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, 2019 and 2018 ("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 Dorel'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 Dorel's Audit Committee and were approved and authorized for issuance by its Board of Directors. This MD&A is current as at March 11, 2020.

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

Dorel'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 8,900 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 90 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 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 ensure 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 $40.7 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 2019, the Dorel Home segment accounted for 32% of Dorel's revenue.

Dorel Home consists of four operating divisions. They are Ameriwood Home ("Ameriwood"), Cosco Home & Office ("Cosco"), DHP Furniture ("DHP") 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 is located in Montréal, Québec, and is a leading manufacturer and importer of quality futons, mattresses and bedroom furniture; they also import upholstery, kitchen, nursery, and dining room furniture. DHP was created through the combination of Dorel Home Products and Dorel Living in 2019. 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 2019, Dorel Home grew revenue by approximately 5%, 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, the segment sells products to over 100 countries around the world. In 2019, the Dorel Juvenile segment accounted for 33.5% of Dorel's 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, Tiny Love and Maxi-Cosi.

In North America, the majority of juvenile sales are to larger retailers such as mass merchants, Internet retailers and department stores, where consumers' priorities are design oriented, with a focus on safety and quality at reasonable prices. Dorel is one of several large juvenile products companies servicing the North American market along with Graco (a part of Newell Brands Inc.), Evenflo Company Inc. (a subsidiary of Goodbaby International Holdings Limited), Uppababy, Chicco and Britax. Dorel Juvenile's premium brands and innovative product designs are a focus for sales of medium to higher price points available 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, as well as its major product design facilities, is located in 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, Tiny Love 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, Team-Tex, Joie Baby, Artsana 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 90 retail locations in Chile and Peru and sells multiple ranges of juvenile products, including non-Dorel owned brands. The majority of these stores are under the 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. Dorel Juvenile Chile also distributes products to Colombia, Panama and other Caribbean countries through a local distributor.

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 approximately 70 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, 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. In 2019, the Dorel Sports segment accounted for 34.5% of Dorel's 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 and Bentonville, Arkansas. Additionally in the U.S., distribution centers are located in California, Georgia and Illinois. European operations are headquartered in Oldenzaal, Netherlands with additional offices in Switzerland, Germany and the United Kingdom. Brazilian operations, Caloi, are headquartered in São Paulo with manufacturing facilities based in Manaus. Globally, there are sales and distribution companies based in Japan and Chile. There is a sourcing operation based in Taiwan established to oversee Dorel Sports' Asian 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 as well as sporting goods and outdoor specialty retailers are serviced by Cycling Sports Group ("CSG") which focuses on these categories 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 customers, and along with bicycles and parts and accessories, its product line also includes 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. 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 licensed brands.

In Europe, and elsewhere around the world, certain bicycle brands are sold across various 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 2019

Long-term debt update

Senior unsecured notes

On June 17, 2019, Dorel entered into a five-year $175.0 million senior unsecured notes agreement (“senior unsecured notes”) with several institutional lenders. These senior unsecured notes are divided into two tranches: (i) a $125.0 million tranche that was fully drawn and used to redeem at par Dorel’s $120.0 million convertible debentures maturing on November 30, 2019; and (ii) a $50.0 million tranche that is available for general corporate purposes with the consent of the lenders. These senior unsecured notes mature five years from the date of the initial advance, bear interest at a rate of 7.50% per annum payable quarterly in cash, rank *pari passu* with all of Dorel’s other senior unsecured indebtedness and are guaranteed by certain of Dorel’s subsidiaries. In addition, Dorel is subject to certain covenants under the senior unsecured notes agreement, including maintaining certain financial ratios. The first tranche of $125.0 million was fully drawn by Dorel on July 19, 2019 (date of the initial advance). On December 30, 2019, Dorel amended its senior unsecured notes agreement to modify the covenants in order to be in line with the amended revolving bank loans and term loan financial covenants. As a result, a loss on debt modification of $0.6 million was recorded within finance expenses during the fourth quarter of 2019.

Convertible debentures

In June 2019, Dorel provided the holders of the convertible debentures with a redemption notice. During the second quarter of 2019, Dorel revised its estimated cash flows related to its convertible debentures considering the expected early redemption of the convertible debentures on July 22, 2019. Accordingly, Dorel recorded a loss on revision of estimated payments related to its convertible debentures in the amount of $0.7 million during the second quarter of 2019, within finance expenses. On July 22, 2019, Dorel redeemed its convertible debentures, in whole, at the par value of $120.0 million, plus accrued and unpaid interest amounting to $0.9 million, using the net proceeds from the senior unsecured notes.

Revolving bank loans and term loan

On March 8, 2019, Dorel amended and restated its revolving bank loans and term loan agreement to modify the covenants to permit additional indebtedness with other lenders to refinance and repay the convertible debentures. In addition, the covenants were adjusted in light of the previous twelve months results of operations in order to facilitate their compliance. The amendment also extended the maturity date to July 1, 2021 if the convertible debentures were repaid or refinanced by May 30, 2019. On May 8, 2019, Dorel amended its revolving bank loans and term loan agreement to extend their maturity date to the earlier of (i) July 1, 2021 and (ii) July 31, 2019 if the convertible debentures had not been repaid or refinanced, in cash or in shares of Dorel, by that date. As the convertible debentures were repaid on July 22, 2019, the maturity date of the revolving bank loans and term loan was extended to July 1, 2021. On September 30, 2019, Dorel amended and restated its revolving bank loans and term loan agreement to modify the covenants in order to facilitate their compliance. On March 9, 2020, Dorel amended and restated its revolving bank loans and term loan agreement to facilitate their compliance based on the quarterly forecasted projections for 2020.

Dividends on common shares update

On March 14, 2019, Dorel announced that it had adjusted its quarterly dividend from the prior $0.30 a share to $0.15 a share for the current year. During the first three quarters of 2019, a quarterly dividend of $0.15 per share was declared by the Board of Directors. On September 30, 2019, the Board of Directors suspended the declaration of Dorel’s dividends.

Restructuring initiatives

During the first quarter of 2019, Dorel Juvenile segment initiated a new restructuring program across several regions, whose main objective is to simplify the organization and optimize its global footprint. These restructuring initiatives are expected to be completed in 2020. Total restructuring costs of $27.4 million was recorded during 2019 under this plan, of which $22.7 million related to employee severance and termination benefits. Annualized cost savings of between $12.0 million to $15.0 million are expected once the restructuring activities are completed, of which approximately $5.0 million was realized in 2019.

During the fourth quarter of 2019, Dorel Sports segment also initiated restructuring activities as part of its focus into a more fully integrated operation in various markets. These restructuring initiatives will continue in 2020 as the strategic direction identified will be put into action, and are expected to be completed by the end of 2020. Total estimated costs related to these restructuring initiatives are expected to be between $8.0 million and $10.0 million, and will be mostly related to employee severance and termination benefits. Of this estimated range, $3.8 million was recorded during the fourth quarter of 2019 under this plan, of which $2.1 million related to employee severance and termination benefits.

Refer to “Restructuring costs” within the operating results section for further details on these restructuring initiatives.

Acquisition of Canbest Marketing Inc.

On July 1, 2019, Dorel acquired certain assets and operations of Canbest Marketing Inc. (“Canbest”), a Montréal-based company engaged in the development, design and marketing of home furnishings products, for a purchase price of $9.2 million, which will be paid in three instalments, non-interest bearing (i) $3.2 million paid on October 1, 2019; (ii) $3.0 million payable on October 1, 2020; and (iii) $3.0 million payable on October 1, 2021. Canbest is a sales, marketing and design company which provided these services to the Dorel Home segment. For almost 20 years, Canbest supported Dorel Living in the furniture product categories of wooden bedroom, upholstery, nursery and dining.

