Management's Discussion and Analysis

of Financial Conditions and Results of Operations

For the third quarter and nine months ended September 30, 2016
All figures in US dollars

This Interim Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements as at and for the third quarter and nine months ended September 30, 2016 and the audited consolidated financial statements and MD&A as at and for the year ended December 30, 2015. This MD&A is based on reported earnings prepared in accordance with International Financial Reporting Standards ("IFRS"), using the US dollar as the reporting currency.

The Company's condensed consolidated interim financial statements have been prepared using the same accounting policies as described in Note 4 of the Company's audited consolidated financial statements for the year ended December 30, 2015. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with IFRS were omitted or condensed where such information is not considered material to the understanding of the Company's condensed consolidated interim financial statements.

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

Note that there have been no significant changes with regards to the "Corporate Overview", "Operating Segments", "Contractual Obligations", "Off-Balance Sheet Arrangements", "Derivative Financial Instruments", "Critical Accounting Estimates" or "Market Risks and Uncertainties" to those outlined in the Company's 2015 annual MD&A as filed with Canadian securities regulatory authorities on March 23, 2016. As such, they are not repeated herein. The information in this MD&A is current as of November 3, 2016.

1. SIGNIFICANT EVENTS IN 2016

During the second quarter of 2016, in light of foreign exchange pressure, a challenging market and highly competitive conditions in the independent bicycle dealers (IBD) channel, Dorel Sports revised its assumptions on projected earnings and cash flow growth which resulted in total impairment losses on goodwill and intangible assets of $55.3 million at Dorel Sports – IBD cash generating unit (CGU) as set out in the “Operating results” commentary.

In order to simplify and focus its business to support and grow earnings, Dorel Sports segment has begun restructuring activities in the third quarter of 2016. First, the distribution for the GT brand was transferred to a third-party distributor in China, which is the actual route-to-market in many other countries for this brand. In addition, to better serve customers, the majority of Pacific Cycle’s mass market and distribution operations will be relocated from Illinois to Savannah, Georgia by the end of 2016. Lastly, the three U.S. “Cannondale Sports” retail outlets will be exited. In total, restructuring actions will result in an approximate 4% reduction in Dorel Sports’ global workforce. These restructuring initiatives are expected to be completed by the end of 2016. The total charges related to these restructuring initiatives are estimated at $10.7 million, including $5.2 million and $1.7 million of non-cash inventory markdowns and accelerated depreciation of property, plant and equipment, respectively, as well as $2.5 million of employee severance and termination benefits and $1.3 million of other associated costs. Of the $10.7 million, $4.6 million was recorded in the third quarter of 2016. Commencing in 2017, the restructuring activities are expected to deliver annualized savings of $5.0 million.

During 2015, Dorel Juvenile segment initiated restructuring activities which are expected to continue into 2017. Other Chinese facilities will be made available for sale during 2016 and further opportunities for headcount reductions have been identified, principally in China and Europe. The total charges related to these restructuring initiatives are estimated at $25.8 million, of which $10.3 million has already been recorded in 2015, $3.7 million was recorded during the nine months of 2016 and $11.8 million that represents the expected remaining charges. The segment expects to realize annualized cost savings of approximately $9.0 million once the restructuring is completed.

In the second quarter of 2016, following a jury verdict in Marshall, Texas that awarded net damages as Dorel’s portion in a car seat case, the Company settled for an amount of $19.0 million in net damages. As a result, the Company increased its product liability provision by $19.0 million and its other receivables by $12.0 million representing the insurance coverage. A net amount of $7.0 million was recorded in restructuring and other costs in the second quarter ended June 30, 2016.

2. OPERATING RESULTS

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

a) Non-GAAP financial measures

As a result of impairment losses, restructuring and other costs and remeasurement of forward purchase agreement liabilities incurred in both 2016 and 2015, the Company is including in this MD&A the following non-GAAP financial measures: “adjusted cost of sales”, “adjusted gross profit”, “adjusted operating profit”, “adjusted finance expenses”, “adjusted income before income taxes”, “adjusted income taxes expense”, “adjusted tax rate”, “adjusted net income”, and “adjusted earnings per basic and diluted share”. The Company believes that this results in a more meaningful comparison of its core business performance between the periods presented. These non-GAAP financial measures do not have a standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other issuers. Contained within this MD&A are reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with GAAP.

b) Impairment losses, restructuring and other costs and remeasurement of forward purchase agreement liabilities

Reconciliation of non-GAAP financial measures

	Third Quarters Ended September 30									
	2016					2015				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Impairment losses, restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**671,273**	100.0	-	**671,273**	100.0	**679,287**	100.0	-	**679,287**	100.0
Cost of sales	**510,268**	76.0	(2,702)	**507,566**	75.6	**542,732**	79.9	(3,379)	**539,353**	79.4
GROSS PROFIT	**161,005**	24.0	2,702	**163,707**	24.4	**136,555**	20.1	3,379	**139,934**	20.6
Selling expenses	**59,229**	8.8	-	**59,229**	8.8	**57,943**	8.5	-	**57,943**	8.5
General and administrative expenses	**60,599**	9.1	-	**60,599**	9.1	**46,245**	6.8	-	**46,245**	6.8
Research and development expenses	**8,029**	1.2	-	**8,029**	1.2	**9,210**	1.4	-	**9,210**	1.4
Restructuring and other costs	**3,554**	0.5	(3,554)	**-**	-	**6,155**	0.9	(6,155)	**-**	-
Impairment losses on goodwill and intangible assets	**-**	-	-	**-**	-	**26,510**	3.9	(26,510)	**-**	-
OPERATING PROFIT (LOSS)	**29,594**	4.4	6,256	**35,850**	5.3	**(9,508)**	(1.4)	36,044	**26,536**	3.9
Finance expenses	**10,077**	1.5	(152)	**9,925**	1.4	**1,522**	0.2	9,711	**11,233**	1.6
INCOME (LOSS) BEFORE INCOME TAXES	**19,517**	2.9	6,408	**25,925**	3.9	**(11,030)**	(1.6)	26,333	**15,303**	2.3
Income taxes expense (recovery)	**3,651**	0.5	1,627	**5,278**	0.8	**(2,273)**	(0.3)	2,107	**(166)**	-
Tax rate	***18.7%***	-	-	***20.4%***	-	***20.6%***	-	-	***(1.1%)***	-
NET INCOME (LOSS)	**15,866**	2.4	4,781	**20,647**	3.1	**(8,757)**	(1.3)	24,226	**15,469**	2.3
EARNINGS (LOSS) PER SHARE										
Basic	**0.49**		0.15	**0.64**		**(0.27)**		0.75	**0.48**	
Diluted	**0.49**		0.14	**0.63**		**(0.27)**		0.75	**0.48**	
SHARES OUTSTANDING										
Basic - weighted average	**32,359,496**			**32,359,496**		**32,322,011**			**32,322,011**	
Diluted - weighted average	**32,615,350**			**32,615,350**		**32,322,011**			**32,530,160**	

