as well as industry and market trends. The projections also took into account the expected impact from new product initiatives, customer retention and the maturity of the market in which each CGU operates.

## NOTE 14 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (continued)

The Company assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented a weighted average cost of capital (WACC) for comparable companies operating in similar industries as the applicable CGU, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of each CGU.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, cash flow projections and the long-term growth rate used for extrapolation purposes.

*Fair value less costs of disposal:*

The market approach was used which assumes that companies operating in the same industry will share similar characteristics and that company fair values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies whose financial information is publicly available may provide a reasonable basis to estimate fair value. Under the market approach, fair value is calculated based on earnings before finance expenses, income taxes, depreciation and amortization (“EBITDA”) multiples, earnings before finance expenses and income taxes (“EBIT”) multiples and sales multiples of benchmark companies comparable to the businesses in each CGU. Data for the benchmark companies was obtained from publicly available information. If there is no binding sales agreement or active market for the asset or CGU, the fair value is assessed by using appropriate valuation models dependent on the nature of the asset or CGU, such as the discounted cash flow models. The market approach is most sensitive to the selection of multiples of benchmark companies used and applied premiums or discounts to derive the multiple used in the determination of the fair value.

*Key assumptions used in calculations:*

The following table presents the basis used as the recoverable amount and the key assumptions used in calculating the recoverable amount:

| | | | **2021** |
|---|---|---|---|
| | **Basis used as recoverable amount** | **Pre-tax Discount Rate/Multiple** | **Terminal Growth Rate/Control Premium** |
| Dorel Juvenile – Europe | Value in use | 12.61% | 2.00% |
| Dorel Home | Fair value less costs to sell | 9.2x EBITDA | 30.00% |

| | | | **2020** |
|---|---|---|---|
| | **Basis used as recoverable amount** | **Pre-tax Discount Rate/Multiple** | **Terminal Growth Rate/Control Premium** |
| Dorel Juvenile – Europe | Value in use | 12.61% | 2.00% |
| Dorel Sports – Mass markets | Fair value less costs to sell | 9.0x EBITDA | 30.00% |
| Dorel Home | Fair value less costs to sell | 8.7x EBITDA | 30.00% |

## NOTE 14 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (continued)

The assumptions used by the Company in the future cash flow discounting model and market approach provided are classified as Level 3 in the fair value hierarchy, signifying that they are not based on observable market data. The Company performed the below sensitivity analysis to changes in assumptions for the basis used in the calculations of the recoverable amount of each CGU.

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

Two key assumptions were identified that if changed, could cause the carrying amount to exceed its recoverable amount. Varying the assumptions in the values of the recoverable amount calculation would have the following effects for the year ended December 30, 2021, assuming that all other variables remained constant:

| | Increase in basis points of pre-tax discount rate (or minimum multiple) that would result in carrying value equal to recoverable amount | Decrease in basis points of terminal long-term growth rate (or minimum multiple) that would result in carrying value equal to recoverable amount |
|---|---|---|
| Dorel Juvenile – Europe | 171 | 230 |
| Dorel Home | (1) | (1) |

(1) It would take a multiple of 4.7x EBITDA for the carrying amount to be equal to its recoverable amount.

Two key assumptions were identified that if changed, could cause the carrying amount to exceed its recoverable amount. Varying the assumptions in the values of the recoverable amount calculation would have had the following effects for the year ended December 30, 2020, assuming that all other variables remained constant:

| | Increase in basis points of pre-tax discount rate that would result in carrying value equal to recoverable amount | Decrease in basis points of terminal long-term growth rate that would result in carrying value equal to recoverable amount |
|---|---|---|
| Dorel Juvenile – Europe | 163 | 160 |
| Dorel Sports – Mass markets | (1) | (1) |
| Dorel Home | (2) | (2) |

(1) It would take a multiple of 7.6x EBITDA for the carrying amount to be equal to its recoverable amount.
(2) It would take a multiple of 2.0x EBITDA for the carrying amount to be equal to its recoverable amount.

## NOTE 15 – OTHER ASSETS AND OTHER LIABILITIES

Other assets consist of the following:

| | 2021 | 2020 |
|---|---|---|
| Prepaid expenses | $ 22,556 | $ 29,096 |
| Sales tax receivable | 5,622 | 13,762 |
| Other receivables | 2,669 | 6,896 |
| Other financial assets | 593 | 918 |
| Other | 559 | 1,128 |
| | $ 31,999 | $ 51,800 |
| **Current** | $ 27,948 | $ 46,403 |
| **Non-current** | $ 4,051 | $ 5,397 |

Other liabilities consist of the following:

| | 2021 | 2020 |
|---|---|---|
| Sales tax payable | $ 4,929 | $ 5,767 |
| Contingent consideration (Note 10) | 1,299 | – |
| Contract liabilities | 532 | 5,494 |
| Other financial liabilities | 4,908 | 10,623 |
| Other | 3,847 | 7,670 |
| | $ 15,515 | $ 29,554 |
| **Current** | $ 7,311 | $ 16,884 |
| **Non-current** | $ 8,204 | $ 12,670 |

### Written put option liabilities

During the year ended December 30, 2020, the Company reduced its written put option liabilities to nil, which reflects the expected present value of the exercise price. The remeasurement of the written put option liabilities is recognized in other equity. The reconciliation of movements in these liabilities is presented in Note 30.

## NOTE 16 – BANK INDEBTEDNESS

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Available | Used (1) | Average Interest Rates | Available | Used (2) | Average Interest Rates |
| **Bank lines of credit** | $ 30,641 | $ 3,783 | 1.64% | $ 67,483 | $ 30,562 | 6.54% |

(1) $1,838 are secured by trade accounts receivable representing a carrying value of $2,524.
(2) $12,212 are secured by trade accounts receivable representing a carrying value of $4,455.

The availability of these funds is dependent on the Company continuing to meet the financial covenants of its credit agreements. Financial covenants have been met at December 30, 2021 and 2020.

## NOTE 17 – TRADE AND OTHER PAYABLES

| | 2021 | 2020 |
|---|---|---|
| Trade creditors and accruals | $ 296,769 | $ 400,980 |
| Salaries payable | 39,613 | 57,177 |
| Other accrued liabilities | 6,763 | 8,648 |
| | $ 343,145 | $ 466,805 |

## NOTE 18 – LONG-TERM DEBT

The terms and conditions of outstanding loans are as follows:

| | | | | 2021 | | 2020 | |
|---|---|---|---|---|---|---|---|
| | **Currency** | **Nominal interest rate** | **Maturity date** | **Face value** | **Carrying amount** | **Face value** | **Carrying amount** |
| Senior unsecured notes, interest payable on the last business day of each quarter | USD | 7.50% | July 19, 2024 | $ 127,500 | $ 125,126 | $127,500 | $122,134 |
| Senior secured asset based revolving credit facility bearing interest at various rates, averaging 2.74%, total availability of $450,000 | USD/EUR/ CAD | Variable rates plus a variable margin | June 11, 2023 | 305,931 | 302,124 | – | – |
| Revolving bank loans bearing interest at various rates per annum, averaging 3.18% (2020 – 5.02%), total availability of $350,000. This agreement also included an accordion feature allowing the Company to have access to an additional amount of $100,000 on a revolving basis. | USD/ EUR/CAD | LIBOR, Euribor, Canadian or U.S. bank rates plus a margin | July 1, 2021 | – | – | 220,112 | 220,112 |
| Term loan bearing interest at various rates per annum, averaging 3.58% (2020 – 4.75%). | USD | LIBOR plus a margin | July 1, 2021 | – | – | 53,382 | 53,133 |
| Balance of sale on acquisition of Notio Living, bearing no interest (Note 10) | USD | n/a | April 2023 | 6,076 | 6,076 | – | – |
| Other | | | | 5,011 | 5,011 | 7,485 | 7,357 |
| Total outstanding loans | | | | $ 444,518 | $ 438,337 | $ 408,479 | $ 402,736 |
| Current portion | | | | | (4,501) | | (276,913) |
| | | | | | $ 433,836 | | $ 125,823 |

### Senior secured asset based revolving credit facility ("ABL facility")

On June 11, 2021, the Company entered into a two-year $450,000 ABL facility with institutional lenders led by Bank of Montreal as lead arranger, administrative agent and sole bookrunner. This ABL facility, which is guaranteed by certain of Dorel's subsidiaries, will mature two years from the date of the initial advance (June 11, 2021) and may be extended for additional one-year terms with the consent of the lenders.

The total amount accessible to the company is dependent upon the calculation of the borrowing base, which is based on accounts receivable and inventories. The amounts borrowed bear interest at variable rates based on the Eurodollar rate, the bankers' acceptance rate, the prime rate, the Federal funds effective rate, the US base rate, the Canadian prime rate, the Dutch tranche Euro offered rate and the Dutch tranche USD offered rate, plus a variable margin.

On January 4, 2022, following the sale of its Sports segment, the Company used a portion of the proceeds received to completely reimburse the balance of the ABL facility (refer to Note 6). On January 4, 2022, the Company also amended the ABL facility to reduce the total availability to $300,000.

## NOTE 18 – LONG-TERM DEBT (continued)

The total financing costs related to the ABL facility amounted to $4,246. These financing costs were recorded as a reduction of the carrying amount of the ABL facility and are being amortized over the term of the credit facility on a straight-line basis.

As at December 30, 2021, the Company was compliant with all of the terms and conditions of the ABL facility.

### Senior unsecured notes

On June 17, 2019, the Company entered into a five-year $175,000 senior unsecured notes agreement 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 that matured 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 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).

On March 30, 2020, the Company amended its senior unsecured notes agreement ("senior unsecured notes") to facilitate compliance with its financial covenants for the first and second quarters of 2020, in light of increased debt levels needed to increase the Company's liquidity on hand to face the global economic and market uncertainties surrounding the COVID-19 pandemic. The nominal interest rate was amended to include an applicable margin of up to 3.5% per annum, for a maximum period of one year, dependent on the Company achieving certain financial covenant thresholds. As a result, a loss on debt modification and on revision of estimated payments of $3,142 was recorded as finance expenses during the year 2020 (Note 31).

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.

On January 4, 2022, following the sale of its Sports segment, the Company used a portion of the proceeds received to completely reimburse the balance of the senior unsecured notes (refer to Note 6), including a prepayment fee of $6,375 recognized in finance expenses in 2022.