3. OPERATING RESULTS

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

a) Non-GAAP financial measures

Dorel is presenting in this MD&A certain non-GAAP financial measures, as described below. These non-GAAP financial measures do not have a standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. These non-GAAP financial measures should not be considered in isolation or as a substitute for a measure prepared in accordance with IFRS. Contained within this MD&A are reconciliations of the non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with IFRS.

The terms and the definitions of the non-GAAP financial measures contained in this MD&A are as follows:

Organic revenue and adjusted organic revenue

Organic revenue:	Revenue growth compared to the previous period, excluding the impact of varying foreign exchange rates
Adjusted organic revenue:	Revenue growth compared to the previous period, excluding the impact of varying foreign exchange rates and the impact of the divestment of the performance apparel line of business (Sugoi)

Dorel believes that these measures provide investors with a better comparability of its revenue trends by providing revenue growth on a consistent basis between the periods presented.

Other financial information prepared under IFRS adjusted to exclude impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs

Adjusted cost of sales:	Cost of sales excluding restructuring and other costs
Adjusted gross profit:	Gross profit excluding restructuring and other costs
Adjusted operating profit:	Operating profit excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs
Adjusted income before income taxes:	Income before income taxes excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs
Adjusted income taxes expense:	Income taxes expense excluding the tax impact relating to impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs
Adjusted tax rate:	Tax rate excluding the tax impact relating to impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs
Adjusted net income:	Net income excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, net of taxes
Adjusted earnings per basic and diluted share:	Earnings per basic and diluted share calculated on the basis of adjusted net income

Dorel believes that the adjusted financial information provides investors with additional information to measure its financial performance by excluding certain items that Dorel believes do not reflect its core business performance and provides better comparability between the periods presented. Accordingly, Dorel believes that the adjusted financial information will assist investors in analyzing its financial results and performance. The adjusted financial information is also used by management to assess Dorel's financial performance and to make operating and strategic decisions.

Free cash flow

Free cash flow is defined as cash provided by operating activities less dividends paid, shares repurchased, net additions to property, plant and equipment and intangible assets including net proceeds from disposals of assets held for sale. Dorel considers free cash flow to be an important indicator of the financial strength and performance of its business, because it shows how much cash is available after capital expenditures to repay debt and to reinvest in its business, to pursue business acquisitions, and/or to redistribute to its shareholders. 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

Reconciliation of non-GAAP financial measures:

	Fourth Quarters Ended December 30,									
	2019					2018[1]				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
REVENUE	**653,435**	100.0	-	**653,435**	100.0	**683,546**	100.0	-	**683,546**	100.0
Cost of sales	**520,829**	79.7	(281)	**520,548**	79.7	**540,499**	79.1	(487)	**540,012**	79.0
GROSS PROFIT	**132,606**	20.3	281	**132,887**	20.3	**143,047**	20.9	487	**143,534**	21.0
Selling expenses	**53,565**	8.2	-	**53,565**	8.2	**56,807**	8.3	-	**56,807**	8.3
General and administrative expenses	**44,752**	6.8	-	**44,752**	6.8	**53,200**	7.9	-	**53,200**	7.9
Research and development expenses	**10,874**	1.7	-	**10,874**	1.7	**10,482**	1.5	-	**10,482**	1.5
Impairment loss on trade accounts receivable	**1,858**	0.3	-	**1,858**	0.3	**3,018**	0.4	-	**3,018**	0.4
Restructuring and other costs	**5,346**	0.8	(5,346)	**-**	-	**3,016**	0.4	(3,016)	**-**	-
Impairment losses on goodwill, intangible assets and property, plant and equipment	**-**	-	-	**-**	-	**501,446**	73.3	(501,446)	**-**	-
OPERATING PROFIT (LOSS)	**16,211**	2.5	5,627	**21,838**	3.3	**(484,922)**	(70.9)	504,949	**20,027**	2.9
Finance expenses	**14,515**	2.2	-	**14,515**	2.2	**8,626**	1.3	-	**8,626**	1.3
INCOME (LOSS) BEFORE INCOME TAXES	**1,696**	0.3	5,627	**7,323**	1.1	**(493,548)**	(72.2)	504,949	**11,401**	1.6
Income taxes expense (recovery)	**2,335**	0.4	2,691	**5,026**	0.7	**(49,650)**	(7.3)	50,753	**1,103**	0.1
Tax rate	***137.7%***			***68.6%***		***10.1%***			***9.7%***	
NET (LOSS) INCOME	**(639)**	(0.1)	2,936	**2,297**	0.4	**(443,898)**	(64.9)	454,196	**10,298**	1.5
(LOSS) EARNINGS PER SHARE										
Basic	**(0.02)**		0.09	**0.07**		**(13.68)**		14.00	**0.32**	
Diluted	**(0.02)**		0.09	**0.07**		**(13.68)**		13.99	**0.31**	
SHARES OUTSTANDING										
Basic - weighted average	**32,466,082**			**32,466,082**		**32,439,189**			**32,439,189**	
Diluted - weighted average	**32,466,082**			**32,866,967**		**32,439,189**			**32,747,791**	

[1] The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.

The principal changes in net (loss) income from 2018 to 2019 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	**(5,603)**	(252)	**(5,855)**
Dorel Juvenile increase (decrease)	**261,607**	(265,647)	**(4,040)**
Dorel Sports increase	**241,864**	(233,423)	**8,441**
OPERATING PROFIT INCREASE (DECREASE)	**497,868**	(499,322)	**(1,454)**
Increase in finance expenses	**(5,889)**	-	**(5,889)**
Decrease in corporate expenses	**3,265**	-	**3,265**
Increase in income taxes expense	**(51,985)**	48,062	**(3,923)**
NET (LOSS) INCOME DECREASE	**443,259**	(451,260)	**(8,001)**

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

Reconciliation of non-GAAP financial measures:

	Years Ended December 30,									
	2019					2018(1)				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
REVENUE	**2,634,646**	100.0	-	**2,634,646**	100.0	**2,619,513**	100.0	-	**2,619,513**	100.0
Cost of sales	**2,099,108**	79.7	(1,543)	**2,097,565**	79.6	**2,054,721**	78.4	(2,258)	**2,052,463**	78.4
GROSS PROFIT	**535,538**	20.3	1,543	**537,081**	20.4	**564,792**	21.6	2,258	**567,050**	21.6
Selling expenses	**219,679**	8.3	-	**219,679**	8.3	**233,772**	8.9	-	**233,772**	8.9
General and administrative expenses	**188,166**	7.2	-	**188,166**	7.2	**200,041**	7.7	-	**200,041**	7.7
Research and development expenses	**39,695**	1.5	-	**39,695**	1.5	**37,819**	1.4	-	**37,819**	1.4
Impairment loss on trade accounts receivable	**5,759**	0.2	-	**5,759**	0.2	**16,425**	0.6	-	**16,425**	0.6
Restructuring and other costs	**29,526**	1.1	(29,526)	**-**	-	**16,609**	0.6	(16,609)	**-**	-
Impairment losses on goodwill, intangible assets and property, plant and equipment	**-**	-	-	**-**	-	**525,639**	20.2	(525,639)	**-**	-
OPERATING PROFIT (LOSS)	**52,713**	2.0	31,069	**83,782**	3.2	**(465,513)**	(17.8)	544,506	**78,993**	3.0
Finance expenses	**50,380**	1.9	-	**50,380**	1.9	**32,650**	1.2	-	**32,650**	1.2
INCOME (LOSS) BEFORE INCOME TAXES	**2,333**	0.1	31,069	**33,402**	1.3	**(498,163)**	(19.0)	544,506	**46,343**	1.8
Income taxes expense (recovery)	**12,786**	0.5	3,856	**16,642**	0.7	**(53,820)**	(2.0)	60,679	**6,859**	0.3
Tax rate	***548.0%***			***49.8%***		***10.8%***			***14.8%***	
NET (LOSS) INCOME	**(10,453)**	(0.4)	27,213	**16,760**	0.6	**(444,343)**	(17.0)	483,827	**39,484**	1.5
(LOSS) EARNINGS PER SHARE										
Basic	**(0.32)**		0.84	**0.52**		**(13.70)**		14.92	**1.22**	
Diluted	**(0.32)**		0.83	**0.51**		**(13.70)**		14.91	**1.21**	
SHARES OUTSTANDING										
Basic - weighted average	**32,448,448**			**32,448,448**		**32,438,645**			**32,438,645**	
Diluted - weighted average	**32,448,448**			**32,807,991**		**32,438,645**			**32,727,662**	

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.