The principal changes in net income (loss) from 2015 to 2016 are summarized as follows:

	Third Quarters Ended September 30		
	Change		
	Reported	Impairment losses, restructuring and other costs	**Adjusted**
	$	$	**$**
Dorel Juvenile increase	**9,598**	(3,899)	**5,699**
Dorel Sports increase	**25,987**	(25,889)	**98**
Dorel Home Furnishings increase	**6,581**	-	**6,581**
OPERATING PROFIT INCREASE	**42,166**	(29,788)	**12,378**
Decrease in finance expenses other than the remeasurement of forward purchase agreement liabilities	**1,308**	-	**1,308**
(Increase) in remeasurement of forward purchase agreement liabilities	**(9,863)**	9,863	**-**
(Increase) in corporate expenses	**(3,064)**	-	**(3,064)**
(Increase) in income taxes expense	**(5,924)**	480	**(5,444)**
NET INCOME INCREASE	**24,623**	(19,445)	**5,178**

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

Reconciliation of non-GAAP financial measures

	Nine Months Ended September 30									
	2016					2015				
	Reported	% of revenue	Impairment losses, restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Impairment losses, restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**1,954,436**	100.0	-	**1,954,436**	100.0	**2,014,419**	100.0	-	**2,014,419**	100.0
Cost of sales	**1,492,816**	76.4	(2,702)	**1,490,114**	76.2	**1,582,052**	78.5	(3,379)	**1,578,673**	78.4
GROSS PROFIT	**461,620**	23.6	2,702	**464,322**	23.8	**432,367**	21.5	3,379	**435,746**	21.6
Selling expenses	**172,893**	8.8	-	**172,893**	8.8	**174,452**	8.7	-	**174,452**	8.7
General and administrative expenses	**168,412**	8.6	-	**168,412**	8.6	**154,680**	7.7	-	**154,680**	7.7
Research and development expenses	**24,629**	1.3	-	**24,629**	1.3	**27,041**	1.3	-	**27,041**	1.3
Restructuring and other costs	**13,673**	0.7	(13,673)	**-**	-	**7,246**	0.4	(7,246)	**-**	-
Impairment losses on goodwill and intangible assets	**55,341**	2.8	(55,341)	**-**	-	**26,510**	1.3	(26,510)	**-**	-
OPERATING PROFIT	**26,672**	1.4	71,716	**98,388**	5.1	**42,438**	2.1	37,135	**79,573**	3.9
Finance expenses	**31,133**	1.6	(1,425)	**29,708**	1.6	**20,463**	1.0	9,879	**30,342**	1.5
INCOME (LOSS) BEFORE INCOME TAXES	**(4,461)**	(0.2)	73,141	**68,680**	3.5	**21,975**	1.1	27,256	**49,231**	2.4
Income taxes expense	**1,583**	0.1	12,246	**13,829**	0.7	**2,885**	0.2	2,457	**5,342**	0.2
Tax rate	***(35.5%)***	-	-	***20.1%***	-	***13.1%***	-	-	***10.9%***	-
NET INCOME (LOSS)	**(6,044)**	(0.3)	60,895	**54,851**	2.8	**19,090**	0.9	24,799	**43,889**	2.2
EARNINGS (LOSS) PER SHARE										
Basic	**(0.19)**		1.89	**1.70**		**0.59**		0.77	**1.36**	
Diluted	**(0.19)**		1.87	**1.68**		**0.59**		0.76	**1.35**	
SHARES OUTSTANDING										
Basic - weighted average	**32,346,051**			**32,346,051**		**32,321,887**			**32,321,887**	
Diluted - weighted average	**32,346,051**			**32,581,534**		**32,522,810**			**32,522,810**	

The principal changes in net income (loss) from 2015 to 2016 are summarized as follows:

	Nine Months Ended September 30		
	Change		
	Reported	Impairment losses, restructuring and other costs	**Adjusted**
	$	$	**$**
Dorel Juvenile increase	**10,780**	4,671	**15,451**
Dorel Sports (decrease)	**(41,367)**	29,910	**(11,457)**
Dorel Home Furnishings increase	**18,561**	-	**18,561**
OPERATING PROFIT (DECREASE) INCREASE	**(12,026)**	34,581	**22,555**
Decrease in finance expenses other than the remeasurement of forward purchase agreement liabilities	**634**	-	**634**
(Increase) in remeasurement of forward purchase agreement liabilities	**(11,304)**	11,304	**-**
(Increase) in corporate expenses	**(3,740)**	-	**(3,740)**
Decrease (increase) in income taxes expense	**1,302**	(9,789)	**(8,487)**
NET INCOME (DECREASE) INCREASE	**(25,134)**	36,096	**10,962**

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

The detail of impairment losses, restructuring and other costs and remeasurement of forward purchase agreement liabilities recorded are presented below:

	Third Quarters Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	$	$	$	$
Inventory markdowns recorded within gross profit	2,578	3,379	2,578	3,379
Employee severance and termination benefits	2,245	3,235	4,431	2,976
Accelerated depreciation	838	-	838	-
Write-down of long-lived assets	-	1,000	424	1,000
Losses from the remeasurement and disposals of assets held for sale	464	-	83	-
Other associated costs	(5)	800	156	435
Recorded within a separate line in the condensed consolidated interim income statements	3,542	5,035	5,932	4,411
Total restructuring costs	**6,120**	**8,414**	**8,510**	**7,790**
Other costs recorded within gross profit	124	-	124	-
Acquisition-related costs	-	1,120	729	2,835
U.S. car seat settlement	-	-	7,000	-
Other costs	12	-	12	-
Recorded within a separate line in the condensed consolidated interim income statements	12	1,120	7,741	2,835
Total other costs	**136**	**1,120**	**7,865**	**2,835**
Total restructuring and other costs	**6,256**	**9,534**	**16,375**	**10,625**
Impairment losses on goodwill and intangible assets	-	26,510	55,341	26,510
Finance expenses				
Loss (gain) on remeasurement of forward purchase agreement liabilities	152	(9,711)	1,425	(9,879)
Total impairment losses, restructuring and other costs and remeasurement of forward purchase agreement liabilities before income taxes [(1)]	**6,408**	**26,333**	**73,141**	**27,256**
Total impairment losses, restructuring and other costs and remeasurement of forward purchase agreement liabilities after income taxes	**4,781**	**24,226**	**60,895**	**24,799**
Total impact on diluted earnings (loss) per share	**(0.14)**	**(0.75)**	**(1.87)**	**(0.76)**
[(1)] Includes non-cash amounts of:	**4,032**	**21,178**	**60,689**	**21,010**

