

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

For the three months ended March 31, 2018

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 three months ended March 31, 2018 and the Company's audited consolidated financial statements and MD&A as at and for the year ended December 30, 2017. 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, 2017, except for new accounting standards noted within this MD&A. The condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements. Certain information and footnote disclosures normally included in consolidated annual financial statements prepared in accordance with IFRS were omitted or condensed where such information is not considered material to the understanding of the Company's condensed consolidated interim financial statements.

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

Note that there have been no significant changes with regards to the "Corporate Overview", "Operating Segments", "Contractual Obligations", "Off-Balance Sheet Arrangements", "Derivative Financial Instruments", "Critical Accounting Estimates" or "Market Risks and Uncertainties" to those outlined in the Company's 2017 annual MD&A as filed with the Canadian securities regulatory authorities on March 22, 2018. As such, they are not repeated herein. The information in this MD&A is current as of May 4, 2018.

1. SIGNIFICANT EVENT IN 2018

On March 15, 2018, Toys“R”Us, Inc. (“Toys“R”Us”), one of the Company’s customers, announced that it had filed a motion seeking Bankruptcy Court approval to begin the process of conducting an orderly wind-down of its U.S. business and liquidation of inventory in all of its U.S. stores. Considering this event, the Company has determined that an amount of \$17.3 million of trade accounts receivable from this customer as at March 31, 2018 is at risk of collection (\$7.6 million as at December 30, 2017). Accordingly, the Company has recorded an additional impairment loss of \$12.5 million within impairment loss on trade and other receivables in its condensed consolidated interim income statement for the three months ended March 31, 2018 with respect to these trade accounts receivable from Toys“R”Us U.S. (fourth quarter ended December 30, 2017 – \$3.8 million). Of this amount, \$2.1 million (fourth quarter ended December 30, 2017 – nil) is within Dorel Home, \$3.8 million (fourth quarter ended December 30, 2017 – \$0.7 million) is within Dorel Juvenile and \$6.6 million (fourth quarter ended December 30, 2017 – \$3.1 million) is within Dorel Sports. These amounts represent management’s current best estimate of potential losses arising from non-payment based on information available to date; the actual loss incurred may differ from these amounts. The maximum credit risk to which the Company is exposed as at March 31, 2018 represents the total value of the trade accounts receivable.

As at March 31, 2018, in total, the Company has trade accounts receivable from Toys“R”Us U.S. amounting to \$4.9 million (net of impairment loss allowance including the impairment loss referred to above). This represents \$0.7 million within Dorel Home, \$1.4 million within Dorel Juvenile and \$2.8 million within Dorel Sports. The Company will continue to carefully monitor the Toys“R”Us situation as it unfolds, and will revise its estimated impairment loss allowance and record any required allowance adjustment in its 2018 quarterly consolidated financial statements.

2. 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 on goodwill and intangible assets, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt incurred in 2018 and 2017, 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) Restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt

Three Months Ended March 31,										
	2018					2017 ⁽¹⁾				
	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue
	\$	%	\$	\$	%	\$	%	\$	\$	%
TOTAL REVENUE	642,286	100.0	-	642,286	100.0	646,712	100.0	-	646,712	100.0
Cost of sales	493,718	76.9	-	493,718	76.9	493,267	76.3	(273)	492,994	76.2
GROSS PROFIT	148,568	23.1	-	148,568	23.1	153,445	23.7	273	153,718	23.8
Selling expenses	58,963	9.2	-	58,963	9.2	54,662	8.5	-	54,662	8.5
General and administrative expenses	53,220	8.2	-	53,220	8.2	51,506	7.9	-	51,506	7.9
Research and development expenses	9,424	1.5	-	9,424	1.5	7,523	1.2	-	7,523	1.2
Impairment loss on trade and other receivables	13,029	2.0	-	13,029	2.0	988	0.2	-	988	0.2
Restructuring and other costs	1,092	0.2	(1,092)	-	-	4,833	0.7	(4,833)	-	-
OPERATING PROFIT	12,840	2.0	1,092	13,932	2.2	33,933	5.2	5,106	39,039	6.0
Finance expenses	7,761	1.2	-	7,761	1.2	20,188	3.1	(10,475)	9,713	1.5
INCOME BEFORE INCOME TAXES	5,079	0.8	1,092	6,171	1.0	13,745	2.1	15,581	29,326	4.5
Income taxes expense	350	0.1	279	629	0.1	4,904	0.7	1,717	6,621	1.0
Tax rate	6.9%			10.2%		35.7%			22.6%	
NET INCOME	4,729	0.7	813	5,542	0.9	8,841	1.4	13,864	22,705	3.5
EARNINGS PER SHARE										
Basic	0.15		0.02	0.17		0.27		0.43	0.70	
Diluted	0.14		0.03	0.17		0.27		0.42	0.69 ⁽²⁾	
SHARES OUTSTANDING										
Basic - weighted average	32,438,446			32,438,446		32,403,980			32,403,980	
Diluted - weighted average	32,704,857			32,704,857		32,654,173			35,221,018	

