DOREL INDUSTRIES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis of financial conditions and results of operations ("MD&A") should be read in conjunction with the Consolidated Financial Statements for Dorel Industries Inc. ("Dorel" or "the Company") as at and for the years ended December 30, 2018 and 2017 ("the Consolidated Financial Statements"), as well as with the notes to the Consolidated Financial Statements. All financial information contained in this MD&A and in the Company's Consolidated Financial Statements are in US dollars, unless indicated otherwise, and have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"), using the US dollar as the reporting currency.

The audited annual Consolidated Financial Statements and this MD&A were reviewed by the Company's Audit Committee and were approved and authorized for issuance by its Board of Directors. This MD&A is current as at March 14, 2019.

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

Note: All tabular figures are in thousands of US dollars except per share amounts or otherwise specified.

1. CORPORATE OVERVIEW

The Company's head office is based in Westmount, Québec, Canada. Established in 1962, the Company operates in twenty-five countries with sales made throughout the world and employs approximately 9,200 people. Dorel's ultimate goal is to produce innovative, quality products and satisfy consumer needs while achieving maximum financial results for its shareholders. It operates in three distinct reporting segments: Dorel Home, Dorel Juvenile and Dorel Sports. The Company's growth over the years has resulted from both increasing sales of existing businesses and by acquiring businesses.

a) Strategy

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

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

Dorel's channels of distribution vary by segment, but overall, its largest customers are major retail chains and Internet retailers. The retail chains include mass merchant discount chains, department stores, club format outlets and hardware/home centers while the Internet retailers consist of both mass merchant sites such as Walmart.com and pure Internet retailers such as Amazon. Within Dorel Juvenile, sales are also made to independent boutiques and juvenile specialty stores. In Dorel Sports, the Independent Bike Dealers ("IBD") network is a significant channel, along with sporting goods chains. Dorel also owns and operates approximately 100 retail stores in Chile and Peru, as well as several factory outlet retail locations in Europe and Australia.

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

All of the three segments market, advertise and promote their products through the use of advertisements on-line, via social media and on Company-owned websites, in specific magazines, multi-product brochures, and other media outlets. The Company's major retail customers also advertise Dorel's products, principally through circulars and brochures. For Dorel Sports, various sponsorships are provided to teams and individual athletes to promote the Cannondale, Caloi, GT and Mongoose brands.

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

Dorel is a designer and manufacturer of a wide range of products, as well as an importer of finished goods, the majority of the latter from overseas suppliers. As such, the Company relies on its suppliers for both finished goods and raw materials and has always prided itself on establishing successful long-term relationships both domestically and overseas. The Company has established a workforce of over 250 people in mainland China and Taiwan whose role is to ensure the highest standard of quality of its products and to guarantee that the flow of product is not interrupted. The economic downturn has illustrated the quality of these supplier relationships in that Dorel has not been adversely affected by issues with its supplier base and their continuing ability to service Dorel.

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

These brands, and the fact that Dorel has a wide range of other brand names, allow for product and price differentiation within the same product categories. Product development is a significant element of Dorel's past and future growth. Dorel has invested heavily in this area, focusing on innovation, quality, safety and speed to market with several design and product development centers. Over the past five years, Dorel has spent on average over $40.8 million per year on new product development.

b) Operating segments

Dorel Home

Dorel Home participates in the approximately $105 billion North American furniture and mattress industry. Dorel ranks in the top five of North American furniture manufacturers and marketers and has a strong foothold in both North American manufacturing and importation of furniture, with a significant portion of its supply coming from its own manufacturing facilities and the balance through sourcing efforts in Asia. Dorel is also the number two manufacturer of Ready-to-Assemble ("RTA") furniture in North America. Products are distributed from Dorel's North American manufacturing locations as well as from several distribution facilities. In 2018, the Dorel Home segment accounted for 31% of Dorel's total revenue.

Dorel Home consists of five operating divisions. They are Ameriwood Home ("Ameriwood"), Cosco Home & Office ("Cosco"), Dorel Home Products ("DHP"), Dorel Asia ("Dorel Living") and Dorel Home Europe. Ameriwood specializes in domestically manufactured RTA furniture and is headquartered in Wright City, Missouri. Ameriwood's manufacturing and distribution facilities are located in Tiffin, Ohio, Savannah, Georgia, Dowagiac, Michigan, and Cornwall, Ontario. Ameriwood also has an import division, Altra Furniture ("Altra"). Altra is also located in Wright City, Missouri and designs and imports furniture mainly within the home entertainment and home office categories. Cosco is located in Columbus, Indiana and the majority of its sales consist of folding furniture, step stools, hand trucks, specialty ladders and outdoor furniture. DHP, located in Montréal, Québec, manufactures futons and baby mattresses and imports futons, bunk beds, mattresses and other accent furniture. Dorel Living specializes in sourcing upholstery and a full range of wooden goods from Asia including children's furniture, dining room products and accessories such as toddler beds and cribs for distribution throughout North America. Dorel Home Europe is located in the United Kingdom and designs and distributes furniture mainly in the home office and audio-visual categories, and includes the recently acquired Alphason brand. Major distribution facilities are also located in Québec, California and Georgia.

With its continued expansion into on-line sales in 2018, Dorel Home grew revenue by approximately 2%, recording its highest year in sales to date. Dorel Home has significant market share within its product categories and has a strong presence with its customer base. Sales are concentrated with Internet retailers, mass merchants, warehouse clubs, home centers and office and electronic superstores. On-line sales represent a significant portion of Dorel Home revenue and Dorel Home has made many investments in this channel. Dorel Home markets its products under generic retail house brands as well as under a range of branded products including: Ameriwood, Altra, System Build, Ridgewood, DHP, Dorel Fine Furniture, Dorel Living, Signature Sleep, Cosmo Living, Novagratz, Little Seeds, Baby Relax, Cosco and Alphason. Dorel Home has many competitors including Sauder Manufacturing and Whalen Furniture in the RTA category, Meco in the folding furniture category, Tricam in step stools, Werner in ladders and Zinus in mattresses.

Dorel Juvenile

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

The Maxi-Cosi, Quinny and Tiny Love brands are sold globally in most of Dorel Juvenile's markets. Other brands such as Safety 1st, Bébé Confort, Cosco, Mother's Choice and Infanti are strong regional brands and Dorel Juvenile is able to address all price points with its range of brands and products. In addition, sales are made under licensed brands such as Disney, principally in North America. Sales are also made to customers under their own unique house brand names. Dorel Juvenile has divisions in North America, Europe, Latin America, China, Israel, Australia and New Zealand. In total, Dorel Juvenile sells product to over 115 countries around the world. In 2018, the Dorel Juvenile segment accounted for 35% of Dorel's total revenue.

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

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

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

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

In Latin America, Dorel Juvenile has operating locations in Brazil, Chile, Peru and Mexico. Dorel Juvenile Brazil, one of the largest juvenile products companies in the country, manufactures car seats locally and imports other juvenile products, such as strollers. Brands sold in Brazil include local brands Infanti and Voyage, as well as Dorel's international brands such as Safety 1st, Cosco, Maxi-Cosi and Quinny. Dorel Juvenile Chile has operations in Chile and Peru and also sells to customers based in Bolivia and Argentina. Dorel Juvenile Chile operates approximately 95 retail locations in Chile and Peru and sells multiple ranges of juvenile products and toys, including non-Dorel owned brands. The majority of these stores are under the Baby Infanti banner. The principal Dorel brand sold by Dorel Juvenile Chile is Infanti, sold across multiple products and price ranges, with a focus on opening to mid-price points. Effective in 2019, Dorel Juvenile Chile will distribute products to Colombia, Panama and other Caribbean countries through a local distributor as Dorel intends to close its operations in those jurisdictions.

In Asia, Dorel serves the Chinese market through its Dorel Juvenile China domestic operation based in Shanghai and sells mostly the Maxi-Cosi and Safety 1st brands. Dorel Juvenile China's factory headquarters are in Zhongshan and comprises two manufacturing facilities that supply all Dorel divisions, as well as third-party customers outside of China. Dorel Juvenile Australia assembles and/or distributes its products under both global brands and local brand Mother's Choice, and serves Australia and New Zealand with sales to both large retailers and specialty stores. The greater East Asian market is serviced via a network of third party distributors. Tiny Love, based in Tel Aviv, Israel is recognized as an innovator in the developmental toy category, which comprises products such as activity gyms, mobiles, light gear and toys designed specifically for babies and toddlers. As one of Dorel's global brands, Tiny Love sells products in more than 50 countries worldwide, both through Dorel subsidiaries and via a worldwide distributor network.

Dorel Sports

Dorel Sports participates in a worldwide marketplace that totals approximately $49 billion in retail sales annually. This includes bicycles, children's electric ride-ons, jogging strollers, electric bikes and bicycle trailers, as well as related parts and accessories. The breakdown of bicycle industry sales around the world is approximately 64% in the Asia-Pacific region, 20% in Europe and 12% in North America, with the balance in the rest of the world. Bicycles are sold in the mass merchant channel, at IBDs as well as in sporting goods chains. During 2018, Dorel divested its performance apparel line of business to focus on its core strategic businesses of bikes, parts and accessories and electric ride-ons and sold the SUGOI and Sombrio brands. In 2018, the Dorel Sports segment accounted for 34% of Dorel's total revenue.

In the United States, mass merchants have captured a greater share of the market over the past 20 years and today account for approximately 74% of unit sales. Despite the growth of the mass merchant channel, the IBD channel remains an important retail outlet in North America, Europe and other parts of the world. IBD retailers specialize in higher-end bicycles and deliver a level of service to their customers that the mass merchants cannot provide. Retail prices in the IBDs are much higher, reaching approximately $10,000 per unit. This compares to the mass merchant channel where the highest prices are between $200 and $300 per unit. The sporting goods and outdoor specialty retailer chains sell bicycles in the mid-price range; in the United States this channel accounts for approximately 9% of total industry retail sales.

Brand differentiation is an important part of the bicycle industry with different brands being found in the different distribution channels. High-end bicycles and brands are found in IBDs and some sporting goods chains, while the other brands can be purchased at mass market retailers. Consumer purchasing patterns are generally influenced by economic conditions, weather and seasonality. The Company's principal competitors include Huffy, Dynacraft, Kent, Trek, Giant, Specialized, Santa Cruz, Scott and Raleigh. In Europe, the market is significantly more fragmented as there is additional competition from much smaller companies that are popular in different regions.

Dorel Sports' worldwide headquarters is in Wilton, Connecticut. There are also significant operations in Madison, Wisconsin as well as São Paulo, Brazil. In addition, distribution centers are located in California, Georgia and Illinois. European operations are headquartered in Oldenzaal, Netherlands with operations in Switzerland and the United Kingdom. Globally, there are sales and distribution companies based in Japan and Chile. In Australia, sales are made through a third-party distributor. There is a sourcing operation based in Taiwan established to oversee Dorel Sports' Far East supplier base and logistics chain, ensuring that the Company's products are produced to meet the exacting quality standards that are required.

The IBD retail channel is serviced by Cycling Sports Group ("CSG") which focuses exclusively on this category principally with the premium-oriented Cannondale and GT brands. The vast majority of sales to this channel consist of bicycles, with some sales of parts and accessories. The Caloi division sells to both IBD and mass merchant channels. The Pacific Cycle division has an exclusive focus on mass merchant and sporting goods chain customers, and along with bicycles and parts and accessories, its product line also includes jogging strollers, bicycle trailers, children's electric ride-ons and some toys. The mass merchant product line of bicycles, parts and accessories are sold under several brands, the most significant being Schwinn and Mongoose. Other important brands used at varying price points include Roadmaster and IronHorse, as well as licensed brands on children's bicycles and tricycles. Jogging strollers and bicycle trailers are sold under the InStep and Schwinn brands and children's electric ride-ons are sold mainly under Kid Trax as well as certain licenses.

In Europe and elsewhere around the world, certain bicycle brands are sold across these distribution channels. As an example, in Russia, GT is a successful brand in the sporting goods channel, whereas in the Czech Republic this same brand is sold in the IBD channel.

2. SIGNIFICANT EVENTS IN 2018

Long-term debt and dividend updates

Dorel is currently reviewing its refinancing options with its financial advisors and will pursue what it believes to be the best alternative. In this regard, Dorel is in the process of refinancing its $120.0 million convertible debentures maturing on November 30, 2019, although there can be no assurance that it will be able to successfully complete such refinancing. On March 8, 2019, Dorel amended its revolving bank loans and term loan agreement to facilitate the compliance with its covenants in light of the last twelve months results of operations, and to permit additional financing from other lenders to refinance and repay the convertible debentures. The amendment also extends the maturity date to July 1, 2021 if the convertible debentures are repaid or refinanced by May 30, 2019. If the convertible debentures have not been repaid or refinanced, the maturity remains on May 30, 2019. On March 14, 2019, Dorel announced that it will adjust its dividend from the current annual $1.20 a share to $0.60 for the upcoming year. Given the convertible debentures are not yet repaid or refinanced, as such, the convertible debentures, the revolving bank loans and term loan were all classified as current as at December 30, 2018. In the event the Company's convertible debentures are not repaid or refinanced by May 30, 2019, the revolving bank loans and term loan will become due in full on May 30, 2019. In addition, if the Company is not able to meet its quarterly debt covenant requirements, the revolving bank loans and term loan will become due in full at the date of non-compliance. While the Company does not have arranged financing to repay the revolving bank loans and term loan on May 30, 2019 or if covenants are not met, the Company has various alternatives available should these scenarios arise, such as further adjusting its current dividend policy to meet quarterly covenants or converting the convertible debentures into shares to avoid the revolving bank loans and term loan becoming due in full on May 30, 2019. Accordingly, the Company does not expect a liquidity problem in the foreseeable future, however no assurance can be provided. Assessing the Company's liquidity including expected future compliance with covenants requires judgment. Refer to "Financial Condition, Liquidity and Capital Resources" section of this MD&A.

