

Management's Discussion and Analysis of Financial Conditions and Results of Operations

For the third quarter and nine months ended September 30, 2017
All figures in US dollars

This Interim Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for Dorel Industries Inc. ("Dorel" or "the Company") as at and for the third quarter and nine months ended September 30, 2017 and the Company's audited consolidated financial statements and MD&A as at and for the year ended December 30, 2016. 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, 2016. The condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements. Certain information and footnote disclosures normally included in consolidated annual financial statements prepared in accordance with IFRS were omitted or condensed where such information is not considered material to the understanding of the Company's condensed consolidated interim financial statements.

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

Note that there have been no significant changes with regards to the "Corporate Overview", "Operating Segments", "Off-Balance Sheet Arrangements", "Derivative Financial Instruments", "Critical Accounting Estimates" or "Market Risks and Uncertainties" to those outlined in the Company's 2016 annual MD&A as filed with the Canadian securities regulatory authorities on March 17, 2017. As such, they are not repeated herein. The information in this MD&A is current as of November 2, 2017.

1. OPERATING RESULTS

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

a) Non-GAAP financial measures

As a result of impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt incurred in 2017 and 2016, 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”, “adjusted earnings per basic and diluted share” and “adjusted diluted weighted average number of shares outstanding”. 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, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt

Reconciliation of non-GAAP financial measures

Third Quarters Ended September 30,										
	2017					2016				
	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue
	\$	%	\$	\$	%	\$	%	\$	\$	%
TOTAL REVENUE	642,634	100.0	-	642,634	100.0	671,273	100.0	-	671,273	100.0
Cost of sales	491,802	76.5	(253)	491,549	76.5	510,268	76.0	(2,702)	507,566	75.6
GROSS PROFIT	150,832	23.5	253	151,085	23.5	161,005	24.0	2,702	163,707	24.4
Selling expenses	60,899	9.5	-	60,899	9.5	59,229	8.8	-	59,229	8.8
General and administrative expenses	55,657	8.6	-	55,657	8.6	60,599	9.1	-	60,599	9.1
Research and development expenses	8,309	1.3	-	8,309	1.3	8,029	1.2	-	8,029	1.2
Restructuring and other costs	1,358	0.3	(1,358)	-	-	3,554	0.5	(3,554)	-	-
OPERATING PROFIT	24,609	3.8	1,611	26,220	4.1	29,594	4.4	6,256	35,850	5.3
Finance expenses	7,723	1.2	-	7,723	1.2	10,077	1.5	(152)	9,925	1.4
INCOME BEFORE INCOME TAXES	16,886	2.6	1,611	18,497	2.9	19,517	2.9	6,408	25,925	3.9
Income taxes expense	3,592	0.5	367	3,959	0.6	3,651	0.5	1,627	5,278	0.8
Tax rate	21.3%			21.4%		18.7%			20.4%	
NET INCOME	13,294	2.1	1,244	14,538	2.3	15,866	2.4	4,781	20,647	3.1
EARNINGS PER SHARE										
Basic	0.41		0.04	0.45		0.49		0.15	0.64	
Diluted	0.41		0.03	0.44		0.49		0.14	0.63	
SHARES OUTSTANDING										
Basic - weighted average	32,403,980			32,403,980		32,359,496			32,359,496	
Diluted - weighted average	32,699,875			32,699,875		32,615,350			32,615,350	

The principal changes in net income from 2016 to 2017 are summarized as follows:

Third Quarters Ended September 30,			
	Change		
	Reported	Restructuring and other costs	Adjusted
	\$	\$	\$
Dorel Home increase	2,532	-	2,532
Dorel Juvenile (decrease)	(943)	49	(894)
Dorel Sports (decrease)	(5,642)	(4,694)	(10,336)
OPERATING PROFIT (DECREASE)	(4,053)	(4,645)	(8,698)
Decrease in finance expenses other than the remeasurement of forward purchase agreement liabilities	2,202	-	2,202
Decrease in remeasurement of forward purchase agreement liabilities	152	(152)	-
(Increase) in corporate expenses	(932)	-	(932)
Decrease in income taxes expense	59	1,260	1,319
NET INCOME (DECREASE)	(2,572)	(3,537)	(6,109)

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

Reconciliation of non-GAAP financial measures

	Nine Months Ended September 30,									
	2017					2016				
	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue	Reported	% of revenue	Impairment losses, restructuring and other costs	Adjusted	% of revenue
\$	%	\$	\$	%	\$	%	\$	\$	%	
TOTAL REVENUE	1,900,616	100.0	-	1,900,616	100.0	1,954,436	100.0	-	1,954,436	100.0
Cost of sales	1,450,313	76.3	(698)	1,449,615	76.3	1,492,816	76.4	(2,702)	1,490,114	76.2
GROSS PROFIT	450,303	23.7	698	451,001	23.7	461,620	23.6	2,702	464,322	23.8
Selling expenses	174,177	9.2	-	174,177	9.2	172,893	8.8	-	172,893	8.8
General and administrative expenses	164,045	8.6	-	164,045	8.6	175,412	9.0	-	175,412	9.0
Research and development expenses	23,026	1.2	-	23,026	1.2	24,629	1.3	-	24,629	1.3
Restructuring and other costs	7,676	0.4	(7,676)	-	-	6,673	0.3	(6,673)	-	-
Impairment losses on goodwill and intangible assets	-	-	-	-	-	55,341	2.8	(55,341)	-	-
OPERATING PROFIT	81,379	4.3	8,374	89,753	4.7	26,672	1.4	64,716	91,388	4.7
Finance expenses	35,026	1.9	(10,475)	24,551	1.3	31,133	1.6	(1,425)	29,708	1.5
INCOME (LOSS) BEFORE INCOME TAXES	46,353	2.4	18,849	65,202	3.4	(4,461)	(0.2)	66,141	61,680	3.2
Income taxes expense	12,778	0.6	2,737	15,515	0.8	1,583	0.1	9,586	11,169	0.6
Tax rate	27.6%			23.8%		(35.5%)			18.1%	
NET INCOME (LOSS)	33,575	1.8	16,112	49,687	2.6	(6,044)	(0.3)	56,555	50,511	2.6
EARNINGS (LOSS) PER SHARE										
Basic	1.04		0.49	1.53		(0.19)		1.75	1.56	
Diluted	1.03		0.49	1.52		(0.19)		1.74	1.55	
SHARES OUTSTANDING										
Basic - weighted average	32,403,980			32,403,980		32,346,051			32,346,051	
Diluted - weighted average	32,676,194			32,676,194		32,346,051			32,581,534	