⁽¹⁾ The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated. Comparative information has been re-classified due to a new impairment loss line presentation.

⁽²⁾ As at March 31, 2017, the convertible debentures were included in the calculation of the adjusted diluted earnings per share (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.

The principal changes in net income from 2017 to 2018 are summarized as follows:

Three Months Ended March 31,			
	Change		
	Reported	Restructuring and other costs	Adjusted
	\$	\$	\$
Dorel Home (decrease)	(3,498)	-	(3,498)
Dorel Juvenile (decrease)	(6,961)	(4,656)	(11,617)
Dorel Sports (decrease)	(10,888)	642	(10,246)
OPERATING PROFIT (DECREASE)	(21,347)	(4,014)	(25,361)
Decrease in finance expenses other than the remeasurement of forward purchase agreement liabilities and the loss on early extinguishment of long-term debt	1,952	-	1,952
Decrease in remeasurement of forward purchase agreement liabilities	276	(276)	-
Decrease in loss on early extinguishment of long-term debt	10,199	(10,199)	-
Decrease in corporate expenses	254	-	254
Decrease in income taxes expense	4,554	1,438	5,992
NET INCOME (DECREASE)	(4,112)	(13,051)	(17,163)

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

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

	Three Months Ended March 31,	
	2018	2017
	\$	\$
Write-down of long-lived assets	-	517
Inventory markdowns (reversals)	-	(93)
Recorded within gross profit	-	424
Employee severance and termination benefits	1,092	2,487
Net losses from the remeasurement and disposals of assets held for sale	-	712
Other associated costs	-	1,634
Recorded within a separate line in the condensed consolidated interim income statements	1,092	4,833
Total restructuring costs	1,092	5,257
Other costs recorded within gross profit	-	(151)
Total other costs	-	(151)
Total restructuring and other costs	1,092	5,106
Loss on remeasurement of forward purchase agreement liabilities	-	276
Loss on early extinguishment of long-term debt	-	10,199
Total restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt before income taxes ⁽¹⁾	1,092	15,581
Total restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt after income taxes	813	13,864
Total impact on diluted earnings per share	(0.03)	(0.42)
⁽¹⁾ Includes non-cash amounts of:	-	2,829

Restructuring costs

For the three months ended March 31, 2018, the Company recorded total restructuring costs of \$1.1 million as a separate line within the condensed consolidated interim income statements compared to \$5.3 million in 2017, of which \$0.4 million was recorded within gross profit and \$4.9 million as a separate line within the condensed consolidated interim income statements.

Dorel Juvenile segment

For the first quarter of 2018, Dorel Juvenile segment recorded restructuring costs of \$1.1 million under its plan. 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 entire amount incurred during the quarter is composed of employee severance and termination benefits.