Impairment losses on goodwill, intangible assets and property, plant and equipment

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

In addition, due to the recent sustained decline in Dorel's stock price during 2018, which caused Dorel's market capitalization to be significantly lower than the carrying amount of its net assets, assumptions on projected earnings and cash flows growth were revised for the majority of its CGUs during the fourth quarter of 2018. As a result, Dorel recorded impairment losses on goodwill of $353.6 million, on trademarks of $127.3 million, on customer relationships of $13.6 million, on software licenses of $0.9 million and on property, plant and equipment of $6.0 million for a total of $501.4 million. Of the $501.4 million recorded, $264.2 million was within Dorel Juvenile and $237.2 million was within Dorel Sports.

Impairment loss recorded on Toys"R"Us' trade accounts receivable

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. In August 2018, the Bankruptcy Court approved the Toys"R"Us settlement agreement with its creditors and lenders. As part of the settlement agreement reached, the Company received approximately 22 cents on the dollar. Considering these events, the Company had determined that the trade accounts receivable from this customer were at risk of collection. Accordingly, the Company recorded an impairment loss of $3.8 million for the year ended December 30, 2017 and an additional $12.5 million for the year ended December 30, 2018 with respect to these trade accounts receivable from Toys"R"Us U.S. Of the $12.5 million, $2.1 million (fourth quarter ended December 30, 2017 – nil) was within Dorel Home, $3.8 million (fourth quarter ended December 30, 2017 –

$0.7 million) was within Dorel Juvenile and $6.6 million (fourth quarter ended December 30, 2017 – $3.1 million) was within Dorel Sports. These amounts represented management's best estimate of potential losses arising from non-payment based on information available at that time. As at December 30, 2018, $4.6 million was received under the settlement agreement and in total, Dorel had a remaining balance of trade accounts receivable from Toys"R"Us U.S. amounting to $0.3 million (net of impairment loss allowance).

Sale of Sugoi and Sombrio brands

In the second quarter of 2018, Dorel announced it was divesting its performance apparel line of business to focus on its core strategic businesses of bikes, parts and accessories and electric ride-ons and has sold the SUGOI and Sombrio brands. As a result of the sale of the performance apparel line of business, $11.8 million was recorded as restructuring costs.

Acquisition of UK-based Alphason

On October 1, 2018, Dorel Home acquired the assets and operations of UK-based Alphason for a purchase price of $3.1 million (GBP 2.4 million) of which a balance of sale of $0.2 million (GBP 0.1 million) remains to be paid. Established some 30 years ago, Alphason designs and distributes award-winning home office and audio-visual furniture. The Alphason brand is well known in the UK and is sold at several large independent retailers across the country. This acquisition is highly strategic and Dorel will use this base to expand and to provide strong logistics support with a distribution hub to serve and grow Dorel's European business, including the North American e-commerce partners, many of whom have been growing in Europe and have been asking Dorel Home to support this growth.

3. 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, intangible assets and property plant and equipment, 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.

Free cash flow is also a non-GAAP financial measure and is defined as cash provided by operating activities less dividends paid, shares repurchased, net additions to property, plant and equipment and to intangible assets including net proceeds from disposals of assets held for sale. The Company considers free cash flow to be an important indicator of the financial strength and performance of its business, because it shows how much cash is available after capital expenditures to repay debt and to reinvest in its business, to pursue business acquisitions, and/or to redistribute to its shareholders. Dorel believes this measure is commonly used by investors and analysts when valuing a business and its underlying assets.

b) Impairment losses on goodwill, intangible assets and property plant and equipment, 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

	Fourth Quarters Ended December 30,									
	2018					2017[1]				
	Reported	% of revenue	Impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Impairment loss on goodwill, restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**683,546**	100.0	-	**683,546**	100.0	**677,052**	100.0	-	**677,052**	100.0
Cost of sales	**540,499**	79.1	(487)	**540,012**	79.0	**515,604**	76.2	438	**516,042**	76.2
GROSS PROFIT	**143,047**	20.9	487	**143,534**	21.0	**161,448**	23.8	(438)	**161,010**	23.8
Selling expenses	**56,807**	8.3	-	**56,807**	8.3	**58,929**	8.7	-	**58,929**	8.7
General and administrative expenses	**53,200**	7.9	-	**53,200**	7.9	**60,087**	8.9	-	**60,087**	8.9
Research and development expenses	**10,482**	1.5	-	**10,482**	1.5	**8,039**	1.2	-	**8,039**	1.2
Impairment loss on trade and other receivables	**3,018**	0.4	-	**3,018**	0.4	**4,263**	0.6	-	**4,263**	0.6
Restructuring and other costs	**3,016**	0.4	(3,016)	**-**	-	**4,138**	0.6	(4,138)	**-**	-
Impairment losses on goodwill, intangible assets and property, plant and equipment	**501,446**	73.3	(501,446)	**-**	-	**19,929**	2.9	(19,929)	**-**	-
OPERATING PROFIT (LOSS)	**(484,922)**	(70.9)	504,949	**20,027**	2.9	**6,063**	0.9	23,629	**29,692**	4.4
Finance expenses	**8,626**	1.3	-	**8,626**	1.3	**8,222**	1.2	-	**8,222**	1.2
INCOME (LOSS) BEFORE INCOME TAXES	**(493,548)**	(72.2)	504,949	**11,401**	1.6	**(2,159)**	(0.3)	23,629	**21,470**	3.2
Income taxes expense (recovery)	**(49,650)**	(7.3)	50,753	**1,103**	0.1	**3,975**	0.6	227	**4,202**	0.6
Tax rate	***10.1%***			***9.7%***		***(184.1%)***			***19.6%***	
NET INCOME (LOSS)	**(443,898)**	(64.9)	454,196	**10,298**	1.5	**(6,134)**	(0.9)	23,402	**17,268**	2.6
EARNINGS (LOSS) PER SHARE										
Basic	**(13.68)**		14.00	**0.32**		**(0.19)**		0.72	**0.53**	
Diluted	**(13.68)**		13.99	**0.31**		**(0.19)**		0.72	**0.53**	
SHARES OUTSTANDING										
Basic - weighted average	**32,439,189**			**32,439,189**		**32,426,326**			**32,426,326**	
Diluted - weighted average	**32,439,189**			**32,747,791**		**32,426,326**			**32,706,760**	

(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 reclassified due to a new impairment loss line presentation.

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

	Fourth Quarters Ended December 30,		
	Change		
	Reported	Impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs	**Adjusted**
	$	$	**$**
Dorel Home (decrease)	**(3,569)**	252	**(3,317)**
Dorel Juvenile (decrease)	**(251,447)**	243,493	**(7,954)**
Dorel Sports (decrease)	**(238,629)**	237,575	**(1,054)**
OPERATING PROFIT (DECREASE)	**(493,645)**	481,320	**(12,325)**
(Increase) in finance expenses	**(404)**	-	**(404)**
Decrease in corporate expenses	**2,660**	-	**2,660**
Decrease in income taxes expense	**53,625**	(50,526)	**3,099**
NET INCOME (DECREASE)	**(437,764)**	430,794	**(6,970)**

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

Reconciliation of non-GAAP financial measures

	Years Ended December 30,									
	2018					2017[(1)]				
	Reported	% of revenue	Impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Impairment loss on goodwill, restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**2,619,513**	100.0	-	**2,619,513**	100.0	**2,577,668**	100.0	-	**2,577,668**	100.0
Cost of sales	**2,054,721**	78.4	(2,258)	**2,052,463**	78.4	**1,965,917**	76.3	(260)	**1,965,657**	76.3
GROSS PROFIT	**564,792**	21.6	2,258	**567,050**	21.6	**611,751**	23.7	260	**612,011**	23.7
Selling expenses	**233,772**	8.9	-	**233,772**	8.9	**233,106**	9.0	-	**233,106**	9.0
General and administrative expenses	**200,041**	7.7	-	**200,041**	7.7	**220,773**	8.6	-	**220,773**	8.6
Research and development expenses	**37,819**	1.4	-	**37,819**	1.4	**31,065**	1.2	-	**31,065**	1.2
Impairment loss on trade and other receivables	**16,425**	0.6	-	**16,425**	0.6	**7,622**	0.3	-	**7,622**	0.3
Restructuring and other costs	**16,609**	0.6	(16,609)	**-**	-	**11,814**	0.4	(11,814)	**-**	-
Impairment losses on goodwill, intangible assets and property, plant and equipment	**525,639**	20.2	(525,639)	**-**	-	**19,929**	0.8	(19,929)	**-**	-
OPERATING PROFIT (LOSS)	**(465,513)**	(17.8)	544,506	**78,993**	3.0	**87,442**	3.4	32,003	**119,445**	4.6
Finance expenses	**32,650**	1.2	-	**32,650**	1.2	**43,248**	1.7	(10,475)	**32,773**	1.2
INCOME (LOSS) BEFORE INCOME TAXES	**(498,163)**	(19.0)	544,506	**46,343**	1.8	**44,194**	1.7	42,478	**86,672**	3.4
Income taxes expense (recovery)	**(53,820)**	(2.0)	60,679	**6,859**	0.3	**16,753**	0.6	2,964	**19,717**	0.8
Tax rate	***10.8%***			***14.8%***		***37.9%***			***22.7%***	
NET INCOME (LOSS)	**(444,343)**	(17.0)	483,827	**39,484**	1.5	**27,441**	1.1	39,514	**66,955**	2.6
EARNINGS (LOSS) PER SHARE										
Basic	**(13.70)**		14.92	**1.22**		**0.85**		1.22	**2.07**	
Diluted	**(13.70)**		14.91	**1.21**		**0.84**		1.21	**2.05**	
SHARES OUTSTANDING										
Basic - weighted average	**32,438,645**			**32,438,645**		**32,409,551**			**32,409,551**	
Diluted - weighted average	**32,438,645**			**32,727,662**		**32,665,713**			**32,665,713**	

(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 reclassified due to a new impairment loss line presentation.

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

	Years Ended December 30,		
	Change		
	Reported	Impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs	**Adjusted**
	$	$	**$**
Dorel Home (decrease)	**(7,909)**	252	**(7,657)**
Dorel Juvenile (decrease)	**(297,112)**	263,385	**(33,727)**
Dorel Sports (decrease)	**(250,910)**	248,866	**(2,044)**
OPERATING PROFIT (DECREASE)	**(555,931)**	512,503	**(43,428)**
Decrease in finance expenses other than the remeasurement of forward purchase agreement liabilities and the loss on early extinguishment of long-term debt	**123**	-	**123**
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	**2,976**	-	**2,976**
Decrease in income taxes expense	**70,573**	(57,715)	**12,858**
NET INCOME (DECREASE)	**(471,784)**	444,313	**(27,471)**

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

The detail of impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt recorded are presented below:

	Fourth Quarters Ended December 30,		Years Ended December 30,	
	2018	2017	2018	2017
	$	$	$	$
Write-down of long-lived assets	-	-	-	368
Inventory markdowns (reversals)	487	(239)	2,258	242
Recorded within gross profit	**487**	**(239)**	**2,258**	**610**
Employee severance and termination benefits	2,976	3,880	6,796	8,098
Accelerated depreciation and write-down of long-lived assets	-	1,916	7,962	1,916
Net losses from the disposals of assets held for sale	-	9	-	631
Curtailments gain on net pension defined benefit liabilities	(170)	(1,908)	(170)	(1,908)
Other associated costs	(42)	241	1,769	3,077
Recorded within a separate line in the consolidated income statements	**2,764**	**4,138**	**16,357**	**11,814**
Total restructuring costs	**3,251**	**3,899**	**18,615**	**12,424**
Other costs recorded within gross profit	**-**	**(199)**	**-**	**(350)**
Acquisition-related costs	252	-	252	-
Recorded within a separate line in the consolidated income statements	**252**	**-**	**252**	**-**
Total other costs	**252**	**(199)**	**252**	**(350)**
Total restructuring and other costs	**3,503**	**3,700**	**18,867**	**12,074**
Impairment losses on goodwill, intangible assets and property, plant and equipment	**501,446**	**19,929**	**525,639**	**19,929**
Loss on remeasurement of forward purchase agreement liabilities	**-**	**-**	**-**	**276**
Loss on early extinguishment of long-term debt	**-**	**-**	**-**	**10,199**
Total restructuring and other costs, impairment losses on goodwill, intangible assets and property, plant and equipment, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt before income taxes (1)	**504,949**	**23,629**	**544,506**	**42,478**
Total restructuring and other costs, impairment losses on goodwill, intangible assets and property, plant and equipment, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt after income taxes	**454,196**	**23,402**	**483,827**	**39,514**
Total impact on diluted earnings (loss) per share	**(13.99)**	**(0.72)**	**(14.91)**	**(1.21)**
(1) Includes non-cash amounts of:	**501,763**	**19,707**	**535,321**	**22,871**

Impairment losses on goodwill, intangible assets and property, plant and equipment

During the second quarter of 2018, as Dorel Juvenile – Latin America's business continued to face a decline in sales and profitability as a result of changes in the market and consumer behaviour, assumptions on projected earnings and cash flows growth for Dorel Juvenile – Latin America CGU were revised. As a result, during the second quarter of 2018, the Company recorded impairment charges on customer relationships of $8.9 million and trademarks of $15.3 million (Infanti brand) for a total of $24.2 million, as it has concluded that the recoverable amount based on the value in use was less than the carrying amount of the CGU.