Impairment losses on goodwill and intangible assets

During the second quarter ended June 30, 2016, difficult market and highly competitive conditions in the IBD channel and the reality of challenging foreign exchange rates gave rise to the revision of assumptions on projected earnings and cash flow growth for Dorel Sports – IBD CGU. As a result, goodwill impairment losses of $36.9 million and impairment charges of $18.4 million related to customer relationships were recorded.

During the third quarter ended September 30, 2015, as a result of the economic and political instability in Brazil, the rising inflation and the foreign exchange currency pressure, assumptions on projected earnings and cash flow growth were revised for the Dorel Sports – Caloi CGU resulting in a goodwill impairment loss of $19.9 million and an impairment charge with respect to the customer relationships of $6.6 million.

Restructuring costs

The Company recorded total restructuring costs of $6.1 million and $8.5 million during the third quarter and nine months ended September 30, 2016, respectively. For the third quarter ended September 30, 2016, the restructuring costs were $1.2 million for Dorel Juvenile, $4.6 million for Dorel Sports' 2016 plan and $0.3 million for Dorel Sports' previous restructuring plans. For the nine months ended September 30, 2016, the restructuring costs were $3.7 million for Dorel Juvenile, $4.6 million for Dorel Sports' 2016 plan and $0.2 million for Dorel Sports' previous restructuring plans. (See details in Note 4 to the condensed consolidated interim financial statements for the third quarter and nine months ended September 30, 2016).

The restructuring initiatives in Dorel Juvenile are expected to be completed in 2017. In addition to the small buildings vacated in late 2015, other Chinese facilities will be made available for sale during 2016. Also, further opportunities for headcount reductions have been identified, principally in China and Europe. The total costs related to these restructuring initiatives are estimated at $25.8 million, including $11.4 million of non-cash charges related to the write-downs of long-lived assets, $1.2 million of non-cash inventory markdowns, $12.0 million of employee severance and termination benefits and $1.2 million of other associated costs. Of the $25.8 million cumulative expected charges, $11.8 million are the remaining anticipated charges of which $9.0 million are non-cash write-downs of assets and $2.8 million represent employee severance and termination benefits.

The total costs related to the restructuring activities initiated during the third quarter ended September 30, 2016 for Dorel Sports are estimated at $10.7 million, including $5.2 million and $1.7 million of non-cash inventory markdowns and accelerated depreciation of property, plant and equipment, respectively, as well as $2.5 million of employee severance and termination benefits and $1.3 million of other associated costs. Of this $10.7 million, $4.6 million was recorded in the third quarter ended September 30, 2016. These restructuring initiatives are expected to be completed by the end of 2016.

Other costs

The Company incurred nil and $0.7 million of acquisition-related costs for the third quarter and nine months ended September 30, 2016, respectively, compared to $1.1 million and $2.8 million in 2015 in connection with the acquisition of Dorel Juvenile China.

A net amount of $7.0 million was recorded in other costs during the second quarter ended June 30, 2016 which represents the Company's settlement following a car seat case jury verdict as mentioned above.

Remeasurement of written put option and forward purchase agreement liabilities

The remeasurement to fair value of the financial liabilities related to written put option agreements is recorded within other equity.

The financial liability related to Caloi being a forward purchase agreement liability, results in the remeasurement of the liability is accounted for as finance expenses.

c) Selected financial information

The tables below show selected financial information for the eight most recently completed quarters ended:

	2016			2015				2014
	Sep. 30	Jun. 30	Mar. 31	Dec. 30	Sep. 30	Jun. 30	Mar. 31	Dec. 30
	$	$	$	$	$	$	$	$
Total revenue	671,273	637,296	645,867	668,938	679,287	669,643	665,489	701,002
Net income (loss)	15,866	(38,644)	16,734	6,614	(8,757)	16,215	11,632	(80,749)
Per share - Basic	0.49	(1.19)	0.52	0.20	(0.27)	0.50	0.36	(2.50)
Per share - Diluted	0.49	(1.19)	0.51	0.20	(0.27)	0.50	0.36	(2.50)
Adjusted net income	20,647	14,533	19,671	14,116	15,469	16,622	11,799	10,993
Per share - Basic	0.64	0.45	0.61	0.44	0.48	0.51	0.37	0.34
Per share - Diluted	0.63	0.45	0.60	0.43	0.48	0.51	0.36	0.34
After-tax impact of impairment losses, restructuring and other costs and remeasurement of forward purchase agreement liabilities on the diluted earnings (loss) per share for the quarter	(0.14)	(1.64)	(0.09)	(0.23)	(0.75)	(0.01)	-	(2.84)

In the fourth quarter of 2014, the Company reported a net loss of $80.7 million mainly explained by impairment losses, restructuring and other costs for net amounts of $91.7 million. Adjusted net income for the fourth quarter of 2014 was $11.0 million or $0.34 adjusted diluted earnings per share (“EPS”).

In the third quarter of 2015, the Company reported a net loss of $8.8 million due to impairment losses, restructuring and other costs for net amounts of $24.2 million. Adjusted net income was $15.5 million for the third quarter or $0.48 adjusted diluted EPS.

During the second quarter of 2016, the Company reported a net loss of $38.6 million due to impairment losses, restructuring and other costs for net amounts of $53.2 million. Adjusted net income was $14.5 million for the second quarter or $0.45 adjusted diluted EPS.

d) Consolidated operating review

For the third quarter of 2016, revenue decreased by 1.2%, or $8.0 million to $671.3 million and organic revenue declined by approximately 1.1% after removing the variation of foreign exchange rates year-over-year. During the quarter, the Cycling Sports Group (“CSG”) International business transitioned from a licensing revenue recognition model to a distribution platform for which the accounting treatment increased both revenue and cost of sales, previously netted in licensing and commission income. The revenue increase generated by CSG International’s revenue recognition change was offset by Dorel Juvenile China’s planned reductions in third party sales which maintained the organic revenue decline at approximately 1.1%.