This restructuring plan is continuing into 2018. Total costs related to these restructuring initiatives are estimated at \$38.2 million, including \$13.3 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, \$2.4 million of non-cash inventory markdowns, \$3.1 million of curtailment gain on net pension defined benefit liabilities, \$21.0 million of employee severance and termination benefits and \$4.6 million of other associated costs. Of the \$38.2 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, \$11.9 million was recorded for the year ended December 30, 2017 and \$1.1 million was recorded in 2018. The estimate of future charges of \$1.1 million consist of reductions in people costs mainly related to further streamlining of the China-based manufacturing and additional headcount reduction opportunities overall.

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 was a forward purchase agreement liability, and resulted in the remeasurement of the liability being accounted for as finance expenses. The remaining balance of the forward purchase agreement liability was 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. As a result of the proceeds obtained from this term loan, the Company was able to reduce its interest on long-term debt by \$4.9 million for the year ended December 30, 2017 due to lower average long-term debt balances and lower average interest rates which will benefit the Company for on-going periods.

c) Selected financial information

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

	2018	2017 ⁽¹⁾				2016 ⁽¹⁾		
	Mar. 31	Dec. 30	Sep. 30	Jun. 30	Mar. 31	Dec. 30	Sep. 30	Jun. 30
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	642,286	677,052	642,634	611,270	646,712	648,749	671,273	637,296
Net income (loss)	4,729	(6,134)	13,294	11,440	8,841	(5,567)	15,866	(38,644)
Per share - Basic	0.15	(0.19)	0.41	0.35	0.27	(0.17)	0.49	(1.19)
Per share - Diluted	0.14	(0.19)	0.41	0.35	0.27	(0.17)	0.49	(1.19)
Adjusted net income	5,542	17,268	14,538	12,444	22,705	7,740	20,647	10,193
Per share - Basic	0.17	0.53	0.45	0.38	0.70	0.24	0.64	0.32
Per share - Diluted	0.17	0.53	0.44	0.38	0.69 ⁽²⁾	0.24	0.63	0.31
After-tax impact of impairment losses on goodwill and intangible assets, 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)	(0.72)	(0.03)	(0.03)	(0.42)	(0.41)	(0.14)	(1.50)

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

⁽²⁾ 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 on goodwill and intangible assets, 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 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.

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

d) Consolidated operating review

For the first quarter of 2018, revenue decreased by \$4.4 million, or 0.7%, to \$642.3 million compared to \$646.7 million a year ago. Organic revenue declined by approximately 3.8%, after removing the variation of foreign exchange rates year-over-year. This organic revenue decrease was explained by lower sales in Dorel Home's brick and mortar channel and lower sales in Dorel Sports mainly from Pacific Cycle due to weak consumer demand in all major retailers driven by poor cycling weather as well as the Toys"R"Us liquidation which impacted the quarter's shipments reducing sales by approximately \$3.0 million in Dorel Home, \$2.0 million in Dorel Juvenile and \$1.8 million in Dorel Sports.

Gross profit for the first quarter declined by 60 basis points to 23.1% from 23.7% in 2017 and adjusted gross profit decreased by 70 basis points to 23.1% from 23.8% last year when excluding restructuring and other costs. The overall gross profit decline was mainly due to Dorel Juvenile as it faced higher commodity prices and unfavourable foreign exchange in China and lower gross profit in Chile. Dorel Sports' gross profit also suffered due to less favourable sales mix in the Brazilian market at Caloi and lower gross profit dollars at Pacific Cycle resulting from a decrease in revenue. These declines were partly offset by Dorel Home's shift of sales to higher margin items.

Selling expenses increased during the first quarter by \$4.3 million, or 7.9%, to \$59.0 million mainly explained by foreign exchange variations year-over-year at Dorel Juvenile and Dorel Sports.

General and administrative expenses for the first quarter rose by \$1.7 million, or 3.3%, to \$53.2 million from \$51.5 million. The majority of the increase during the first quarter was attributable to foreign exchange variations year-over-year at Dorel Juvenile.

Research and development expenses rose by \$1.9 million, or 25.3%, to \$9.4 million compared to \$7.5 million mainly due to higher spending and amortization at Dorel Juvenile.