The principal changes in net income (loss) from 2016 to 2017 are summarized as follows:

	Nine Months Ended September 30,		
	Change		
	Reported	Impairment losses, restructuring and other costs	Adjusted
	\$	\$	\$
Dorel Home increase	6,607	-	6,607
Dorel Juvenile (decrease)	(7,109)	3,436	(3,673)
Dorel Sports increase (decrease)	54,113	(59,778)	(5,665)
OPERATING PROFIT INCREASE (DECREASE)	53,611	(56,342)	(2,731)
Decrease in finance expenses other than the remeasurement of forward purchase agreement liabilities and the loss on early extinguishment of long-term debt	5,157	-	5,157
Decrease in remeasurement of forward purchase agreement liabilities	1,149	(1,149)	-
Loss on early extinguishment of long-term debt	(10,199)	10,199	-
Decrease in corporate expenses	1,096	-	1,096
(Increase) in income taxes expense	(11,195)	6,849	(4,346)
NET INCOME INCREASE (DECREASE)	39,619	(40,443)	(824)

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

The details of impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt recorded are presented below:

	Third Quarters Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Write-down of long-lived assets	-	-	368	-
Inventory markdowns	253	2,578	481	2,578
Recorded within gross profit	253	2,578	849	2,578
Employee severance and termination benefits	818	2,245	4,218	4,431
Accelerated depreciation	-	838	-	838
Write-down of long-lived assets	-	-	-	424
Net losses from the remeasurement and disposals of assets held for sale	-	464	622	83
Other associated costs	540	(5)	2,836	156
Recorded within a separate line in the condensed consolidated interim income statements	1,358	3,542	7,676	5,932
Total restructuring costs	1,611	6,120	8,525	8,510
Other costs recorded within gross profit	-	124	(151)	124
Acquisition-related costs	-	-	-	729
Other costs	-	12	-	12
Recorded within a separate line in the condensed consolidated interim income statements	-	12	-	741
Total other costs	-	136	(151)	865
Total restructuring and other costs	1,611	6,256	8,374	9,375
Impairment losses on goodwill and intangible assets	-	-	-	55,341
Loss on remeasurement of forward purchase agreement liabilities	-	152	276	1,425
Loss on early extinguishment of long-term debt	-	-	10,199	-
Total impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt before income taxes ⁽¹⁾	1,611	6,408	18,849	66,141
Total impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt after income taxes	1,244	4,781	16,112	56,555
Total impact on diluted earnings (loss) per share	(0.03)	(0.14)	(0.49)	(1.74)
⁽¹⁾ Includes non-cash amounts of:	253	4,032	3,164	60,689

The details of restructuring and other costs recognized are presented in Note 4 of the condensed consolidated interim financial statements.

Impairment losses on goodwill and intangible assets

During the second quarter ended June 30, 2016, difficult market and highly competitive conditions in the independent bicycle dealers (“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 cash generating unit (“CGU”). As a result, goodwill impairment loss of \$36.9 million and impairment charge of \$18.4 million related to customer relationships were recorded.

Restructuring costs

Dorel Juvenile segment

For the third quarter of 2017, Dorel Juvenile segment recorded restructuring costs of \$1.2 million under its plan, which began during the third quarter of 2015. These initiatives are expected to generate profitable sales growth by improving agility with a more market-focused approach to reduce costs and better react to trends in the juvenile industry. The \$1.2 million expenses incurred during the quarter included \$0.7 million of employee severance and termination benefits and \$0.5 million of other associated costs. The \$0.5 million of other associated costs are related to the exit of certain licensed third-party brands used in North America in order to allow for additional energy and financial resources to be dedicated to Dorel owned brands.

For the nine months ended September 30, 2017, Dorel Juvenile segment recorded restructuring costs of \$7.9 million including \$0.4 million of non-cash charges related to the write-down of long-lived assets, \$0.9 million of non-cash inventory markdowns, \$3.7 million of employee severance and termination benefits, \$0.6 million of net losses from the remeasurement and disposals of assets held for sale in China and \$2.3 million of other associated costs related to the exit of certain licensed third-party brands as mentioned above.

This restructuring plan is expected to be completed by the end of 2017. Total costs related to these restructuring initiatives are estimated at \$34.6 million, including \$12.4 million of non-cash charges related to the write-down of long-lived assets and net losses from the remeasurement and disposals of assets held for sale, \$2.1 million of non-cash inventory markdowns, \$1.2 million of curtailment gain on net pension defined benefit liabilities, \$17.0 million of employee severance and termination benefits and \$4.3 million of other associated costs. Of the \$34.6 million, \$10.3 million was recorded for the year ended December 30, 2015, \$13.8 million was recorded for the year ended December 30, 2016 and \$7.9 million was recorded in 2017. The estimate of future charges of \$2.6 million consist of non-cash write-down of long-lived assets for a total amount of \$0.9 million as another Chinese facility should be made available for sale by the end of 2017. Also, further reductions in people costs are anticipated and will represent approximately \$1.7 million mainly related to the consolidation of the Asian-based product development team in China and additional headcount reduction opportunities overall.

Dorel Sports segment

During the third quarter of 2017, Dorel Sports segment recorded restructuring costs of \$0.4 million, which included \$0.2 million of non-cash inventory markdowns and \$0.2 million of employee severance and termination benefits. For the nine months ended September 30, 2017, Dorel Sports segment recorded restructuring costs of \$0.7 million, which included a reversal of \$0.4 million of non-cash inventory markdowns offset by \$0.5 million of employee severance and termination benefits and \$0.6 million of other associated costs. The other associated costs incurred in 2017 are mainly related to the exit of the Cannondale Sports retail outlets.

Dorel Sports segment began its restructuring activities in the third quarter of 2016 in order to simplify and focus its business to support and grow earnings. These restructuring initiatives were completed in the third quarter of 2017. There are no significant expected remaining costs associated with this restructuring plan.

Other costs

For the third quarter of 2017, there were no other costs recorded compared with \$0.1 million in 2016.