In addition, due to the recent sustained decline in Dorel's stock price during 2018, which caused Dorel's market capitalization to be significantly lower than the carrying amount of its net assets, assumptions on projected earnings and cash flows growth were revised for the majority of its CGUs during the fourth quarter of 2018. The latest projections include, among other things, the impacts of the recently announced tariffs on Chinese imports, other inflation and market conditions for Dorel's CGUs, more conservative expectations of future revenues and margins compared to prior periods' expectations related to certain trademarks within the CGUs, as well as projected benefits from Dorel's past restructuring plans. Furthermore, Dorel applied higher risk adjusted discount rates to the projected cash flows of its CGUs for discounted cash flow estimates and/or higher discount to derive the multiples used for fair value determination, which reduced the recoverable amounts of each of Dorel's CGUs, except the Dorel Home CGU, below their carrying values. As a result, Dorel recorded the following impairment charges during the fourth quarter of 2018:

	Fourth quarter ended December 30, 2018					
	Goodwill	**Trademarks**	**Customer relationships**	**Software licenses**	**Property, plant and equipment**	**Total**
	$	$	$	$	$	$
Dorel Juvenile – North America	66,826	-	-	-	-	66,826
Dorel Juvenile – Europe	143,615	29,170	11,534	-	-	184,319
Dorel Juvenile – Brazil	695	1,063	926	-	-	2,684
Dorel Juvenile – Australia	-	2,717	-	-	-	2,717
Dorel Juvenile – China	7,677	-	-	-	-	7,677
Dorel Sports – Mass markets	134,821	9,059	-	-	-	143,880
Dorel Sports – Independent bike dealers (IBD)	-	53,108	-	931	5,971	60,010
Dorel Sports – Caloi	-	32,206	1,127	-	-	33,333
Total	**353,634**	**127,323**	**13,587**	**931**	**5,971**	**501,446**

In relation to the above impairment charges, some deferred tax liabilities were reversed representing $62.9 million while some deferred tax assets in different entities could no longer be considered recoverable and were derecognized representing $13.0 million for an overall net deferred tax impact of $49.9 million.

Restructuring costs

Dorel Juvenile segment

For the fourth quarter of 2018, Dorel Juvenile segment recorded restructuring costs of $3.3 million under its restructuring 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 $3.3 million expenses incurred during the quarter included $2.9 million of employee severance and termination benefits, $0.2 million of non-cash curtailment gain on net pension defined benefit liabilities and $0.6 million of non-cash inventory markdowns.

For the year ended December 30, 2018, Dorel Juvenile segment recorded restructuring costs of $6.8 million including $0.6 million of non-cash inventory markdowns, $6.1 million of employee severance and termination benefits, $0.2 million of non-cash curtailment gain on net pension defined benefit liabilities and $0.3 million of other associated costs.

These restructuring initiatives were completed in the fourth quarter of 2018. Total costs related to these restructuring initiatives were $42.9 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, $3.1 million of non-cash inventory markdowns, $3.3 million of curtailment gain on net pension defined benefit liabilities, $24.8 million of employee severance and termination benefits and $5.0 million of other associated costs. There are no significant expected remaining costs associated with this restructuring initiative.

Dorel Sports segment

In the second quarter of 2018, the Company announced it was divesting its performance apparel line of business to focus on its core strategic businesses of bikes, parts and accessories and electric ride-ons and had sold the SUGOI and Sombrio brands. As a result of the sale of the performance apparel line of business, nil and $11.8 million were recorded for the fourth quarter and the year ended December 30, 2018, respectively as restructuring costs. There are no significant expected remaining costs associated with this restructuring initiative.

c) Selected financial information

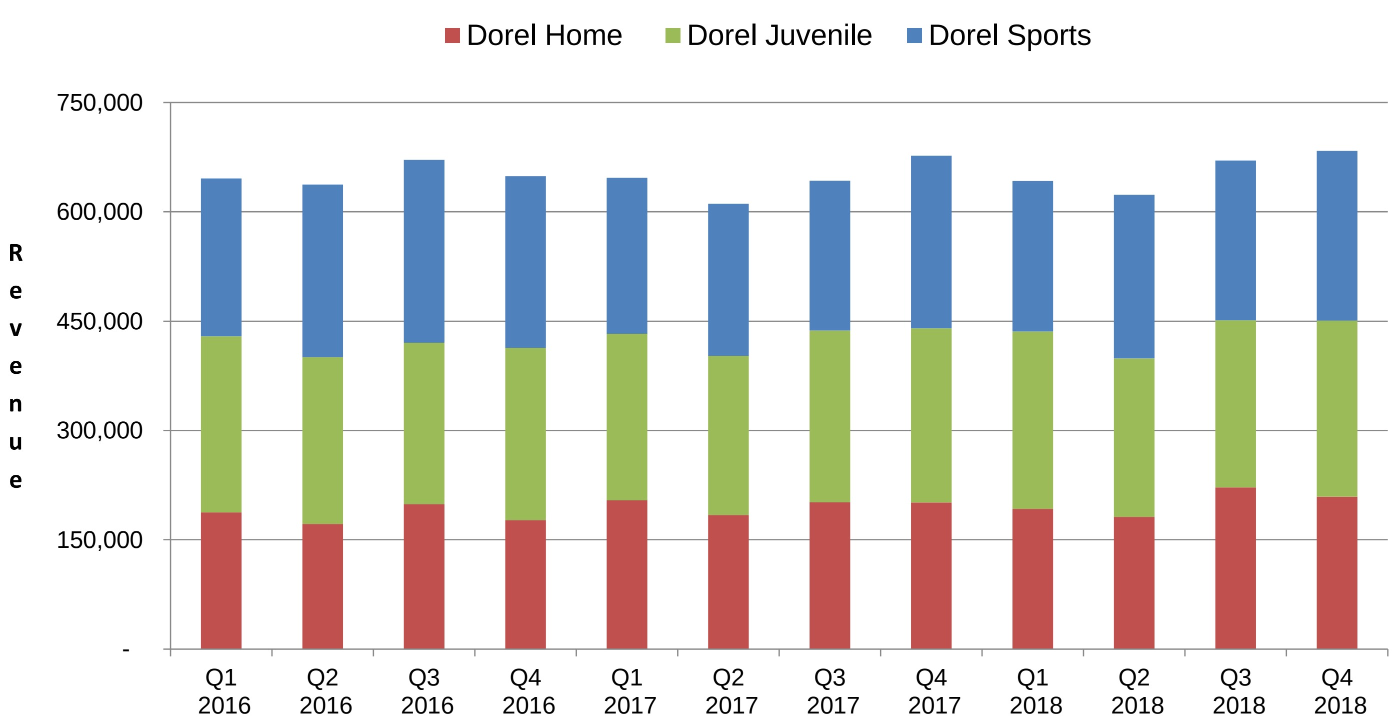
Variations in total revenue across the Company's segments for the fourth quarters and years ended December 30:

	Fourth Quarters Ended December 30,				**Years Ended December 30,**			
	2018	**2017**(1)	**Change**		**2018**	**2017**(1)	**Change**	
	$	$	$	%	$	$	$	%
Dorel Home	209,262	200,975	8,287	4.1	804,447	790,619	13,828	1.7
Dorel Juvenile	241,598	239,306	2,292	1.0	932,060	921,669	10,391	1.1
Dorel Sports	232,686	236,771	(4,085)	(1.7)	883,006	865,380	17,626	2.0
TOTAL REVENUE	683,546	677,052	6,494	1.0	2,619,513	2,577,668	41,845	1.6

(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.

Seasonality

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



Selected financial information from the consolidated income statement for the quarters ended:

	2018				2017[1]				
	Dec. 30	Sep. 30	Jun. 30	Mar. 31	Dec. 30	Sep. 30	Jun. 30	Mar. 31	
	$	$	$	$	$	$	$	$	
Total revenue	683,546	670,437	623,244	642,286	677,052	642,634	611,270	646,712	
Net income (loss)	(443,898)	9,594	(14,768)	4,729	(6,134)	13,294	11,440	8,841	
Per share - Basic	(13.68)	0.30	(0.46)	0.15	(0.19)	0.41	0.35	0.27	
Per share - Diluted	(13.68)	0.29	(0.46)	0.14	(0.19)	0.41	0.35	0.27	
Adjusted net income	10,298	10,988	12,656	5,542	17,268	14,538	12,444	22,705	
Per share - Basic	0.32	0.34	0.39	0.17	0.53	0.45	0.38	0.70	
Per share - Diluted	0.31	0.34	0.39	0.17	0.53	0.44	0.38	0.69	[2]
After-tax impact of impairment losses on goodwill, intangible assets and property, plant and equipment, 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	(13.99)	(0.05)	(0.85)	(0.03)	(0.72)	(0.03)	(0.03)	(0.42)	

(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 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.

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 and 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.

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

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

Selected financial information from the consolidated income statement for the years ended December 30:

	2018		2017[1]		2016[1]	
	$	% of revenue	$	% of revenue	$	% of revenue
Total revenue	2,619,513	100.0	2,577,668	100.0	2,603,185	100.0
Net income (loss)	(444,343)	(17.0)	27,441	1.1	(11,611)	(0.4)
Per share - Basic	(13.70)		0.85		(0.36)	
Per share - Diluted	(13.70)		0.84		(0.36)	
Adjusted net income	39,484	1.5	66,955	2.6	58,251	2.2
Per share - Basic	1.22		2.07		1.80	
Per share - Diluted	1.21		2.05		1.79	
After-tax impact of impairment losses on goodwill, intangible assets and property, plant and equipment, 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 year	(14.91)		(1.21)		(2.15)	
Cash dividends declared per share	1.20		1.20		1.20	

(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.

d) Consolidated operating review

For the fourth quarter of 2018, Dorel's revenue increased by $6.5 million, or 1.0%, to $683.5 million and organic revenue increased by approximately 3.2%, after removing the variation of foreign exchange rates year-over-year. When also removing the impact on revenue related to the divestment of the performance apparel line of business (SUGOI), organic revenue rose by approximately 3.6%. In Dorel Home, the increase in revenue is explained by higher sales to on-line retailers as e-commerce channel represented 59% of total segment gross sales compared to 58% in 2017. In Dorel Juvenile, the increase in revenue is explained mainly by Dorel Juvenile U.S. and Dorel Juvenile Brazil increased sales, partly offset by challenges in the Chilean market. In Dorel Sports, the increase in organic revenue is explained mainly by growth at CSG and at Caloi in Brazil, partly offset by lower than expected holiday point-of-sales in Pacific Cycle.

For the full year, Dorel's revenue increased by $41.8 million, or 1.6%, to $2,619.5 million compared to $2,577.7 million last year. Organic revenue increased by approximately 1.5% after removing the variation of foreign exchange rates year-over-year and by approximately 1.8% when also removing the impact on revenue related to the divestment of the performance apparel line of business during the second quarter of 2018. The increase in revenue and organic revenue explanations for the quarter are also valid for the full year, while Dorel Home e-commerce channel sales represented 56% of total segment gross sales compared to 52% in 2017.

Gross profit for the fourth quarter declined by 290 basis points to 20.9% from 23.8% in 2017 and adjusted gross profit declined by 280 basis points to 21.0% from 23.8% last year when excluding restructuring and other costs. For the year, both gross profit and adjusted gross profit declined by 210 basis points to 21.6%, from 23.7% in 2017, mainly due to higher input costs in all three segments. Dorel Home and Dorel Sports gross profit was also impacted by a less favourable product mix and Dorel Juvenile gross profit was also impacted by price reductions that were put in place to protect shelf space on existing items.

Selling expenses for the fourth quarter decreased by $2.1 million, or 3.6%, to $56.8 million from $58.9 million in the prior year and by 40 basis points as a percentage of revenue. The decrease in the quarter was mainly attributable to reduced sponsorship costs at CSG and the savings due to the exit of the apparel line of business in the second quarter of 2018 in Dorel Sports. For the full year, selling expenses remained comparable to 2017.

General and administrative expenses declined in the fourth quarter by $6.9 million, or 11.5%, to $53.2 million and by 100 basis points as a percentage of revenue. For the year, these expenses decreased by $20.7 million, or 9.4%, to $200.0 million and by 90 basis points as a percentage of revenue. The majority of the decrease during the fourth quarter and the full year was attributable to lower product liability costs in Dorel Home and Dorel Sports, savings due to the decision to exit the performance apparel line of business in Dorel Sports, lower performance-based incentive costs at Dorel Juvenile and Dorel Home and cost saving initiatives across all segments. This was partly offset by increased information technology expenses to support the growth of Dorel Home's on-line business and by higher product liability costs in Dorel Juvenile due to higher settlements and related legal costs.

Research and development expenses for the fourth quarter increased by $2.4 million, or 30.4%, to $10.5 million and by 30 basis points as a percentage of revenue. For the full year, these expenses increased by $6.8 million, or 21.7%, to $37.8 million and by 20 basis points as a percentage of revenue. The increases are mainly due to the greater number of new product projects resulting in higher spending and amortization at Dorel Juvenile.