Under the senior unsecured notes, 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 will become due in full at the date of non-compliance. As at December 30, 2021, the Company was compliant with all its borrowing covenant requirements.

### Revolving bank loans and term loan

On June 11, 2021, the revolving bank loans and term loan were reimbursed and replaced by the ABL facility before their original maturity date of July 1, 2021.

## NOTE 19 – PROVISIONS

| | Product liability (1) | Warranty provision (2) | Employee compensation | Restructuring provision (Note 7) | Other provisions | Total |
|---|---|---|---|---|---|---|
| **Balance as at December 30, 2020** | $ 27,469 | $ 10,800 | $ 1,307 | $ 5,666 | $ 4,381 | $ 49,623 |
| Arising during the year | 4,680 | 11,300 | 130 | 9,033 | 8,798 | 33,941 |
| Utilized | (2,869) | (10,835) | (78) | (8,979) | (2,520) | (25,281) |
| Reclassified to assets held for sale (Note 6) | (2,147) | (8,253) | – | (418) | (6,421) | (17,239) |
| Unused amounts reversed | (2,135) | (323) | (122) | (1,447) | (5) | (4,032) |
| Effect of foreign currency exchange rate changes | (1) | (64) | (74) | (249) | (461) | (849) |
| **Balance as at December 30, 2021** | $ 24,997 | $ 2,625 | $ 1,163 | $ 3,606 | $ 3,772 | $ 36,163 |
| **Current as at December 30, 2021** | $ 24,997 | $ 2,625 | $ – | $ 3,606 | $ 2,394 | $ 33,622 |
| **Non-current as at December 30, 2021** | – | – | 1,163 | – | 1,378 | 2,541 |
| | $ 24,997 | $ 2,625 | $ 1,163 | $ 3,606 | $ 3,772 | $ 36,163 |
| **Current as at December 30, 2020** | $ 27,469 | $ 10,800 | $ – | $ 5,666 | $ 2,988 | $ 46,923 |
| **Non-current as at December 30, 2020** | – | – | 1,307 | – | 1,393 | 2,700 |
| | $ 27,469 | $ 10,800 | $ 1,307 | $ 5,666 | $ 4,381 | $ 49,623 |

(1) Given the nature of the risks, it is not possible to estimate when any liabilities may have to be settled, thus product liability provisions have been presented as current.
(2) It is expected that most of these costs will be incurred in the next financial year, thus warranty provision has been presented as current.

## NOTE 20 – FINANCIAL INSTRUMENTS

Financial instruments – carrying values and fair values

*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 reporting 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.

**NOTE 20 – FINANCIAL INSTRUMENTS (continued)**

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

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| Long-term debt – bearing interest at fixed rates | $ 130,136 | $ 138,721 | $ 129,491 | $ 138,130 |

*Fair value measurement*

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing the fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Should any of the inputs to these models or changes in assumptions about these factors occur, this could affect the reported fair value of financial instruments. The Company's financial assets and liabilities measured at fair value consist of derivative financial instruments. The balance of the Company's derivative financial assets and liabilities are not significant as at December 30, 2021 and 2020.

Management of risks arising from financial instruments

In the normal course of business, the Company is subject to various risks relating to foreign exchange, interest rate, credit and liquidity. The Company manages these risk exposures on an ongoing basis. In order to limit the effects of changes in foreign exchange rates on its revenues, expenses and cash flows, the Company can avail itself of various derivative financial instruments. The Company's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing or anticipated risks, commitments or obligations based on its past experience. The following analysis provides a measurement of risks arising from financial instruments.

*Foreign Exchange Rate Risk*

The Company's main source of foreign exchange rate risk resides in sales and purchases of goods denominated in currencies other than the functional currency of each of the Company's entities. Fluctuations in the respective foreign exchange rates relative to the functional currency of each of the Company's entities will create volatility in the Company's cash flows and in the reported amounts in its consolidated income statements. The Company's financial debt mainly consists of long-term debt issued in US dollars for which no foreign currency hedging is required.

Most short-term lines of credit, overdrafts and long-term debt commonly used by the Company's entities are in the currency of the borrowing entity and therefore carry no foreign exchange rate risk. Inter-company loans/borrowings are economically hedged as appropriate, whenever they present a net exposure to foreign exchange rate risk and some are used to hedge net investments in their foreign subsidiaries. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of each of the Company's entities at the rates of exchange at each financial position date, the impact of which is reported as a foreign exchange gain or loss in the consolidated income statements. In order to mitigate the foreign exchange rate risk, from time to time, the Company uses various derivative financial instruments such as swaps, options, futures and forward contracts to hedge against adverse fluctuations in foreign currency rates.

## NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments are used as a method for meeting the risk reduction objectives of the Company by generating offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted transactions. The terms of the derivatives range, in general, from one to twelve months. The Company does not hold or use derivative financial instruments for trading or speculative purposes.

The following tables provide an indication of the Company's significant foreign currency exposures of financial assets and liabilities denominated in currencies other than the functional currency of each of the Company's entities, as well as the amount of revenue and expenses that were denominated in foreign currencies other than the functional currency of each of the Company's entities. The tables below do not consider the effect of foreign exchange contracts. Amounts are presented in the equivalent US $.

| | | | | 2021 | | | | 2020 |
|---|---|---|---|---|---|---|---|---|
| | USD | CAD | EUR | RMB | USD | CAD | EUR | RMB |
| Cash and cash equivalents | $ 7,306 | $ 823 | $ 173 | $ – | $ 4,272 | $ 250 | $ 664 | $ 573 |
| Trade accounts receivable | 8,969 | 2,513 | 2,725 | – | 10,736 | 7,338 | 1,524 | 5 |
| Trade and other payables | (40,515) | (5,553) | (684) | – | (38,701) | (8,406) | (354) | (19,506) |
| Long-term debt | – | (44,860) | – | – | – | (5,577) | – | – |
| Inter-company loans | (82,021) | – | 3,209 | – | (28,920) | (3) | (1,990) | 9,420 |
| **Consolidated statement of financial position net exposure excluding derivatives** | $ (106,261) | $ (47,077) | $ 5,423 | $ – | $ (52,613) | $ (6,398) | $ (156) | $ (9,508) |

| | | | | 2021 | | | | 2020 (1) |
|---|---|---|---|---|---|---|---|---|
| | USD | CAD | EUR | RMB | USD | CAD | EUR | RMB |
| Revenue | $ 28,887 | $ 32,253 | $ 2,322 | $ – | $ 33,069 | $ 39,261 | $ 6,049 | $ 2,350 |
| Expenses | (154,748) | (97,317) | (52,922) | (477) | (165,930) | (91,272) | (38,922) | (77,760) |
| **Net exposure** | $ (125,861) | $ (65,064) | $ (50,600) | $ (477) | $ (132,861) | $ (52,011) | $ (32,873) | $ (75,410) |

(1) Comparative information has been restated due to a discontinued operation (refer to Note 6).

Net foreign exchange loss from continuing operations amounting to $8,740 (2020 – a gain of $3,932) was recognized in the consolidated income statements during 2021.

The following outlines the main foreign exchange rates applied in the preparation of the consolidated financial statements:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| | Year-to-date average rate | Reporting date rate | Year-to-date average rate | Reporting date rate |
| CAD to USD | 0.7978 | 0.7888 | 0.7458 | 0.7864 |
| EUR to USD | 1.1826 | 1.1351 | 1.1397 | 1.2219 |
| BRL to USD | 0.1853 | 0.1794 | 0.1939 | 0.1925 |
| RMB to USD | 0.1551 | 0.1574 | 0.1449 | 0.1533 |

## NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Based on the Company's foreign currency exposures noted above and the foreign exchange contracts in effect in 2021 and 2020, varying the above foreign exchange rates to reflect a 5 percent weakening of the currencies, other than the functional currency of each of the Company's entities, would have the following effects, assuming that all other variables remained constant:

| | | | 2021 | | | | | 2020 |
|---|---|---|---|---|---|---|---|---|
| **Source of variability from changes in foreign exchange rates** | **USD** | **CAD** | **EUR** | **RMB** | **USD** | **CAD** | **EUR** | **RMB** |
| Financial instruments, including foreign exchange contracts for which the Company does not apply hedge accounting | $ 5,056 | $ 4,256 | $ (202) | $ – | $ 2,006 | $ 530 | $ 7 | $ 475 |
| Revenue and expenses | 6,286 | 3,253 | 2,415 | 24 | 6,624 | 2,601 | 1,529 | 3,771 |
| **Increase on pre-tax income** | $ 11,342 | $ 7,509 | $ 2,213 | $ 24 | $ 8,630 | $ 3,131 | $ 1,536 | $ 4,246 |
| **Decrease on other comprehensive loss** | $ (132) | $ – | $ (96) | $ – | $ (1,224) | $ – | $ – | $ – |

An assumed 5 percent strengthening of the currencies, other than the functional currency of each of the Company's entities, would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

### Cash flow hedges – Foreign exchange contracts

The Company enters into foreign exchange contracts to manage its foreign currency exposure associated with forecasted inventory purchases or other types of expenses. Most of the Company's foreign exchange contracts are designated as hedging instruments in cash flow hedges of forecast inventory purchases or other types of expenses.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange contracts match the terms of the expected highly probable forecast transactions, i.e. notional amount and expected payment date. The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts is identical to the hedged risk components. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The main source of ineffectiveness in the hedge relationships are:

- effect of the counterparty's and the Company's own credit risk on the fair value of the foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates;
- difference in the timing of cash flows of the hedged items and hedging instruments; and
- changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The total notional amount of the Company's outstanding foreign exchange contracts was $51,779 (2020 – $79,287). The fair value of the Company's derivative financial instruments relating to commitments to buy and sell foreign currencies through foreign exchange contracts is not material as at December 30, 2021 and 2020.

## NOTE 20 – FINANCIAL INSTRUMENTS (continued)

### Net investment hedges

A foreign currency exposure also arises from the net investment in foreign subsidiaries, as a result of the translation of the net investment into the functional currency of their parent entity. Two of the Company's subsidiaries (having a EUR functional currency) have designated a USD inter-company loan and a portion of their ABL facility as the hedging instruments in the hedge of their respective foreign net investments (having a US dollar functional currency), in order to mitigate their exposure to the US dollar foreign exchange rate risk on these net investments. Gains or losses on the retranslation of these hedging instruments are transferred to other comprehensive income (loss) to offset any gains or losses on translation of the net investments in the subsidiaries.