The principal changes in net (loss) income from 2018 to 2019 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	**(14,091)**	(252)	**(14,343)**
Dorel Juvenile increase	**271,040**	(267,613)	**3,427**
Dorel Sports increase	**259,480**	(245,572)	**13,908**
OPERATING PROFIT INCREASE	**516,429**	(513,437)	**2,992**
Increase in finance expenses	**(17,730)**	-	**(17,730)**
Decrease in corporate expenses	**1,797**	-	**1,797**
Increase in income taxes expense	**(66,606)**	56,823	**(9,783)**
NET (LOSS) INCOME DECREASE	**433,890**	(456,614)	**(22,724)**

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

The details of impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs are presented below:

	Fourth Quarters Ended December 30,		Years Ended December 30,	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Inventory markdowns	-	487	693	2,258
Write-down of long-lived assets	297	-	297	-
Other associated costs	(16)	-	553	-
Recorded within gross profit	**281**	**487**	**1,543**	**2,258**
Employee severance and termination benefits	3,711	2,976	24,770	6,796
Write-down of long-lived assets	596	-	3,635	7,962
Net losses from the remeasurement and disposals of assets held for sale	-	-	248	-
Curtailment gain on net pension defined benefit liabilities	(122)	(170)	(2,285)	(170)
Other associated costs	1,161	(42)	3,158	1,769
Recorded within a separate line in the consolidated income statements	**5,346**	**2,764**	**29,526**	**16,357**
Total restructuring costs	**5,627**	**3,251**	**31,069**	**18,615**
Other costs recorded within a separate line in the consolidated income statements	**-**	**252**	**-**	**252**
Total restructuring and other costs	**5,627**	**3,503**	**31,069**	**18,867**
Impairment losses on goodwill, intangible assets and property, plant and equipment	**-**	**501,446**	**-**	**525,639**
Total restructuring and other costs, impairment losses on goodwill, intangible assets and property, plant and equipment before income taxes[(1)]	**5,627**	**504,949**	**31,069**	**544,506**
Total restructuring and other costs, impairment losses on goodwill, intangible assets and property, plant and equipment after income taxes	**2,936**	**454,196**	**27,213**	**483,827**
Total impact on diluted earnings (loss) per share	**(0.09)**	**(13.99)**	**(0.83)**	**(14.91)**
[(1)] **Includes non-cash amounts of:**	**426**	**501,763**	**2,243**	**535,321**

Restructuring costs

For the year ended December 30, 2019, Dorel recorded total restructuring costs of $31.1 million compared to $18.6 million in 2018, of which $1.5 million (2018 - $2.3 million) were recorded within gross profit and $29.6 million (2018 - $16.3 million) as a separate line in the consolidated income statements.

Dorel Juvenile segment

During the first quarter of 2019, Dorel Juvenile segment has initiated a new restructuring program across several regions, whose main objective is to simplify the organization and optimize its global footprint. These restructuring initiatives are expected to be completed in 2020. In order to improve Dorel's competitive position in the marketplace, the following areas of opportunity have been identified:

- In Europe, the objective is to streamline the organization and better leverage its scale of operations by adopting technologies and processes that allow for the centralization of certain operating activities.
- In Latin America, distribution operations based in Colombia and Panama were closed, with supply continuing through a local distributor.
- In Asia, further efficiencies and savings initiatives are anticipated, enabled partly by investments in technology already in place. In addition, the China domestic sales organization is being re-oriented to sell directly to the consumer and is exiting unprofitable product lines and customer arrangements.

For the fourth quarter and year ended December 30, 2019, Dorel Juvenile segment recorded restructuring costs of $1.8 million and $27.6 million respectively. The remaining expected costs associated with these restructuring initiatives will be mostly related to employee severance and termination benefits.

Dorel Sports segment

During the fourth quarter of 2019, Dorel Sports segment initiated restructuring activities as part of its focus into a more fully integrated operation in various markets. These restructuring initiatives will continue in 2020 as the strategic direction identified will be put into action, and are expected to be completed by the end of 2020.

Among the initiatives, in a move to support its next level of growth and to maintain the increasing momentum of its Cannondale brand, Dorel Sports segment is strengthening its European CSG operations which will be centralized in the Netherlands. The existing assembly plant in Oldenzaal is being transformed into a new and more modern facility to increase its current production capacity of Cannondale bicycles and e-bikes, and allow for an increased focus on premium quality products. All production and supply related departments are being merged into the new facility. In addition, the office portion of the Oldenzaal facility as well as CSG's Basel, Switzerland location are being closed. Dorel Sports segment will also be consolidating its Brazilian operations by merging its Sao Paulo and Atibaia offices to a new facility located in Sao Paulo. This move will drive cost reductions and improve communications by combining the engineering and product development teams under one roof. Total restructuring costs of $3.8 million were recorded during the fourth quarter of 2019 under this restructuring plan.

In addition, during the second quarter of 2018, Dorel had announced that 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, $11.8 million was recorded as restructuring costs during 2018.

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 generated unit (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 had concluded that the recoverable amount was less than the carrying amount of the CGU.

In addition, due to the 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 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 recovery impact of $49.9 million.