Impairment loss on trade and other receivables was $3.0 million for the fourth quarter of 2018 compared to $4.3 million in 2017. For the full year, this impairment loss on trade and other receivables was $16.4 million compared to $7.6 million with the prior year. Following Toys"R"Us' announcement that it had filed a motion seeking Bankruptcy Court approval on March 15, 2018, Dorel recorded an impairment loss of $3.8 million during the fourth quarter of 2017 and an additional $12.5 million during the first quarter of 2018 with respect to the trade accounts receivable from Toys"R"Us U.S. Of the $12.5 million, $2.1 million (fourth quarter ended December 30, 2017 – nil) was within Dorel Home, $3.8 million (fourth quarter ended December 30, 2017 – $0.7 million) was within Dorel Juvenile and $6.6 million (fourth quarter ended December 30, 2017 – $3.1 million) was within Dorel Sports. During the third quarter of 2018, the Bankruptcy Court approved the Toys"R"Us settlement agreement with its creditors and lenders, and as part of the settlement agreement reached, Dorel received approximately 22 cents on the dollar. During the fourth quarter of 2018, Dorel recorded an additional impairment loss of $2.1 million, as Dorel Sports' customer, Evans Cycles, entered administration in the United Kingdom.

As detailed above, due to the recent sustained decline in Dorel's stock price during 2018, which caused Dorel's market capitalization to be significantly lower than the carrying amount of its net assets, the Company recorded impairment losses on goodwill of $353.6 million, on trademarks of $127.3 million, on customer relationships of $13.6 million, on software licenses of $0.9 million and on property, plant and equipment of $6.0 million for a total of $501.4 million during the fourth quarter of 2018. Of the $501.4 million recorded, $264.2 million was within Dorel Juvenile and $237.2 million was within Dorel Sports. For the full year, total impairment losses were $525.6 million in 2018 compared with $19.9 million in the prior year.

The Company reported an operating loss of $484.9 million during the fourth quarter of 2018 compared to an operating profit of $6.1 million in 2017. Excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, adjusted operating profit decreased by $9.7 million to $20.0 million. For the year, the Company reported an operating loss of $465.5 million compared to an operating profit of $87.4 million last year. Excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, adjusted operating profit for the year declined by $40.5 million to $79.0 million. For both periods, the adjusted operating profit declines were due to lower gross profit across all segments, partly offset by overall lower selling, general and administrative expenses. In addition, the decrease in adjusted operating profit for the year is also due to the increased research and development expenses for the year, mainly at Dorel Juvenile, and the additional impairment loss with respect to the trade accounts receivable from Toys"R"Us U.S. of $12.5 million recorded in the first quarter of 2018 compared to $3.8 million recorded in the fourth quarter of 2017.

Details of finance expenses are summarized below:

	Fourth Quarters Ended December 30,				Years Ended December 30,			
	2018	2017	Change		**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	**6,410**	6,139	271	4.4	**25,725**	23,746	1,979	8.3
Remeasurement of forward purchase agreement liabilities	**-**	-	-	-	**-**	276	(276)	(100.0)
Amortization of deferred financing costs	**298**	(48)	346	720.8	**1,096**	1,152	(56)	(4.9)
Loss on early extinguishment of long-term debt	**-**	-	-	-	**-**	10,199	(10,199)	(100.0)
Other interest	**1,918**	2,131	(213)	(10.0)	**5,829**	7,875	(2,046)	(26.0)
TOTAL REPORTED	**8,626**	8,222	404	4.9	**32,650**	43,248	(10,598)	(24.5)
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	**8,626**	8,222	404	4.9	**32,650**	32,773	(123)	(0.4)

Finance expenses increased by $0.4 million to $8.6 million during the fourth quarter and decreased by $10.6 million to $32.7 million for the year from 2017 periods. The decrease of the finance expenses for the year is mainly due 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.

2017 full year finance 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 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 $0.1 million, or 0.4%, to $32.7 million for the year. Interest on long-term debt increased by $0.3 million for the fourth quarter and increased by $2.0 million for the year. The increase for the fourth quarter is explained by higher average interest rate compared to last year. The increase for the year is due to higher average long-term debt balances and higher year-to-date average interest rate of 5.1% compared to 4.8% in 2017. Other interest declined by $0.2 million for the fourth quarter and by $2.0 million for the year due to lower average bank indebtedness balances and by lower average interest rate on bank indebtedness.

The Company reported a loss before income taxes of $493.5 million during the fourth quarter of 2018 compared to $2.2 million last year. For the year, the loss before income taxes was $498.2 million compared with an income before income taxes of $44.2 million in 2017. Excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, adjusted income before income taxes declined by $10.1 million to $11.4 million for the quarter and declined by $40.3 million to $46.3 million for the full year.

During the fourth quarter of 2018, the net loss was $443.9 million or $13.68 per diluted share compared to $6.1 million or $0.19 per diluted share last year. For the year, these amounts represented a net loss of $444.3 million or $13.70 per diluted share and a net income of $27.4 million or $0.84 per diluted share respectively. Excluding impairment losses on goodwill, intangible assets and property, plant and equipment, as well as restructuring and other costs, adjusted net income for the quarter was $10.3 million or $0.31 per diluted share compared to $17.3 million or $0.53 per diluted share last year. Adjusted net income for the year declined by $27.5 million to $39.5 million from $67.0 million in 2017 and represented, on an adjusted diluted EPS basis, $1.21 in 2018 compared to $2.05 last year. The liquidation of Toys"R"Us in the U.S. resulted in an impairment loss on trade and other receivables of $12.5 million ($9.4 million net of tax) in the first quarter of 2018, or $0.29 per diluted share and also an impairment loss of $3.8 million ($2.8 million net of tax), or $0.09 per diluted share in the fourth quarter of 2017. When also removing the impact of Toys"R"Us, adjusted net income for the fourth quarter in 2018 was $10.3 million, or $0.31 per diluted share compared to $20.1 million, or $0.62 per diluted share in 2017 and for the full year 2018, adjusted net income was $48.9 million or $1.50 per diluted share compared to $69.8 million or $2.14 per diluted share for the same period 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 tax laws, as well as the application of income tax treaties between various countries. As such, significant variations can occur from year-to-year and between quarters within a given year. During the fourth quarter and year ended December 30, 2018, the Company's effective tax rates were 10.1% and 10.8%, respectively versus (184.1%) and 37.9% for the same periods in the prior year. Excluding income taxes on impairment losses on goodwill, intangible assets and property, plant and equipment, as well as restructuring and other costs, the Company's fourth quarter adjusted tax rate was 9.7% in 2018 and 19.6% in 2017. Excluding income taxes on impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, remeasurement of forward purchase agreement liabilities and loss on early extinguishment of long-term debt, the adjusted tax rate for the year was 14.8% in 2018 versus 22.7% in 2017. Variations in the adjusted tax rate year-over-year for the fourth quarter and full year are explained largely 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, effective as of January 1, 2018.

The components and variation in the Company's tax rate from 2017 to 2018 are summarized below:

	Years Ended December 30,			
	2018		2017 (1)	
	$	%	$	%
INCOME (LOSS) BEFORE INCOME TAXES	(498,163)	-	44,194	-
PROVISION FOR INCOME TAXES (2)	(131,016)	26.3	11,623	26.3
ADD (DEDUCT) EFFECT OF:				
Difference in statutory tax rates of foreign subsidiaries	10,933	(2.2)	3,520	8.0
Non-recognition of tax benefits related to tax losses and temporary differences	20,344	(4.1)	5,142	11.6
Tax incentives	(888)	0.2	(1,979)	(4.5)
Non-deductible forward purchase agreement liabilities	-	-	94	0.2
Non-deductible impairment of goodwill	53,414	(10.7)	5,640	12.8
Permanent differences	(6,593)	1.3	(6,214)	(14.1)
Tax rate changes (3)	(1,174)	0.2	(3,910)	(8.8)
Foreign exchange and other - net	1,160	(0.2)	2,837	6.4
TOTAL INCOME TAXES	(53,820)	10.8	16,753	37.9

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

(2) The applicable statutory tax rates are 26.3% for the years ended December 30, 2018 and 2017. The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

(3) For December 30, 2017, a tax benefit of $4.853 million relates 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 U.S. Tax Reform introduces other important changes to U.S. corporate income tax laws, which did not significantly impact the Company.

	Years Ended December 30,			
	2018		2017 (1)	
	$	%	$	%
ADJUSTED INCOME BEFORE INCOME TAXES	46,343	-	86,672	-
PROVISION FOR INCOME TAXES (2)	12,188	26.3	22,795	26.3
ADD (DEDUCT) EFFECT OF:				
Difference in statutory tax rates of foreign subsidiaries	(1,203)	(2.6)	4,125	4.8
Non-recognition of tax benefits related to tax losses and temporary differences	5,781	12.5	2,537	2.9
Tax incentives	(888)	(1.9)	(1,979)	(2.3)
Permanent differences	(8,478)	(18.3)	(6,677)	(7.7)
Tax rate changes (3)	(1,174)	(2.5)	(3,910)	(4.5)
Foreign exchange and other - net	633	1.3	2,826	3.2
TOTAL ADJUSTED INCOME TAXES	6,859	14.8	19,717	22.7

(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.

(2) The applicable statutory tax rates are 26.3% for the years ended December 30, 2018 and 2017. The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

(3) For December 30, 2017, a tax benefit of $4.853 million relates 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 U.S. Tax Reform introduces other important changes to U.S. corporate income tax laws, which did not significantly impact the Company.

e) Segmented operating review

Segmented figures are presented in Note 31 of the Company's Consolidated Financial Statements. Further reporting segment detail is presented below.

Dorel Home

Reconciliation of non-GAAP financial measures

	Fourth Quarters Ended December 30,									
	2018					2017[1]				
	Reported	% of revenue	Other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**209,262**	100.0	-	**209,262**	100.0	**200,975**	100.0	-	**200,975**	100.0
Cost of sales	**175,802**	84.0	-	**175,802**	84.0	**162,277**	80.7	-	**162,277**	80.7
GROSS PROFIT	**33,460**	16.0	-	**33,460**	16.0	**38,698**	19.3	-	**38,698**	19.3
Selling expenses	**6,923**	3.3	-	**6,923**	3.3	**6,814**	3.4	-	**6,814**	3.4
General and administrative expenses	**7,739**	3.7	-	**7,739**	3.7	**9,799**	4.9	-	**9,799**	4.9
Research and development expenses	**993**	0.5	-	**993**	0.5	**1,032**	0.5	-	**1,032**	0.5
Impairment loss on trade and other receivables (reversal)	**58**	-	-	**58**	-	**(11)**	-	-	**(11)**	-
Other costs	**252**	0.1	(252)	**-**	-	**-**	-	-	**-**	-
OPERATING PROFIT	**17,495**	8.4	252	**17,747**	8.5	**21,064**	10.5	-	**21,064**	10.5

	Years Ended December 30,									
	2018					2017[1]				
	Reported	% of revenue	Other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**804,447**	100.0	-	**804,447**	100.0	**790,619**	100.0	-	**790,619**	100.0
Cost of sales	**671,598**	83.5	-	**671,598**	83.5	**649,069**	82.1	-	**649,069**	82.1
GROSS PROFIT	**132,849**	16.5	-	**132,849**	16.5	**141,550**	17.9	-	**141,550**	17.9
Selling expenses	**26,186**	3.3	-	**26,186**	3.3	**25,945**	3.3	-	**25,945**	3.3
General and administrative expenses	**29,886**	3.6	-	**29,886**	3.6	**33,642**	4.2	-	**33,642**	4.2
Research and development expenses	**4,241**	0.5	-	**4,241**	0.5	**3,859**	0.5	-	**3,859**	0.5
Impairment loss on trade and other receivables	**2,112**	0.3	-	**2,112**	0.3	**23**	-	-	**23**	-
Other costs	**252**	0.1	(252)	**-**	-	**-**	-	-	**-**	-
OPERATING PROFIT	**70,172**	8.7	252	**70,424**	8.8	**78,081**	9.9	-	**78,081**	9.9

(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 reclassified due to a new impairment loss line presentation.

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

	Fourth Quarters Ended December 30,					Years Ended December 30,				
	Change									
	Reported		Other costs	**Adjusted**		**Reported**		Other costs	**Adjusted**	
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**8,287**	4.1	-	**8,287**	4.1	**13,828**	1.7	-	**13,828**	1.7
Cost of sales	**13,525**	8.3	-	**13,525**	8.3	**22,529**	3.5	-	**22,529**	3.5
GROSS PROFIT	**(5,238)**	(13.5)	-	**(5,238)**	(13.5)	**(8,701)**	(6.1)	-	**(8,701)**	(6.1)
Selling expenses	**109**	1.6	-	**109**	1.6	**241**	0.9	-	**241**	0.9
General and administrative expenses	**(2,060)**	(21.0)	-	**(2,060)**	(21.0)	**(3,756)**	(11.2)	-	**(3,756)**	(11.2)
Research and development expenses	**(39)**	(3.8)	-	**(39)**	(3.8)	**382**	9.9	-	**382**	9.9
Impairment loss on trade and other receivables	**69**	627.3	-	**69**	627.3	**2,089**	9,082.6	-	**2,089**	9,082.6
Other costs	**252**	100.0	(252)	**-**	-	**252**	100.0	(252)	**-**	-
OPERATING PROFIT	**(3,569)**	(16.9)	252	**(3,317)**	(15.7)	**(7,909)**	(10.1)	252	**(7,657)**	(9.8)

Dorel Home's fourth quarter revenue increased by $8.3 million, or 4.1%, to $209.3 million from $201.0 million last year. Revenue for the full year increased by $13.8 million, or 1.7%, to $804.4 million from $790.6 million in 2017. On-line sales were the highest ever recorded in the segment's history driven by continued growth in sales to on-line retailers and to the direct-to-consumers Internet business. For the fourth quarter and full year, e-commerce sales represented 59% and 56% of total segment gross sales compared to 58% and 52% respectively for the comparable periods in 2017.