There is an economic relationship between the hedged items and the hedging instruments as the net investments create a translation risk that will match the foreign exchange rate risk on the USD inter-company loan and the portion of the ABL facility (the "hedging instruments"). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the hedging instruments is identical to the hedged risk components. The hedge ineffectiveness will arise when the amount of the net investments in the foreign subsidiaries becomes lower than the amount of the related hedging instruments.

As at December 30, 2021, the carrying amounts of the inter-company loan and the ABL facility designated as hedging instruments were $19,173 (2020 – $81,214) and $35,000 (2020 – $30,000), respectively. The impact of these hedging instruments and the hedged items on the consolidated statements of financial position was not material as at December 30, 2021 and 2020.

*Interest Rate Risk*

The Company is exposed to interest rate fluctuations, related primarily to its ABL facility, for which amounts drawn are subject to variable rates in effect at the time of borrowing, plus a margin. The Company manages its interest rate exposure by entering into swap agreements consisting of exchanging variable rates for fixed rates for an extended period of time. All other long-term debts have fixed interest rates and are therefore not exposed to interest rate risk.

In 2019, the Company entered into an interest rate swap agreement and has designated this interest rate swap as cash flow hedges for which it uses hedge accounting. A summary of the interest rate swap agreement designated as hedging instruments is as follows:

| | | 2021 | | | 2020 |
|---|---|---|---|---|---|
| **Fixed rate** | **Notional amount** | **Maturity** | **Fixed rate** | **Notional amount** | **Maturity** |
| 2.32% | $ 50,000 | April 9, 2024 | 2.32% | $ 50,000 | April 9, 2024 |

The impact of the hedging instruments on the consolidated statements of financial position is not material as at December 30, 2021 and 2020.

*Credit Risk*

Credit risk stems primarily from the potential inability of clients or counterparties to discharge their obligations and arises primarily from the Company's trade accounts receivable. The Company may also have credit risk relating to cash and cash equivalents, foreign exchange contracts and interest rate swap agreements resulting from defaults by counterparties, which it managed by entering into financial instruments with a variety of creditworthy parties. When entering into foreign exchange contracts and interest rate swap agreements, the counterparties are large Canadian and International banks.

## NOTE 20 – FINANCIAL INSTRUMENTS (continued)

The credit risk to which the Company is exposed arises principally from the Company's trade accounts receivables. Substantially all trade accounts receivable arise from the sale to the retail industry. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. In addition, a portion of the total trade accounts receivable is insured against possible losses. The carrying amount of the Company's financial assets represents the maximum exposure to credit risk.

In 2021, sales to two major customers accounted for respectively 34.2% and 13.4%, for an aggregate of 47.6% of the Company's total revenue from continuing operations (2020 – three customers accounted for 30.7%, 13.2% and 10.8%, for an aggregate of 54.7%). As at December 30, 2021, two customers accounted for respectively 31.7% and 15.9%, for an aggregate of 47.6% of the Company's total trade accounts receivable balance (2020 – three customers accounted for respectively 20.4%, 12.7% and 12.0%, for an aggregate of 45.1% of the Company's total trade accounts receivable balance).

The Company's exposure to credit risk for trade accounts receivable by geographic area, based on the location of the selling entity, was as follows:

| | 2021 | 2020 |
|---|---|---|
| Canada | $ 10,605 | $ 21,292 |
| United States | 160,914 | 273,222 |
| Europe | 51,531 | 83,687 |
| Latin America | 27,805 | 54,240 |
| Asia | 1,232 | 7,494 |
| Other countries | 6,414 | 5,961 |
| | $ 258,501 | $ 445,896 |

The Company's exposure to credit risk for trade accounts receivable by type of customer was as follows:

| | 2021 | 2020 |
|---|---|---|
| Mass-market retailers | $ 196,990 | $ 291,027 |
| Specialty/independent stores | 61,511 | 154,869 |
| | $ 258,501 | $ 445,896 |

The Company recognizes an impairment loss allowance for expected credit losses ("ECLs") on trade accounts receivable, using a probability-weighted estimate of credit losses. The Company establishes an impairment loss allowance on a collective and individual assessment basis, by considering past events, current conditions and forecasts of future economic conditions. Collective assessment is carried out by grouping together trade accounts receivable with similar characteristics, mainly by geographic area, customer credit rating and number of days past due. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected. In its assessment of the impairment loss allowance as at December 30, 2021, the Company considered the economic impact of the COVID-19 pandemic on its ECL assessment, including the risk of default of its customers given the continued economic uncertainty caused by the COVID-19 pandemic.

## NOTE 20 – FINANCIAL INSTRUMENTS (continued)

The following table provides information about the exposure to credit risk and ECLs for trade accounts receivable. The ECLs were calculated based on actual credit loss experience and informed credit assessment, including forward-looking information.

| | | | | 2021 |
|---|---|---|---|---|
| | Weighted-average loss rate | Trade accounts receivable - gross | Impairment loss allowance | Trade accounts receivable - net |
| Current (not past due) | 0.6% | $ 212,806 | $ (1,278) | $ 211,528 |
| Past due 0-30 days | 0.8% | 31,149 | (255) | 30,894 |
| Past due 31-60 days | 2.0% | 6,879 | (138) | 6,741 |
| Past due 61-90 days | 4.1% | 2,943 | (121) | 2,822 |
| Past due over 90 days | 49.2% | 12,823 | (6,307) | 6,516 |
| | | $ 266,600 | $ (8,099) | $ 258,501 |

| | | | | 2020 |
|---|---|---|---|---|
| | Weighted-average loss rate | Trade accounts receivable - gross | Impairment loss allowance | Trade accounts receivable - net |
| Current (not past due) | 0.9% | $ 355,678 | $ (3,195) | $ 352,483 |
| Past due 0-30 days | 3.0% | 56,698 | (1,690) | 55,008 |
| Past due 31-60 days | 4.4% | 18,495 | (823) | 17,672 |
| Past due 61-90 days | 6.1% | 6,554 | (396) | 6,158 |
| Past due over 90 days | 48.1% | 28,098 | (13,523) | 14,575 |
| | | $ 465,523 | $ (19,627) | $ 445,896 |

*Liquidity Risk*

Liquidity risk is the risk of being unable to honor financial commitments by the deadlines set out under the terms of such commitments. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in “Capital Management” (Note 21). It also manages liquidity risk by continuously monitoring actual and projected cash flows matching the maturity profile of financial assets and liabilities. The Board of Directors reviews and approves the Company’s operating and capital budgets, as well as any material transactions not in the ordinary course of business, including acquisitions or other major investments or divestitures.

## NOTE 20 – FINANCIAL INSTRUMENTS (continued)

As 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 will become due in full at the date of non-compliance. While management believes that future cash flows from operations and availability under existing/renegotiated banking arrangements will be adequate to support the Company's financial liabilities, assessing the Company's liquidity including expected future compliance with covenants requires significant judgment. The Company does not expect a liquidity problem in the foreseeable future, however no assurance can be provided. On January 4, 2022, the Company completed the sale of the Sports segment (refer to Note 6). Dorel used part of the proceeds for payment of a special dividend of $12.00 per share (refer to Note 33) and to repay long-term debts (refer to Note 18).

The following table summarizes the contractual maturities of financial liabilities of the Company as at December 30, 2021, excluding future interest payments but including accrued interest:

| | Total | Less than 1 year | 2-3 years | 4-5 years | After 5 years |
|---|---|---|---|---|---|
| Bank indebtedness | $ 3,783 | $ 3,783 | $ – | $ – | $ – |
| Trade and other payables | 343,145 | 343,145 | – | – | – |
| Long-term debt: | | | | | |
| Senior unsecured notes (1) | 127,500 | – | 127,500 | – | – |
| ABL facility (1) | 305,931 | – | 305,931 | – | – |
| Balance of sale | 6,076 | 3,074 | 3,002 | – | – |
| Other | 5,011 | 1,427 | 1,588 | 1,588 | 408 |
| Other liabilities: | | | | | |
| Other financial liabilities | 4,908 | 1,292 | 2,258 | 1,358 | – |
| **Total** | $ 796,354 | $ 352,721 | $ 440,279 | $ 2,946 | $ 408 |

(1) The Senior unsecured notes and the ABL facility were completely reimbursed on January 4, 2022 (refer to Note 18).

For the contractual undiscounted cash flows of lease liabilities, refer to note 12 e).

## NOTE 21 – CAPITAL MANAGEMENT

The Company's objectives in managing capital are to provide sufficient liquidity to support its operations while generating a reasonable return to shareholders, give the flexibility to take advantage of growth and development opportunities of the business and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk. The Company's capital structure is composed of net debt and equity. Net debt consists of interest-bearing debt less cash and cash equivalents.

The Company manages its capital structure in light of changes in economic conditions and the requirements of the ratio required to be adhered to for covenant purposes. In order to maintain or adjust the capital structure, the Company may elect to adjust the amount of dividends paid to shareholders, return capital to its shareholders, issue new shares or increase/decrease net debt.

The Company monitors its capital structure using the ratio of indebtedness to adjusted EBITDA (as defined below). This ratio is calculated as follows: indebtedness / adjusted EBITDA and it represents the ratio required for financial covenants and it must be kept below a certain threshold so as not to be in breach of its debt agreements.

## NOTE 21 – CAPITAL MANAGEMENT (continued)

*Indebtedness*

Indebtedness is equal to the aggregate of bank indebtedness, face value of long-term debt (excluding leases) and guarantees (including all letters of credit and standby letters of credit) based on current earnings level less cash and cash equivalents up to a maximum amount of $25,000 subject to certain conditions.

*Adjusted EBITDA*

Adjusted EBITDA is defined as net income (loss) before finance expenses, income taxes, depreciation and amortization, impairment losses and reversals on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, unpaid (paid) product liability costs related to judgments, share option plan expense, transaction and other costs related to the sale of the Sports segment, excluding the net impact of applying IFRS 16. Adjusted EBITDA is based on the last four quarters ending on the same date as the reporting date used to compute the indebtedness.