Impairment loss on trade and other receivables was \$13.0 million for the first quarter of 2018 compared to \$1.0 million in 2017. The increase is explained by the impairment loss of \$12.5 million with respect to the trade accounts receivable from Toys“R”Us U.S. recorded in the first quarter of 2018, of which \$2.1 million is within Dorel Home, \$3.8 million is within Dorel Juvenile and \$6.6 million is within Dorel Sports.

The Company reported an operating profit of \$12.8 million during the first quarter of 2018 compared to \$33.9 million in 2017. Excluding restructuring and other costs, adjusted operating profit decreased by \$25.1 million to \$13.9 million from \$39.0 million. When removing the impairment loss of \$12.5 million with respect to the trade accounts receivable from Toys“R”Us U.S. recorded in the first quarter of 2018, the adjusted operating profit declined by \$12.6 million explained by lower revenue at Dorel Home and Dorel Sports and lower gross profit as a percentage of revenue at Dorel Juvenile and Dorel Sports.

Details of finance expenses are summarized below:

	Three Months Ended March 31,			
	2018	2017	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	6,112	6,725	(613)	(9.1)
Remeasurement of forward purchase agreement liabilities	-	276	(276)	(100.0)
Amortization of deferred financing costs	268	331	(63)	(19.0)
Loss on early extinguishment of long-term debt	-	10,199	(10,199)	(100.0)
Other interest	1,381	2,657	(1,276)	(48.0)
TOTAL REPORTED	7,761	20,188	(12,427)	(61.6)
Adjustment due to remeasurement of forward purchase agreement liabilities	-	(276)	276	100.0
Adjustment due to loss on early extinguishment of long-term debt	-	(10,199)	10,199	100.0
TOTAL ADJUSTED	7,761	9,713	(1,952)	(20.1)

Finance expenses decreased by \$12.4 million to \$7.8 million during the first quarter. For the first quarter of 2017, finance expenses include a \$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.

2017 includes 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 first quarter of 2017 an expense of \$0.3 million. The remaining forward purchase agreement liability was fully repaid 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, decreased by \$2.0 million, or 20.1%, to \$7.8 million for the first quarter of 2018. Interest on long-term debt decreased by \$0.6 million for the first quarter. The decrease is explained by lower average long-term debt balances and lower average interest rate of 4.7% during the first quarter of 2018 compared to 5.5% in 2017. Other interest declined by \$1.3 million for the first quarter due to lower average interest rate on bank indebtedness.

Income before income taxes decreased by \$8.7 million, or 63.0%, to \$5.1 million. Excluding restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt, adjusted income before income taxes decreased by \$23.2 million, or 79.0%, to \$6.2 million in 2018.

Reported net income was \$4.7 million, or \$0.14 per diluted share, compared to \$8.8 million or \$0.27 per diluted share last year. Excluding restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt, adjusted net income was \$5.5 million or \$0.17 per diluted share compared to \$22.7 million or \$0.69 per diluted share for the first quarter of 2017. The liquidation of Toys“R”Us in the U.S. resulted in a first quarter impairment loss on trade and other receivables of \$12.5 million, or \$0.29 per diluted share. When also removing the impact of Toys“R”Us, adjusted net income was \$15.0 million or \$0.46 per diluted share compared to \$22.7 million or \$0.69 per diluted share for the first quarter of 2017.

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 these tax laws, as well as the application of income tax treaties between various countries. As such, significant variations from year to year in the Company's combined tax rate can occur. The Company's effective tax rate was 6.9% in the first quarter of 2018 compared to 35.7% in 2017. Excluding income taxes on restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt, the Company's adjusted tax rate was 10.2% in 2018 compared with 22.6% in 2017. The main cause of the variation in the adjusted tax rate year-over-year is due to changes in the jurisdictions in which the Company generated its income (including the impact related to the U.S. Tax Reform signed into law on December 22, 2017 which reduces the U.S. federal corporate income tax rate from 35% to 21%, effective as of January 1, 2018). 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.