Gross profit, at 16.0% in the fourth quarter and 16.5% for the full year, decreased by 330 and 140 basis points respectively over last year's fourth quarter and year-to-date periods. A major component of the margin decline was the potential impact of further U.S. tariffs on Chinese-sourced product that were expected on January 1, 2019. As in many industries, purchases were accelerated into 2018. The resultant increased demand for overseas containers drove higher transportation costs and higher inventories meant an increase in warehousing and other overheads. In addition, product mix was less favourable with a higher proportion of lower margin product sales. Warehouse and distribution costs were higher than last year for both the quarter and the full year due to the segment's additional overall warehouse footprint, higher wage costs and increased inventory levels in advance of expected tariffs.

Selling, general and administrative and research and development expenses declined by $2.0 million, or 11.3%, during the fourth quarter and by $3.1 million, or 4.9%, for the year representing decreases of 1.3% for the quarter and 0.6% for the year as a percentage of revenue. The decreases for both the quarter and the full year were primarily due to reduced product liability costs and lower performance-based incentive costs, partly offset by increased information technology expenses to support the growth of Dorel Home's on-line business.

Impairment loss on trade and other receivables remained comparable to 2017 for the fourth quarter and grew by $2.1 million for the full year. The year-to-date 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.

Dorel Home's operating profit for the quarter decreased by $3.6 million, or 16.9%, to $17.5 million from $21.1 million in 2017. Excluding Alphason's acquisition-related costs, adjusted operating profit decreased by $3.3 million to $17.7 million, which was explained by lower gross profit partly offset by reduced operating expenses. For the year, operating profit declined by $7.9 million, or 10.1%, to $70.2 million. While removing Alphason's acquisition-related costs, adjusted operating profit was $70.4 million, a decrease of $7.7 million, or 9.8%, from last year mainly due to lower gross profit and the impairment loss on trade accounts receivable from Toys"R"Us U.S. recorded in the first quarter of 2018 partly offset by reduced operating expenses.

Dorel Juvenile

Reconciliation of non-GAAP financial measures

	Fourth Quarters Ended December 30,									
	2018					2017[1]				
	Reported	% of revenue	Impairment losses on goodwill and intangible assets, restructuring and other costs	Adjusted	% of revenue	Reported	% of revenue	Impairment loss on goodwill, restructuring and other costs	Adjusted	% of revenue
	$	%	$	$	%	$	%	$	$	%
TOTAL REVENUE	**241,598**	100.0	-	**241,598**	100.0	**239,306**	100.0	-	**239,306**	100.0
Cost of sales	**180,172**	74.6	(552)	**179,620**	74.3	**168,661**	70.5	(281)	**168,380**	70.4
GROSS PROFIT	**61,426**	25.4	552	**61,978**	25.7	**70,645**	29.5	281	**70,926**	29.6
Selling expenses	**28,809**	11.9	-	**28,809**	11.9	**29,532**	12.3	-	**29,532**	12.3
General and administrative expenses	**22,347**	9.3	-	**22,347**	9.3	**25,087**	10.6	-	**25,087**	10.6
Research and development expenses	**8,175**	3.4	-	**8,175**	3.4	**5,634**	2.3	-	**5,634**	2.3
Impairment loss on trade and other receivables	**916**	0.4	-	**916**	0.4	**988**	0.4	-	**988**	0.4
Restructuring and other costs	**2,708**	1.0	(2,708)	**-**	-	**3,780**	1.6	(3,780)	**-**	-
Impairment losses on goodwill and intangible assets	**264,223**	109.4	(264,223)	**-**	-	**19,929**	8.3	(19,929)	**-**	-
OPERATING PROFIT (LOSS)	**(265,752)**	(110.0)	267,483	**1,731**	0.7	**(14,305)**	(6.0)	23,990	**9,685**	4.0

	Years Ended December 30,									
	2018					2017[1]				
	Reported	% of revenue	Impairment losses on goodwill and intangible assets, restructuring and other costs	Adjusted	% of revenue	Reported	% of revenue	Impairment loss on goodwill, restructuring and other costs	Adjusted	% of revenue
	$	%	$	$	%	$	%	$	$	%
TOTAL REVENUE	**932,060**	100.0	-	**932,060**	100.0	**921,669**	100.0	-	**921,669**	100.0
Cost of sales	**687,899**	73.8	(639)	**687,260**	73.7	**646,408**	70.1	(1,575)	**644,833**	70.0
GROSS PROFIT	**244,161**	26.2	639	**244,800**	26.3	**275,261**	29.9	1,575	**276,836**	30.0
Selling expenses	**117,915**	12.7	-	**117,915**	12.7	**116,275**	12.6	-	**116,275**	12.6
General and administrative expenses	**82,759**	8.9	-	**82,759**	8.9	**91,707**	9.9	-	**91,707**	9.9
Research and development expenses	**28,283**	3.0	-	**28,283**	3.0	**21,893**	2.4	-	**21,893**	2.4
Impairment loss on trade and other receivables	**5,102**	0.5	-	**5,102**	0.5	**2,493**	0.3	-	**2,493**	0.3
Restructuring and other costs	**6,192**	0.7	(6,192)	**-**	-	**10,358**	1.1	(10,358)	**-**	-
Impairment losses on goodwill and intangible assets	**288,416**	30.9	(288,416)	**-**	-	**19,929**	2.2	(19,929)	**-**	-
OPERATING PROFIT (LOSS)	**(284,506)**	(30.5)	295,247	**10,741**	1.2	**12,606**	1.4	31,862	**44,468**	4.8

(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 reclassified due to a new impairment loss line presentation.

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

	Fourth Quarters Ended December 30,					Years Ended December 30,				
	Change									
	Reported		Impairment losses on goodwill and intangible assets, restructuring and other costs	Adjusted		Reported		Impairment losses on goodwill and intangible assets, restructuring and other costs	Adjusted	
	$	%	$	$	%	$	%	$	$	%
TOTAL REVENUE	**2,292**	1.0	-	**2,292**	1.0	**10,391**	1.1	-	**10,391**	1.1
Cost of sales	**11,511**	6.8	(271)	**11,240**	6.7	**41,491**	6.4	936	**42,427**	6.6
GROSS PROFIT	**(9,219)**	(13.0)	271	**(8,948)**	(12.6)	**(31,100)**	(11.3)	(936)	**(32,036)**	(11.6)
Selling expenses	**(723)**	(2.4)	-	**(723)**	(2.4)	**1,640**	1.4	-	**1,640**	1.4
General and administrative expenses	**(2,740)**	(10.9)	-	**(2,740)**	(10.9)	**(8,948)**	(9.8)	-	**(8,948)**	(9.8)
Research and development expenses	**2,541**	45.1	-	**2,541**	45.1	**6,390**	29.2	-	**6,390**	29.2
Impairment loss on trade and other receivables	**(72)**	(7.3)	-	**(72)**	(7.3)	**2,609**	104.7	-	**2,609**	104.7
Restructuring and other costs	**(1,072)**	(28.4)	1,072	**-**	-	**(4,166)**	(40.2)	4,166	**-**	-
Impairment losses on goodwill and intangible assets	**244,294**	1,225.8	(244,294)	**-**	-	**268,487**	1,347.2	(268,487)	**-**	-
OPERATING PROFIT (LOSS)	**(251,447)**	(1,757.8)	243,493	**(7,954)**	(82.1)	**(297,112)**	(2,356.9)	263,385	**(33,727)**	(75.8)

Dorel Juvenile's fourth quarter revenue increased by $2.3 million, or 1.0%, to $241.6 million from $239.3 million in 2017, which was negatively impacted by less favourable foreign exchange rates as the organic revenue increase was approximately 4.1%. Full year revenue increased by $10.4 million, or 1.1%, to $932.1 million from $921.7 million. Excluding the impact of varying foreign exchange rates year-over-year, the year-to-date organic revenue increase was approximately 0.4% as year-to-date foreign exchange rates have been more favourable. Dorel Juvenile U.S. sales growth continued into the fourth quarter. Sales improvements continued from new product introductions and at major customers as they benefited from the absence of Toys“R”Us stores. In Dorel Juvenile Brazil, new product launches coupled with growth in on-line sales contributed to the growth in revenue for both the quarter and the full year.

Sales in Europe in Euro were flat for the quarter as sales from new products, including strollers and cars seats under the Maxi-Cosi brand, were offset by decreases in other brands. For the full year, sales in Europe in Euro were slightly down, mainly due to the issues implementing a Warehouse Management System (WMS) in the second quarter of 2018 and price reductions that were put in place to protect shelf space on existing items. In Chile, revenue in local currency declined significantly due to continued local challenges and management there is focused on right-sizing its retail footprint and product offering.

Gross profit for the fourth quarter and the full year was 25.4% and 26.2%, respectively, while adjusted gross profit for the quarter and the full year was 25.7% and 26.3%, respectively, when excluding restructuring and other costs. This represented declines of 410 basis points for the quarter and 370 basis points for the year. On an adjusted basis, the declines represented 390 basis points for the quarter and 370 basis points for the year. In Europe, in anticipation of new model introductions to come in 2019, price reductions were put in place to protect shelf space on existing items which decreased margins in the quarter. In Chile, price discounting continued to achieve critical holiday sales and lower inventories as it exits certain categories as part of its process to right-size the business. Several markets have been forced to raise prices as the steady increase in the US dollar and higher input costs, such as resin, have reduced margins.

Selling expenses for the fourth quarter decreased by $0.7 million, or 2.4%, and by 0.4% as a percentage of revenue. Selling expenses for the full year increased by $1.6 million, or 1.4%, and by 0.1% as a percentage of revenue. The increase for the year is mainly explained by the impact of foreign exchange rate variations year-over-year.

General and administrative expenses decreased by $2.7 million, or 10.9%, for the quarter and by 1.3% as a percentage of revenue. General and administrative expenses decreased by $8.9 million, or 9.8%, for the year and by 1.0% as a percentage of revenue. The decrease for the quarter and the full year is mainly due to lower performance-based incentive costs and cost reductions in response to lower gross profit, partly offset by higher product liability costs due to higher settlements and related legal costs.

Research and development expenses for the fourth quarter increased by $2.5 million, or 45.1%, and by 1.1% as a percentage of revenue. Research and development expenses for the full year increased by $6.4 million, or 29.2%, and by 0.6% as a percentage of revenue. The increases are due to the greater number of new product projects resulting in higher spending and amortization.

The impairment loss on trade and other receivables for the fourth quarter was comparable with 2017. For the year, the impairment loss was $5.1 million in 2018 compared to $2.5 million last year. The increase for the year is mainly 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 compared with $0.7 million recorded in the fourth quarter of 2017.

As the recent sustained decline in Dorel’s stock price during 2018 caused Dorel’s market capitalization to be significantly lower than the carrying amount of its net assets, Dorel Juvenile recorded the following impairment charges during the fourth quarter of 2018, as a result of Dorel’s revision of assumptions on projected earnings and cash flow growth for the majority of its CGUs as mentioned earlier:

	Fourth quarter ended December 30, 2018			
	Goodwill	**Trademarks**	**Customer relationships**	**Total**
	$	$	$	$
Dorel Juvenile – North America	66,826	-	-	66,826
Dorel Juvenile – Europe	143,615	29,170	11,534	184,319
Dorel Juvenile – Brazil	695	1,063	926	2,684
Dorel Juvenile – Australia	-	2,717	-	2,717
Dorel Juvenile – China	7,677	-	-	7,677
Total	**218,813**	**32,950**	**12,460**	**264,223**

Also, during the second quarter of 2018, Dorel Juvenile recorded impairment charges on customer relationships of $8.9 million and trademarks of $15.3 million (Infanti brand) for a total of $24.2 million, as assumptions on projected earnings and cash flows growth for Dorel Juvenile – Latin America CGU were revised due to Dorel Juvenile – Latin America's business continuing to face a decline in sales and profitability as a result of changes in the market and consumer behavior.

Operating loss increased by $251.4 million to $265.8 million during the fourth quarter of 2018. When excluding impairment losses on goodwill and intangible assets, restructuring and other costs, adjusted operating profit decreased by $8.0 million to $1.7 million from $9.7 million in 2017 mainly due to lower gross profit. Removing the impact of the 2017 fourth quarter impairment loss on trade accounts receivable from Toys"R"Us U.S. of $0.7 million, the comparative fourth quarter adjusted operating profit was $10.4 million a year ago. Operating loss increased by $297.1 million to $284.5 million for the year, while excluding impairment losses on goodwill and intangible assets, restructuring and other costs, adjusted operating profit decreased by $33.7 million to $10.7 million in the same period a year ago. When excluding the impairment loss on trade accounts receivable from Toys"R"Us U.S. of $3.8 million and $0.7 million recorded in the first quarter of 2018 and in the fourth quarter of 2017, respectively, adjusted operating profit was $14.5 million for the year compared to $45.2 million last year which is mainly explained by the decrease of 370 basis points in the adjusted gross profit as detailed above.