For the nine months ended September 30, 2017, other costs amounted to \$(0.2) million recorded within gross profit compared to \$0.9 million mainly composed of acquisition-related costs recorded within a separate line in the condensed consolidated interim income statements in 2016.

Remeasurement of 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 and is accounted for as finance expenses. The remaining balance of the forward purchase agreement liability has been fully repaid in the first quarter of 2017.

Loss on early extinguishment of long-term debt

Effective March 24, 2017, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and secured a term loan of \$200.0 million which both have the same maturity date. As such, the net proceeds from the term loan were used by the Company to prepay the Series “B” and “C” Senior Guaranteed Notes and the non-convertible debentures, and to reduce bank indebtedness. The prepayments of the Series “B” and “C” Senior Guaranteed Notes and the non-convertible debentures were accounted for as an extinguishment. A loss on early extinguishment of long-term debt of \$10.2 million was recorded as finance expenses during the three months ended March 31, 2017. With this term loan, the Company expects to reduce its interest on long-term debt by approximately \$4.0 million in 2017 due to lower average interest rates which will benefit the Company for ongoing periods.

The liquidity, capital resources and contractual obligations section provides further details on the Company’s amended and restated Credit Agreement as well as the term loan.

c) Selected financial information

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

	2017			2016			2015	
	Sep. 30	Jun. 30	Mar. 31	Dec. 30	Sep. 30	Jun. 30	Mar. 31	Dec. 30
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	642,634	611,270	646,712	648,749	671,273	637,296	645,867	668,938
Net income (loss)	13,294	11,440	8,841	(5,567)	15,866	(38,644)	16,734	6,614
Per share - Basic	0.41	0.35	0.27	(0.17)	0.49	(1.19)	0.52	0.20
Per share - Diluted	0.41	0.35	0.27	(0.17)	0.49	(1.19)	0.51	0.20
Adjusted net income	14,538	12,444	22,705	7,740	20,647	10,193	19,671	14,116
Per share - Basic	0.45	0.38	0.70	0.24	0.64	0.32	0.61	0.44
Per share - Diluted	0.44	0.38	0.69 ⁽¹⁾	0.24	0.63	0.31	0.60	0.43
After-tax impact of impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt on the diluted earnings (loss) per share for the quarter	(0.03)	(0.03)	(0.42)	(0.41)	(0.14)	(1.50)	(0.09)	(0.23)

⁽¹⁾ As at March 31, 2017, the convertible debentures were included in the calculation of the adjusted diluted EPS by adjusting the adjusted net income attributable to equity holders as well as the adjusted diluted weighted average number of shares outstanding as these debentures were deemed to be dilutive.

During the second quarter of 2016, the Company reported a net loss of \$38.6 million or \$1.19 per diluted share due to impairment losses, restructuring and other costs and remeasurement of forward purchase agreement liabilities for a net amount of \$48.8 million. Adjusted net income was \$10.2 million for the second quarter or \$0.31 adjusted diluted earnings per share (“EPS”).

In the fourth quarter of 2016, a net loss was recorded of \$5.6 million or \$0.17 per diluted share due to restructuring and other costs and remeasurement of forward purchase agreement liabilities representing \$13.3 million. Adjusted net income for the fourth quarter was \$7.7 million or \$0.24 adjusted diluted EPS.

In the first quarter of 2017, the Company reported a net income of \$8.8 million or \$0.27 per diluted share due to restructuring and others costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt for a net amount of \$0.42 per diluted share. Adjusted net income was \$22.7 million for the first quarter or \$0.69 adjusted diluted EPS.

d) Consolidated operating review

For the third quarter of 2017, Dorel's revenue declined by \$28.6 million, or 4.3%, to \$642.6 million compared to the corresponding quarter last year. Organic revenue declined by approximately 5% after removing the variation of foreign exchange rates year-over-year. Dorel Juvenile reported an increase in revenue led by the U.S. and Brazil markets while Dorel Home reported also an increase generated by higher on-line sales. The increase in revenue in both segments was offset by a decline in Dorel Sports' revenue due to on-going weakness in the global bicycle market, disruption in the North American retail environment and persistent inclement weather in the U.S.

For the nine months ended September 30, 2017, Dorel's revenue decreased by \$53.8 million, or 2.8%, to \$1,900.6 million compared to \$1,954.4 million recorded a year ago. The impact of foreign exchange rate variations between the nine months of 2017 and 2016 did not have a significant impact on a consolidated basis. When excluding the change in the Cycling Sports Group ("CSG") International business model from a licensing revenue recognition model to a distribution platform for which the accounting treatment increased both revenue and cost of sales, organic revenue declined by approximately 4%. The decline in year-to-date revenue is mainly in Dorel Sports due to continued weakness in the global bicycle market, disruption in the North American retail environment and persistent inclement weather in the U.S. In addition, Dorel Juvenile was affected by challenges within the European markets, as well as to reduced sales by Dorel Juvenile China to non-domestic third-party customers that occurred during the first half of the year which explains a portion of the overall reduction in revenue while Dorel Home's revenue increased.

Gross profit for the quarter decreased by 50 basis points to 23.5% compared to 24.0% in 2016 and adjusted gross profit decreased by 90 basis points to 23.5% compared to 24.4% in 2016. Included in the third quarter of 2016 was a \$9.4 million curtailment gain within Dorel Juvenile which resulted from a plan amendment in the post-retirement defined benefits. When removing this positive contributor in 2016, the gross profit improved by 90 basis points to 23.5% from 22.6% in 2016 and the adjusted gross profit increased by 50 basis points to 23.5% compared to 23.0% in 2016. When removing the impact of the curtailment gain, the gross profit improvement is due to improved margins in the Dorel Sports segment driven by less discounting and selective price increases in key markets and increased margins in Dorel Home from increased on-line sales. This improvement is offset by Dorel Juvenile's lower gross profit in the European market and the competitive market in Chile.

Gross profit increased by 10 basis points to 23.7% year-to-date and adjusted gross profit year-to-date declined by 10 basis points to 23.7% from 23.8%. When removing the curtailment gain in 2016, gross profit increased by 60 basis points to 23.7% year-to-date from 23.1% and adjusted gross profit improved by 40 basis points to 23.7% from 23.3% for the same reasons as explained above.