For the nine months ended September 30, 2016, revenue decreased by 3.0%, or $60.0 million to $1,954.4 million compared to $2,014.4 million last year. Organic revenue declined by approximately 1.8%, when excluding the impact of foreign exchange rate variations and by approximately 0.8% when also removing the anticipated reduction in Dorel Juvenile China third party sales and CSG International third quarter revenue recognition change. For both periods, the decrease in organic revenue was mainly attributable to lower sales volumes in the Dorel Sports segment due to a softer global bike market, changes in the North American IBD retail environment, Caloi’s continued economic challenges in Brazil and reduced clearance sales in the IBD channel from last year’s third quarter. The U.S. and European markets in the Dorel Juvenile segment also recorded declines while Dorel Home Furnishings continued uplifting revenue during the quarter and for the nine months with its e-commerce growth.

Gross profit for the third quarter was at 24.0% and included a $9.4 million curtailment gain recorded in the Dorel Juvenile segment related to a plan amendment in the post-retirement defined benefits (“plan amendment”). When removing this positive impact on margins, gross profit increased by 250 basis points to 22.6% and adjusted gross profit by 240 basis points to 23.0% which excludes restructurings and other costs.

Gross profit increased by 210 basis points to 23.6% year-to-date and with the exclusion of Dorel Juvenile's plan amendment impact during the third quarter of 2016, margins rose by 160 basis points to 23.1% and by 170 basis points to 23.3% when also excluding restructuring and other costs. All segments contributed to the margin uplift during the third quarter of 2016 while Dorel Juvenile and Dorel Home Furnishings segments recorded throughout the nine months margin growth which was partly offset by Dorel Sports declines in the first half of the year due to discounting in the CSG division.

Selling expenses increased by $1.3 million, or 2.2% during the quarter partly explained by increased sales support in the Dorel Juvenile segment to launch key products. Dorel Home Furnishings' selling expenses also rose due to increased commission expenses, variable compensation and information technology costs. CSG division partly offset this increase with its cost saving initiatives implemented throughout the third quarter. For the nine months, these expenses declined by $1.6 million, or 0.9% mainly driven by lower marketing expenses and reduced spending in Dorel Sports during the third quarter. Dorel Home Furnishings higher expenses linked to its e-commerce growth and Dorel Juvenile's increased sales support expenses partially offset the year-to-date decline in selling expenses.

General and administrative expenses for the quarter rose by $14.4 million, or 31.0% to $60.6 million and increased by 2.3% as a percentage of revenue. For the nine months, these expenses increased by $13.7 million, or 8.9% to $168.4 million and as a percentage of revenue by 0.9%. The increase in both periods is explained in part by an increase in product liability costs of $8.3 million during the third quarter of which $7.4 million was recorded by Dorel Juvenile and $0.9 million by Dorel Home Furnishings. The general and administrative expenses increase was also attributable to higher expenses to support Dorel Home Furnishings' e-commerce growth, Dorel Sports bad debt expense recorded during the third quarter of 2016 due to a client's bankruptcy and timing of expenses as well as higher corporate expenses related to professional fees and unfavourable foreign exchange rate variations from 2015.

Research and development expenses decreased by $1.2 million, or 12.8% during the quarter and by $2.4 million, or 8.9% year-to-date mainly due to timing of Dorel Juvenile's projects which generated lower amortization of deferred development costs in 2016.

The Company reported an operating profit of $29.6 million during the third quarter of 2016 compared to an operating loss of $9.5 million in 2015 and recorded for the nine months an operating profit of $26.7 million representing a decline of 37.2% from prior year. Excluding impairment losses, restructuring and other costs, adjusted operating profit for the quarter rose by 35.1%, or $9.3 million to $35.9 million and increased by 23.6%, or $18.8 million to $98.4 million year-to-date. The increase in both periods included the aforementioned $9.4 million plan amendment impact partly offset by the rise in product liability costs of $8.3 million representing a net positive effect on pre-tax earnings of $1.1 million. The main drivers for the increase in adjusted operating profit for the quarter and for the nine months were Dorel Home Furnishings improved margins from e-commerce growth and Dorel Juvenile's higher margins due to favourable product mix, better pricing as well as production and purchasing improvements. This was partly offset by year-to-date declines in Dorel Sports due to lower demand and its reduced margins from industry-wide discounting, though for the quarter a margin improvement was recorded.

Finance expenses increased by $8.6 million to $10.1 million during the third quarter and by $10.7 million to $31.1 million year-to-date from 2015 periods. Both years' expenses include the non-cash and non-taxable amounts related to the remeasurement of forward purchase agreement liabilities with respect to the past business acquisition of Caloi which represented for the third quarter an expense of $0.2 million compared to an income of $9.7 million in 2015. For the nine months, these amounts represented an expense of $1.4 million and an income of $9.9 million respectively. Adjusted finance expenses which exclude the remeasurement of forward purchase agreement liabilities decreased by $1.3 million to $9.9 million from prior year's third quarter and by $0.6 million to $29.7 million year-to-date.

Details of finance expenses are summarized below:

	Third Quarters Ended September 30				Nine Months Ended September 30			
	2016	2015	Change		2016	2015	Change	
	$	$	$	%	$	$	$	%
Interest on long-term debt - including effect of cash flow hedge related to the interest rate swaps and the accreted interest related to long-term debt bearing interest at fixed rates	**7,642**	8,644	(1,002)	(11.6)	**23,065**	24,292	(1,227)	(5.1)
Remeasurement of forward purchase agreement liabilities	**152**	(9,711)	9,863	101.6	**1,425**	(9,879)	11,304	114.4
Amortization of deferred financing costs	**362**	324	38	11.7	**1,187**	665	522	78.5
Other interest	**1,921**	2,265	(344)	(15.2)	**5,456**	5,385	71	1.3
TOTAL REPORTED	**10,077**	1,522	8,555	562.1	**31,133**	20,463	10,670	52.1
Adjustment due to remeasurement of forward purchase agreement liabilities	**(152)**	9,711	(9,863)	(101.6)	**(1,425)**	9,879	(11,304)	(114.4)
TOTAL ADJUSTED	**9,925**	11,233	(1,308)	(11.6)	**29,708**	30,342	(634)	(2.1)

For the third quarter, interest on long-term debt decreased by $1.0 million to $7.6 million due to lower average debt throughout the period which generated lower borrowing costs. Though the 2016 year-to-date average interest rate on the Company's long-term borrowings was 5.5% compared with 4.8% in 2015, interest on long-term debt for the nine months decreased by $1.2 million to $23.1 million due to lower average debt in 2016 compared to last year levels.