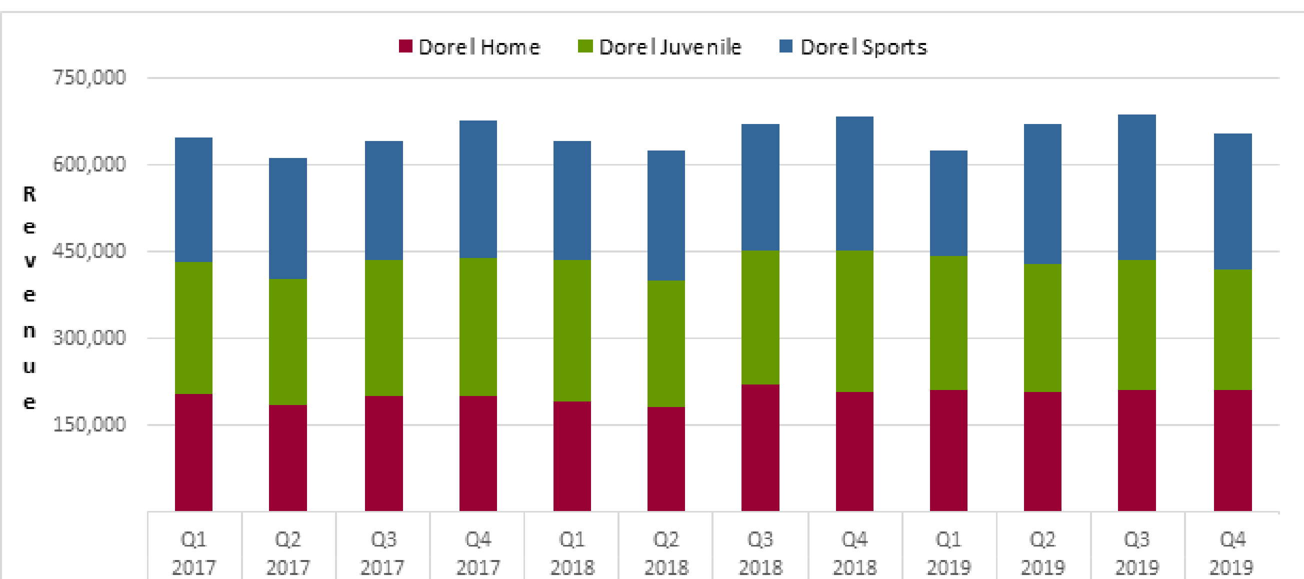
c) Selected financial information

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

	Fourth Quarters Ended December 30,				Years Ended December 30,			
	2019	2018	Change		2019	2018	Change	
	$	$	$	%	$	$	$	%
Dorel Home	211,406	209,262	2,144	1.0	842,085	804,447	37,638	4.7
Dorel Juvenile	208,850	241,598	(32,748)	(13.6)	883,532	932,060	(48,528)	(5.2)
Dorel Sports	233,179	232,686	493	0.2	909,029	883,006	26,023	2.9
REVENUE	653,435	683,546	(30,111)	(4.4)	2,634,646	2,619,513	15,133	0.6

Seasonality

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



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

	2019				2018[1]			
	Dec. 30	**Sep. 30**	**Jun. 30**	**Mar. 31**	**Dec. 30**	**Sep. 30**	**Jun. 30**	**Mar. 31**
	$	$	$	$	$	$	$	$
Revenue	653,435	685,669	669,982	625,560	683,546	670,437	623,244	642,286
Net (loss) income	(639)	(4,337)	2,796	(8,273)	(443,898)	9,594	(14,768)	4,729
Per share - Basic	(0.02)	(0.13)	0.09	(0.26)	(13.68)	0.30	(0.46)	0.15
Per share - Diluted	(0.02)	(0.13)	0.09	(0.26)	(13.68)	0.29	(0.46)	0.14
Adjusted net income	2,297	2,355	6,317	5,791	10,298	10,988	12,656	5,542
Per share - Basic	0.07	0.07	0.19	0.18	0.32	0.34	0.39	0.17
Per share - Diluted	0.07	0.07	0.19	0.18	0.31	0.34	0.39	0.17
After-tax impact of impairment losses on goodwill, intangible assets and property, plant and equipment and restructuring and other costs on the diluted earnings (loss) per share for the quarter	(0.09)	(0.20)	(0.10)	(0.44)	(13.99)	(0.05)	(0.85)	(0.03)

[1] The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.

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 earnings per share (“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.

In the first quarter of 2019, the Company reported a net loss of $8.3 million or $0.26 per diluted share due to restructuring and other costs for a net amount of $0.44 per diluted share. Adjusted net income was $5.8 million for the first quarter or $0.18 adjusted diluted EPS.

In the third quarter of 2019, the Company reported a net loss of $4.3 million or $0.13 per diluted share due to restructuring and other costs for a net amount of $0.20 per diluted share. Adjusted net income was $2.4 million for the third quarter or $0.07 adjusted diluted EPS.

For the fourth quarter of 2019, the decrease in revenue compared to the fourth quarter of 2018 is mainly attributable to the decline in Dorel Juvenile’s revenue in Europe resulting from changing juvenile market trends for which Dorel is restructuring its activities to improve its competitive position.

In addition, the lower net income and adjusted net income for the 2019 quarters were also impacted by lower gross profit resulting from increased U.S. imposed tariffs on Chinese-sourced products and higher finance expenses mainly due to higher average borrowings and higher average market interest rates.

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

	2019		2018[1]		2017[1][2]	
	$	% of revenue	$	% of revenue	$	% of revenue
Revenue	2,634,646	100.0	2,619,513	100.0	2,577,668	100.0
Net (loss) income	(10,453)	(0.4)	(444,343)	(17.0)	27,441	1.1
Per share - Basic	(0.32)		(13.70)		0.85	
Per share - Diluted	(0.32)		(13.70)		0.84	
Adjusted net income	16,760	0.6	39,484	1.5	66,955	2.6
Per share - Basic	0.52		1.22		2.07	
Per share - Diluted	0.51		1.21		2.05	
After-tax impact of impairment losses on goodwill, intangible assets and property, plant and equipment and restructuring and other costs on the diluted earnings (loss) per share for the year	(0.83)		(14.91)		(1.21)	
Cash dividends declared per share	0.45		1.20		1.20	

[1] The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.
[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.

Selected financial information from the consolidated statement of financial position as at December 30:

	2019	2018[1]	2017[1][2]
	$	$	$
Total assets	1,860,106	1,733,506	2,229,707
Liabilities:			
Bank indebtedness	59,698	50,098	58,229
Total long-term debt (including current portion)	442,102	437,069	447,427
Total lease liabilities (including current portion)	188,383	-	-

[1] The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.
[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.

d) Consolidated operating review

Reconciliation of non-GAAP financial measures - revenue and organic revenue growth:

	Fourth Quarters Ended December 30,							
	Consolidated		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	%	%	**%**	%	**%**	%	**%**	%
Revenue growth (decline)	**(4.4)**	1.0	**1.0**	4.1	**(13.6)**	1.0	**0.2**	(1.7)
Impact of varying foreign exchange rates	**1.3**	2.2	**-**	0.2	**2.0**	3.1	**1.7**	3.0
Organic revenue growth (decline)	**(3.1)**	**3.2**	**1.0**	4.3	**(11.6)**	4.1	**1.9**	1.3
Impact of the divestment of the performance apparel line of business (SUGOI)	**-**	0.4	**-**	-	**-**	-	**-**	1.3
Adjusted organic revenue growth (decline)	**(3.1)**	**3.6**	**1.0**	4.3	**(11.6)**	4.1	**1.9**	2.6

	Years Ended December 30,							
	Consolidated		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	%	%	**%**	%	**%**	%	**%**	%
Revenue growth (decline)	**0.6**	1.6	**4.7**	1.7	**(5.2)**	1.1	**2.9**	2.0
Impact of varying foreign exchange rates	**1.8**	(0.1)	**0.1**	-	**3.1**	(0.7)	**2.2**	0.6
Organic revenue growth (decline)	**2.4**	1.5	**4.8**	1.7	**(2.1)**	0.4	**5.1**	2.6
Impact of the divestment of the performance apparel line of business (SUGOI)	**0.4**	0.3	**-**	-	**-**	-	**1.0**	0.8
Adjusted organic revenue growth (decline)	**2.8**	1.8	**4.8**	1.7	**(2.1)**	0.4	**6.1**	3.4

Revenue

For the fourth quarter of 2019, Dorel's revenue decreased by $30.1 million, or 4.4%, to $653.4 million compared to $683.5 million a year ago. Organic revenue declined by approximately 3.1%, after removing the variation of foreign exchange rates year-over-year. These revenue and organic revenue declines were mainly in Dorel Juvenile, offset in part by increases in Dorel Home and Dorel Sports. The decrease in Dorel Juvenile, were due to declines in Europe, due to the changing juvenile market trends, declines in the U.S. where a major retailer reduced orders to lower on-hand inventory, and declines in Chile due to less sales to wholesale channel despite improved same store sales, which were partly offset by growth in Brazil driven by e-commerce. In Dorel Home, the e-commerce channel continued to drive segment sales even though brick and mortar sales decreased compared to prior year. In Dorel Sports, the improved point-of-sale (POS) at Pacific Cycle and better price mix at Caloi were offset in part by timing of shipments to international distributors at CSG.