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

Three Months Ended March 31,							
	2018		2017 ⁽¹⁾		Change		
	\$	% of revenue	\$	% of revenue	\$	%	% of revenue
TOTAL REVENUE	192,262	100.0	204,038	100.0	(11,776)	(5.8)	-
Cost of sales	158,269	82.3	169,466	83.1	(11,197)	(6.6)	(0.8)
GROSS PROFIT	33,993	17.7	34,572	16.9	(579)	(1.7)	0.8
Selling expenses	6,321	3.3	6,149	3.0	172	2.8	0.3
General and administrative expenses	8,299	4.2	7,705	3.8	594	7.7	0.4
Research and development expenses	1,087	0.6	912	0.4	175	19.2	0.2
Impairment loss on trade and other receivables	2,019	1.1	41	-	1,978	4,824.4	1.1
OPERATING PROFIT	16,267	8.5	19,765	9.7	(3,498)	(17.7)	(1.2)

⁽¹⁾ The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated. Comparative information has been re-classified due to a new impairment loss line presentation.

Dorel Home's first quarter revenue decreased by \$11.8 million, or 5.8%, to \$192.3 million. For the first quarter, e-commerce sales represented 50% of total segment revenue compared to 44% for the comparable period in 2017. The e-commerce sales improvement was offset by the reductions in the brick and mortar channel and the estimated reduction in sales from the Toys“R”Us liquidation which impacted the quarter's shipments by approximately \$3.0 million.

For the quarter, gross profit rose to 17.7%, an improvement of 80 basis points from the 16.9% recorded in the same period of 2017. This improvement was attained from the shift of sales to higher margin items slightly offset by small price increases on purchased materials. Warehouse and distribution costs were slightly higher than last year's first quarter due to the segment's additional overall warehouse footprint and higher wage costs and inventory levels.

Selling, general and administrative and research and development expenses rose by \$0.9 million, or 6.4%, during the first quarter, representing an increase of 0.9% compared to last year's first quarter as a percentage of revenue. Higher spending on information technology to support the e-commerce platform and higher headcount related to internet sales analysis and marketing were responsible for the increase during the first quarter of the year. As a percentage of revenue, the increase is primarily due to the reduction of revenue.

Impairment loss on trade and other receivables was \$2.0 million for the first quarter of 2018 compared to nil last year. This increase is explained by the impairment loss of \$2.1 million with respect to the trade accounts receivable from Toys"R"Us U.S. recorded in the first quarter of 2018.

Operating profit declined by \$3.5 million, or 17.7%, during the first quarter. Excluding the impairment loss on the trade accounts receivable from Toys"R"Us U.S., operating profit declined by \$1.4 million, or 7.0%, mainly driven by lower revenue and increased selling, general and administrative and research and development expenses.

Dorel Juvenile

Reconciliation of non-GAAP financial measures

Three Months Ended March 31,										
	2018					2017 ⁽¹⁾				
	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue
	\$	%	\$	\$	%	\$	%	\$	\$	%
TOTAL REVENUE	243,337	100.0	-	243,337	100.0	228,658	100.0	-	228,658	100.0
Cost of sales	174,450	71.7	-	174,450	71.7	158,773	69.4	(1,217)	157,556	68.9
GROSS PROFIT	68,887	28.3	-	68,887	28.3	69,885	30.6	1,217	71,102	31.1
Selling expenses	30,774	12.6	-	30,774	12.6	28,153	12.3	-	28,153	12.3
General and administrative expenses	23,455	9.7	-	23,455	9.7	21,981	9.6	-	21,981	9.6
Research and development expenses	6,888	2.8	-	6,888	2.8	5,259	2.3	-	5,259	2.3
Impairment loss on trade and other receivables	4,045	1.7	-	4,045	1.7	367	0.2	-	367	0.2
Restructuring and other costs	1,092	0.4	(1,092)	-	-	4,531	2.0	(4,531)	-	-
OPERATING PROFIT	2,633	1.1	1,092	3,725	1.5	9,594	4.2	5,748	15,342	6.7

⁽¹⁾ The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated. Comparative information has been re-classified due to a new impairment loss line presentation.