Dorel Sports

Reconciliation of non-GAAP financial measures

	Fourth Quarters Ended December 30,									
	2018					2017[(1)]				
	Reported	% of revenue	Impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**232,686**	100.0	-	**232,686**	100.0	**236,771**	100.0	-	**236,771**	100.0
Cost of sales	**184,525**	79.3	65	**184,590**	79.3	**184,666**	78.0	719	**185,385**	78.3
GROSS PROFIT	**48,161**	20.7	(65)	**48,096**	20.7	**52,105**	22.0	(719)	**51,386**	21.7
Selling expenses	**20,956**	9.0	-	**20,956**	9.0	**22,150**	9.4	-	**22,150**	9.4
General and administrative expenses	**18,652**	8.0	-	**18,652**	8.0	**18,393**	7.7	-	**18,393**	7.7
Research and development expenses	**1,314**	0.6	-	**1,314**	0.6	**1,373**	0.6	-	**1,373**	0.6
Impairment loss on trade and other receivables	**2,044**	0.9	-	**2,044**	0.9	**3,286**	1.4	-	**3,286**	1.4
Restructuring and other costs	**56**	-	(56)	**-**	-	**358**	0.1	(358)	**-**	-
Impairment losses on goodwill, intangible assets and property, plant and equipment	**237,223**	101.9	(237,223)	**-**	-	**-**	-	-	**-**	-
OPERATING PROFIT (LOSS)	**(232,084)**	(99.7)	237,214	**5,130**	2.2	**6,545**	2.8	(361)	**6,184**	2.6

	Years Ended December 30,									
	2018					2017[(1)]				
	Reported	% of revenue	Impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
TOTAL REVENUE	**883,006**	100.0	-	**883,006**	100.0	**865,380**	100.0	-	**865,380**	100.0
Cost of sales	**695,224**	78.7	(1,619)	**693,605**	78.6	**670,440**	77.5	1,315	**671,755**	77.6
GROSS PROFIT	**187,782**	21.3	1,619	**189,401**	21.4	**194,940**	22.5	(1,315)	**193,625**	22.4
Selling expenses	**88,876**	10.1	-	**88,876**	10.1	**89,197**	10.3	-	**89,197**	10.3
General and administrative expenses	**66,159**	7.5	-	**66,159**	7.5	**72,105**	8.4	-	**72,105**	8.4
Research and development expenses	**5,295**	0.6	-	**5,295**	0.6	**5,313**	0.6	-	**5,313**	0.6
Impairment loss on trade and other receivables	**9,211**	1.0	-	**9,211**	1.0	**5,106**	0.6	-	**5,106**	0.6
Restructuring and other costs	**10,165**	1.2	(10,165)	**-**	-	**1,456**	0.1	(1,456)	**-**	-
Impairment losses on goodwill, intangible assets and property, plant and equipment	**237,223**	26.9	(237,223)	**-**	-	**-**	-	-	**-**	-
OPERATING PROFIT (LOSS)	**(229,147)**	(26.0)	249,007	**19,860**	2.2	**21,763**	2.5	141	**21,904**	2.5

(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 reclassified due to a new impairment loss line presentation.

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

	Fourth Quarters Ended December 30,					Years Ended December 30,				
	Change									
	Reported		Impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs	Adjusted		Reported		Impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs	Adjusted	
	$	%	$	$	%	$	%	$	$	%
TOTAL REVENUE	**(4,085)**	(1.7)	-	**(4,085)**	(1.7)	**17,626**	2.0	-	**17,626**	2.0
Cost of sales	**(141)**	(0.1)	(654)	**(795)**	(0.4)	**24,784**	3.7	(2,934)	**21,850**	3.3
GROSS PROFIT	**(3,944)**	(7.6)	654	**(3,290)**	(6.4)	**(7,158)**	(3.7)	2,934	**(4,224)**	(2.2)
Selling expenses	**(1,194)**	(5.4)	-	**(1,194)**	(5.4)	**(321)**	(0.4)	-	**(321)**	(0.4)
General and administrative expenses	**259**	1.4	-	**259**	1.4	**(5,946)**	(8.2)	-	**(5,946)**	(8.2)
Research and development expenses	**(59)**	(4.3)	-	**(59)**	(4.3)	**(18)**	(0.3)	-	**(18)**	(0.3)
Impairment loss on trade and other receivables	**(1,242)**	(37.8)	-	**(1,242)**	(37.8)	**4,105**	80.4	-	**4,105**	80.4
Restructuring and other costs	**(302)**	(84.4)	302	**-**	-	**8,709**	598.1	(8,709)	**-**	-
Impairment losses on goodwill, intangible assets and property, plant and equipment	**237,223**	100.0	(237,223)	**-**	-	**237,223**	100.0	(237,223)	**-**	-
OPERATING PROFIT (LOSS)	**(238,629)**	(3,646.0)	237,575	**(1,054)**	(17.0)	**(250,910)**	(1,152.9)	248,866	**(2,044)**	(9.3)

Dorel Sports' fourth quarter revenue declined by $4.1 million, or 1.7%, to $232.7 million from $236.8 million last year. When excluding the negative impact of varying foreign exchange rates year-over-year, the organic revenue increased by approximately 1.3%, and when also removing the impact of the divestment of the performance apparel line of business (SUGOI) in the second quarter of 2018, the organic revenue increased by approximately 2.6% for the quarter. CSG posted double-digit organic revenue growth, mainly in the European market and in the U.S. sporting goods channel due to innovation in model-year 2019 products including the e-bike product category. Caloi delivered double-digit organic revenue growth in the quarter, although it was flat in US dollar terms due to unfavourable foreign exchange rates variations. The organic revenue growth was driven by a stronger product mix. Pacific Cycle's revenue decreased due to lower than expected mass channel holiday point-of-sales on bikes and interactive battery powered ride-ons.

For the year, Dorel Sports' revenue increased by $17.6 million, or 2.0%, to $883.0 million and the organic revenue increased by approximately 2.6%, after excluding the foreign exchange rates fluctuations year-over-year. The organic revenue increased by approximately 3.4% when also excluding the impact of the divestment of the performance line of business in the second quarter of 2018. This growth is mainly explained by the same reasons as in the quarter.

Gross profit for the fourth quarter declined by 130 basis points to 20.7% and adjusted gross profit was also 20.7% when excluding restructuring and other costs, representing a decrease of 100 basis points compared to 2017. Gross profit for the year declined by 120 basis points to 21.3% from 22.5% and when excluding restructuring and other costs, adjusted gross profit declined by 100 basis points to 21.4% from 22.4%. The primary drivers of the margin compression were increased input costs and an unfavourable sales mix at Pacific Cycle and increased material costs related to the weakened Brazilian Real at Caloi.

Selling expenses for the fourth quarter decreased by $1.2 million, or 5.4%, to $21.0 million from $22.2 million and by 40 basis points as a percentage of revenue, mainly driven by lower sponsorship costs at CSG, savings due to the exit of the performance apparel line of business, partly offset by higher marketing expenses due to new product launches at Pacific Cycle. For the full year, selling expenses decreased by $0.3 million, or 0.4%, to $88.9 million.

General and administrative expenses for the fourth quarter of 2018 remained comparable to 2017 while for the full year, these expenses declined by $5.9 million, or 8.2%, to $66.2 million and by 90 basis points as a percentage of revenue. The decrease for the year is mainly due to lower product liability costs, savings due to the decision to exit the performance apparel line of business and other cost savings from previous restructuring activities.

Research and development expenses for the fourth quarter and for the year were comparable year-over-year.

Impairment loss on trade and other receivables was $2.0 million for the fourth quarter of 2018 compared to $3.3 million in 2017. For the full year, the impairment loss on trade and other receivables was $9.2 million compared to $5.1 million in 2017. As mentioned above, an impairment loss of $3.1 million was recorded during the fourth quarter of 2017 and an additional $6.6 million was recorded in the first quarter of 2018 with respect to the trade accounts receivable from Toys“R”Us U.S. as a result of its motion seeking Bankruptcy Court approval filed which was announced on March 15, 2018. During the fourth quarter of 2018, Dorel Sports recorded an additional impairment loss of $2.1 million, as one of its customer, Evans Cycles, entered administration in the United Kingdom.

Following Dorel's revision of assumptions on projected earnings and cash flow growth for the majority of its CGUs due to the recent sustained decline in Dorel's stock price during 2018, Dorel Sports recorded the following impairment charges during the fourth quarter of 2018:

	Fourth quarter ended December 30, 2018					
	Goodwill	**Trademarks**	**Customer relationships**	**Software licenses**	**Property, plant and equipment**	**Total**
	$	$	$	$	$	$
Dorel Sports – Mass markets	134,821	9,059	-	-	-	143,880
Dorel Sports – Independent bike dealers (IBD)	-	53,108	-	931	5,971	60,010
Dorel Sports – Caloi	-	32,206	1,127	-	-	33,333
Total	**134,821**	**94,373**	**1,127**	**931**	**5,971**	**237,223**

Dorel Sports' operating loss for the fourth quarter was $232.1 million compared with an operating profit of $6.5 million in 2017. Adjusted operating profit for the fourth quarter decreased by $1.1 million, or 17.0%, to $5.1 million when excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs. Removing the impact of the 2017 fourth quarter impairment loss on trade accounts receivable from Toys"R"Us U.S. of $3.1 million, the comparative fourth quarter adjusted operating profit was $9.3 million a year ago. For the year, the operating loss was $229.1 million compared to an operating profit of $21.8 million in 2017. Excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, adjusted operating profit declined by $2.0 million, or 9.3%, to $19.9 million. When also excluding the impairment loss on trade accounts receivable from Toys"R"Us U.S. of $6.6 million and $3.1 million recorded in the first quarter of 2018 and in the fourth quarter of 2017, respectively, adjusted operating profit for the year was $26.5 million compared to $25.0 million last year, which is mainly explained by lower overall operating costs partly offset by lower gross profit.

4. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

a) Selected information from the consolidated statement of financial position

	As at December 30,		
	2018	**2017[(1)]**	**2016[(1)]**
	$	**$**	**$**
Total assets	1,733,506	2,229,707	2,172,632
Non-current liabilities excluding current portion:			
Long-term debt	4,119	433,760	355,118
Provisions	2,950	2,953	1,681
Written put option and forward purchase agreement liabilities	12,002	23,464	26,325
Other financial liabilities	2,137	1,338	1,115
Other liabilities	8,641	11,157	13,302
Other:			
Current portion of long-term debt and bank indebtedness	483,048	71,896	100,628
Current portion of forward purchase agreement liabilities	-	-	7,500
Total	512,897	544,568	505,669

(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.

The decrease in total assets of $496.2 million as at December 30, 2018 from December 30, 2017 is mainly explained by the 2018 impairment losses on goodwill, intangible assets and property, plant and equipment of $525.6 million offset by overall higher inventory levels.

As the convertible debentures are maturing on November 30, 2019, they have been classified as current as at December 30, 2018. In addition, given that the convertible debentures were not repaid or refinanced as at December 30, 2018 and as at the date of issuance of the Consolidated Financial Statements, and Dorel's intentions related thereto, the revolving bank loans and term loan were also classified as current as at December 30, 2018. Refer to subsection "Contractual obligations" for further information.

b) Working capital

Certain of the Company's ratios are as follows:

	As at December 30,	
	2018	**2017[1]**
Debt[2] to equity	0.84	0.46
# of days in receivables	57	60
# of days in inventory	113	110
# of days in payables	80	67

(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) Debt is defined as bank indebtedness plus long-term debt.

The net working capital position declined by 13 days to 90 days as at December 30, 2018 compared to 103 days as at December 30, 2017. This was mainly due to an increase in trade and other payables of $93.2 million to $533.6 million as at December 30, 2018 from $440.4 million as at December 30, 2017. The increase in trade and other payables was partially offset by an inventory increase of $43.0 million, or 7.3%, to $635.2 million as at December 30, 2018 compared to December 30, 2017. Inventory levels in the Dorel Sports and Dorel Home segments increased through the latter months of 2018 in anticipation of potential tariff increases in the U.S. as well as to support 2019 expected sales growth. Trade and other payables increased in Dorel Sports due to the timing of model year 2019 inventory and higher sales expectations at Pacific Cycle. The increase in trade and other payables in Dorel Home was due to the timing of inventory receipts in anticipation of potential tariff increases that were due to be implemented on January 1, 2019.

The increase in debt to equity ratio as at December 30, 2018 is mainly due to the impact on the Company's equity of the significant impairment losses on goodwill, intangible assets and property, plant and equipment recorded during the fourth quarter of 2018.

c) Cash flow

For the year, cash flow provided by operating activities increased by $52.9 million to $110.3 million compared to $57.4 million reported in 2017.

		Source (Use) of cash	
	2018	**2017[1]**	**Change**
	$	**$**	**$**
Net income (loss) adjusted by items not involving cash	**124,829**	**163,701**	**(38,872)**
Trade and other receivables	(2,396)	8,754	(11,150)
Inventories	(60,321)	(23,730)	(36,591)
Other financial assets	84	(629)	713
Prepaid expenses	370	(3,851)	4,221
Other assets	(2,400)	(4,571)	2,171
Trade and other payables	102,936	(13,757)	116,693
Net pension and post-retirement defined benefit liabilities	(3,056)	(3,833)	777
Provisions, other financial liabilities and other liabilities	(3,361)	(23,468)	20,107
Net changes in balances related to operations	**31,856**	**(65,085)**	**96,941**
Net income taxes and interest paid	**(46,411)**	**(41,222)**	**(5,189)**
CASH PROVIDED BY OPERATING ACTIVITIES	**110,274**	**57,394**	**52,880**

(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.

Free cash flow, a non-GAAP financial measure, was $20.2 million in 2018 versus $(23.6) million in 2017 as follows:

	2018	2017 (1)	Change
	$	$	$
CASH PROVIDED BY OPERATING ACTIVITIES	**110,274**	**57,394**	**52,880**
Less:			
Dividends paid	(38,926)	(38,895)	(31)
Shares repurchased	-	-	-
Additions to property, plant & equipment and proceeds from disposals of assets held for sale - net	(30,224)	(21,047)	(9,177)
Additions to intangible assets	(20,969)	(21,054)	85
FREE CASH FLOW (2)	**20,155**	**(23,602)**	**43,757**

(1) "Free cash flow" is a non-GAAP financial measure and is defined as cash provided by operating activities less dividends paid, shares repurchased, net additions to property, plant and equipment and to intangible assets including net proceeds from disposals of assets held for sale (see note in the non-GAAP financial measures section).