For the full year, Dorel's revenue increased by $15.1 million, or 0.6%, to $2,634.6 million compared to $2,619.5 million reported a year ago. Organic revenue improved by approximately 2.4% 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) in the second quarter of 2018, adjusted organic revenue improved by approximately 2.8%. The year-to-date revenue and organic revenue growths are explained mainly by increases driven by e-commerce in Dorel Home and innovation at CSG in Dorel Sports, which was partly offset by the challenges in Dorel Juvenile, principally related to product offerings in the European market.

Gross profit

Gross profit for the fourth quarter decreased by 60 basis points to 20.3% compared to 20.9% for 2018. The decrease was mainly in Dorel Juvenile due to the unfavourable product mix in Europe and higher warehouse costs as well as increased promotion offerings in Dorel Home. This was offset in part by Dorel Sports due to a favourable tariffs exclusion granted by the U.S. government on kids' bikes during the fourth quarter of 2019.

The year-to-date gross profit decreased by 130 basis points to 20.3% compared to 21.6% in 2018. The decline is explained by decreases in gross profit in all the segments. The declines in Dorel Home and in Dorel Sports were mainly due to increased warehouse costs resulting from the additional overall warehouse footprint and higher inventory levels in advance of the U.S. imposed tariffs on Chinese-sourced products, as well as tariff increases which negatively impacted gross profit. In Dorel Juvenile, the unfavourable product mix in Europe was offset in part by improved performance at Dorel Juvenile China's factory and at Dorel Juvenile Brazil.

Selling expenses

Selling expenses for the fourth quarter declined by $3.2 million, or 5.7%, to $53.6 million and decreased by 10 basis points as a percentage of revenue. For the full year, selling expenses decreased by $14.1 million, or 6.0%, to $219.7 million representing a decrease of 60 basis points as a percentage of revenue. These decreases are explained mainly by lower people costs and lower amortization of customer relationships in Dorel Juvenile as a result of the impairment loss recorded in the fourth quarter of 2018.

General and administrative expenses

General and administrative expenses for the fourth quarter decreased by $8.4 million, or 15.9%, to $44.8 million from $53.2 million in 2018, and by 110 basis points as a percentage of revenue. For the year-to-date, these expenses decreased by $11.9 million, or 5.9%, to $188.2 million representing a decrease of 50 basis points as a percentage of revenue. The overall decreases in the fourth quarter and year-to-date were mainly explained by lower product liability costs and lower people costs in Dorel Juvenile as well as the savings due to the exit of the performance apparel line of business in Dorel Sports.

Research and development expenses

Research and development expenses were at $10.9 million for the fourth quarter, comparable to 2018. These expenses increased by $1.9 million, or 5.0%, to $39.7 million for the full year, and is comparable to the previous year as a percentage of revenue.

Impairment loss on trade accounts receivable

Impairment loss on trade accounts receivable was $1.9 million for the fourth quarter of 2019 compared to $3.0 million in 2018. For the full year, this impairment loss on trade accounts receivable was $5.8 million compared to $16.4 million.

The year-to-date decrease is mainly explained by the impairment loss of $12.5 million with respect to the trade accounts receivable from Toys“R”Us U.S. recorded in the first quarter of 2018, of which $2.1 million was within Dorel Home, $3.8 million was within Dorel Juvenile and $6.6 million was within Dorel Sports. During the fourth quarter of 2019, Dorel received a final payment of $1.0 million resulting from the settlement agreement with Toys“R”Us U.S. for which it recorded a reversal of $0.7 million of previously recognized impairment losses.

Operating profit (loss)

For the fourth quarter, Dorel reported an operating profit of $16.2 million compared to an operating loss of $484.9 million in 2018. As noted above, during the fourth quarter of 2018, Dorel recorded impairment losses on goodwill, intangible assets and property, plant and equipment of $501.4 million. Excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, adjusted operating profit increased by $1.8 million, or 9.0%, to $21.8 million from $20.0 million in the comparable quarter. Year-to-date, the Company reported an operating profit of $52.7 million compared to an operating loss of $465.5 million in 2018. Excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, year-to-date adjusted operating profit increased by $4.8 million, or 6.1%, to $83.8 million from $79.0 million in 2018.

Finance expenses

Details of finance expenses are summarized below:

	Fourth Quarters Ended December 30,				Years Ended December 30,			
	2019	**2018[1]**	**Change**		**2019**	**2018[1]**	**Change**	
	$	$	$	%	**$**	$	$	%
Interest on lease liabilities	**1,947**	-	1,947	100.0	**7,907**	-	7,907	100.0
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	**10,016**	6,410	3,606	56.3	**33,979**	25,725	8,254	32.1
Amortization of deferred financing costs	**153**	298	(145)	(48.7)	**1,113**	1,096	17	1.6
Loss on debt modification and on revision of estimated payments related to convertible debentures	**628**	-	628	100.0	**1,298**	-	1,298	100.0
Other interest	**1,771**	1,918	(147)	(7.7)	**6,083**	5,829	254	4.4
TOTAL FINANCE EXPENSES	**14,515**	8,626	5,889	68.3	**50,380**	32,650	17,730	54.3

[1] The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.

Finance expenses increased by $5.9 million to $14.5 million during the fourth quarter and by $17.7 million to $50.4 million year-to-date from 2018 comparable periods. The increases are partly explained by the interest expense on lease liabilities recorded of $1.9 million for the quarter and $7.9 million year-to-date as a result of the adoption of IFRS 16, *Leases*, during 2019 for which the prior year figures were not restated. The increases in finance expenses are also explained by increases of interest on long-term debt of $3.6 million for the quarter and $8.3 million year-to-date, due to higher average long-term debt balances and higher average effective interest rates compared to last year. Lastly, the Company recorded a loss on debt modification related to the senior unsecured notes in the amount of $0.6 million during the fourth quarter of 2019 and a loss on revision of estimated payments related to the convertible debentures in the amount of $0.7 million during the second quarter of 2019.

Income (loss) before incomes taxes

Fourth quarter income before income taxes was $1.7 million compared with a loss before income taxes of $493.5 million in 2018. Excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, fourth quarter adjusted income before income taxes decreased by $4.1 million to $7.3 million. For the full year, the Company reported an income before income taxes of $2.3 million in 2019, compared with a loss before income taxes of $498.2 million in 2018. Excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, year-to-date adjusted income before income taxes declined by $12.9 million to $33.4 million in 2019 from $46.3 million in 2018.

Net income (loss)

During the fourth quarter of 2019, Dorel’s net loss was $0.6 million or $0.02 per diluted share compared with $443.9 million or $13.68 per diluted share in 2018. Excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, adjusted net income for the quarter declined to $2.3 million compared with $10.3 million a year ago. For the full year of 2019, the Company reported a net loss of $10.5 million or $0.32 per diluted share compared with $444.3 million or $13.70 per diluted share in 2018. Excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, year-to-date adjusted net income was $16.8 million compared to $39.5 million recorded in 2018, while adjusted diluted EPS was $0.51 for the full year of 2019 compared with $1.21 in 2018.