The Company reported a $19.5 million income before income taxes during the third quarter of 2016 compared to a loss of $11.0 million last year. Year-to-date, these amounts represented a loss of $4.5 million and an income of $22.0 million respectively. Excluding impairment losses, restructuring and other costs, adjusted income before income taxes increased by $10.6 million, or 69.4% to $25.9 million for the quarter and by $19.4 million, or 39.5% to $68.7 million for the nine months.

During the third quarter of 2016, a net income of $15.9 million was recorded compared to a net loss of $8.8 million last year and for the nine months, these amounts respectively represented a net loss of $6.0 million and a net income of $19.1 million. Excluding impairment losses, restructuring and other costs, adjusted net income for the quarter rose by 33.5%, or $5.2 million to $20.6 million. On an adjusted diluted EPS basis, this equated to $0.63 compared to $0.48 in 2015. Adjusted net income for the nine months increased by 25.0%, or $11.0 million to $54.9 million and represented on an adjusted diluted EPS basis $1.68 compared to $1.35 in 2015.

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 tax rate variations can occur from year to year and between quarters within a given year. During the third quarter and nine months ended September 30, 2016, the Company's effective tax rates were expenses representing 18.7% and (35.5%) respectively compared to prior year's recovery of 20.6% for the quarter and year-to-date expense of 13.1%. Excluding income taxes on impairment losses, restructuring and other costs, the adjusted tax rate for the quarter was an expense of 20.4% compared to last year's recovery of 1.1% and an expense of 20.1% for the nine months of 2016 against an expense of 10.9% in 2015. The main cause of the variation year-over-year is due to changes in the jurisdictions in which the Company generated its income, the non-deductible impairment losses of goodwill and the change in the fair value remeasurement related to the forward purchase agreement liabilities which are non-deductible for tax purposes. Excluding the impact of impairment losses on goodwill and intangible assets, restructuring and other costs and remeasurement of forward purchase agreement liabilities, the Company has stated that for the full year it expects its annual tax rate to be between 15% and 20%. However, variations in earnings across quarters mean that this rate may vary significantly between quarters.

e) Segmented operating review

Segmented figures are presented in Note 15 of the Company's condensed consolidated interim financial statements. Further industry segment detail is presented below.

Dorel Juvenile

Reconciliation of non-GAAP financial measures

	Third Quarters Ended September 30									
	2016					2015				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**232,601**	100.0	-	**232,601**	100.0	**247,296**	100.0	-	**247,296**	100.0
Cost of sales	**154,188**	66.3	-	**154,188**	66.3	**183,096**	74.0	(867)	**182,229**	73.7
GROSS PROFIT	**78,413**	33.7	-	**78,413**	33.7	**64,200**	26.0	867	**65,067**	26.3
Selling expenses	**29,087**	12.5	-	**29,087**	12.5	**28,051**	11.3	-	**28,051**	11.3
General and administrative expenses	**30,388**	13.1	-	**30,388**	13.1	**22,503**	9.1	-	**22,503**	9.1
Research and development expenses	**5,387**	2.3	-	**5,387**	2.3	**6,661**	2.7	-	**6,661**	2.7
Restructuring and other costs	**1,151**	0.5	(1,151)	**-**	-	**4,183**	1.8	(4,183)	**-**	-
OPERATING PROFIT	**12,400**	5.3	1,151	**13,551**	5.8	**2,802**	1.1	5,050	**7,852**	3.2

	Nine Months Ended September 30									
	2016					2015				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**724,811**	100.0	-	**724,811**	100.0	**786,910**	100.0	-	**786,910**	100.0
Cost of sales	**498,704**	68.8	-	**498,704**	68.8	**578,280**	73.5	(867)	**577,413**	73.4
GROSS PROFIT	**226,107**	31.2	-	**226,107**	31.2	**208,630**	26.5	867	**209,497**	26.6
Selling expenses	**85,426**	11.8	-	**85,426**	11.8	**84,719**	10.8	-	**84,719**	10.8
General and administrative expenses	**74,806**	10.3	-	**74,806**	10.3	**71,698**	9.0	-	**71,698**	9.0
Research and development expenses	**16,927**	2.3	-	**16,927**	2.3	**19,583**	2.5	-	**19,583**	2.5
Restructuring and other costs	**11,436**	1.6	(11,436)	**-**	-	**5,898**	0.8	(5,898)	**-**	-
OPERATING PROFIT	**37,512**	5.2	11,436	**48,948**	6.8	**26,732**	3.4	6,765	**33,497**	4.3

The principal changes in operating profit from 2015 to 2016 are summarized as follows:

	Change									
	Third Quarters Ended September 30					Nine Months Ended September 30				
	Reported		Restructuring and other costs	**Adjusted**		**Reported**		Restructuring and other costs	**Adjusted**	
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**(14,695)**	(5.9)	-	**(14,695)**	(5.9)	**(62,099)**	(7.9)	-	**(62,099)**	(7.9)
Cost of sales	**(28,908)**	(15.8)	867	**(28,041)**	(15.4)	**(79,576)**	(13.8)	867	**(78,709)**	(13.6)
GROSS PROFIT	**14,213**	22.1	(867)	**13,346**	20.5	**17,477**	8.4	(867)	**16,610**	7.9
Selling expenses	**1,036**	3.7	-	**1,036**	3.7	**707**	0.8	-	**707**	0.8
General and administrative expenses	**7,885**	35.0	-	**7,885**	35.0	**3,108**	4.3	-	**3,108**	4.3
Research and development expenses	**(1,274)**	(19.1)	-	**(1,274)**	(19.1)	**(2,656)**	(13.6)	-	**(2,656)**	(13.6)
Restructuring and other costs	**(3,032)**	(72.5)	3,032	-	-	**5,538**	93.9	(5,538)	**-**	-
OPERATING PROFIT	**9,598**	342.5	(3,899)	**5,699**	72.6	**10,780**	40.3	4,671	**15,451**	46.1

Dorel Juvenile's third quarter revenue declined by 5.9%, or $14.7 million to $232.6 million from $247.3 million in 2015 and by 7.9%, or $62.1 million to $724.8 million from $786.9 million posted a year ago. Organic revenue respectively decreased by approximately 5.4% and 6.0% after removing the impact of varying exchange rates year-over-year. When excluding planned reductions in third party sales at Dorel Juvenile China and the impact of foreign exchange rate variations, organic revenue declined by approximately 0.5% for the quarter and by 1.7% for the nine months. For both periods, the decline in organic revenue was mainly attributable to lower sales in the U.S. and European markets partly offset by continued sales growth in Latin America overall.