The principal changes in operating profit from 2017 to 2018 are summarized as follows:

Three Months Ended March 31,					
	Change				
	Reported	Restructuring and other costs	Adjusted		
	\$	%	\$	\$	%
TOTAL REVENUE	14,679	6.4	-	14,679	6.4
Cost of sales	15,677	9.9	1,217	16,894	10.7
GROSS PROFIT	(998)	(1.4)	(1,217)	(2,215)	(3.1)
Selling expenses	2,621	9.3	-	2,621	9.3
General and administrative expenses	1,474	6.7	-	1,474	6.7
Research and development expenses	1,629	31.0	-	1,629	31.0
Impairment loss on trade and other receivables	3,678	1,002.2	-	3,678	1,002.2
Restructuring and other costs	(3,439)	(75.9)	3,439	-	-
OPERATING PROFIT	(6,961)	(72.6)	(4,656)	(11,617)	(75.7)

Dorel Juvenile's first quarter revenue increased by \$14.7 million, or 6.4%, to \$243.3 million. Organic revenue increased by approximately 0.4% after removing the impact of varying foreign exchange rates year-over-year. Revenue increased moderately in the segment's mature markets of the U.S. and Europe. There were noticeable variations in revenue growth between divisions in Latin America, where strong growth in Brazil, and to a lesser extent Peru, was offset by challenges in the Chilean market. The March 15, 2018, Toys"R"Us bankruptcy protection announcement meant that shipments to that customer were stopped in the quarter which reduced sales, principally in North America, by approximately \$2.0 million.

Gross profit for the first quarter decreased by 230 basis points to 28.3% from 30.6% in 2017. When removing restructuring and other costs, adjusted gross profit decreased by 280 basis points to 28.3% from 31.1% in the prior year. This decrease was principally due to lower gross profit in China and Chile. At Dorel Juvenile China factory, production has stabilized and deliveries were on-time to both internal and external customers around Chinese New Year. However,

higher commodity prices and unfavourable foreign exchange levels are challenging profitability. In Chile, overall market conditions and pricing pressure, principally from e-commerce competition, are affecting margins. The shifting marketplace means sales and gross profit are lower as wholesale customers have moved completely on-line which has had the impact of lowering retail price points and expanding competition within their virtual stores. This has had an impact on Dorel Juvenile Chile owned retail stores as consumers now have access to more points of sale where they can easily comparison shop products. In addition, in Europe, unfavourable foreign exchange, a less favourable sales mix as well as aggressive pricing affected the gross profit negatively.

Selling expenses for the first quarter rose by \$2.6 million, or 9.3%, to \$30.8 million from \$28.2 million representing an increase of 0.3% as a percentage of revenue. After removing the foreign exchange rate variations year-over-year, selling expenses increased by approximately \$0.5 million.

General and administrative expenses for the first quarter rose by \$1.5 million, or 6.7%, to \$23.5 million from \$22.0 million. After removing the foreign exchange rate variations year-over-year, general and administrative expenses decreased by \$0.1 million.

Research and development expenses increased by \$1.6 million, or 31.0%, to \$6.9 million from \$5.3 million representing an increase of 0.5% as a percentage of revenue due to higher spending and amortization.

Impairment loss on trade and other receivables was \$4.0 million for the first quarter of 2018 compared to \$0.4 million in 2017. This increase is explained by the impairment loss of \$3.8 million with respect to the trade accounts receivable from Toys“R”Us U.S. recorded in the first quarter of 2018.

Operating profit for the first quarter was \$2.6 million compared to \$9.6 million last year. Excluding restructuring and other costs, adjusted operating profit for the quarter amounted to \$3.7 million compared to \$15.3 million last year. When excluding the impairment loss on the trade accounts receivable from Toys“R”Us U.S. and restructuring and other costs, adjusted operating profit for the quarter was \$7.5 million compared to \$15.3 million last year which is mainly explained by lower gross profit as a percentage of revenue.