*Indebtedness to adjusted EBITDA ratio calculation*

| | 2021 | 2020 |
|---|---|---|
| Bank indebtedness | $ 3,783 | $ 30,562 |
| Face value of long-term debt (Note 18) | 444,518 | 408,479 |
| Face value of the non-convertible debenture (Note 6) | 19,687 | – |
| Guarantees (Note 26) | 19,708 | 22,364 |
| Less: cash and cash equivalents | (25,000) | (17,005) |
| Removing the effect of applying IFRS 16 | – | 1,161 |
| **Indebtedness** | $ 462,696 | $ 445,561 |

| | For the trailing four quarters | |
|---|---|---|
| | 2021 | 2020 |
| Net loss | $ (31,624) | $ (43,403) |
| Finance expenses (Notes 6 and 31) | 47,729 | 47,838 |
| Income taxes expense (Notes 6 and 28) | 67,530 | 48,931 |
| Depreciation and amortization (Notes 6 and 31) | 84,188 | 98,088 |
| Impairment loss on goodwill (Notes 14 and 32) | – | 43,125 |
| Reversal of prior year impairment losses on intangible assets (Note 6) | (72,900) | – |
| Restructuring costs (Note 7) | 30,045 | 15,026 |
| Transaction and other costs related to the sale of the Sports segment (Note 6) | 51,893 | – |
| Removing the effect of applying IFRS 16 | (47,142) | (51,361) |
| **Adjusted EBITDA** | $ 129,719 | $ 158,244 |

| | 2021 | 2020 |
|---|---|---|
| **Indebtedness to adjusted EBITDA ratio** | 3.57:1 | 2.82:1 |

## NOTE 22 – PENSION AND POST-RETIREMENT BENEFIT PLANS

Certain of the Company's subsidiaries maintain defined benefit plans and defined contribution plans for their employees.

The plans provide benefits based on a defined benefit amount and length of service. Pension benefit obligations under the defined benefit plans are determined annually by independent actuaries using management's assumptions and the accumulated benefit method for the plans where future salary levels do not affect the amount of employee future benefits and the projected benefit method for the plans where future salaries or cost escalation affect the amount of employee future benefits.

The changes in net liability arising from defined benefit obligations are as follows:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| | **Pension benefits** | **Post-retirement benefits** | **Pension benefits** | **Post-retirement benefits** |
| Present value of the defined benefit obligations under wholly or partially funded plans: | | | | |
| Balance, beginning of year | $ 81,719 | $ 5,417 | $ 72,963 | $ 6,091 |
| Current service cost | 3,634 | – | 2,872 | 1 |
| Interest cost | 1,222 | 100 | 1,595 | 165 |
| Participant contributions | 681 | – | 656 | – |
| Benefits paid | (2,730) | (360) | (2,047) | (540) |
| Past service costs | – | – | – | – |
| Effect of foreign currency exchange rate changes | (2,248) | – | 2,746 | – |
| Remeasurement (gains) losses recognized in other comprehensive income (loss) | (8,135) | (600) | 3,204 | (300) |
| Restructuring giving rise to curtailments (Note 7) | (346) | – | (270) | – |
| Transfers | (15) | – | – | – |
| Balance, end of year | $ 73,782 | $ 4,557 | $ 81,719 | $ 5,417 |
| Plan assets: | | | | |
| Fair value, beginning of year | $ 61,065 | $ – | $ 53,344 | $ – |
| Interest income on plan assets | 967 | – | 1,232 | – |
| Remeasurement (losses) gains recognized in other comprehensive income (loss) | (2,527) | – | 1,453 | – |
| Employer contributions | 3,644 | 360 | 4,842 | 540 |
| Participant contributions | 681 | – | 656 | – |
| Benefits paid | (2,730) | (360) | (2,047) | (540) |
| Effect of foreign currency exchange rate changes | (1,646) | – | 1,982 | – |
| Additional charges | (518) | – | (397) | – |
| Transfers | (76) | – | – | – |
| Fair value, end of year | $ 58,860 | $ – | $ 61,065 | $ – |
| Effect of asset ceiling (1) | $ (165) | $ – | $ (209) | $ – |
| **Net liability arising from defined benefit obligations** | $ (15,087) | $ (4,557) | $ (20,863) | $ (5,417) |

(1) includes effect of foreign currency exchange rate changes.

## NOTE 22 – PENSION AND POST-RETIREMENT BENEFIT PLANS (continued)

Remeasurements of the net defined benefit liabilities recorded during the years ended:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| | Pension benefits | Post-retirement benefits | Pension benefits | Post-retirement benefits |
| Remeasurement gains (losses) recognized in other comprehensive income (loss): | | | | |
| Return on plan assets (excluding amounts included in net interest expense) | $ (2,527) | $ – | $ 1,453 | $ – |
| Actuarial (losses) gains arising from changes in demographic assumptions | (159) | (23) | 1,059 | 66 |
| Actuarial gains (losses) arising from changes in financial assumptions | 5,212 | 142 | (8,705) | (410) |
| Actuarial gains arising from experience adjustments | 3,082 | 481 | 4,442 | 644 |
| Change in the effect of asset ceiling | 31 | – | (83) | – |
| | $ 5,639 | $ 600 | $ (1,834) | $ 300 |

| | | 2021 | | 2020 |
|---|---|---|---|---|
| | Pension benefits | Post-retirement benefits | Pension benefits | Post-retirement benefits |
| Remeasurement gains (losses) accumulated in other comprehensive loss: | | | | |
| **Balance, beginning of year** | $ (11,798) | $ (7,899) | $ (10,134) | $ (8,199) |
| Recognized during the year in other comprehensive income (loss) | 5,639 | 600 | (1,834) | 300 |
| Effect of foreign currency exchange rate changes | (232) | – | 170 | – |
| **Balance, end of year** | $ (6,391) | $ (7,299) | $ (11,798) | $ (7,899) |

| | | 2021 | | 2020 |
|---|---|---|---|---|
| | Pension benefits | Post-retirement benefits | Pension benefits | Post-retirement benefits |
| Changes in the asset ceiling: | | | | |
| **Balance, beginning of year** | $ (209) | $ – | $ (110) | $ – |
| Change in the effect of asset ceiling | 31 | – | (83) | – |
| Effect of foreign currency exchange rate changes | 13 | – | (16) | – |
| **Balance, end of year** | $ (165) | $ – | $ (209) | $ – |

The Company's asset ceiling represents the present value of future economic benefits available in the form of reductions in future contributions.

**NOTE 22 – PENSION AND POST-RETIREMENT BENEFIT PLANS (continued)**

Net retirement costs for the defined benefit plans included in the consolidated income statements comprise the following:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Pension benefits | Post-retirement benefits | Pension benefits | Post-retirement benefits |
| Current service cost | $ 3,634 | $ – | $ 2,872 | $ 1 |
| Net interest expense | 255 | 100 | 363 | 165 |
| Past service costs | – | – | – | – |
| Additional charges | 518 | – | 397 | – |
| Effect of curtailments (Note 7) | (346) | – | (270) | – |
| **Net retirement expense for the year** | $ 4,061 | $ 100 | $ 3,362 | $ 166 |
| **Actual return on plan assets** | $ (1,560) | $ – | $ 2,685 | $ – |

Other than the curtailment gain presented within the restructuring and other costs (Note 7), the pension and post-retirement expense is recognized within general and administrative expenses and cost of sales.

Under the Company's defined contribution plans, total expense was $5,725 (2020 – $5,124) and is recorded within the appropriate headings of expenses by function. Total cash payments for employee future benefits for 2021, consisting of cash contributed by the Company to its funded plans, cash contributed to its defined contribution plans and benefits paid directly to beneficiaries for unfunded plans, was $9,729 (2020 – $10,506).

Actuarial assumptions and sensitivity analysis

Weighted-average assumptions used to determine benefit obligations:

| | Pension benefits | | Post-retirement benefits | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Discount rate | 1.81% | 1.53% | 2.42% | 1.92% |
| Rate of compensation increase | 2.09% | 2.11% | n/a | n/a |

## NOTE 22 – PENSION AND POST-RETIREMENT BENEFIT PLANS (continued)

Weighted-average assumptions used to determine net periodic cost:

| | Pension benefits | | Post-retirement benefits | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Discount rate | 1.53% | 2.21% | 1.92% | 2.83% |
| Rate of compensation increase | 2.11% | 2.13% | n/a | n/a |
| Post-retirement mortality at age 65 for current pensioners (male) | 19.5 years | 19.2 years | 19.1 years | 18.9 years |
| Post-retirement mortality at age 65 for current pensioners (female) | 22.4 years | 22.0 years | 21.6 years | 21.4 years |
| Post-retirement mortality at age 65 for current pensioners aged 45 (male) | 21.0 years | 20.7 years | 20.7 years | 20.5 years |
| Post-retirement mortality at age 65 for current pensioners aged 45 (female) | 23.3 years | 23.4 years | 23.1 years | 22.9 years |

At December 30, 2021, the weighted-average duration of the defined benefit obligations was 19.4 years for the pension benefits (2020 – 19.0 years) and 9.2 years for the post-retirement benefits (2020 – 9.4 years).

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

| | Pension benefits 2021 | | Post-retirement benefits 2021 | | Pension benefits 2020 | | Post-retirement benefits 2020 | |
|---|---|---|---|---|---|---|---|---|
| | **Increase** | **Decrease** | **Increase** | **Decrease** | **Increase** | **Decrease** | **Increase** | **Decrease** |
| Discount rate (0.25% movement) | $ (3,339) | $ 3,593 | $ (102) | $ 106 | $ (3,877) | $ 4,183 | $ (124) | $ 129 |
| Rate of compensation increase (0.5% movement) | $ 767 | $ (729) | n/a | n/a | $ 717 | $ (696) | n/a | n/a |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the net periodic cost by the amounts shown below.

| | Pension benefits 2021 | | Post-retirement benefits 2021 | | Pension benefits 2020 | | Post-retirement benefits 2020 | |
|---|---|---|---|---|---|---|---|---|
| | **Increase** | **Decrease** | **Increase** | **Decrease** | **Increase** | **Decrease** | **Increase** | **Decrease** |
| Discount rate (0.25% movement) | $ (298) | $ 329 | $ 10 | $ 16 | $ (340) | $ 372 | $ 10 | $ 18 |
| Rate of compensation increase (0.5% movement) | $ 106 | $ (99) | n/a | n/a | $ 96 | $ (98) | n/a | n/a |

## NOTE 22 – PENSION AND POST-RETIREMENT BENEFIT PLANS (continued)

The assumed health care cost trend used for measurement of the accumulated post-retirement benefit obligation is 7.5% in 2021, decreasing gradually to 4.5% in 2028 and remaining at that level thereafter.