Gross profit for the third quarter of 33.7% included a $9.4 million curtailment gain which resulted from a plan amendment in the post-retirement defined benefits. Excluding this positive contributor to margins, gross profit for the quarter rose by 370 basis points to 29.7% and year-to-date by 340 basis points to 29.9% driven by almost all divisions due to favourable product mix, production and purchasing improvements as well as pricing which better reflects current foreign exchange rates.

Selling expenses rose by $1.0 million for the third quarter and by $0.7 million year-to-date, reflecting an increase of 1.2% and 1.0% respectively as a percentage of revenue. Increased sales support in the European division related to the launch of key products during the third quarter was the main cause of the increase in both periods.

General and administrative expenses rose by $7.9 million, or 35.0% for the quarter, of which $7.4 million related to increased product liability costs due to higher settlements and legal costs. For the nine months, general and administrative expenses rose by $3.1 million, or 4.3% as cost savings generated in the first quarter of 2016 by the segment's restructuring activities in China, Europe and North America were partially offset by the increase recorded in the third quarter.

Research and development expenses decreased by $1.3 million during the quarter and by $2.7 million year-to-date mainly due to lower amortization of deferred development costs linked to project timing.

Operating profit for the quarter rose by $9.6 million to $12.4 million from last year's $2.8 million and by $10.8 million to $37.5 million for the nine months compared with $26.7 million in 2015. Excluding restructuring and other costs, adjusted operating profit respectively increased by 72.6% to $13.6 million from $7.9 million last year and by 46.1% to $48.9 million from $33.5 million in 2015 driven by higher margins, cost containment and increased savings generated by the segment's on-going transformation into a more fully integrated operation. This increase also included the aforementioned plan amendment impact of $9.4 million which was mainly offset by higher product liability costs of $7.4 million representing a net positive effect on pre-tax earnings of $2.0 million.

Dorel Sports

Reconciliation of non-GAAP financial measures

	Third Quarters Ended September 30									
	2016					2015				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Impairment losses, restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**250,711**	100.0	-	**250,711**	100.0	**266,499**	100.0	-	**266,499**	100.0
Cost of sales	**198,847**	79.3	(2,702)	**196,145**	78.2	**215,545**	80.9	(2,512)	**213,033**	79.9
GROSS PROFIT	**51,864**	20.7	2,702	**54,566**	21.8	**50,954**	19.1	2,512	**53,466**	20.1
Selling expenses	**24,635**	9.8	-	**24,635**	9.8	**25,391**	9.5	-	**25,391**	9.5
General and administrative expenses	**17,348**	6.9	-	**17,348**	6.9	**15,712**	5.9	-	**15,712**	5.9
Research and development expenses	**1,660**	0.7	-	**1,660**	0.7	**1,538**	0.6	-	**1,538**	0.6
Restructuring and other costs	**2,403**	1.0	(2,403)	**-**	-	**1,972**	0.8	(1,972)	**-**	-
Impairment losses on goodwill and intangible assets	**-**	-	-	**-**	-	**26,510**	9.9	(26,510)	**-**	-
OPERATING PROFIT (LOSS)	**5,818**	2.3	5,105	**10,923**	4.4	**(20,169)**	(7.6)	30,994	**10,825**	4.1

	Nine Months Ended September 30									
	2016					2015				
	Reported	% of revenue	Impairment losses, restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Impairment losses, restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**703,722**	100.0	-	**703,722**	100.0	**746,515**	100.0	-	**746,515**	100.0
Cost of sales	**555,519**	78.9	(2,702)	**552,817**	78.6	**585,474**	78.4	(2,512)	**582,962**	78.1
GROSS PROFIT	**148,203**	21.1	2,702	**150,905**	21.4	**161,041**	21.6	2,512	**163,553**	21.9
Selling expenses	**70,989**	10.1	-	**70,989**	10.1	**74,593**	10.0	-	**74,593**	10.0
General and administrative expenses	**53,691**	7.6	-	**53,691**	7.6	**51,466**	6.9	-	**51,466**	6.9
Research and development expenses	**4,840**	0.7	-	**4,840**	0.7	**4,652**	0.6	-	**4,652**	0.6
Restructuring and other costs	**2,237**	0.3	(2,237)	**-**	-	**1,348**	0.2	(1,348)	**-**	-
Impairment losses on goodwill and intangible assets	**55,341**	7.9	(55,341)	**-**	-	**26,510**	3.6	(26,510)	**-**	-
OPERATING PROFIT (LOSS)	**(38,895)**	(5.5)	60,280	**21,385**	3.0	**2,472**	0.3	30,370	**32,842**	4.4

The principal changes in operating profit (loss) from 2015 to 2016 are summarized as follows:

	Change									
	Third Quarters Ended September 30					Nine Months Ended September 30				
	Reported		Impairment losses, restructuring and other costs	**Adjusted**		**Reported**		Impairment losses, restructuring and other costs	**Adjusted**	
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**(15,788)**	(5.9)	-	**(15,788)**	(5.9)	**(42,793)**	(5.7)	-	**(42,793)**	(5.7)
Cost of sales	**(16,698)**	(7.7)	(190)	**(16,888)**	(7.9)	**(29,955)**	(5.1)	(190)	**(30,145)**	(5.2)
GROSS PROFIT	**910**	1.8	190	**1,100**	2.1	**(12,838)**	(8.0)	190	**(12,648)**	(7.7)
Selling expenses	**(756)**	(3.0)	-	**(756)**	(3.0)	**(3,604)**	(4.8)	-	**(3,604)**	(4.8)
General and administrative expenses	**1,636**	10.4	-	**1,636**	10.4	**2,225**	4.3	-	**2,225**	4.3
Research and development expenses	**122**	7.9	-	**122**	7.9	**188**	4.0	-	**188**	4.0
Restructuring and other costs	**431**	21.9	(431)	**-**	-	**889**	65.9	(889)	**-**	-
Impairment losses on goodwill and intangible assets	**(26,510)**	(100.0)	26,510	**-**	-	**28,831**	108.8	(28,831)	**-**	-
OPERATING PROFIT (LOSS)	**25,987**	128.8	(25,889)	**98**	0.9	**(41,367)**	(1,673.4)	29,910	**(11,457)**	(34.9)