Dorel Sports

Reconciliation of non-GAAP financial measures

Three Months Ended March 31,										
	2018					2017 ⁽¹⁾				
	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue
	\$	%	\$	\$	%	\$	%	\$	\$	%
TOTAL REVENUE	206,687	100.0	-	206,687	100.0	214,016	100.0	-	214,016	100.0
Cost of sales	160,999	77.9	-	160,999	77.9	165,028	77.1	944	165,972	77.6
GROSS PROFIT	45,688	22.1	-	45,688	22.1	48,988	22.9	(944)	48,044	22.4
Selling expenses	21,689	10.5	-	21,689	10.5	19,857	9.3	-	19,857	9.3
General and administrative expenses	16,359	7.9	-	16,359	7.9	16,783	7.8	-	16,783	7.8
Research and development expenses	1,449	0.7	-	1,449	0.7	1,352	0.6	-	1,352	0.6
Impairment loss on trade and other receivables	6,965	3.4	-	6,965	3.4	580	0.3	-	580	0.3
Restructuring and other costs	-	-	-	-	-	302	0.2	(302)	-	-
OPERATING PROFIT (LOSS)	(774)	(0.4)	-	(774)	(0.4)	10,114	4.7	(642)	9,472	4.4

⁽¹⁾ The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated. Comparative information has been re-classified due to a new impairment loss line presentation.

The principal changes in operating profit (loss) from 2017 to 2018 are summarized as follows:

Three Months Ended March 31,					
Change					
	Reported	Restructuring and other costs	Adjusted		
	\$	%	\$	\$	%
TOTAL REVENUE	(7,329)	(3.4)	-	(7,329)	(3.4)
Cost of sales	(4,029)	(2.4)	(944)	(4,973)	(3.0)
GROSS PROFIT	(3,300)	(6.7)	944	(2,356)	(4.9)
Selling expenses	1,832	9.2	-	1,832	9.2
General and administrative expenses	(424)	(2.5)	-	(424)	(2.5)
Research and development expenses	97	7.2	-	97	7.2
Impairment loss on trade and other receivables	6,385	1,100.9	-	6,385	1,100.9
Restructuring and other costs	(302)	(100.0)	302	-	-
OPERATING PROFIT (LOSS)	(10,888)	(107.7)	642	(10,246)	(108.2)

Dorel Sports' first quarter revenue declined by \$7.3 million, or 3.4%, to \$206.7 million from \$214.0 million last year but declined by approximately 6.2% after excluding the positive impact of varying foreign exchange rates year-over-year. The organic revenue decline during the first quarter comes mainly from Pacific Cycle due to weak consumer demand in all major retailers driven by poor cycling weather as well as the Toys"R"Us liquidation which impacted the quarter's shipments by approximately \$1.8 million.

Gross profit for the first quarter declined by 80 basis points to 22.1% from 22.9%, and excluding restructuring and other costs, adjusted gross profit decreased by 30 basis points to 22.1% from 22.4%. The decrease is mainly explained by lower gross profit at Caloi due to less favourable sales mix in the Brazilian market and lower gross profit dollars at Pacific Cycle resulting from a decrease in revenue.

Selling, general and administrative and research and development expenses increased by \$1.5 million representing an increase of 1.4% as a percentage of revenue. After removing the foreign exchange rate variations year-over-year, these expenses increased by \$0.6 million.

Impairment loss on trade and other receivables was \$7.0 million for the first quarter of 2018 compared to \$0.6 million last year. This increase is explained by the impairment loss of \$6.6 million with respect to the trade accounts receivable from Toys"R"Us U.S. recorded in the first quarter of 2018.

Operating profit decreased by \$10.9 million to an operating loss of \$0.8 million for the first quarter compared to an operating profit of \$10.1 million in 2017. Excluding restructuring and other costs, adjusted operating profit decreased by \$10.2 million. When excluding the impairment loss on the trade accounts receivable from Toys"R"Us U.S. and restructuring and other costs, adjusted operating profit for the quarter was \$5.8 million compared to \$9.5 million last year which is mainly explained by lower revenue and adjusted gross profit which decreased by 30 basis points.