Assumed health care cost trends have a significant effect on the amounts reported for health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Effect on total of service and interest cost | $ 8 | $ (7) | $ 15 | $ (14) |
| Effect on post-retirement benefit obligation | $ 305 | $ (267) | $ 398 | $ (347) |

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

The measurement date used for plan assets, pension benefits and post-retirement benefits was December 30. The most recent actuarial valuations for the pension plans and post-retirement benefit plans are dated January 1, 2021. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1, 2021, and the next required valuation will be as of January 1, 2022.

Plan assets are held in trust and their weighted average allocations were as follows as at the reporting date:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **Debt securities** | | | | |
| Mutual funds - fixed income securities | | | | |
| United States | $ 14,778 | 25% | $ 10,872 | 18% |
| Total debt securities | $ 14,778 | 25% | $ 10,872 | 18% |
| **Other** | | | | |
| Insurance contracts | $ 20,395 | 35% | $ 24,615 | 40% |
| Mutual funds - specialty | 1,956 | 3 | 1,173 | 2 |
| Total other | $ 22,351 | 38% | $ 25,788 | 42% |
| **Equity securities** | | | | |
| Canada | $ 282 | 1% | $ 207 | 1% |
| United States | 11,287 | 19 | 13,233 | 22 |
| Europe | 2,204 | 4 | 2,071 | 3 |
| International | 4,302 | 7 | 4,481 | 7 |
| Total equity securities | $ 18,075 | 31% | $ 19,992 | 33% |
| **Cash and cash equivalents** | $ 3,656 | 6% | $ 4,413 | 7% |
| **Total** | $ 58,860 | 100% | $ 61,065 | 100% |

## NOTE 22 – PENSION AND POST-RETIREMENT BENEFIT PLANS (continued)

All debt securities, equity securities and other mutual funds - specialty are valued based on quoted prices (unadjusted) for identical assets and liabilities in active markets. All insurance contracts do not have a quoted market price.

The Company expects $2,772 in contributions to be paid to the funded defined benefit plans and $453 in benefits to be paid for the unfunded plans in 2022.

Other

Certain of the Company's subsidiaries have elected to act as a self-insurer for certain costs related to all active employee health and accident programs. The expense for the year ended December 30, 2021 was $10,288 (2020 – $7,967) under this self-insured benefit program.

## NOTE 23 – SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

The share capital of the Company is as follows:

**Authorized**

- 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.
- 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:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| **Class “A” Multiple Voting Shares** | | | | |
| Balance, beginning of year | 4,188,175 | $ 1,767 | 4,188,475 | $ 1,767 |
| Converted from Class “A” to Class “B” (1) | (38,735) | (19) | (300) | – |
| Balance, end of year | 4,149,440 | $ 1,748 | 4,188,175 | $ 1,767 |
| **Class “B” Subordinate Voting Shares** | | | | |
| Balance, beginning of year | 28,316,946 | $ 202,934 | 28,291,760 | $ 202,165 |
| Converted from Class “A” to Class “B” (1) | 38,735 | 19 | 300 | – |
| Reclassification from contributed surplus due to settlement of deferred share units | 3,510 | 36 | 24,886 | 769 |
| Balance, end of year | 28,359,191 | $ 202,989 | 28,316,946 | $ 202,934 |
| **TOTAL SHARE CAPITAL** | | $ 204,737 | | $ 204,701 |

(1) During the year ended December 30, 2021, the Company converted 38,735 Class “A” Multiple Voting Shares into Class “B” Subordinate Voting Shares (2020 – 300) at an average rate of $0.63 per share (2020 – $0.63 per share).

## NOTE 23 – SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

### Nature and purpose of other components of equity

Contributed Surplus

The contributed surplus account is used to recognize the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration.

Other Comprehensive Income (Loss)

*Cumulative Translation Account*

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of monetary assets or liabilities that hedge the Company's net investment in foreign operations.

*Cash Flow Hedges*

The cash flow hedges account comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

*Defined Benefit Plans*

The defined benefit plans account comprises the remeasurement of the net pension and post-retirement defined benefit liabilities.

Other Equity

The other equity account comprises the remeasurement of the present value of the written put option liabilities.

Dividends on common shares

No dividend was declared and paid by the Company on the outstanding Class "A" Multiple Voting Shares or Class "B" Subordinate Voting Shares in 2021 and 2020.

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

| | 2021 | 2020 |
|---|---|---|
| DSU – Directors | $ – | $ – |
| DSU – Executive | 2,236 | 135 |
| RSU | 944 | 929 |
| SAR | – | – |
| PSU | 1,326 | 1,392 |
| | $ 4,506 | $ 2,456 |

## NOTE 24 – SHARE-BASED PAYMENTS

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

| | 2021 | 2020 |
|---|---|---|
| Trade and other payables | $ 3,303 | $ 1,877 |
| Other long-term liabilities | – | 1,195 |
| | $ 3,303 | $ 3,072 |

Directors' Deferred Share Unit Plan

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

The number of DSUs received by a director is determined by dividing the amount of the remuneration to be paid in the form of DSUs on that date or dividends to be paid on payment date (the "Award Dates") by the fair value of the Company's Class "B" Subordinate Voting Shares on the Award Date. The Award Date is the last day of each quarter of the Company's fiscal year in the case of director's fees forfeited and the date on which the dividends are payable in the case of dividends. The fair value of the Company's Class "B" Subordinate Voting Shares is equal to their average closing trading price during the five trading days preceding the Award Date. Upon termination of a director's service, a director may receive, at the discretion of the Board of Directors, either:

(a) cash equal to the number of DSUs credited to the director's account multiplied by the fair value of the Class "B" Subordinate Voting Shares on the date a notice of redemption is filed by the director; or
(b) the number of Class "B" Subordinate Voting Shares equal to the number of DSUs in the director's account; or
(c) a combination of cash and Class "B" Subordinate Voting Shares.

Of the 350,000 DSUs authorized for issuance under the plan, 126,603 were available for issuance under the DSU plan as at December 30, 2021.

The changes in outstanding number of DSUs are as follows:

| | 2021 | 2020 |
|---|---|---|
| DSUs outstanding, beginning of year | 161,304 | 211,111 |
| Settlement of deferred share units (1) | – | (49,807) |
| DSUs outstanding, end of year | 161,304 | 161,304 |
| Total vested, end of year | 161,304 | 161,304 |

(1) During the year ended December 30, 2020, 49,807 DSUs were settled for which $865 was debited to contributed surplus and $680 credited to share capital; the difference representing the withholding taxes the Company was required by law to withhold upon settlement.

## NOTE 24 – SHARE-BASED PAYMENTS (continued)

Executive Deferred Share Unit Plan

The Company has an Executive Deferred Share Unit Plan (the "EDSU 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 EDSU Plan assists the executive officers in attaining prescribed levels of ownership of the Company's shares. A plan participant may also receive dividend equivalents paid in the form of DSUs. The number of DSUs received by an executive officer is determined by dividing the amount of the salary and bonus to be paid in the form of DSUs on that date or dividends to be paid on payment date (the "Award Dates") by the fair value of the Company's Class "B" Subordinate Voting Shares on the Award Date. The Award Date is the last business day of each month of the Company's fiscal year in the case of salary, the date on which the bonus is, or would otherwise be, paid to the participant in the case of bonus and the date on which the dividends are payable in the case of dividends. The fair value of the Company's Class "B" Subordinate Voting Shares is equal to their weighted average trading price during the five trading days preceding the Award Date.

The Board of Directors may also grant discretionary DSUs with vesting conditions, such as service and non-market performance conditions. The holders of the discretionary DSUs are entitled to dividends declared by the Company which are recognized in the form of additional DSUs awards equivalent in value to the dividends paid on the Company's Class "B" Subordinate Voting Shares. The vesting conditions of these additional DSUs awards are subject to the same performance vesting conditions as the underlying discretionary DSUs.

Upon termination of an executive officer's service, an executive officer may receive, at the discretion of the Board of Directors, either:

(a) cash equal to the number of DSUs credited to the executive officer's account multiplied by the fair market value of the Class "B" Subordinate Voting Shares on the date a notice of redemption is filed by the executive officer; or
(b) the number of Class "B" Subordinate Voting Shares equal to the number of DSUs in the executive officer's account; or
(c) a combination of cash and Class "B" Subordinate Voting Shares.

Of the 750,000 DSUs authorized for issuance under the plan, 254,686 were available for issuance under the EDSU Plan as at December 30, 2021.

The changes in outstanding number of DSUs are as follows:

| | 2021 | 2020 |
|---|---|---|
| DSUs outstanding, beginning of year | 216,410 | 222,230 |
| Issued for salaries and bonus paid | 215,771 | – |
| Performance adjustment | 3,022 | 5,043 |
| Forfeited | (2,279) | (6,532) |
| Settlement of deferred share units (1) | (2,760) | (4,331) |
| DSUs outstanding, end of year | 430,164 | 216,410 |
| Total vested, end of year | 417,446 | 192,077 |

(1) During the year ended December 30, 2021, 2,760 DSUs (2020 – 4,331 DSUs) were settled for which $36 (2020 - $89) was debited to contributed surplus and $36 (2020 - $89) credited to share capital.

**NOTE 24 – SHARE-BASED PAYMENTS (continued)**

Long-term incentive plans (cash-settled)

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

- A **restricted share unit (RSUs)** plan that entitles them to a cash payment equal to the number of the Company's Class "B" Subordinate Voting Shares underlying the vested RSUs multiplied by the weighted average trading price during the five trading days immediately preceding the vesting date. The RSUs granted vest in whole after three years from the date of the issuance of the grant. The RSUs vest based on service conditions and are not subject to performance conditions. A plan participant may also receive dividend equivalents paid in the form of RSUs.

- A **share appreciation rights (SARs)** plan that entitles them to a cash payment based on the increase in the share price of the Company's Class "B" Subordinate Voting Shares from the grant date to the settlement date. The SARs vest based on service conditions and are not subject to performance conditions.

- A **performance share unit (PSUs)** plan that entitles them to a cash payment. The PSUs vest based on non-market performance conditions. The number of PSUs that can vest can be up to 1.5 times the actual number of PSUs awarded if exceptional financial performance is achieved. A plan participant may also receive dividend equivalents paid in the form of PSUs.