Dorel Sports third quarter revenue decreased by 5.9%, or $15.8 million to $250.7 million and by approximately 6.2% after removing the impact of varying foreign exchange rates year-over-year. During the quarter, the CSG International business transitioned from a licensing revenue recognition model to a distribution platform where shipments are recognized as net sales and associated expenses in cost of sales, though previously these costs were netted in licensing and commission income. Excluding the aforementioned revenue gross up recorded in the third quarter of 2016 and the foreign exchange rate variations, organic revenue declined by 10.7%.

For the nine months of 2016, Dorel Sports revenue decreased by 5.7%, or $42.8 million to $703.7 million and by approximately 4.7% after excluding the impact of varying foreign exchange rates year-over-year. Organic revenue declined by approximately 6.4% when removing the impact of the change in the revenue recognition model and the variations of foreign exchange rates. For the quarter and nine months, a softer global bike market, changes in the North American IBD retailers' purchasing patterns, lower sales volumes in Caloi from continued economic challenges in Brazil and reduced clearance sales in the IBD channel from last year's third quarter were the main causes of this decrease.

Gross profit for the quarter rose by 160 basis points to 20.7% and excluding restructuring and other costs, adjusted gross profit increased by 170 basis points to 21.8%. When also removing the impact of CSG International's revenue recognition change, adjusted gross profit increased to 22.8% driven by all divisions including Caloi's price increases, Pacific Cycle's logistics efficiencies and lower discounting in the CSG division due to efficiently managed inventory levels.

For the nine months, gross profit and adjusted gross profit excluding restructuring and other costs decreased by 50 basis points to 21.1% and 21.4% respectively. When also excluding the revenue recognition change impact, this decline represented 10 basis points year-to-date. Discounting in the CSG division through the first half of the year related to excess inventories at the supplier and retailer levels in the IBD channel was the main cause of this decline which was partly offset by higher margins in the third quarter of 2016.

Selling expenses for the third quarter declined by 3.0%, or $0.8 million as CSG implemented cost savings initiatives exceeding higher promotional expenses recorded in July 2016 which were usually incurred during the second quarter. These expenses rose by 0.3% as a percentage of revenue mainly attributable to a shift in timing of CSG's promotional expenses to the third quarter. For the nine months, selling expenses decreased by 4.8%, or $3.6 million mainly due to CSG's third quarter cost controls and lower year-to-date marketing expenses in Pacific Cycle and Caloi. As a percentage of revenue, these expenses were comparable to 2015.

General and administrative expenses increased by 10.4%, or $1.6 million during the third quarter due to higher product liability costs and additional professional fees. These expenses rose by 4.3%, or $2.2 million year-to-date mainly due to an increase in bad debt expense related to a client's bankruptcy and timing of expenses though management continued applying controls over operating expenses.

Research and development expenses for the quarter and year-to-date remained comparable to 2015 levels.

Operating profit rose by $26.0 million to $5.8 million for the quarter and adjusted operating profit increased by 0.9% to $10.9 million when excluding impairment losses, restructuring and other costs. Margin improvements and cost controls offset the unfavourable sales volume impact and as a result, adjusted operating profit remained comparable with last year's third quarter results. The segment reported a year-to-date operating loss of $38.9 million compared to a profit of $2.5 million in 2015. Excluding impairment losses, restructuring and other costs, adjusted operating profit declined by 34.9% to $21.4 million mainly from lower demand and reduced margins from discounting during the first half of 2016.

Dorel Home Furnishings

	Third Quarters Ended September 30						
	2016		2015		Change		
	$	% of revenue	$	% of revenue	$	%	% of revenue
TOTAL REVENUE	**187,961**	100.0	**165,492**	100.0	**22,469**	13.6	-
Cost of sales	**157,233**	83.7	**144,091**	87.1	**13,142**	9.1	(3.4)
GROSS PROFIT	**30,728**	16.3	**21,401**	12.9	**9,327**	43.6	3.4
Selling expenses	**5,161**	2.7	**4,216**	2.5	**945**	22.4	0.2
General and administrative expenses	**7,882**	4.2	**6,052**	3.7	**1,830**	30.2	0.5
Research and development expenses	**982**	0.5	**1,011**	0.6	**(29)**	(2.9)	(0.1)
OPERATING PROFIT	**16,703**	8.9	**10,122**	6.1	**6,581**	65.0	2.8

	Nine Months Ended September 30						
	2016		2015		Change		
	$	% of revenue	$	% of revenue	$	%	% of revenue
TOTAL REVENUE	**525,903**	100.0	**480,994**	100.0	**44,909**	9.3	-
Cost of sales	**438,593**	83.4	**418,298**	87.0	**20,295**	4.9	(3.6)
GROSS PROFIT	**87,310**	16.6	**62,696**	13.0	**24,614**	39.3	3.6
Selling expenses	**15,304**	2.9	**12,905**	2.7	**2,399**	18.6	0.2
General and administrative expenses	**22,226**	4.3	**18,628**	3.8	**3,598**	19.3	0.5
Research and development expenses	**2,862**	0.5	**2,806**	0.6	**56**	2.0	(0.1)
OPERATING PROFIT	**46,918**	8.9	**28,357**	5.9	**18,561**	65.5	3.0

Dorel Home Furnishings posted double digits revenue growth of 13.6%, or $22.5 million to $188.0 million for the quarter compared to $165.5 million in 2015. All divisions recorded revenue increases over last year's third quarter as a result of strong on-line sales representing 44% of total segment sales compared to 37% in 2015. Sales to the brick and mortar channel were flat during the quarter. For the nine months, revenue increased by 9.3%, or $44.9 million to $525.9 million from $481.0 million last year driven by on-going e-commerce growth far exceeding reductions in brick and mortar sales. For the nine months, on-line sales represented 43% of total segment sales compared to 34% in 2015.

Gross profit rose by 340 basis points to 16.3% during the quarter and by 360 basis points to 16.6% year-to-date. For both periods, gross profit increased in all divisions as improved margins were attained through e-commerce distribution.