3. LIQUIDITY AND CAPITAL RESOURCES

a) Statements of Financial Position

Certain of the Company's ratios are as follows:

	As at:		
	Mar. 31, 2018	Dec. 30, 2017	Mar. 31, 2017
Debt* to equity	0.48	0.46	0.47
# of days in receivables	60	60	63
# of days in inventory	110	110	104
# of days in payables	67	67	69

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

The net working capital position increased by 5 days to 103 days as at March 31, 2018 compared to 98 days as at March 31, 2017. This was mainly due to an inventory increase of \$24.9 million, or 4.4%, to \$594.5 million as at March 31, 2018 from \$569.6 million as at March 31, 2017 and a payables decrease of \$28.0 million, or 6.0%, to \$436.3 million as at March 31, 2018 from \$464.3 million as at March 31, 2017, partially offset by a decrease in receivables of \$26.0 million to \$424.6 million. Foreign exchange rate variations contributed approximately \$21.0 million to the increase in inventory and payables decrease over the same period to return at the level in line to the historical trend.

The increase in debt to equity ratio compared to year-end is a function of higher borrowings as traditionally, the first quarter requires increased borrowings as the Company's cash flow generated from operating activities is weighted towards the second half of the year.

As at March 31, 2018, the USD denominated 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 \$272.7 million, \$413.1 million, \$82.1 million and \$89.8 million, respectively.

Under the terms of its financing agreements, Dorel is required to meet certain financial covenants. As at March 31, 2018, Dorel was compliant with all of its borrowing covenant requirements.

b) Cash flow

During the first three months of 2018, cash flow provided by operating activities was \$0.9 million compared to cash flow used by operating activities of \$17.5 million in 2017, an increase of \$18.4 million. This variation is explained by decreases in trade and other receivables, inventories, trade and other payables and product liability costs payments during the first quarter of 2017.

Additions to property, plant and equipment and intangible assets were \$16.4 million for the three months ended March 31, 2018 compared to \$9.8 million in 2017, an increase of \$6.6 million. The remainder of the decrease in cash used in investing activities is explained by net proceeds from disposals of assets held for sale in Dorel Juvenile China of \$11.6 million recorded in the first quarter of 2017 compared to nil in 2018.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 30, 2017.

The Company has initially adopted IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments*, as at December 31, 2017. The Company has also adopted amendments to IFRS 2, *Classification and Measurement of Share-Based Payment Transactions* and IFRIC 23, *Uncertainty over Income Tax Treatments*, on December 31, 2017.

Further information can be found in Note 3 of the March 31, 2018 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 three months ended March 31, 2018 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 IAS 19 – Plan Amendment, Curtailment or Settlement
IFRS 16 – Leases

Further information on these modifications can be found in Note 4 of the March 31, 2018 condensed consolidated interim financial statements.

6. OTHER INFORMATION

The designation, number and amount of each class and series of the Company's shares outstanding as at April 27, 2018 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)
4,189,275	1,768	28,249,171	201,532	203,300

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.

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

During the first quarter ended March 31, 2018, the Company has made no change that has materially affected or is likely to materially affect the Company's internal controls over financial reporting.

8. CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

Company's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this MD&A are based on a number of assumptions that the Company believed were reasonable on the day it made the forward-looking statements. Factors that could cause actual results to differ materially from the Company's expectations expressed in or implied by the forward-looking statements include: general economic conditions; changes in product costs and supply channels; foreign currency fluctuations; customer and credit risk, including the risk resulting from the liquidation and reorganization of Toys"R"Us referred to in this MD&A and 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 current dividend policy will be maintained. These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking statements are discussed in the Company's annual MD&A and Annual Information Form filed with the applicable Canadian securities regulatory authorities. The risk factors outlined in the previously-mentioned documents are specifically incorporated herein by reference.

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