Selling expenses for the third quarter increased by \$1.7 million, or 2.8%, to \$60.9 million and by 70 basis points as a percentage of revenue. For the nine months period, these expenses increased by \$1.3 million, or 0.7%, to \$174.2 million and by 40 basis points as a percentage of revenue. For both periods, the increase in selling expenses is explained by higher commission costs linked with Dorel Home's sales growth, increased marketing activity to support Dorel Juvenile's business, offset by Dorel Sports' decrease in selling expenses linked to the decrease in sales.

General and administrative expenses declined in the quarter by \$4.9 million, or 8.2%, to \$55.7 million and by 50 basis points as a percentage of revenue. For the year-to-date, these expenses decreased by \$11.4 million, or 6.5%, to \$164.0 million and by 40 basis points as a percentage of revenue. The decrease for the quarter and year-to-date is mainly due to lower product liability costs within Dorel Juvenile and Dorel Home offset by higher product liability costs in Dorel Sports and increased information technology expenses to support the growth of Dorel Home's on-line business.

Research and development expenses rose by \$0.3 million, or 3.5%, to \$8.3 million for the quarter and decreased by \$1.6 million, or 6.5%, to \$23.0 million for the nine months, which represents for the quarter an increase of 10 basis points and a year-to-date decline of 10 basis points as a percentage of revenue. These variances are explained by timing of projects.

For the quarter, operating profit declined by \$5.0 million to \$24.6 million from \$29.6 million recorded a year ago. Excluding restructuring and other costs, adjusted operating profit decreased by \$9.6 million, or 26.9%, to \$26.2 million. Year-to-date, the Company reported an operating profit of \$81.4 million compared to \$26.7 million in 2016 while excluding impairment losses, restructuring and other costs, the adjusted operating profit decreased by \$1.6 million, or 1.8%, to \$89.8 million from the prior year's \$91.4 million. The decrease of the adjusted operating profit for both periods is mainly explained by the decrease in revenue.

Details of finance expenses are summarized below:

	Third Quarters Ended September 30,				Nine Months Ended September 30,			
	2017	2016	Change		2017	2016	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	5,598	7,642	(2,044)	(26.7)	17,607	23,065	(5,458)	(23.7)
Remeasurement of forward purchase agreement liabilities	-	152	(152)	(100.0)	276	1,425	(1,149)	(80.6)
Amortization of deferred financing costs	436	362	74	20.4	1,200	1,187	13	1.1
Loss on early extinguishment of long-term debt	-	-	-	-	10,199	-	10,199	100.0
Other interest	1,689	1,921	(232)	(12.1)	5,744	5,456	288	5.3
TOTAL REPORTED	7,723	10,077	(2,354)	(23.4)	35,026	31,133	3,893	12.5
Adjustment due to remeasurement of forward purchase agreement liabilities	-	(152)	152	100.0	(276)	(1,425)	1,149	80.6
Adjustment due to loss on early extinguishment of long-term debt	-	-	-	-	(10,199)	-	(10,199)	(100.0)
TOTAL ADJUSTED	7,723	9,925	(2,202)	(22.2)	24,551	29,708	(5,157)	(17.4)

Finance expenses decreased by \$2.4 million to \$7.7 million during the third quarter and increased by \$3.9 million to \$35.0 million year-to-date from 2016 periods. The increase of the 2017 year-to-date from 2016 is due in part to the \$10.2 million loss on early extinguishment of the long-term debt following the prepayments of the Series "B" and "C" Senior Guaranteed Notes and the non-convertible debentures using the net proceeds from the term loan secured on March 24, 2017. Further details on the term loan are presented in the liquidity, capital resources and contractual obligations section.

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 and year-to-date in 2017 an expense of nil and \$0.3 million respectively, compared to \$0.2 million for the third quarter and \$1.4 million year-to-date in 2016. The remaining forward purchase agreement liability was settled during the first quarter of 2017.

Adjusted finance expenses, which exclude the remeasurement of forward purchase agreement liabilities and the loss on early extinguishment of long-term debt, declined by \$2.2 million to \$7.7 million from \$9.9 million for the third quarter and declined by \$5.2 million to \$24.6 million. Interest on long-term debt decreased by \$2.0 million during the third quarter and \$5.5 million year-to-date due to lower average long-term debt balances and lower year-to-date average interest rate of 4.8% compared to 5.5% in 2016.

Third quarter income before income taxes decreased by \$2.6 million to \$16.9 million from \$19.5 million in 2016. Excluding restructuring and other costs and remeasurement of forward purchase agreement liabilities, third quarter adjusted income before income taxes decreased by \$7.4 million to \$18.5 million from \$25.9 million. For the nine months of 2017, the Company generated income before income taxes of \$46.4 million, an increase of \$50.8 million. Year-to-date adjusted income before income taxes rose by \$3.5 million to \$65.2 million.

As a multi-national company, Dorel is resident in numerous countries and therefore subject to different tax rates in those various tax jurisdictions and 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, 2017, the Company's effective tax rates were 21.3% and 27.6% respectively versus 18.7% and (35.5)% for the same periods in the prior year. Excluding income taxes on impairment losses, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt, the Company's third quarter adjusted tax rate was 21.4% in 2017 compared to 20.4% in 2016. The adjusted tax rate for the nine months was 23.8% in 2017 versus 18.1% in 2016. The main cause of the variation year-over-year of the adjusted tax rate is due to changes in the jurisdictions in which the Company generated its income. The Company is stating that for the full year it expects its annual adjusted tax rate to be between 20% and 25%. However, variations in earnings across quarters mean that this rate may vary significantly between quarters.

During the third quarter of 2017, net income decreased to \$13.3 million or \$0.41 per diluted share from \$15.9 million or \$0.49 per diluted share in the comparative period. Adjusted net income for the quarter declined by \$6.1 million to \$14.5 million from \$20.6 million. On an adjusted diluted EPS basis, this equated to \$0.44 for the third quarter of 2017 compared to \$0.63 in 2016. During the nine months of 2017, the Company reported a net income of \$33.6 million or \$1.03 per diluted share versus a net loss of \$6.0 million or \$0.19 per diluted share in 2016. Adjusted net income was \$49.7 million from the \$50.5 million recorded in 2016. Adjusted diluted EPS was \$1.52 for the nine months of 2017 compared with \$1.55 in 2016.