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

The free cash flow increase in 2018 was due to the positive change in cash provided by operating activities offset in part by the net proceeds of $15.0 million received in 2017 related to the disposals of assets held for sale which did not occur in 2018. The increase in cash provided by operating activities is explained mainly by increased trade and other payables reduced by the increase in inventories as noted above.

The Company's net debt position, defined as long-term debt and bank indebtedness less cash and cash equivalents was $447.9 million as at December 30, 2018, a decrease of $20.9 million compared to $468.8 million as at December 30, 2017 due to the increase in cash provided by operating activities. For further discussion on Dorel's liquidity position as at December 30, 2018, refer to subsection "Contractual obligations".

d) Contractual obligations

	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
	$	$	$	$	$
Bank indebtedness	50,098	50,098	-	-	-
Long-term debt - revolving bank loans and term loan repayments (1)	313,528	313,528	-	-	-
Convertible debentures repayments	120,000	120,000	-	-	-
Other long-term debt repayments	5,736	1,617	3,356	552	211
Future minimum lease payments exclusive of additional charges	225,463	46,461	73,479	43,798	61,725
Trade and other payables	533,608	533,608	-	-	-
Foreign exchange contracts	113	113	-	-	-
Written put option liabilities	12,002	-	-	12,002	-
Other financial liabilities	2,137	-	754	880	503
Capital addition purchase commitments	6,098	6,098	-	-	-
Expenditure commitments related to marketing	5,900	2,950	2,950	-	-
Minimum royalties payments under licensing agreements	2,053	1,839	184	30	-
Total contractual obligations	1,276,736	1,076,312	80,723	57,262	62,439

(1) The maturity date of the revolving bank loans and the term loan is the earlier of (i) July 1, 2020 and (ii) May 30, 2019 if the convertible debentures have not been repaid or refinanced, in cash or shares of Dorel. Consistent with the classification in Dorel's consolidated statement of financial position as at December 30, 2018, Dorel has included the remaining contractual maturities under the revolving bank loans and term loan as less than one year.

Bank indebtedness

As at December 30, 2018, Dorel had available bank lines of credit amounting to approximately $111.4 million of which $50.1 million have been used. The availability of these funds are dependent on Dorel continuing to meet the financial covenants of its credit agreements.

Revolving bank loans and term loan

Given that the convertible debentures were not repaid or refinanced as at December 30, 2018 and as at the date of issuance of the Consolidated Financial Statements, and Dorel's intentions related thereto, the revolving bank loans and term loan were classified as current as at December 30, 2018.

Under the revolving bank loans and term loan, Dorel is subject to certain covenants, including maintaining certain financial ratios. The convertible debentures also have a cross-default covenant. The availability of the funds under the revolving bank loans, including the accordion feature, are dependent on Dorel continuing to meet the financial covenants of its credit agreements. If Dorel is not able to meet its quarterly debt covenant requirements, the revolving bank loans and term loan will become due in full at the date of non-compliance. The covenants do not permit Dorel to use funds under its revolving bank loans to repay the convertible debentures as at December 30, 2018. During the fourth quarter of 2018, certain of Dorel's borrowing covenant requirements were amended as Dorel was uncertain that all requirements would have been met as at December 30, 2018. Accordingly, as at December 30, 2018, Dorel was compliant with all its modified borrowing covenant requirements, and the revolving bank loans and term loan were not due on demand on December 30, 2018.

Subsequent to year-end on March 8, 2019, Dorel amended its revolving bank loans and term loan agreement to facilitate the compliance with its covenants in light of the last twelve months results of operations, and to permit additional financing from other lenders to refinance and repay the convertible debentures. The amendment also extends the maturity date to July 1, 2021 if the convertible debentures are repaid or refinanced by May 30, 2019. If the convertible debentures have not been repaid or refinanced, the maturity remains on May 30, 2019. On March 14, 2019, Dorel announced that it will adjust its dividend from the current annual $1.20 a share to $0.60 for the upcoming year.

In the event Dorel's convertible debentures are not repaid or refinanced by May 30, 2019, the revolving bank loans and term loan will become due in full on May 30, 2019. In addition, if the Company is not able to meet its quarterly debt covenant requirements, the revolving bank loans and term loan will become due in full at the date of non-compliance.

As such, there is a risk that Dorel will encounter difficulties in meeting its current obligations under the revolving bank loans and term loan that may become due before July 1, 2020 (as amended to July 1, 2021 on March 8, 2019). While Dorel does not have arranged financing to repay the revolving bank loans and term loan on May 30, 2019 or if covenants are not met, Dorel has various alternatives available should these scenarios arise, such as further adjusting its current dividend policy to meet quarterly covenants or converting the convertible debentures into shares to avoid the revolving bank loans and term loan becoming due in full on May 30, 2019. Accordingly, Dorel does not expect a liquidity problem in the foreseeable future, however no assurance can be provided. Assessing Dorel's liquidity including expected future compliance with covenants requires judgment.

While management believes that future cash flows from operations and availability under existing/renegotiated banking arrangements will be adequate to support the Company's financial liabilities, achievement of future results from operations and therefore meeting bank covenants determining the timing of repayments of its revolving bank loans and term loan is outside the Company's control.

As at December 30, 2018, the term loan as well as the revolving bank loans are secured by certain of Dorel's trade accounts receivable, inventories, property, plant and equipment and intangible assets, with a carrying value of $252.2 million, $472.6 million, $76.8 million and $27.9 million, respectively.

Convertible debentures

The convertible debentures are direct, subordinated, unsecured obligations of Dorel and are ranking equally with one another and with all other existing and future unsecured indebtedness of Dorel other than the revolving bank loans and the term loan.

The convertible debentures are convertible at any time at the holder's option into Dorel's Class "B" Subordinate Voting Shares at a conversion price of $46.75 per share. This represents a conversion rate of 21.3904 Class "B" Subordinate Voting Shares per $1 principal amount of Debentures. Upon conversion, holders will be entitled to receive accrued and unpaid interest.

On or after November 30, 2018 and prior to the maturity date, on November 30, 2019, subject to specified conditions and notice, Dorel may, at its option, redeem the convertible debentures, in whole or in part, from time to time at the par value plus accrued and unpaid interest. On redemption or maturity, Dorel may, at its option and subject to regulatory approval, elect to satisfy its obligation to pay all or a portion of the principal amount by issuing a number of Class "B" Subordinate Voting Shares of Dorel determined by dividing the principal amount by 95% of the current market price of the shares on the redemption date. If it elects to do so, it must provide the holders with a minimum 40 days redemption notice.

Written put option liabilities

The written put option included in non-current liabilities pertain to certain of Dorel's business acquisitions or incorporation of subsidiaries. In these cases, where Dorel holds less than 100% of the shares, Dorel has entered into agreements with the non-controlling interest holders for the purchase of the balance of the shares at some future point. Under the terms of these agreements, the purchase price of these shares is a formulaic variable price which is mainly based on earnings level in future periods.

Other considerations

As new product development is vital to the continued success of Dorel, the Company must make capital investments in research and development, moulds and other machinery, equipment and technology. It is expected that Dorel will invest approximately $57 million in 2019 to meet its new product development and other growth objectives. Dorel expects its existing operations to be able to generate sufficient cash flow to provide for this and other requirements as they arise throughout the year. However, given Dorel's current liquidity position, Dorel may need to reduce or change the timing of its expected capital investments during 2019 as part of its capital management strategy to ensure it will have sufficient liquidity to meet its obligations as they become due.

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

The Company does not have significant contractual commitments beyond those reflected in the consolidated statement of financial position, the commitments listed in Note 25 to the Consolidated Financial Statements or those listed in the table above.

As detailed in Note 21 of the Consolidated Financial Statements, an amount of $29.5 million pertains to the Company's pension and post-retirement benefit plans. In 2019, contributions expected to be paid for funded plans and benefits expected to be paid for unfunded plans under these plans will amount to approximately $3.6 million.

e) Off-balance sheet arrangements

In addition to the contractual obligations listed above, the Company has certain off-balance sheet arrangements and commitments that have financial implications, specifically standby letters of credit and other guarantees. Off-balance sheet arrangements are described in Note 25 to the Consolidated Financial Statements.

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

f) Derivative financial instruments

The Company is exposed to interest rate fluctuations, related primarily to its revolving bank loans and its term loan, for which amounts drawn are subject to LIBOR, Euribor, Canadian or U.S. bank rates in effect at the time of borrowing, plus a margin. The Company manages its interest rate exposure and enters into swap agreements consisting of exchanging variable rates for fixed rates for an extended period of time. All other long-term debts have fixed interest rates and are therefore not exposed to cash flow interest rate risk.

The Company uses interest rate swap agreements to lock-in a portion of its debt cost and reduce its exposure to the variability of interest rates by exchanging variable rate payments for fixed rate payments. The Company has designated its interest rate swaps as cash flow hedges for which it uses hedge accounting.

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

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

The fair values, average rates and notional amounts of derivatives and the fair values and carrying amounts of financial instruments are disclosed in Note 19 of the Consolidated Financial Statements.

5. CRITICAL ACCOUNTING ESTIMATES

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

The Company believes the following are the most critical estimates and related judgments that affect Dorel's results as presented herein and that would have the most material effect on the Consolidated Financial Statements should these accounting estimates change materially or be applied in a different manner:

Basis of preparation of the Consolidated Financial Statements: At each reporting period, management assesses the basis of preparation of the consolidated financial statements. The Company's Consolidated Financial Statements for the year ended December 30, 2018 have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Refer to Liquidity Risk section of Note 19 in the Consolidated Financial Statements, which explains that assessing Dorel's liquidity including expected future compliance with covenants requires judgment. There is a risk that the revolving bank loans and term loan become due on May 30, 2019 or that the quarterly covenants will not be met, and the Company does not have arranged financing to repay the revolving bank loans and term loan were those events to occur.

Goodwill and intangible assets with indefinite useful lives: Goodwill is tested for impairment annually (on October 31) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. The Company defines its CGUs based on the way it internally monitors and derives economic benefits from the acquired goodwill.

Intangible assets with indefinite useful lives are those for which there is no foreseeable limit to their useful economic life as they arise from contractual or other legal rights that can be renewed without significant cost and are the subject of continuous marketing support. Trademarks acquired as part of business acquisitions and registered trademarks are considered to have an indefinite useful life. Trademarks with indefinite useful lives are tested for impairment at the CGU level annually (on October 31) and when circumstances indicate that the carrying value may be impaired.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. In determining fair value less costs of disposal, an appropriate valuation model is used. Differences in estimates could affect whether goodwill or intangible assets with indefinite useful lives are in fact impaired and the dollar amount of that impairment. Dorel assesses the uncertainty of these estimates by making sensitivity analysis.

Written put and call options and forward purchase agreements: Judgment is used to determine whether there are written put and call options or forward purchase agreements in place in certain newly incorporated subsidiaries or business acquisitions when there is a non-controlling shareholder. Management's judgment impacts whether the call option is accounted for separately or not from the put option or combined as one instrument and whether the remeasurement of the instrument is accounted for as other equity or as finance expenses.

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

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

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

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

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

Revenue recognition – sales returns and other customer programs: At contract inception, the Company estimates customer programs and incentive offerings that give rise to variable consideration by using either the expected value or the most likely amount, depending on which method the Company expects to better predict the amount of consideration to which it will be entitled. The estimates are based on various assumptions including agreements with comparable customers, past experience with customers and/or products, and other relevant factors. The amount of revenue recognized is adjusted for expected returns, which are estimated by management based on the historical data for the related types of goods sold. Actual results can differ from management's estimates.

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

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

6. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has 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 Consolidated Financial Statements.

7. 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 year ended December 30, 2018 and have not been applied in preparing the Consolidated 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:

IFRS 16 – Leases
Annual Improvements to IFRS Standards 2015-2017 Cycle
Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

The most significant impact identified will be the adoption of IFRS 16 as this standard will affect primarily the accounting for Dorel's operating leases. Dorel is currently finalizing its assessment of the impact of the adoption of this standard on its Consolidated Financial Statements. Based on the assessments undertaken to date, Dorel estimates that it will recognize additional lease liability of approximately $195.0 million and related right-of-use assets of $165.0 million as at December 31, 2018. In addition, Dorel's land use rights will be reclassified as right-of-use assets upon adoption of IFRS 16. Dorel is continuing its review of the related tax impact upon adoption of IFRS 16. The actual impact of adopting IFRS 16 may change once Dorel completes its detailed analysis.

Further information on these modifications can be found in Note 5 of the Consolidated Financial Statements.

8. MARKET RISKS AND UNCERTAINTIES

General Economic Conditions

In its more than 50 years history, the Company has experienced several economic downturns and its products have proven to be ones that consumers continue to purchase in varying economic conditions. In 2018, in most of its markets, the retail environment could be characterized as challenging. The dominant share of the market represented by Dorel's retail partners, together with changes in consumer shopping patterns, has contributed to dominant retailers and Internet companies that have strong negotiating power with suppliers. Other trends are for retailers and Internet companies to import products directly from foreign sources and to source and sell products under their own private label brands, typically at lower prices, that compete with Dorel's products. As a result, the majority of the Company's retail chains and Internet retailers continued to emphasize price competitiveness as their primary focus. To provide these retail partners with value over and above competitive pricing, Dorel continued to invest in new product development and various brand support initiatives. The combination of these market influences has created an intensely competitive environment resulting in downward pricing pressures, the need for powerful brands and the on-going introduction of innovative new products.