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

| | | | **2021** | | | **2020** |
|---|---|---|---|---|---|---|
| | **RSU** | **SAR** | **PSU** | **RSU** | **SAR** | **PSU** |
| Outstanding, beginning of year | 170,394 | – | 216,658 | 246,891 | 338,084 | 227,587 |
| Granted | – | – | – | – | – | – |
| Performance adjustment | – | – | 28,194 | – | – | 24,016 |
| Settled | (87,422) | – | (89,792) | (64,473) | – | (25,933) |
| Expired | – | – | – | – | (336,596) | – |
| Forfeited | (3,532) | – | (7,513) | (12,024) | (1,488) | (9,012) |
| Outstanding, end of year | 79,440 | – | 147,547 | 170,394 | – | 216,658 |

## NOTE 25 – COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel include the Company's senior management and members of its Board of Directors. The following table summarizes the amounts recognized as an expense related to the Company's key management personnel:

| | 2021 | 2020 |
|---|---|---|
| Wages, salaries and other short-term employee benefits | $ 14,238 | $ 9,826 |
| Social security costs | 370 | 126 |
| Contributions to defined contribution plans | 7 | 7 |
| Share-based payments | 792 | 1,646 |
| | $ 15,407 | $ 11,605 |

Included in wages, salaries and other short-term employee benefits is a capital appreciation bonus related to the sale of the Sports segment.

## NOTE 26– COMMITMENTS, GUARANTEES AND CONTINGENCIES

a) Capital expenditure commitments

As at December 30, 2021, the Company has capital expenditure commitments of approximately $10,463.

b) Guarantees

In the normal course of business, the Company granted irrevocable standby letters of credit issued by highly rated financial institutions and other guarantees to various third parties to indemnify them in the event the Company does not perform its contractual obligations, such as payment of product liability claims, lease and licensing agreements, duties and workers compensation claims. As at December 30, 2021, standby letters of credit and other guarantees outstanding totalled $19,708. As many of these guarantees will not be drawn upon, these amounts are not indicative of future cash requirements. No material loss is anticipated by reason of such agreements and guarantees, and no amounts have been accrued in the Company's consolidated financial statements with respect to these guarantees.

c) Contingencies

The Company is currently a party to various claims and legal proceedings. If management believes that a loss arising from these matters is probable and can reasonably be estimated, that amount of the loss is recorded, or the middle of the range estimated liability when the loss is estimated using a range and no point within the range is more probable than another. When a loss arising from such matters is probable, legal proceedings against third parties or counterclaims are recorded only if management, after consultation with outside legal counsels, believes such recoveries are virtually certain to be realized. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in aggregate, will not have a material adverse effect on the Company's financial position or overall trends in results of operations.

## NOTE 27 – GOVERNMENT ASSISTANCE

During the year ended December 30, 2021, the Company recognized an amount of $1,671 as a reduction of employee benefits expense and of other expenses related to government grants received or expected to be received from continuing operations, mainly within the Dorel Home segment (2020 - $3,598, mainly within the Dorel Juvenile segment), most of which were received during the first quarter of 2021.

## NOTE 28 – INCOME TAXES

Variations of income taxes expense from the basic Canadian federal and provincial combined tax rates applicable to income before income taxes from continuing operations are as follows:

| | 2021 | | 2020 (1) | |
|---|---|---|---|---|
| | $ | % | $ | % |
| Loss before income taxes from continuing operations | (53,540) | – | (36,427) | – |
| PROVISION FOR INCOME TAXES (2) | (14,027) | 26.2 | (9,507) | 26.1 |
| ADD (DEDUCT) EFFECT OF: | | | | |
| Difference in statutory tax rates of foreign subsidiaries | (3,433) | 6.4 | 514 | (1.4) |
| Non-recognition of tax benefits related to tax losses and temporary differences | 15,541 | (29.0) | 26,106 | (71.7) |
| Benefit arising from previously unrecognized tax losses and temporary differences of a prior period | (1,154) | 2.2 | – | – |
| Tax incentives | (683) | 1.3 | (638) | 1.8 |
| Non-deductible impairment of goodwill | – | – | 10,443 | (28.7) |
| Permanent differences | 10,457 | (19.6) | (728) | 2.0 |
| Tax rates changes | 102 | (0.2) | (583) | 1.6 |
| Tax on transfer of asset - Luxembourg | 52,615 | (98.3) | – | – |
| Foreign exchange and other – net | (1,123) | 2.1 | 2,730 | (7.5) |
| | 58,295 | (108.9) | 28,337 | (77.8) |

(1) Comparative information has been restated due to a discontinued operation (refer to Note 6).
(2) The applicable statutory tax rates are 26.2% and 26.1%, respectively for the years ended December 30, 2021 and 2020. The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

## NOTE 28 – INCOME TAXES (continued)

The components of deferred income tax expense from continuing operations are:

| | 2021 | 2020 (1) |
|---|---|---|
| **Deferred income tax (recovery) expense** | | |
| Origination and reversal of temporary differences | $ (1,161) | $ 12,212 |
| Effect of tax rates changes | 102 | (583) |
| | $ (1,059) | $ 11,629 |

(1) Comparative information has been restated due to a discontinued operation (refer to Note 6).

The deferred tax assets and liabilities in the consolidated statements of financial position are as follows:

| | 2021 | 2020 |
|---|---|---|
| Deferred tax assets | $ 20,529 | $ 44,641 |
| Deferred tax liabilities | (10,156) | (21,349) |
| | $ 10,373 | $ 23,292 |

The details of changes in deferred tax assets and deferred tax liabilities are as follows:

| | Balance as at December 30, 2020 | Recognized in net loss from continuing operations | Recognized in income from discontinued operation | Recognized in other comprehensive income (loss) | Reclassified to assets held for sale and related liabilities (Note 6) | Others (1) | Balance as at December 30, 2021 |
|---|---|---|---|---|---|---|---|
| Capital and operating tax losses carried forward | $ 7,479 | $ (1,399) | $ 7,347 | $ – | $ (9,969) | $ (482) | $ 2,976 |
| Net pension and post-retirement benefit obligations | 6,430 | (693) | – | (1,521) | – | (16) | 4,200 |
| Other liabilities | 367 | 1,900 | (7) | (697) | (416) | (318) | 829 |
| Long-term debt | 2,282 | (1,267) | – | – | – | 12 | 1,027 |
| Trade accounts receivable | 6,636 | (448) | 347 | – | (1,715) | (344) | 4,476 |
| Inventories | 10,348 | 447 | 2,773 | – | (6,721) | (534) | 6,313 |
| Trade and other payables | 11,983 | (149) | 4,348 | – | (11,988) | (1,069) | 3,125 |
| Provisions | 8,858 | 161 | (52) | – | (2,789) | – | 6,178 |
| Assets held for sale | (823) | (87) | – | – | – | 812 | (98) |
| Property, plant and equipment | (9,790) | 538 | (580) | – | 1,967 | 1,740 | (6,125) |
| Lease liabilities and right-of-use assets, net | 3,920 | (172) | (243) | – | (1,713) | 1,934 | 3,726 |
| Intangible assets | (29,863) | 2,133 | (11,282) | – | 22,232 | (184) | (16,964) |
| Goodwill | 227 | (38) | (31) | – | (101) | – | 57 |
| Contributed surplus | (756) | (1) | – | – | – | – | (757) |
| Foreign exchange and other | 5,994 | 134 | (3,690) | – | (639) | (389) | 1,410 |
| | $ 23,292 | $ 1,059 | $ (1,070) | $ (2,218) | $ (11,852) | $ 1,162 | $ 10,373 |

(1) Others comprise foreign currency exchange rate changes and effect of acquisition and disposals of businesses.

## NOTE 28 – INCOME TAXES (continued)

| | Balance as at December 30, 2019 | Recognized in net loss from continuing operations | Recognized in income from discontinued operation | Recognized in other comprehensive income (loss) | Others (1) | Balance as at December 30, 2020 |
|---|---|---|---|---|---|---|
| Capital and operating tax losses carried forward | $ 41,624 | $ (16,985) | $ (18,346) | $ – | $ 1,186 | $ 7,479 |
| Net pension and post-retirement benefit obligations | 6,418 | (246) | – | 18 | 240 | 6,430 |
| Other liabilities | (658) | 394 | (25) | 680 | (24) | 367 |
| Long-term debt | 2,154 | 131 | – | – | (3) | 2,282 |
| Trade accounts receivable | 7,502 | (1,617) | 940 | – | (189) | 6,636 |
| Inventories | 10,720 | 628 | (1,093) | – | 93 | 10,348 |
| Trade and other payables | 9,424 | 235 | 2,308 | – | 16 | 11,983 |
| Provisions | 7,999 | 494 | 364 | – | 1 | 8,858 |
| Assets held for sale | (1,652) | 926 | – | – | (97) | (823) |
| Property, plant and equipment | (11,737) | 3,114 | (1,024) | – | (143) | (9,790) |
| Lease liabilities and right-of-use assets, net | 4,681 | (734) | (168) | – | 141 | 3,920 |
| Intangible assets | (32,729) | 2,511 | 1,211 | – | (856) | (29,863) |
| Goodwill | 294 | (39) | (28) | – | – | 227 |
| Contributed surplus | (758) | 1 | – | – | 1 | (756) |
| Foreign exchange and other | 4,284 | (442) | 1,768 | – | 384 | 5,994 |
| | $ 47,566 | $ (11,629) | $ (14,093) | $ 698 | $ 750 | $ 23,292 |

(1) Others mainly comprise foreign currency exchange rate changes.

Net deferred tax assets of $870 were recognized as at December 30, 2021 (2020 – $3,164) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical income or projections for future income, management believes it is probable that the Company will realize the benefits of these deductible differences and operating tax losses carry forward.

As at December 30, 2021, the net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to $367,574 (2020 – $454,050). These net operating losses carried forward will expire starting in 2022 onwards. In addition, as at December 30, 2021, the Company has $4,548 of net capital losses carried forward for which deferred tax assets have not been recognized (2020 – $4,548). Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains. The unrecognized deferred tax assets related to capital and operating tax losses carried forward amounted to $81,426 as at December 30, 2021 (2020 – $104,210).

The Company has not recognized deferred tax liabilities for the undistributed earnings of its subsidiaries in the current or prior years since the Company does not expect to sell or repatriate funds from those investments, in which case the undistributed earnings may become taxable. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to income and/or withholding taxes. Taxable temporary differences for which deferred tax liabilities were not recognized amount to approximately $173,017 (2020 – $223,863).