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 Home

	Third Quarters Ended September 30,							
	2017		2016		Change			
				<i>Restated*</i>				
	\$	% of revenue	\$	% of revenue	\$	%	% of revenue	
TOTAL REVENUE	201,449	100.0	198,856	100.0	2,593	1.3	-	
Cost of sales	166,041	82.4	165,630	83.3	411	0.2	(0.9)	
GROSS PROFIT	35,408	17.6	33,226	16.7	2,182	6.6	0.9	
Selling expenses	6,429	3.2	5,633	2.8	796	14.1	0.4	
General and administrative expenses	7,459	3.7	8,606	4.3	(1,147)	(13.3)	(0.6)	
Research and development expenses	983	0.5	982	0.5	1	0.1	-	
OPERATING PROFIT	20,537	10.2	18,005	9.1	2,532	14.1	1.1	

	Nine Months Ended September 30,							
	2017		2016		Change			
				<i>Restated*</i>				
	\$	% of revenue	\$	% of revenue	\$	%	% of revenue	
TOTAL REVENUE	589,644	100.0	558,198	100.0	31,446	5.6	-	
Cost of sales	486,792	82.6	464,159	83.2	22,633	4.9	(0.6)	
GROSS PROFIT	102,852	17.4	94,039	16.8	8,813	9.4	0.6	
Selling expenses	19,131	3.2	16,745	3.0	2,386	14.2	0.2	
General and administrative expenses	23,877	4.0	24,022	4.3	(145)	(0.6)	(0.3)	
Research and development expenses	2,827	0.5	2,862	0.5	(35)	(1.2)	-	
OPERATING PROFIT	57,017	9.7	50,410	9.0	6,607	13.1	0.7	

* During the fourth quarter of 2016, the Company changed its internal organization and the composition of its reportable segments. The design, sourcing, manufacturing, distribution and retail of the children's furniture was transferred from Dorel Juvenile to Dorel Home. Accordingly, the Company has restated the segmented information for the third quarter and nine months ended September 30, 2016.

Dorel Home's third quarter revenue rose by \$2.6 million, or 1.3%, to \$201.4 million. For the nine months, Dorel Home's revenue grew by \$31.4 million, or 5.6%, to \$589.6 million from \$558.2 million in 2016. This growth was driven by increased sales to on-line retailers in all divisions in the third quarter and for the nine months. In the third quarter and for the nine months, on-line sales represented 51% and 50% of total segment's revenue respectively compared to 44% and 43% for the comparable periods in 2016. Sales to brick and mortar stores were down mainly due to the planned reduced exposure to a major mass merchant customer.

Gross profit, at 17.6% in the third quarter and 17.4% year-to-date, improved by 90 and 60 basis points respectively over last year's third quarter and year-to-date periods, as improved margins from increased on-line sales were partly offset by slightly higher input and warehousing costs.

Selling expenses during the quarter increased by \$0.8 million, or 14.1%, compared with the previous year's levels due to higher commission expenses in line with the sales growth. Year-to-date, these expenses grew by \$2.4 million, or 14.2%, for the same reasons as in the quarter. General and administrative expenses were lower by \$1.1 million for the quarter and \$0.1 million year-to-date compared to the same periods in 2016. The decreases in general and administrative expenses are mostly due to lower product liability costs offset by increased information technology expenses to support the growth of the on-line business. Research and development expenses remained comparable to 2016 for the quarter and year-to-date.

Dorel Home posted operating profit for the quarter of \$20.5 million from \$18.0 million in 2016. Improved margins from increased on-line sales, higher sales volumes and the overall net decrease in selling and general and administrative expenses drove this increase. This represents the 12th consecutive quarter-over-quarter increase in operating profit for the segment. For the nine months, Dorel Home posted operating profit of \$57.0 million, an increase of \$6.6 million, or 13.1%, compared with the nine months of 2016.

Dorel Juvenile

Reconciliation of non-GAAP financial measures

	Third Quarters Ended September 30,									
	2017					2016				
						Restated *				
	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue
\$	%	\$	\$	%	\$	%	\$	\$	%	
TOTAL REVENUE	235,645	100.0	-	235,645	100.0	221,706	100.0	-	221,706	100.0
Cost of sales	166,044	70.5	-	166,044	70.5	145,791	65.8	-	145,791	65.8
GROSS PROFIT	69,601	29.5	-	69,601	29.5	75,915	34.2	-	75,915	34.2
Selling expenses	29,450	12.5	-	29,450	12.5	28,615	12.9	-	28,615	12.9
General and administrative expenses	22,920	9.7	-	22,920	9.7	29,664	13.4	-	29,664	13.4
Research and development expenses	5,876	2.5	-	5,876	2.5	5,387	2.4	-	5,387	2.4
Restructuring and other costs	1,200	0.5	(1,200)	-	-	1,151	0.5	(1,151)	-	-
OPERATING PROFIT	10,155	4.3	1,200	11,355	4.8	11,098	5.0	1,151	12,249	5.5

	Nine Months Ended September 30,									
	2017					2016				
						Restated *				
	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue
\$	%	\$	\$	%	\$	%	\$	\$	%	
TOTAL REVENUE	682,363	100.0	-	682,363	100.0	692,516	100.0	-	692,516	100.0
Cost of sales	477,747	70.0	(1,294)	476,453	69.8	473,138	68.3	-	473,138	68.3
GROSS PROFIT	204,616	30.0	1,294	205,910	30.2	219,378	31.7	-	219,378	31.7
Selling expenses	86,743	12.7	-	86,743	12.7	83,985	12.1	-	83,985	12.1
General and administrative expenses	68,125	10.0	-	68,125	10.0	80,010	11.6	-	80,010	11.6
Research and development expenses	16,259	2.4	-	16,259	2.4	16,927	2.4	-	16,927	2.4
Restructuring and other costs	6,578	1.0	(6,578)	-	-	4,436	0.7	(4,436)	-	-
OPERATING PROFIT	26,911	3.9	7,872	34,783	5.1	34,020	4.9	4,436	38,456	5.6

The principal changes in operating profit from 2016 to 2017 are summarized as follows:

	Third Quarters Ended September 30,					Nine Months Ended September 30,				
	Change									
	Reported	%	Restructuring and other costs	Adjusted	%	Reported	%	Restructuring and other costs	Adjusted	%
	\$	%	\$	\$	%	\$	%	\$	\$	%
TOTAL REVENUE	13,939	6.3	-	13,939	6.3	(10,153)	(1.5)	-	(10,153)	(1.5)
Cost of sales	20,253	13.9	-	20,253	13.9	4,609	1.0	(1,294)	3,315	0.7
GROSS PROFIT	(6,314)	(8.3)	-	(6,314)	(8.3)	(14,762)	(6.7)	1,294	(13,468)	(6.1)
Selling expenses	835	2.9	-	835	2.9	2,758	3.3	-	2,758	3.3
General and administrative expenses	(6,744)	(22.7)	-	(6,744)	(22.7)	(11,885)	(14.9)	-	(11,885)	(14.9)
Research and development expenses	489	9.1	-	489	9.1	(668)	(3.9)	-	(668)	(3.9)
Restructuring and other costs	49	4.3	(49)	-	-	2,142	48.3	(2,142)	-	-
OPERATING PROFIT	(943)	(8.5)	49	(894)	(7.3)	(7,109)	(20.9)	3,436	(3,673)	(9.6)

* During the fourth quarter of 2016, the Company changed its internal organization and the composition of its reportable segments. The design, sourcing, manufacturing, distribution and retail of the children's furniture was transferred from Dorel Juvenile to Dorel Home. Accordingly, the Company has restated the segmented information for the third quarter and nine months ended September 30, 2016.

In the third quarter of 2016, operating profit includes a net positive impact of \$2.0 million consisting of a \$9.4 million curtailment gain recorded in cost of sales resulting from a plan amendment in the post-retirement defined benefits, mainly offset by \$7.4 million within general and administrative expenses of higher product liability costs related to higher settlements and associated legal costs. For the nine months of 2016, operating profit includes a net negative impact of \$4.0 million consisting of the \$9.4 million curtailment gain recorded in cost of sales and \$13.4 million of increased product liability costs within general and administrative expenses.

Dorel Juvenile's third quarter revenue increased by \$13.9 million, or 6.3%, to \$235.6 million compared to \$221.7 million in 2016. Organic revenue increased by approximately 4% after removing the impact of varying exchange rates year-over-year, representing the first growth quarter since the fourth quarter of 2015. Revenue increased in the U.S. by high

single digits despite the Toys “R” Us disruption, driven by growing e-commerce sales. Dorel Juvenile China’s revenue also increased due to improved delivery performance which resulted in higher intercompany sales of travel systems and to strong car seat sales to a third-party customer. Sales in Brazil increased significantly, while sales in Europe decreased slightly in Euro as a result of competitive pressure and the timing of new product launches. The segment’s revenue for the nine months decreased by \$10.2 million, or 1.5%, to \$682.4 million. Organic revenue declined approximately 2% after removing the impact of varying foreign exchange rates. Despite the fact that the third quarter organic revenue increased and the Zhongshan factory manufacturing process has been stabilized and capacity constraints have been minimized, the year-to-date revenue was affected by challenges within the European markets, as well as to reduced sales by Dorel Juvenile China to non-domestic third-party customers that occurred during the first half of the year.

Third quarter gross profit was 29.5% compared to 34.2% in 2016. Gross profit for the third quarter of 2016 included the \$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 third quarter of 2016 was 30.0% compared to 29.5% in 2017, representing a decrease of 50 basis points. The main causes of the 50 basis points decrease are explained by lower gross profit in the European market driven by unfavorable product and customer mix and the competitive market in Chile where margins are under pressure from competition and the changing nature of the market. Year-to-date gross profit was 30.0% and adjusted gross profit, when excluding restructuring and other costs, was 30.2%. When excluding the \$9.4 million curtailment gain recorded in the third quarter of 2016, the year-to-date 2016 gross profit and adjusted gross profit are both at 30.3%. As a result, excluding the curtailment gain, the year-to-date gross profit decreased by 30 basis points and adjusted gross profit decreased by 10 basis points.

During the third quarter, selling, general and administrative and research and development expenses decreased by \$5.4 million, or 8.5%, to \$58.2 million. For the nine months, selling, general and administrative and research and development expenses declined by \$9.8 million, or 5.4%, from \$180.9 million to \$171.1 million. Selling expenses during the third quarter of 2017 increased by \$0.8 million compared to last year and year-to-date increased by \$2.8 million compared to 2016 mostly due to increased marketing spending to support the business. General and administrative expenses decreased by \$6.7 million in the third quarter and by \$11.9 million year-to-date which is mainly explained by lower product liability costs in 2017 as 2016 included increased product liability costs related to higher settlements and associated legal costs. Research and development expenses increased by \$0.5 million in the third quarter and decreased by \$0.7 million year-to-date due to timing of projects.

Last year’s third quarter operating profit included a net positive impact of \$2.0 million from the net effect of the curtailment gain recorded for post-retirement defined benefits in the U.S. offset by higher product liability costs. Adjusted operating profit for the quarter, excluding restructuring and other costs, as well as the net positive impact of \$2.0 million in 2016, increased by \$1.2 million, or 11.8%, to \$11.4 million from \$10.2 million a year ago. Operating profit decreased \$0.9 million, or 8.5%, to \$10.2 million, compared to \$11.1 million a year ago. Year-to-date operating profit declined \$7.1 million, or 20.9%, to \$26.9 million from \$34.0 million last year. Adjusted operating profit declined by \$3.7 million, or 9.6%, to \$34.8 million from \$38.5 million for the nine months a year ago. The year-to-date decline in operating profit and adjusted operating profit are mainly due to lower gross profit dollars resulting from a decrease in revenue partially offset by lower operating expenses as detailed above.