In Dorel Home, Dorel concentrates exclusively on value priced items and sells the majority of its products through the mass merchant and Internet sales distribution channels. During difficult economic times, when shopping for furniture, consumers are likely to spend less and tend to avoid furniture store outlets and shop at the mass merchants for reasonably priced items.

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

In Dorel Sports, the Company believes that consumer trends that consider health and environmental concerns help buffer this segment against possible declines in overall consumer spending. However, demand can also be affected by weather conditions which are beyond the Company's control. In addition, Dorel offers a great assortment of products in the value priced product category available at its mass merchant customers. This means that should consumers elect to spend less on a particular recreational product, Dorel has alternatives to higher priced items.

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

Product Costs and Supply

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

Raw material cost fluctuations were highlighted by resin price increases in both the U.S. and Europe in 2018 while particle board prices remained stable in North America. Crude oil pricing remains volatile for 2019 and U.S. resin prices are expected to decrease in 2019. Particle board prices are expected to remain stable in 2019.

The Company's suppliers of components and finished goods experienced higher input material costs in 2018. The Chinese currency ("RMB") depreciated approximately 5% in 2018. Labour costs in China continue to increase at a rate of approximately 5% per year.

Container freight costs are expected to remain volatile in 2019 due to on-going industry consolidation and implications surrounding global trade. Current expectations are for container prices to increase in the single digits in 2019. International air costs are expected to decline as capacity continues to exceed supply and domestic trucking rates are expected to remain stable.

The Company's level of profitability is impacted by its ability to manage these various input costs and adjust pricing to its customers as required. In addition, Dorel relies on its suppliers to provide quality products on a timely basis and has always prided itself on establishing successful long-term relationships both domestically and overseas. The Company remains committed to actively working with its supplier base to ensure that the flow of product is not interrupted. Should input costs increase dramatically or should major existing vendors be unable to supply Dorel, it could have an adverse effect on the Company going forward.

Foreign Currency Fluctuations

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

Dorel's European, Latin American, Asian and Australian operations are negatively affected by a stronger US dollar as portions of their respective purchases are in that currency, while their revenues are not. The Dorel Sports segment is growing its business more quickly outside of the United States and as such its exposure to fluctuations in the US dollar on both a transactional and translational basis has grown over the past few years. It is similar to the Dorel Juvenile segment in that portions of its purchases are in US dollars, while its revenues are not. Dorel's Canadian operations within Dorel Home benefit from a stronger US dollar as large portions of its revenues are generated in the United States and the majority of its costs are in Canadian dollars. This situation is mitigated somewhat by Dorel Juvenile Canada's operations that import US dollar denominated goods and sell to Canadian customers.

Throughout 2018, the weakening of the Euro, Pound Sterling and Brazilian Real against the US dollar had a transactional and translational net negative impact on Dorel Juvenile's and Dorel Sports' operating profit.

The Company uses swaps, options, futures and forward contracts to hedge against these adverse fluctuations in foreign currency rates. Further details on the Company's hedging strategy and the impact in the year can be found in Note 19 to the Consolidated Financial Statements. Significant changes in the value of the US dollar can greatly affect the Company's future earnings.

Concentration of Revenue

For the year ended December 30, 2018, one customer accounted for more than 10% of the Company's total revenue, at 28.9% of Dorel's total revenue. In 2017, this customer accounted for 27.2% of total revenue. As at December 30, 2018, this customer accounted for 21.6% of the Company's total trade accounts receivable balance while in 2017, it accounted for 16.1%. Dorel does not have long-term contracts with its customers, and as such revenues are dependent upon Dorel's continued ability to deliver attractive products at a reasonable price, combined with high levels of service. There can be no assurance that Dorel will be able to sell to such customers on an economically advantageous basis in the future or that such customers will continue to buy from Dorel.

Customer and Credit Risk

The majority of the Company's revenue is derived from sales to major retail chains and Internet retailers. The remainder of Dorel's sales are made mostly to specialty juvenile stores and IBDs. To minimize credit risk, the Company conducts on-going credit reviews and maintains credit insurance on selected accounts. Should certain of these major retailers have financial difficulty and/or cease operations, there could be a material short-term adverse effect on the Company's consolidated results of operations. As an example, Toys"R"Us' financial difficulty that resulted in its bankruptcy and subsequent liquidation of its inventories in 2018 had a negative impact on the Company's financial results of 2018 and 2017. In the long term, the Company believes that should certain retailers cease to exist, consumers will shop at competitors where Dorel's products are generally also sold. However, in the event that some of the other Company's major customers face financial difficulties and/or cease operations, this could adversely affect the Company's future earnings.

While the Company recognizes an impairment loss allowance for expected credit losses on trade accounts receivable based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information, if actual credit losses differ from estimates, future earnings would be affected.

Product Liability

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

Income Taxes

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

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

Product and Brand Development

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

Regulatory Environment

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

Liquidity and Access to Capital Resources

Dorel requires continued access to capital markets to support its activities. Part of the Company's long-term strategy is to grow through the acquisition of complementary businesses that it believes will enhance the value of the Company for its shareholders. To satisfy its financing needs, the Company relies on long-term and short-term debt and cash flow from operations. While management believes that future cash flows from operations and availability under existing/renegotiated banking arrangements will be adequate to support the Company's financial liabilities, achievement of future results from operations and therefore meeting bank covenants determining the timing of repayments of its revolving bank loans and term loan is outside the Company's control. In the event the Company's convertible debentures are not repaid or refinanced by May 30, 2019, the revolving bank loans and term loan will become due in full on May 30, 2019. In addition, if the quarterly covenants will not be met, the revolving bank loans and term loan will become due in full at the date of non-compliance. On March 14, 2019, Dorel announced that it will adjust its dividend from the current annual $1.20 a share to $0.60 for the upcoming year. While Dorel does not have arranged financing to repay the revolving bank loans and term loan on May 30, 2019 or if covenants are not met, Dorel has various alternatives available should these scenarios arise, such as further adjusting its current dividend policy to meet quarterly covenants or converting the convertible debentures into shares to avoid the revolving bank loans and term loan becoming due in full on May 30, 2019. Accordingly, the Company does not expect a liquidity problem in the foreseeable future, however no assurance can be provided.

On redemption or maturity of its $120.0 million convertible debentures, Dorel may, at its option and subject to regulatory approval, elect to satisfy its obligation to pay all or a portion of the principal amount of its convertible debentures by issuing a number of Class "B" Subordinate Voting Shares determined by dividing the principal amount by 95% of the current market price of the shares on the redemption date. Converting the convertible debentures at the current market price of the shares could cause existing shareholders to suffer significant dilution. The Company could have to exercise this option if it is unable to refinance its $120.0 million convertible debentures by May 30, 2019, to avoid the revolving bank loans and term loan becoming due in full on May 30, 2019.

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

Reliance on information technology systems

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

The Company's information technology systems may be vulnerable to a variety of sources of failure, interruption or misuse, including by reason of natural disasters, cyberattacks and cybersecurity threats, network communication failures, computer viruses and other security threats to the confidentiality, availability and integrity of Dorel's data. Increased information technology security threats and more sophisticated computer crime have increased in recent years due to the proliferation of new technologies and the increased sophistication of perpetrators of cyberattacks.

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

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

Valuation of Goodwill and Other Intangible Assets

As part of its annual impairment tests, the value of goodwill and other indefinite useful life intangible assets are subject to significant assumptions, such as future expected cash flows and assumed discount and weighted average cost of capital rates. In addition, the value of customer relationships recognized includes significant assumptions in reference to customer attrition rates and useful lives. Should current market conditions adversely affect the Company's expectations of future results, this could result in additional non-cash impairment being recognized at some point in the future. Additionally, in the current market environment, some of the other assumptions could be impacted by factors beyond the Company's control including interest rates, cost of capital, tax rates, credit ratings, foreign exchange rates, inflation and industry growth. More conservative risk assumptions could also materially affect these valuations and could require a downward adjustment in the value of these intangible assets in the future.

The Company performs its impairment tests of goodwill and intangible assets with indefinite useful lives (trademarks) during the fourth quarter or more frequently if an impairment indicator is triggered. After taking into consideration the impairment losses on goodwill and intangible assets recorded in the second quarter of 2018 and the fourth quarter of 2017, and the recent sustained decline in Dorel's stock price during 2018, which were explained in section 3 "Operating Results" of this MD&A, the Company completed a reconciliation of the sum of the estimated fair values of its CGUs to its market capitalization. The Company's market capitalization was determined by multiplying the number of Class "A" Multiple Voting Shares and Class "B" Subordinate Voting Shares outstanding as at October 31, 2018 by the market price of the Company's total shares as at October 31, 2018. The accounting principles regarding goodwill acknowledge that the observed market prices of individual trades of a company's stock (and thus its computed market capitalization) may not be representative of the fair value of the company as a whole. The Company believes that market capitalization alone does not capture the fair value of the business as a whole, or the substantial value that an acquirer would obtain from its ability to obtain control of the business. The amount of the control premium in excess of the Company's market capitalization requires significant judgment and the Company has observed recent market transactions as a guide to establish a range of reasonably possible control premiums to estimate the Company's fair value. The Company also considers the following qualitative items that cannot be accurately quantified and are based upon the beliefs of management, but provide additional support for the explanation of the remaining difference between the estimated fair value of the Company's CGUs and its market capitalization:

- The Company's stock has relatively low trading volume; and
- Previously unseen pressures are in place given the global financial and economic crises.

As described above, the Company's share price and control premium are significant factors in assessing the Company's fair value for purposes of the goodwill impairment assessment. The Company's share price can be affected by, among other things, changes in industry or market conditions, including the effect of competition, changes in the Company's results of operations, and changes in its forecasts or market expectations relating to future results. In 2018, the Company's closing share price has fluctuated significantly between a high of CA$33.00 and a low of CA$15.34. As a result of the recent sustained decline in Dorel's stock price during 2018, the Company recorded significant impairment losses in the fourth quarter of 2018 driven by revision of assumptions on projected earnings and cash flow growth for the majority of the Company's CGUs as mentioned earlier. The Company will continue to monitor market trends in the business, the related expected cash flows and the calculation of market capitalization for purposes of identifying possible indicators of impairment. Should the Company's market capitalization decline further or the Company has other indicators of impairment, the Company would be required to perform an impairment test. Additionally, the Company would then be required to review its remaining non-financial assets for impairment. The carrying amounts of most of the Company's CGUs approximate their recoverable amount since an impairment loss was recorded as a result of the impairment tests performed during the fourth quarter of 2018. Therefore, any deterioration of key assumptions used could cause the carrying value of those CGUs to be above their recoverable amount and result in further impairment.

9. OTHER INFORMATION

The designation, number and amount of each class and series of the Company's shares outstanding as at March 13, 2019 are as follows:

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

Details of the issued and outstanding shares are as follows:

Class A		**Class B**		**Total**
Number	**$('000)**	**Number**	**$('000)**	**$('000)**
4,188,475	1,767	28,250,714	201,546	203,313

Outstanding Deferred Share Units, cash-settled Restricted Share Units, cash-settled Share Appreciation Rights and cash-settled Performance Share Units are disclosed in Note 23 to the Company's Consolidated Financial Statements. There were no significant changes to these values in the period between the year-end and the date of the preparation of this MD&A.

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

Disclosure controls and procedures ("DC&P")

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

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Executive Vice-president, Chief Financial Officer and Secretary, management has evaluated the design and operating effectiveness of the Company's DC&P as at December 30, 2018 and have concluded that those DC&P were appropriately designed and operating effectively in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

Internal controls over financial reporting ("ICFR")

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

During 2018, management evaluated the Company's ICFR to ensure that their design and operation are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards. Management has used the Internal Control – Integrated Framework (2013) to evaluate the effectiveness of ICFR, which is a recognized and suitable framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Executive Vice-president, Chief Financial Officer and Secretary, management has evaluated the ICFR as at December 30, 2018 and have concluded that those internal controls were appropriately designed and were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards.

Changes in DC&P and ICFR

The Company has selected a global lease accounting software to gather its lease information and to quantify the required components of IFRS 16. The Company is finalizing the process of implementing this lease accounting software throughout its locations, and developing new reports to capture information required for presentation and disclosure under IFRS 16. Accordingly, internal controls processes and procedures are currently being put in place and updated in order to ensure proper ICFR, and DC&P are being updated to capture information required for presentation and disclosure under IFRS 16.

Limitation on scope of design

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

The table below presents the summary financial information included in the Company's Consolidated Financial Statements for the excluded acquired business:

Alphason Selected financial information from the income statement	**October 1 - December 30, 2018**
	$
Total revenue	1,813
Operating loss[1]	(478)

[1] Includes the acquisition-related costs incurred since the beginning of the year.

Alphason Selected financial information from the statement of financial position	**As at December 30, 2018**
	$
Total current assets	3,556
Total non-current assets	2,101
Total current liabilities	1,183
Total non-current liabilities	2,109

11. LOCAL STATUTORY DISCLOSURE REQUIREMENTS

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

Caloi Norte S.A. Selected financial information from the income statement	**Year ended December 30, 2018**
	$
Total revenue	84,281
Operating loss [1]	(29,903)

Caloi Norte S.A. Selected financial information from the statement of financial position	**As at December 30, 2018**
	$
Total current assets	55,438
Total non-current assets	18,540
Total current liabilities	46,871
Total non-current liabilities	907

[1] Includes impairment loss on intangible assets of $33,333

12. CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements included in this MD&A may constitute “forward-looking statements” within the meaning of applicable Canadian securities legislation. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties 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, including compliance with covenants, and the related costs of borrowing; debt refinancing; failure related to information technology systems; changes in assumptions in the valuation of goodwill and other intangible assets and future decline in market capitalization; and there being no certainty that the Company’s 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.