Income taxes

For the fourth quarter and the year ended December 30, 2019, the Company's effective tax rates were 137.7% and 548.0%, respectively versus 10.1% and 10.8% 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 and year-to-date adjusted tax rates were 68.6% and 49.8%, respectively in 2019 compared with 9.7% and 14.8% in 2018. As a multi-national company, Dorel is resident in numerous countries and therefore subject to different tax rates in those various tax jurisdictions and by the interpretation and application of tax laws, as well as the application of income tax treaties between various countries. As such, significant variations can occur from year-to-year and between quarters within a given year. The main causes of the variation in the reported and adjusted tax rates year-over-year are largely due to the non-recognition of tax benefits related to tax losses and temporary differences and changes in the jurisdictions in which the Company generated its income.

The components and variation in Dorel's tax rate from 2018 to 2019 are summarized below:

	Years Ended December 30,			
	2019		**2018[1]**	
	$	%	$	%
INCOME (LOSS) BEFORE INCOME TAXES	2,333	-	(498,163)	-
PROVISION FOR INCOME TAXES [2]	611	26.2	(131,016)	26.3
ADD (DEDUCT) EFFECT OF:				
Difference in statutory tax rates of foreign subsidiaries	(1,898)	(81.4)	10,933	(2.2)
Non-recognition of tax benefits related to tax losses and temporary differences	31,180	1,336.5	20,344	(4.1)
Tax incentives	(1,236)	(53.0)	(888)	0.2
Non-deductible impairment of goodwill	-	-	53,414	(10.7)
Permanent differences	(17,061)	(731.3)	(6,593)	1.3
Tax rates changes	157	6.7	(1,174)	0.2
Foreign exchange and other - net	1,033	44.3	1,160	(0.2)
TOTAL INCOME TAXES	12,786	548.0	(53,820)	10.8

[1] The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.
[2] The applicable statutory tax rates are 26.2% and 26.3%, respectively for the years ended December 30, 2019 and 2018. The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

	Years Ended December 30,			
	2019		**2018[1]**	
	$	%	$	%
ADJUSTED INCOME BEFORE INCOME TAXES	33,402	-	46,343	-
PROVISION FOR INCOME TAXES [2]	8,751	26.2	12,188	26.3
ADD (DEDUCT) EFFECT OF:				
Difference in statutory tax rates of foreign subsidiaries	(2,441)	(7.3)	(1,203)	(2.6)
Non-recognition of tax benefits related to tax losses and temporary differences	27,764	83.1	5,781	12.5
Tax Incentives	(1,236)	(3.7)	(888)	(1.9)
Permanent differences	(17,061)	(51.1)	(8,478)	(18.3)
Tax rates changes	(129)	(0.4)	(1,174)	(2.5)
Foreign exchange and other - net	994	3.0	633	1.3
TOTAL ADJUSTED INCOME TAXES	16,642	49.8	6,859	14.8

[1] The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.
[2] The applicable statutory tax rates are 26.2% and 26.3%, respectively for the years ended December 30, 2019 and 2018. The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

e) Segmented operating review

Segmented figures are presented in Note 31 of Dorel's consolidated financial statements. Further reporting segment detail is presented below.

Dorel Home

Reconciliation of non-GAAP financial measures:

	Fourth Quarters Ended December 30,									
	2019					2018[1]				
	Reported	% of revenue	Other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
REVENUE	**211,406**	100.0	-	**211,406**	100.0	**209,262**	100.0	-	**209,262**	100.0
Cost of sales	**184,950**	87.5	-	**184,950**	87.5	**175,802**	84.0	-	**175,802**	84.0
GROSS PROFIT	**26,456**	12.5	-	**26,456**	12.5	**33,460**	16.0	-	**33,460**	16.0
Selling expenses	**5,651**	2.7	-	**5,651**	2.7	**6,923**	3.3	-	**6,923**	3.3
General and administrative expenses	**7,803**	3.7	-	**7,803**	3.7	**7,739**	3.7	-	**7,739**	3.7
Research and development expenses	**1,344**	0.6	-	**1,344**	0.6	**993**	0.5	-	**993**	0.5
Impairment (reversal) loss on trade accounts receivable	**(234)**	(0.1)	-	**(234)**	(0.1)	**58**	-	-	**58**	-
Other costs	**-**	-	-	**-**	-	**252**	0.1	(252)	**-**	-
OPERATING PROFIT	**11,892**	5.6	-	**11,892**	5.6	**17,495**	8.4	252	**17,747**	8.5

	Years Ended December 30,									
	2019					2018[1]				
	Reported	% of revenue	Other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
REVENUE	**842,085**	100.0	-	**842,085**	100.0	**804,447**	100.0	-	**804,447**	100.0
Cost of sales	**724,060**	86.0	-	**724,060**	86.0	**671,598**	83.5	-	**671,598**	83.5
GROSS PROFIT	**118,025**	14.0	-	**118,025**	14.0	**132,849**	16.5	-	**132,849**	16.5
Selling expenses	**25,731**	3.1	-	**25,731**	3.1	**26,186**	3.3	-	**26,186**	3.3
General and administrative expenses	**30,054**	3.5	-	**30,054**	3.5	**29,886**	3.6	-	**29,886**	3.6
Research and development expenses	**4,970**	0.6	-	**4,970**	0.6	**4,241**	0.5	-	**4,241**	0.5
Impairment loss on trade accounts receivable	**1,189**	0.1	-	**1,189**	0.1	**2,112**	0.3	-	**2,112**	0.3
Other costs	**-**	-	-	**-**	-	**252**	0.1	(252)	**-**	-
OPERATING PROFIT	**56,081**	6.7	-	**56,081**	6.7	**70,172**	8.7	252	**70,424**	8.8

[1] The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.

The principal changes in operating profit from 2018 to 2019 are summarized as follows:

	Fourth Quarters Ended December 30,					Years Ended December 30,				
	Change									
	Reported		Other costs	Adjusted		Reported		Other costs	Adjusted	
	$	%	$	**$**	%	**$**	%	$	**$**	%
REVENUE	**2,144**	1.0	-	**2,144**	1.0	**37,638**	4.7	-	**37,638**	4.7
Cost of sales	**9,148**	5.2	-	**9,148**	5.2	**52,462**	7.8	-	**52,462**	7.8
GROSS PROFIT	**(7,004)**	(20.9)	-	**(7,004)**	(20.9)	**(14,824)**	(11.2)	-	**(14,824)**	(11.2)
Selling expenses	**(1,272)**	(18.4)	-	**(1,272)**	(18.4)	**(455)**	(1.7)	-	**(455)**	(1.7)
General and administrative expenses	**64**	0.8	-	**64**	0.8	**168**	0.6	-	**168**	0.6
Research and development expenses	**351**	35.3	-	**351**	35.3	**729**	17.2	-	**729**	17.2
Impairment loss on trade accounts receivable	**(292)**	(503.4)	-	**(292)**	(503.4)	**(923)**	(43.7)	-	**(923)**	(43.7)
Other costs	**(252)**	(100.0)	252	**-**	-	**(252)**	(100.0)	252	**-**	-
OPERATING PROFIT	**(5,603)**	(32.0)	(252)	**(5,855)**	(33.0)	**(14,091)**	(20.1)	(252)	**(14,343)**	(20.4)

Dorel Home’s fourth quarter revenue increased by $2.1 million, or 1.0%, to $211.4 million from $209.3 million last year. Organic revenue also improved by approximately 1.0%, as the impact of varying foreign exchange rates year-over-year was not significant during the quarter. The revenue for the full year improved by $37.6 million, or 4.7%, to $842.1 million. Year-to-date, organic revenue improved by approximately 4.8% after removing the impact of varying foreign exchange rates year-over-year. The increases in revenue and organic revenue in the quarter and year-to-date were mainly due to sales increases driven by growth in the e-commerce channel and sales promotions in an effort to reduce inventory levels, partly offset by reduced sales in the brick and mortar channel. In the fourth quarter and for the full year, the e-commerce sales represented 70% and 62% of total segment gross sales compared to 59% and 56% respectively for the comparable periods in 2018.