Dorel Sports

Reconciliation of non-GAAP financial measures

Third Quarters Ended September 30,										
	2017					2016				
	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue
	\$	%	\$	\$	%	\$	%	\$	\$	%
TOTAL REVENUE	205,540	100.0	-	205,540	100.0	250,711	100.0	-	250,711	100.0
Cost of sales	159,717	77.7	(253)	159,464	77.6	198,847	79.3	(2,702)	196,145	78.2
GROSS PROFIT	45,823	22.3	253	46,076	22.4	51,864	20.7	2,702	54,566	21.8
Selling expenses	24,644	12.0	-	24,644	12.0	24,635	9.8	-	24,635	9.8
General and administrative expenses	19,395	9.4	-	19,395	9.4	17,348	6.9	-	17,348	6.9
Research and development expenses	1,450	0.7	-	1,450	0.7	1,660	0.7	-	1,660	0.7
Restructuring and other costs	158	0.1	(158)	-	-	2,403	1.0	(2,403)	-	-
OPERATING PROFIT	176	0.1	411	587	0.3	5,818	2.3	5,105	10,923	4.4

Nine Months Ended September 30,										
	2017					2016				
	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue	Reported	% of revenue	Impairment losses, restructuring and other costs	Adjusted	% of revenue
	\$	%	\$	\$	%	\$	%	\$	\$	%
TOTAL REVENUE	628,609	100.0	-	628,609	100.0	703,722	100.0	-	703,722	100.0
Cost of sales	485,774	77.3	596	486,370	77.4	555,519	78.9	(2,702)	552,817	78.6
GROSS PROFIT	142,835	22.7	(596)	142,239	22.6	148,203	21.1	2,702	150,905	21.4
Selling expenses	67,047	10.7	-	67,047	10.7	70,989	10.1	-	70,989	10.1
General and administrative expenses	55,532	8.8	-	55,532	8.8	53,691	7.6	-	53,691	7.6
Research and development expenses	3,940	0.6	-	3,940	0.6	4,840	0.7	-	4,840	0.7
Restructuring and other costs	1,098	0.2	(1,098)	-	-	2,237	0.3	(2,237)	-	-
Impairment losses on goodwill and intangible assets	-	-	-	-	-	55,341	7.9	(55,341)	-	-
OPERATING PROFIT (LOSS)	15,218	2.4	502	15,720	2.5	(38,895)	(5.5)	60,280	21,385	3.0

The principal changes in operating profit (loss) from 2016 to 2017 are summarized as follows:

	Third Quarters Ended September 30,					Nine Months Ended September 30,				
	Change					Change				
	Reported	%	Restructuring and other costs	Adjusted	%	Reported	%	Impairment losses, restructuring and other costs	Adjusted	%
	\$	%	\$	\$	%	\$	%	\$	\$	%
TOTAL REVENUE	(45,171)	(18.0)	-	(45,171)	(18.0)	(75,113)	(10.7)	-	(75,113)	(10.7)
Cost of sales	(39,130)	(19.7)	2,449	(36,681)	(18.7)	(69,745)	(12.6)	3,298	(66,447)	(12.0)
GROSS PROFIT	(6,041)	(11.6)	(2,449)	(8,490)	(15.6)	(5,368)	(3.6)	(3,298)	(8,666)	(5.7)
Selling expenses	9	-	-	9	-	(3,942)	(5.6)	-	(3,942)	(5.6)
General and administrative expenses	2,047	11.8	-	2,047	11.8	1,841	3.4	-	1,841	3.4
Research and development expenses	(210)	(12.7)	-	(210)	(12.7)	(900)	(18.6)	-	(900)	(18.6)
Restructuring and other costs	(2,245)	(93.4)	2,245	-	-	(1,139)	(50.9)	1,139	-	-
Impairment losses on goodwill and intangible assets	-	-	-	-	-	(55,341)	(100.0)	55,341	-	-
OPERATING PROFIT (LOSS)	(5,642)	(97.0)	(4,694)	(10,336)	(94.6)	54,113	139.1	(59,778)	(5,665)	(26.5)

For the third quarter, Dorel Sports' revenue decreased by \$45.2 million, or 18.0%, to \$205.5 million from \$250.7 million last year and by approximately 19% after removing the impact of varying exchange rates year-over-year. Nine months revenue decreased by \$75.1 million, or 10.7% to \$628.6 million compared to \$703.7 million a year ago. After removing the impact of varying exchange rates year-over-year, organic revenue decreased by approximately 11%. Organic revenue declined by approximately 14% when removing foreign exchange fluctuations and the change in CSG International's business model for which the revenue recognition transitioned from a licensing model to a distribution platform in the third quarter of 2016.

The revenue decline for the third quarter is attributed mainly to continued weakness in the global bicycle market, disruption in the North American retail environment and persistent inclement weather in the U.S. Pacific Cycle was affected by changing buying habits at certain major mass merchants, amidst a soft bicycle market and poor weather which began last spring, contributing to reduced consumer demand. As well, the September 2017 bankruptcy filing of Toys "R" Us halted shipments temporarily, pushing sales into the fourth quarter. Sales in CSG decreased on a continued reduction in discounted sales, as inventory management has improved significantly in 2017. CSG's closeout sales in the quarter represented 11.6% of sales volume in 2017 compared to 16.3% in the prior year's third quarter. These explanations of the decrease in revenue are also valid for the year-to-date period.

During the third quarter, gross profit rose by 160 basis points to 22.3% from 20.7% in 2016 and when excluding restructuring and other costs, adjusted gross profit rose by 60 basis points. On a year-to-date basis, gross profit increased by 160 basis points to 22.7% from 21.1% and when excluding restructuring and other costs, adjusted gross profit rose by 120 basis points to 22.6% from 21.4% in 2016. When also removing the impact of CSG International's revenue recognition change, the year-to-date adjusted gross profit increased by 170 basis points to 23.5% from 21.8% in last year's comparable period. A combination of inventory management improvement in term of product mix that has led to reduced discounting at CSG and selective price increases in key markets, contributed to the gross profit percentage increase. This increase was partly offset by lower gross profit at Caloi due to price reductions to match the competitive pressure in the Brazilian market and lower gross profit in the third quarter at Pacific Cycle resulting from a decrease in revenue.

For the third quarter, selling, general and administrative and research and development expenses increased by \$1.8 million, or 4.2%, to \$45.5 million compared to \$43.6 million in 2016, mainly from increased product liability costs within general and administrative expenses. For the nine months, selling, general and administrative and research and development expenses declined by \$3.0 million, or 2.3%, to \$126.5 million from \$129.5 million, mainly from cost control initiatives in line with the decrease in revenue. As a percentage of revenue, these operating expenses increased by 470 basis points to 22.1% in the quarter from 17.4% in 2016 and by 170 basis points to 20.1% on a year-to-date from 18.4% last year mainly due to the reduction in revenue in the comparable periods.