The breadth of the Company's operations and the global complexity of tax regulations require assessments of uncertainties and judgments in estimating the ultimate taxes the Company will pay. The final taxes paid are dependent upon many factors, including negotiations with taxation authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, provincial, state and local tax audits. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Company's tax assets and tax liabilities.

## NOTE 28 – INCOME TAXES (continued)

On January 26, 2021, the Company announced its intention to appeal a decision of the Luxembourg Administrative Tribunal received on January 22, 2021 with respect to taxation on the transfer of certain assets in connection with an internal corporate reorganization that took place in 2015. The decision of the Luxembourg Administrative Tribunal concluded that one of the Company's wholly owned subsidiaries owed $64,200 (EUR $54,600) in tax including interest. The Company considered that the transfer of assets was not taxable and initiated its appeal process on February 26, 2021.

On October 28, 2021, the Luxembourg Administrative Court confirmed on appeal the previously-announced decision of the Luxembourg Administrative Tribunal to the effect that one of Dorel's wholly-owned subsidiaries owed $64,200 (EUR $54,600) in tax including interest. As a result of the judgment of the Luxembourg Administrative Court, the Company recognized an income tax expense of $52,615 related to this decision in the 2021 consolidated financial statements. In January 2022, the Company paid the remaining cash balance due to the Luxembourg tax authorities.

## NOTE 29 – LOSS PER SHARE

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

| | 2021 | 2020 |
|---|---|---|
| Weighted daily average number of Class "A" Multiple and Class "B" Subordinate Voting Shares | 32,505,967 | 32,491,656 |
| Dilutive effect of deferred share units | – | – |
| Weighted average number of diluted shares | 32,505,967 | 32,491,656 |
| Number of anti-dilutive deferred share units excluded from fully diluted loss per share calculation | 591,468 | 377,714 |

## NOTE 30 – SUPPLEMENTAL CASH FLOW INFORMATION

Net changes in balances related to operations are as follows:

| | 2021 | 2020 |
|---|---|---|
| Trade accounts receivable | $ 5,590 | $ (48,139) |
| Inventories | (158,739) | 94,254 |
| Other assets | (13,198) | (3,020) |
| Trade and other payables | 134,189 | (34,225) |
| Net pension and post-retirement defined benefit liabilities | (3,927) | (4,909) |
| Provisions | 4,636 | (4,264) |
| Other liabilities | 5,046 | 6,057 |
| | $ (26,403) | $ 5,754 |

## NOTE 30 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)

The components of cash and cash equivalents are:

| | 2021 | 2020 |
|---|---|---|
| Cash | $ 49,340 | $ 34,800 |
| Short-term investments | 2,826 | 3,435 |
| **Cash and cash equivalents** | $ 52,166 | $ 38,235 |

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

| | 2021 | 2020 |
|---|---|---|
| Acquisition of property, plant and equipment financed by trade and other payables | $ 3,212 | $ 1,340 |
| Acquisition of property, plant and equipment financed by lease liabilities | $ 25,393 | $ 37,654 |
| Acquisition of intangible assets financed by trade and other payables | $ 359 | $ 223 |

The reconciliation of movements of liabilities, except of lease liabilities (for which the information is presented in Note 12), to cash flows arising from financing activities is as follows:

| | | Cash provided by (used in) financing activities | | | Non-cash changes | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Balance as at December 30, 2020** | **Proceeds** | **Repayments** | **Financing costs** | **Reclassified to liabilities directly associated with assets held for sale (Note 6)** | **Business acquisition (Note 10)** | **Effect of foreign currency exchange rate changes** | **Accretion of interest** | **Changes in fair value** | **Balance as at December 30, 2021** |
| **Bank indebtedness** | $ 30,562 | $ – | $ (27,381) | $ – | $ – | $ 1,488 | $ (886) | $ – | $ – | $ 3,783 |
| Senior unsecured notes | $ 122,134 | – | $ – | $ (1,913) | $ – | $ – | $ – | $ 4,905 | $ – | $ 125,126 |
| Revolving bank loans | 220,112 | – | (219,202) | – | – | – | (910) | – | – | – |
| Term loan | 53,133 | – | (53,382) | – | – | – | – | 249 | – | – |
| ABL facility | – | 309,422 | – | (5,214) | – | – | (3,492) | 1,408 | – | 302,124 |
| Non-convertible debenture | – | 20,698 | – | (417) | (19,307) | – | (1,024) | 50 | – | – |
| Balance of sale | – | – | – | – | – | 6,071 | 5 | – | – | 6,076 |
| Other | 7,357 | 1,786 | (3,729) | – | – | – | (531) | 128 | – | 5,011 |
| **Total long-term debt** | $ 402,736 | $ 331,906 | $ (276,313) | $ (7,544) | $ (19,307) | $ 6,071 | $ (5,952) | $ 6,740 | $ – | $ 438,337 |
| **Deferred financing costs (asset)** | $ (779) | $ – | $ – | $ – | $ – | $ – | $ 2 | $ 545 | $ – | $ (232) |
| **Embedded derivatives related to prepayment options (asset)** | $ (364) | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ 364 | $ – |
| **Interest rate swaps liability (asset) used for hedging** | $ 3,491 | $ – | $ (1,124) | $ – | $ – | $ – | $ – | $ – | $ (744) | $ 1,623 |

## NOTE 30 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)

| | | Cash provided by (used in) financing activities | | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Balance as at December 30, 2019 | Proceeds | Repayments | Financing costs | Effect of foreign currency exchange rate changes | Accretion of interest | Changes in fair value | Other | Balance as at December 30, 2020 |
| **Bank indebtedness** | $ 59,698 | $ – | $ (17,653) | $ – | $ (11,483) | $ – | $ – | $ – | $ 30,562 |
| Senior unsecured notes | $ 119,941 | $ – | $ – | $ (2,523) | $ – | $ 3,995 | $ – | $ 721 | $ 122,134 |
| Revolving bank loans | 192,761 | 23,568 | – | – | 3,783 | – | – | – | 220,112 |
| Term loan | 121,714 | – | (68,918) | (134) | – | 471 | – | – | 53,133 |
| Other | 7,686 | 4,376 | (5,235) | – | 241 | 289 | – | – | 7,357 |
| **Total long-term debt** | $ 442,102 | $ 27,944 | $ (74,153) | $ (2,657) | $ 4,024 | $ 4,755 | $ – | $ 721 | $ 402,736 |
| **Deferred financing costs (asset)** | $ (1,850) | $ – | $ – | $ (396) | $ (17) | $ 1,484 | $ – | $ – | $ (779) |
| **Embedded derivatives related to prepayment options (asset)** | $ (742) | $ – | $ – | $ – | $ – | $ – | $ 378 | $ – | $ (364) |
| **Interest rate swaps liability (asset) used for hedging** | $ 1,538 | $ | $ (834) | $ – | $ – | $ – | $ 2,787 | $ – | $ 3,491 |
| **Written put option liabilities** | $ 8,570 | $ | $ – | $ – | $ – | $ – | $ (8,570) | $ – | $ – |

## NOTE 31 – FINANCE EXPENSES, DEPRECIATION AND AMORTIZATION, AND OTHER INFORMATION

### a) Finance expenses

| | 2021 | 2020 (1) |
|---|---|---|
| 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 | $ 21,092 | $ 25,486 |
| Interest on lease liabilities (Note 12) | 4,385 | 5,140 |
| Amortization of deferred financing costs (Note 15) | 336 | 1,071 |
| Loss on debt modification and loss on revision of estimated payments related to long-term debt (Note 18) | – | 3,142 |
| Other interest | 12,455 | 2,691 |
| | $ 38,268 | $ 37,530 |

(1) Comparative information has been restated due to a discontinued operation (refer to Note 6).

## NOTE 31 – FINANCE EXPENSES, DEPRECIATION AND AMORTIZATION, AND OTHER INFORMATION (continued)

b) Depreciation and amortization

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

| | | | | 2021 | | | | 2020 (1) |
|---|---|---|---|---|---|---|---|---|
| | **Property, plant and equipment (Note 11)** | **Right-of-use assets (Note 12)** | **Intangible assets (Note 13)** | **Total** | **Property, plant and equipment (Note 11)** | **Right-of-use assets (Note 12)** | **Intangible assets (Note 13)** | **Total** |
| Included in cost of sales | $ 16,073 | $ 21,793 | $ – | $ 37,866 | $ 19,124 | $ 23,429 | $ – | $ 42,553 |
| Included in selling expenses | 194 | 7,037 | 3,061 | 10,292 | 525 | 7,737 | 3,642 | 11,904 |
| Included in general and administrative expenses | 1,716 | 3,217 | 3,635 | 8,568 | 1,289 | 3,508 | 4,238 | 9,035 |
| Included in research and development expenses | – | 33 | 11,935 | 11,968 | – | 94 | 15,987 | 16,081 |
| | $ 17,983 | $ 32,080 | $ 18,631 | $ 68,694 | $ 20,938 | $ 34,768 | $ 23,867 | $ 79,573 |

(1) Comparative information has been restated due to a discontinued operation (refer to Note 6).

c) Employee benefits expense

| | **2021** | **2020 (1)** |
|---|---|---|
| Wages, and salaries and other short-term employee benefits | $ 211,014 | $ 214,350 |
| Social security costs | 47,576 | 46,787 |
| Employee severance and termination benefits (Note 7) | 4,100 | 4,254 |
| Contributions to defined contribution plans (Note 22) | 5,725 | 5,124 |
| Expenses related to defined benefit plans (Note 22) | 4,061 | 3,362 |
| Expenses related to post-retirement benefits plan (Note 22) | 100 | 166 |
| Share-based payments (Note 24) | 4,506 | 2,456 |
| | $ 277,082 | $ 276,499 |

(1) Comparative information has been restated due to a discontinued operation (refer to Note 6).

## NOTE 32 – SEGMENTED INFORMATION

The Company's significant business segments are based on two distinctive lines of activities which include:

- **Dorel Home segment**: Engaged in the design, sourcing, manufacturing and distribution of ready-to-assemble furniture and home furnishings which include metal folding furniture, futons, children's furniture, step stools, hand trucks, ladders, outdoor furniture and other imported furniture items.
- **Dorel Juvenile segment**: Engaged in the design, sourcing, manufacturing, distribution and retail of children's accessories which include infant car seats, strollers, high chairs and infant health and safety aids.