Selling, general and administrative expenses rose by 27.0%, or $2.8 million during the quarter and by 19.0%, or $6.0 million for the nine months representing for both periods an increase of 0.7% as a percentage of revenue. Increased product liability expenses during the third quarter of $0.9 million, higher commission expense in line with the segment's sales growth and a rise in variable compensation costs are responsible for this increase. In addition, these expenses increased as greater spending in information technology and administrative expenses were required to support the e-commerce growth and maximize order fulfillment. Research and development costs remained flat for both periods.

All divisions contributed to the substantial operating profit growth of 65.0% for the quarter and 65.5% year-to-date mainly driven by e-commerce sales at improved margins. This was partly offset by higher selling, general and administrative expenses.

3. LIQUIDITY AND CAPITAL RESOURCES

a) Statement of Financial Position

Certain of the Company's ratios are as follows:

	As at:		
	Sep. 30, 2016	**Dec. 30, 2015**	**Sep. 30, 2015**
Debt* to equity	0.48	0.50	0.54
# of days in receivables	63	61	60
# of days in inventory	107	102	116
# of days in payables	67	63	70

*Debt is defined as bank indebtedness plus long-term debt

Inventories as at September 30, 2016 increased by $4.4 million or 0.8% to $589.4 million from $585.0 million as at December 30, 2015 and declined by $92.4 million or 13.6% from $681.8 million as at September 30, 2015. Inventory control priorities put in place allowed decrease of inventory levels in all three segments which translated in a significant reduction in the number of days in inventory from September 30, 2015 to September 30, 2016. As a result of management's focus on working capital, the net working capital position was at 103 days as at September 30, 2016, 100 days as at December 30, 2015 and 106 days as at September 30, 2015.

The decrease in the debt to equity ratio as of September 30, 2016 from December 30, 2015 and September 30, 2015 is a function of the significant reduction of the comparable debt levels.

Effective March 31, 2016, the Company amended the terms of its $422.0 million revolving bank loans in order to extend the maturity from July 1, 2017 to July 1, 2018. As part of the extension of the maturity, one of the lenders did not extend the portion of its commitment and as a result, the Company classified the related debt to current portion of long-term debt. Effective June 8, 2016, the Company decreased the total availability of its revolving bank loans from $422.0 million to $415.0 million while increasing the availability of the accordion feature by the same amount. In addition, effective October 18, 2016, the Company increased the total availability of its revolving bank loans from $415.0 million to $435.0 million while decreasing the availability of the accordion feature by the same amount.

As of September 30, 2016, certain of the Company's bank lines of credit amounting to $32.9 million are secured by trade receivables representing a carrying value of $10.7 million.

As of September 30, 2016, the revolving bank loans and the Series "B" and "C" Senior Guaranteed Notes are secured by certain of the Company's trade receivables, inventories, property, plant and equipment and intangibles assets, with a carrying value of $276.2 million, $422.5 million, $78.4 million and $93.0 million, respectively. In addition, the non-convertible debentures are secured by certain inventories in the minimum amount of $15.4 million (50.0 million BRL) and maximum of $30.8 million (100.0 million BRL) and with first-ranking mortgage over certain property, plant and equipment, with a carrying value of $25.5 million and $8.7 million, respectively.

As of September 30, 2016, Dorel was compliant with all of its borrowing covenant requirements and expects to be so going forward. The Company continuously reviews its cash management and financing strategy to optimize the use of funds and minimize its cost of borrowing.

b) Statement of Cash Flows

During the nine months of 2016, cash flows provided by operating activities increased by $93.5 million to $101.4 million compared to $7.9 million in 2015. The main reason for the year-over-year increased cash flows provided by operating activities is explained by inventory control improvements which contributed $89.0 million of the $93.5 million improvement.

Net additions to property, plant and equipment, and intangible assets less net proceeds from disposals of assets held for sale were $20.0 million in 2016 compared to $37.6 million in 2015, a decrease of $17.6 million. This decrease is due to less capital expenditures for $12.0 million and additional net proceeds from disposals of property, plant and equipment and from disposals of assets held for sale for an amount of $5.6 million. In addition, $5.5 million was received during the first quarter of 2016 related to the purchase price reduction of the Dorel Juvenile China acquisition compared to a disbursement of $1.7 million in 2015 corresponding to the balance of sale paid in connection with the acquisition of Intercycle in Chile.

Bank indebtedness plus long-term debt less cash and cash equivalents as at September 30, 2016 decreased by $42.0 million from December 30, 2015 levels and by $89.6 million from September 30, 2015 levels which is mainly a result of reduction of inventories as discussed above.

4. CHANGES IN ACCOUNTING POLICIES

The following are amendments to standards applied by the Company in the preparation of the condensed consolidated interim financial statements for the third quarter and nine months ended September 30, 2016.

- Annual Improvements to IFRSs 2012–2014 Cycle. Amendments were made to clarify the following in the standard:
    - Changes in method for disposal under IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

- Disclosure Initiative (Amendments to IAS 1, *Presentation of Financial Statements*).

Further information on these modifications can be found in Note 2 of the September 30, 2016 condensed consolidated interim financial statements.

5. FUTURE ACCOUNTING CHANGES

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board (“IASB”) or the IFRS Interpretations Committee (“IFRIC”) that are mandatory but not yet effective for the nine months ended September 30, 2016 and have not been applied in preparing the condensed consolidated interim financial statements. The following standards and amendments to standards have been issued by the IASB with effective dates in the future that have been determined by management to impact the consolidated financial statements:

Amendments to IFRS 2 – Classification and Measurement of Share-Based Payment Transactions
IFRS 15 – Revenue from Contracts with Customers
IFRS 9 – Financial Instruments
IFRS 16 – Leases

Further information on these modifications can be found in Note 3 of the September 30, 2016 condensed consolidated interim financial statements.

6. OTHER INFORMATION

The designation, number and amount of each class and series of its shares outstanding as of October 31, 2016 are as follows:

- 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)
4,194,035	1,770	28,172,526	199,400	201,170

Outstanding stock options, Deferred Share Units, cash-settled Share Appreciation Rights and cash-settled Performance Share Units are disclosed in Note 11 to the Company's condensed consolidated interim financial statements. There were no significant changes to these values in the period between the quarter-end and the date of the preparation of this MD&A.

7. CAUTION REGARDING FORWARD LOOKING INFORMATION

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

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

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