Operating profit for the third quarter decreased by \$5.6 million to \$0.2 million and when excluding restructuring and other costs, adjusted operating profit declined by \$10.3 million to \$0.6 million. For the nine months, operating profit rose by \$54.1 million to \$15.2 million and when excluding impairment losses, restructuring and other costs, adjusted operating profit declined by \$5.7 million, or 26.5%, to \$15.7 million. The decline in adjusted operating profit for both the quarter and year-to-date when compared to 2016 are explained by lower revenue partly offset by improved margins.

2. LIQUIDITY, CAPITAL RESOURCES AND CONTRACTUAL OBLIGATIONS

a) Statements of Financial Position

Certain of the Company's ratios are as follows:

	As at:		
	Sep. 30, 2017	Dec. 30, 2016	Sep. 30, 2016
Debt* to equity	0.44	0.43	0.48
# of days in receivables	59	60	63
# of days in inventory	121	101	107
# of days in payables	76	65	67

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

Inventories as at September 30, 2017 increased by \$95.9 million, or 17.4%, to \$645.6 million from \$549.7 million as at December 30, 2016 and increased by \$56.2 million, or 9.5% from \$589.4 million as at September 30, 2016. The increase in inventories is explained by the decrease in revenue and to Dorel Home's on-going on-line sales growth from September 30, 2016 to September 30, 2017 requiring higher inventory levels. The net working capital position increased by 1 day to 104 days as at September 30, 2017 compared to 103 days as at September 30, 2016 and increased by 8 days when comparing the September 30, 2017 with the December 30, 2016 net position.

The increase in the debt to equity ratio as at September 30, 2017 from December 30, 2016 is a function of higher borrowings and the decrease in debt to equity ratio as at September 30, 2017 from September 30, 2016 is explained by the reduction of the comparable debt levels.

Effective March 24, 2017, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and extended the maturity date from July 1, 2018 to the earlier of (i) July 1, 2020 and (ii) May 30, 2019 if the convertible debentures have not been repaid or refinanced (i.e. six months prior to the maturity date). In addition, the total availability under the revolving bank loans was decreased to \$350.0 million from the total availability as at December 30, 2016 of \$435.0 million. The accordion feature included in the Credit Agreement allowing the Company to have access to an additional amount of \$25.0 million as at December 30, 2016 was increased to \$100.0 million. This amendment and restatement of the Credit Agreement was accounted for as a non-substantial modification and consequently resulted in no gain or loss recognized.

In addition, effective March 24, 2017, the Company secured a term loan of \$200.0 million with the same maturity date as the revolving bank loans. The term loan bears interest at various rates per annum, based on LIBOR rate plus a margin.

On March 24, 2017, the net proceeds from the term loan were used by the Company to prepay the Series "B" and "C" Senior Guaranteed Notes and the non-convertible debentures, and to reduce bank indebtedness. The prepayments of the Series "B" and "C" Senior Guaranteed Notes and the non-convertible debentures were accounted for as an extinguishment. A loss on early extinguishment of long-term debt of \$10.2 million was recorded as finance expenses during the three months ended March 31, 2017 as a result of prepayment of the Series "B" and "C" Senior Guaranteed Notes and the non-convertible debentures.

Except for the modifications related to the long-term debt described above, there have been no significant changes with regards to the "Contractual Obligations" section outlined in the Company's 2016 annual MD&A. Further information on the contractual obligations of the term loan can be found in Note 7 of the September 30, 2017 condensed consolidated interim financial statements.

As at September 30, 2017, certain of the Company's bank lines of credit amounting to \$16.5 million are secured by trade receivables representing a carrying value of \$5.0 million.

As at September 30, 2017, the term loan as well as the revolving bank loans are secured by certain of the Company's trade receivables, inventories, property, plant and equipment and intangible assets, with a carrying value of \$231.2 million, \$457.3 million, \$78.3 million and \$90.6 million, respectively. As at December 30, 2016, the Series "B" and "C" Senior Guaranteed Notes as well as the revolving bank loans were secured by certain of the Company's trade receivables, inventories, property, plant and equipment and intangible assets, with a carrying value of \$259.1 million, \$413.4 million, \$78.9 million and \$91.3 million, respectively.

Dorel was compliant with all of its borrowing covenant requirements as at September 30, 2017 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) Statements of Cash Flows

During the nine months of 2017, cash flow provided by operating activities was \$41.7 million compared to \$101.4 million a year ago explained mainly by increased inventories and product liability costs payments during the first quarter of 2017 related to settlements in 2016 partly offset by increases in trade and other receivables and in trade and other payables. For the third quarter, the cash provided by operating activities was \$31.2 million compared to \$53.1 million in 2016 mainly explained by decreased net changes in balances related to operations.

Additions to property, plant and equipment and intangible assets were \$38.6 million for the nine months ended September 30, 2017 compared to \$26.1 million in 2016, an increase of \$12.5 million. The remaining of the decrease in cash used in investing activities is explained by an amount of \$5.5 million received during the first quarter of 2016 related to the purchase price reduction of the Dorel Juvenile China acquisition compared to nil this year. Net proceeds from disposals of assets held for sale in Dorel Juvenile China was \$15.0 million for the nine months of 2017 compared to \$4.5 million last year.

3. CHANGES IN ACCOUNTING POLICIES

The following is an amendment to standards applied by the Company in the preparation of the condensed consolidated interim financial statements for the nine months ended September 30, 2017:

IAS 7 – Statement of Cash Flows

Further information on this amendment can be found in Note 2 of the September 30, 2017 condensed consolidated interim financial statements.

4. 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, 2017 and have not been applied in preparing the condensed consolidated interim financial statements. The following standards, interpretations and amendments to standards have been issued by the IASB or the IFRIC 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

IFRIC 23 – Uncertainty over Income Tax Treatments

Further information on these modifications can be found in Note 3 of the September 30, 2017 condensed consolidated interim financial statements.

5. OTHER INFORMATION

The designation, number and amount of each class and series of the Company's shares outstanding as at October 31, 2017 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)
4,191,135	1,769	28,212,845	200,631	202,400

Outstanding stock options, Deferred Share Units, cash-settled Restricted 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.

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

During the third quarter ended September 30, 2017, the Company has made no change that has materially affected or is likely to materially affect the Company's internal controls over financial reporting.

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.