**NOTE 32 – SEGMENTED INFORMATION (continued)**

Dorel Sports segment has been presented as a discontinued operation during 2021 (refer to Note 6).

The accounting policies used to prepare the information by business segment are the same as those used to prepare the consolidated financial statements of the Company as described in Note 4.

The above reportable segments are the Company's strategic business units which are based on their products and are managed separately. The Company evaluates financial performance based on measures of income from segmented operations before finance expenses and income taxes.

Reporting Segments

| | Total | | Dorel Home | | Dorel Juvenile | |
|---|---|---|---|---|---|---|
| | **2021** | **2020 (1)** | **2021** | **2020** | **2021** | **2020** |
| Revenue | $ 1,758,705 | $ 1,717,702 | $ 914,344 | $ 934,362 | $ 844,361 | $ 783,340 |
| Cost of sales (Note 7) | 1,464,334 | 1,379,246 | 807,754 | 800,907 | 656,580 | 578,339 |
| Gross profit | 294,371 | 338,456 | 106,590 | 133,455 | 187,781 | 205,001 |
| Selling expenses | 124,625 | 109,001 | 27,334 | 23,562 | 97,291 | 85,439 |
| General and administrative expenses | 114,655 | 111,187 | 33,911 | 37,021 | 80,744 | 74,166 |
| Research and development expenses | 28,878 | 34,186 | 4,774 | 4,347 | 24,104 | 29,839 |
| Impairment (reversal) loss on trade accounts receivable | (308) | 4,345 | (19) | 394 | (289) | 3,951 |
| Restructuring costs (Note 7) | 15,982 | 6,892 | 322 | 545 | 15,660 | 6,347 |
| Impairment loss on goodwill | – | 43,125 | – | – | – | 43,125 |
| Operating profit (loss) | 10,539 | 29,720 | $ 40,268 | $ 67,586 | $ (29,729) | $ (37,866) |
| Finance expenses | 38,268 | 37,530 | | | | |
| Corporate expenses | 25,811 | 28,617 | | | | |
| Income taxes expense | 58,295 | 28,337 | | | | |
| Net loss from continuing operations | $ (111,835) | $ (64,764) | | | | |
| Total assets | $ 968,208 | $ 1,045,214 | $ 439,255 | $ 405,958 | $ 528,953 | $ 639,256 |
| Total liabilities | $ 488,895 | $ 508,784 | $ 186,333 | $ 195,361 | $ 302,562 | $ 313,423 |
| Additions to property, plant and equipment | $ 19,482 | $ 11,816 | $ 8,275 | $ 2,274 | $ 11,207 | $ 9,542 |
| Additions to intangible assets | $ 8,371 | $ 9,564 | $ – | $ – | $ 8,371 | $ 9,564 |
| Depreciation and amortization included in operating profit (loss) | $ 67,678 | $ 78,679 | $ 15,736 | $ 16,786 | $ 51,942 | $ 61,893 |
| Write-down of property, plant and equipment included in operating profit (loss) (Notes 7 and 11)) | $ (51) | $ 2,626 | $ – | $ 918 | $ (51) | $ 1,708 |

(1) Comparative information has been restated due to a discontinued operation (refer to Note 6).

## NOTE 32 – SEGMENTED INFORMATION (continued)

### Disaggregation of Revenue

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

| | Total | | Dorel Home | | Dorel Juvenile | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 (1) | 2021 | 2020 | 2021 | 2020 |
| **Geographic area** | | | | | | |
| Canada | $ 143,186 | $ 168,076 | $ 122,032 | $ 146,911 | $ 21,154 | $ 21,165 |
| United States | 1,152,354 | 1,095,170 | 777,283 | 775,473 | 375,071 | 319,697 |
| Europe | 272,229 | 283,260 | 15,029 | 11,837 | 257,200 | 271,423 |
| Latin America | 127,019 | 100,987 | – | – | 127,019 | 100,987 |
| Asia | 23,350 | 35,999 | – | 137 | 23,350 | 35,862 |
| Other countries | 40,567 | 34,210 | – | 4 | 40,567 | 34,206 |
| Total | $ 1,758,705 | $ 1,717,702 | $ 914,344 | $ 934,362 | $ 844,361 | $ 783,340 |
| **Channels of distribution** | | | | | | |
| Brick and mortar retailers | $ 963,397 | $ 909,493 | $ 401,135 | $ 377,067 | $ 562,262 | $ 532,426 |
| Internet retailers | 780,543 | 774,818 | 513,209 | 557,282 | 267,334 | 217,536 |
| Other | 14,765 | 33,391 | – | 13 | 14,765 | 33,378 |
| Total | $ 1,758,705 | $ 1,717,702 | $ 914,344 | $ 934,362 | $ 844,361 | $ 783,340 |

(1) Comparative information has been restated due to a discontinued operation (refer to Note 6).

### Total Assets and Total Liabilities

| | 2021 | 2020 (1) |
|---|---|---|
| **Total Assets** | | |
| Total assets for reportable segments | $ 968,208 | $ 1,045,214 |
| Corporate assets | 64,964 | 49,054 |
| Assets from the Sports segment | 817,896 | 624,848 |
| Total | $ 1,851,068 | $ 1,719,116 |
| **Total Liabilities** | | |
| Total liabilities for reportable segments | $ 488,895 | $ 508,784 |
| Corporate liabilities | 523,367 | 460,512 |
| Liabilities from the Sports segment | 369,806 | 253,612 |
| Total | $ 1,382,068 | $ 1,222,908 |

(1) Comparative information has been restated due to a discontinued operation (refer to Note 6).

**NOTE 32 – SEGMENTED INFORMATION (continued)**

Non-Current Assets Geographic Information

In presenting the geographic information for the Company's non-current assets, segment assets were based on the geographic location of the assets.

| Property, plant and equipment, right-of-use assets, intangible assets and goodwill | | |
|---|---|---|
| | **2021** | **2020** |
| Canada | $ 101,832 | $ 173,496 |
| United States | 44,205 | 172,950 |
| Europe | 99,901 | 105,798 |
| Latin America | 11,253 | 29,005 |
| Asia | 36,169 | 91,959 |
| Other countries | 5,349 | 6,228 |
| | $ 298,709 | $ 579,436 |

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, 2019** | $ 581,910 | $ 41,041 | $ 359,351 | $ 181,518 |
| Effect of foreign currency exchange rate changes | 11,839 | (25) | 16,047 | (4,183) |
| **Balance as at December 30, 2020** | $ 593,749 | $ 41,016 | $ 375,398 | $ 177,335 |
| Effect of foreign currency exchange rate changes | (17,663) | (94) | (16,309) | (1,260) |
| Business acquisition (Note 10) | 4,601 | 4,601 | – | – |
| Disposal | (8,080) | – | (8,080) | – |
| Reclassified to assets held for sale (Note 6) | (176,075) | – | – | (176,075) |
| **Balance as at December 30, 2021** | $ 396,532 | $ 45,523 | $ 351,009 | $ – |

## NOTE 32 – SEGMENTED INFORMATION (continued)

(b) Accumulated impairment losses

| | Total | Dorel Home | Dorel Juvenile | Dorel Sports |
|---|---|---|---|---|
| **Balance as at December 30, 2019** | $ 497,432 | $ – | $ 315,914 | $ 181,518 |
| Impairment loss (Note 14) | 43,125 | – | 43,125 | – |
| Effect of foreign currency exchange rate changes | 12,176 | – | 16,359 | (4,183) |
| **Balance as at December 30, 2020** | $ 552,733 | $ – | $ 375,398 | $ 177,335 |
| Effect of foreign currency exchange rate changes | (17,569) | – | (16,309) | (1,260) |
| Disposal | (8,080) | – | (8,080) | – |
| Reclassified to assets held for sale (Note 6) | (176,075) | – | – | (176,075) |
| **Balance as at December 30, 2021** | $ 351,009 | $ – | $ 351,009 | $ – |

(c) Net book value

| | Total | Dorel Home | Dorel Juvenile | Dorel Sports |
|---|---|---|---|---|
| **Balance as at December 30, 2020** | $ 41,016 | $ 41,016 | $ – | $ – |
| **Balance as at December 30, 2021** | $ 45,523 | $ 45,523 | $ – | $ – |

Concentration of Credit Risk

Sales to the Company's major customer as described in Note 20 were concentrated as follows:

| | Total | | Canada | | United States | | Foreign | |
|---|---|---|---|---|---|---|---|---|
| | **2021** | **2020 (1)** | **2021** | **2020 (1)** | **2021** | **2020 (1)** | **2021** | **2020 (1)** |
| Dorel Home | 29.0% | 38.9% | 3.1% | 3.6% | 25.9% | 35.3% | –% | –% |
| Dorel Juvenile | 18.6% | 15.8% | 0.5% | 0.7% | 13.6% | 11.7% | 4.5% | 3.4% |
| **Total** | 47.6% | 54.7% | 3.6% | 4.3% | 39.5% | 47.0% | 4.5% | 3.4% |

(1) Comparative information has been restated due to a discontinued operation (refer to Note 6).

## NOTE 33 – SUBSEQUENT EVENTS

### Special Dividend

On January 4, 2022, following the closing of the sale of its Sports segment, the Board of Directors of the Company declared a special dividend of $12.00 per share on Dorel's outstanding Class "B" Subordinate Voting Shares, Class "A" Multiple Voting Shares, DSUs, cash-settled RSUs and cash-settled PSUs representing an aggregate amount of approximately $390,000. The special dividend was paid on February 1, 2022 to shareholders of record as at the close of business on January 18, 2022.

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

On January 4, 2022, the Company also announced that the Toronto Stock Exchange ("TSX") approved the Company's NCIB. Under the NCIB, the Company may purchase for cancellation a maximum of 1,891,222 Class "B" Subordinate Voting Shares, representing 10% of the 18,912,225 Class "B" Subordinate Voting Shares forming the public float. The shares may be purchased through the facilities of the TSX and on alternative trading systems in Canada over the twelve-month period from January 6, 2022 to January 5, 2023.

Any shares purchased by the Company under the NCIB will be at the market price of the shares at the time of such purchases. The actual number of Class "B" Subordinate Voting Shares that may be purchased and the timing of any such purchases will be determined by the Company. Any purchases made by the Company pursuant to the NCIB will be made in accordance with the rules and policies of the TSX.

www.dorel.com