Gross profit, at 12.5% in the fourth quarter and 14.0% for the full year, declined by 350 and 250 basis points respectively from last year’s fourth quarter and year-to-date periods. This was mainly due to higher warehouse costs related to the segment’s additional overall warehouse footprint and higher average inventory levels. It also reflected the impact of tariffs on Chinese-sourced products and higher promotional incentive offerings in the Internet retail channel.

Selling, general and administrative and research and development expenses decreased by $0.9 million, or 5.5%, for the fourth quarter compared to last year and remained flat compared to full year level in 2018, representing decreases of 0.5% for the quarter and 0.2% for the year, as a percentage of revenue, mainly due to savings resulting from the Canbest acquisition.

Impairment loss on trade accounts receivable was flat for the fourth quarter compared to prior year and decreased by $0.9 million year-to-date. The year-to-date decrease is explained by the net variance between 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, and the impairment loss recorded during the third quarter of 2019 related to the bankruptcy of a Canadian customer.

Dorel Home’s operating profit declined by $5.6 million for the quarter to $11.9 million from $17.5 million in 2018. For the full year, operating profit declined by $14.1 million, or 20.1%, to $56.1 million from $70.2 million in the previous year. Excluding the impairment loss on the trade accounts receivable from Toys“R”Us U.S. of $2.1 million recorded in 2018, the operating profit year-to-date declined by $16.2 million or 22.4%. These declines were due to lower gross profit explained above.

Dorel Juvenile

Reconciliation of non-GAAP financial measures:

	Fourth Quarters Ended December 30,									
	2019					2018[(1)]				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Impairment losses on goodwill and intangible assets, restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
REVENUE	**208,850**	100.0	-	**208,850**	100.0	**241,598**	100.0	-	**241,598**	100.0
Cost of sales	**158,574**	75.9	-	**158,574**	75.9	**180,172**	74.6	(552)	**179,620**	74.3
GROSS PROFIT	**50,276**	24.1	-	**50,276**	24.1	**61,426**	25.4	552	**61,978**	25.7
Selling expenses	**25,847**	12.4	-	**25,847**	12.4	**28,809**	11.9	-	**28,809**	11.9
General and administrative expenses	**18,179**	8.7	-	**18,179**	8.7	**22,347**	9.3	-	**22,347**	9.3
Research and development expenses	**8,232**	3.9	-	**8,232**	3.9	**8,175**	3.4	-	**8,175**	3.4
Impairment loss on trade accounts receivable	**327**	0.2	-	**327**	0.2	**916**	0.4	-	**916**	0.4
Restructuring and other costs	**1,836**	0.9	(1,836)	**-**	-	**2,708**	1.0	(2,708)	**-**	-
Impairment losses on goodwill and intangible assets	**-**	-	-	**-**	-	**264,223**	109.4	(264,223)	**-**	-
OPERATING (LOSS) PROFIT	**(4,145)**	(2.0)	1,836	**(2,309)**	(1.1)	**(265,752)**	(110.0)	267,483	**1,731**	0.7

	Years Ended December 30,									
	2019					2018[(1)]				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Impairment losses on goodwill and intangible assets, restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
REVENUE	**883,532**	100.0	-	**883,532**	100.0	**932,060**	100.0	-	**932,060**	100.0
Cost of sales	**657,818**	74.5	(1,388)	**656,430**	74.3	**687,899**	73.8	(639)	**687,260**	73.7
GROSS PROFIT	**225,714**	25.5	1,388	**227,102**	25.7	**244,161**	26.2	639	**244,800**	26.3
Selling expenses	**106,923**	12.1	-	**106,923**	12.1	**117,915**	12.7	-	**117,915**	12.7
General and administrative expenses	**74,262**	8.4	-	**74,262**	8.4	**82,759**	8.9	-	**82,759**	8.9
Research and development expenses	**29,377**	3.3	-	**29,377**	3.3	**28,283**	3.0	-	**28,283**	3.0
Impairment loss on trade accounts receivable	**2,372**	0.3	-	**2,372**	0.3	**5,102**	0.5	-	**5,102**	0.5
Restructuring and other costs	**26,246**	2.9	(26,246)	**-**	-	**6,192**	0.7	(6,192)	**-**	-
Impairment losses on goodwill and intangible assets	**-**	-	-	**-**	-	**288,416**	30.9	(288,416)	**-**	-
OPERATING (LOSS) PROFIT	**(13,466)**	(1.5)	27,634	**14,168**	1.6	**(284,506)**	(30.5)	295,247	**10,741**	1.2

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.

The principal changes in operating (loss) profit from 2018 to 2019 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	
	$	%	$	**$**	%	**$**	%	$	**$**	%
REVENUE	**(32,748)**	(13.6)	-	**(32,748)**	(13.6)	**(48,528)**	(5.2)	-	**(48,528)**	(5.2)
Cost of sales	**(21,598)**	(12.0)	552	**(21,046)**	(11.7)	**(30,081)**	(4.4)	(749)	**(30,830)**	(4.5)
GROSS PROFIT	**(11,150)**	(18.2)	(552)	**(11,702)**	(18.9)	**(18,447)**	(7.6)	749	**(17,698)**	(7.2)
Selling expenses	**(2,962)**	(10.3)	-	**(2,962)**	(10.3)	**(10,992)**	(9.3)	-	**(10,992)**	(9.3)
General and administrative expenses	**(4,168)**	(18.7)	-	**(4,168)**	(18.7)	**(8,497)**	(10.3)	-	**(8,497)**	(10.3)
Research and development expenses	**57**	0.7	-	**57**	0.7	**1,094**	3.9	-	**1,094**	3.9
Impairment loss on trade accounts receivable	**(589)**	(64.3)	-	**(589)**	(64.3)	**(2,730)**	(53.5)	-	**(2,730)**	(53.5)
Restructuring and other costs	**(872)**	(32.2)	872	**-**	-	**20,054**	323.9	(20,054)	**-**	-
Impairment losses on goodwill and intangible assets	**(264,223)**	(100.0)	264,223	**-**	-	**(288,416)**	(100.0)	288,416	**-**	-
OPERATING (LOSS) PROFIT	**261,607**	98.4	(265,647)	**(4,040)**	(233.4)	**271,040**	95.3	(267,613)	**3,427**	31.9

Dorel Juvenile's fourth quarter revenue declined by $32.7 million, or 13.6%, to $208.9 million from $241.6 million in 2018. Organic revenue declined by approximately 11.6%, after removing the impact of varying foreign exchange rates year-over-year. The declines in revenue and organic revenue in the fourth quarter were mainly in Europe where the demand for older models of mono-age use car seat categories has contracted while new models recently introduced on the market are gaining traction. In addition, declines were also in the U.S. where a major retailer reduced orders in an effort to decrease their inventory and in Chile due to less sales to the wholesale channel despite improved same store sales at Dorel-owned retail locations. These declines were partly offset by Dorel Juvenile Brazil driven by continued growth in the e-commerce channel.

The segment's revenue for the full year decreased by $48.5 million, or 5.2%, to $883.5 million, while organic revenue declined by approximately 2.1%, when removing the net unfavourable impact due to the weakening of most currencies against the U.S. dollar. In addition to the reasons mentioned above, the increased third party sales from Dorel Juvenile China factory have also partly offset the decreases observed in the other markets.

Gross profit was 24.1% for the fourth quarter and 25.5% for the full year, representing a decrease of 130 basis points and 70 basis points respectively compared to 2018 periods. Excluding restructuring and other costs, the adjusted gross profit was 24.1% for the quarter and 25.7% for the full year, a decline of 160 basis points and 60 basis points respectively versus last year. The declines in gross profit and adjusted gross profit in the fourth quarter were mainly due to a less favourable product mix at Dorel Juvenile Europe reflecting the challenges in the market. The absence of new product in certain key categories resulted in lost sales and price discounting necessary to maintain shelf-space in anticipation of upcoming new product launches. For the full year, the difficulties encountered in Europe were partly offset by improved productivity and favourable foreign exchange rates at Dorel Juvenile China's factory, better performance at Dorel Juvenile Brazil and a curtailment gain recorded in the third quarter of 2019 resulting from a plan amendment of a post-retirement defined benefits plan.

Selling expenses in the fourth quarter decreased by $3.0 million, or 10.3%, to $25.8 million from $28.8 million in 2018, but increased by 0.5% as a percentage of revenue. For the full year, selling expenses decreased by $11.0 million, or 9.3%, to $106.9 million and by 0.6% as a percentage of revenue. The decrease in both the quarter and year-to-date was due to lower people costs across the segment, as a result of the previous and on-going restructuring activities, and lower amortization of customer relationships as a result of the impairment loss recorded in the fourth quarter of 2018. This was partly offset by increased marketing expenses related to new product launches throughout the year.

General and administrative expenses decreased by $4.2 million, or 18.7%, during the quarter, and decreased by $8.5 million, or 10.3 %, for the full year compared to last year. The decreases are mainly due to lower product liability costs and lower people costs related to cost containment initiatives.

Research and development expenses remained flat in the quarter compared to 2018. Year-to-date expenses increased by $1.1 million, or 3.9%, mainly due to higher spending and amortization of deferred development costs, offset in part by lower people costs.

The impairment loss on trade accounts receivable was $0.3 million during the fourth quarter of 2019 compared to $0.9 million in 2018. Year-to-date, the impairment loss decreased by $2.7 million to $2.4 million in 2019 compared to $5.1 million last year. This is mainly explained by the net variance between 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, and the impairment loss recorded in the third quarter of 2019 due to the customer, Mothercare, entering administration in the United Kingdom.

Restructuring and other costs decreased by $0.9 million for the fourth quarter, and increased by $20.1 million for the full year compared to 2018. The increase for the year is mainly attributable to the new restructuring plan initiated during the first quarter of 2019. Refer to “Restructuring costs” within the operating results section for further details.

Impairment losses on goodwill and intangible assets decreased by $264.2 million for the fourth quarter and by $288.4 million for the full year compared to 2018, as no impairment loss was recorded during 2019. Refer to “Impairment losses on goodwill, intangible assets and property, plant and equipment” within the operating results section for further details on the 2018 impairment losses recorded.

Operating loss was $4.1 million during the fourth quarter of 2019 compared to $265.8 million in 2018. Excluding impairment losses on goodwill and intangible assets, restructuring and other costs, adjusted operating loss was $2.3 million, representing a decline of $4.0 million from adjusted operating profit of $1.7 million in 2018. The year-to-date operating loss was $13.5 million compared to $284.5 million during the prior year, while excluding impairment losses on goodwill and intangible assets, restructuring and other costs, adjusted operating profit for the full year improved by $3.4 million to $14.2 million from 2018. The variations in adjusted operating profit in the quarter and year-to-date are mainly explained by the decreased gross profit partly offset by cost containment in operating expenses.

Dorel Sports

Reconciliation of non-GAAP financial measures:

	Fourth Quarters Ended December 30,									
	2019					2018[(1)]				
	Reported	% of revenue	Restructuring and other costs	**Adjusted**	% of revenue	**Reported**	% of revenue	Impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs	**Adjusted**	% of revenue
	$	%	$	**$**	%	**$**	%	$	**$**	%
REVENUE	**233,179**	100.0	-	**233,179**	100.0	**232,686**	100.0	-	**232,686**	100.0
Cost of sales	**177,305**	76.0	(281)	**177,024**	75.9	**184,525**	79.3	65	**184,590**	79.3
GROSS PROFIT	**55,874**	24.0	281	**56,155**	24.1	**48,161**	20.7	(65)	**48,096**	20.7
Selling expenses	**21,976**	9.4	-	**21,976**	9.4	**20,956**	9.0	-	**20,956**	9.0
General and administrative expenses	**17,545**	7.5	-	**17,545**	7.5	**18,652**	8.0	-	**18,652**	8.0
Research and development expenses	**1,298**	0.6	-	**1,298**	0.6	**1,314**	0.6	-	**1,314**	0.6
Impairment loss on trade accounts receivable	**1,765**	0.8	-	**1,765**	0.8	**2,044**	0.9	-	**2,044**	0.9
Restructuring and other costs	**3,510**	1.5	(3,510)	**-**	-	**56**	-	(56)	**-**	-
Impairment losses on goodwill, intangible assets, and property, plant and equipment	**-**	-	-	**-**	-	**237,223**	101.9	(237,223)	**-**	-
OPERATING PROFIT (LOSS)	**9,780**	4.2	3,791	**13,571**	5.8	**(232,084)**	(99.7)	237,214	**5,130**	2.2

	Years Ended December 30,									
	2019					2018[1]				
	Reported	% of revenue	Restructuring and other costs	Adjusted	% of revenue	Reported	% of revenue	Impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs	Adjusted	% of revenue
	$	%	$	$	%	$	%	$	$	%
REVENUE	**909,029**	100.0	-	**909,029**	100.0	**883,006**	100.0	-	**883,006**	100.0
Cost of sales	**717,230**	78.9	(155)	**717,075**	78.9	**695,224**	78.7	(1,619)	**693,605**	78.6
GROSS PROFIT	**191,799**	21.1	155	**191,954**	21.1	**187,782**	21.3	1,619	**189,401**	21.4
Selling expenses	**86,734**	9.5	-	**86,734**	9.5	**88,876**	10.1	-	**88,876**	10.1
General and administrative expenses	**63,906**	7.1	-	**63,906**	7.1	**66,159**	7.5	-	**66,159**	7.5
Research and development expenses	**5,348**	0.6	-	**5,348**	0.6	**5,295**	0.6	-	**5,295**	0.6
Impairment loss on trade accounts receivable	**2,198**	0.2	-	**2,198**	0.2	**9,211**	1.0	-	**9,211**	1.0
Restructuring and other costs	**3,280**	0.4	(3,280)	**-**	-	**10,165**	1.2	(10,165)	**-**	-
Impairment losses on goodwill, intangible assets and property, plant and equipment	**-**	-	-	**-**	-	**237,223**	26.9	(237,223)	**-**	-
OPERATING PROFIT (LOSS)	**30,333**	3.3	3,435	**33,768**	3.7	**(229,147)**	(26.0)	249,007	**19,860**	2.2

[1] The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.

The principal changes in operating profit (loss) from 2018 to 2019 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	
	$	%	$	$	%	$	%	$	$	%
REVENUE	**493**	0.2	-	**493**	0.2	**26,023**	2.9	-	**26,023**	2.9
Cost of sales	**(7,220)**	(3.9)	(346)	**(7,566)**	(4.1)	**22,006**	3.2	1,464	**23,470**	3.4
GROSS PROFIT	**7,713**	16.0	346	**8,059**	16.8	**4,017**	2.1	(1,464)	**2,553**	1.3
Selling expenses	**1,020**	4.9	-	**1,020**	4.9	**(2,142)**	(2.4)	-	**(2,142)**	(2.4)
General and administrative expenses	**(1,107)**	(5.9)	-	**(1,107)**	(5.9)	**(2,253)**	(3.4)	-	**(2,253)**	(3.4)
Research and development expenses	**(16)**	(1.2)	-	**(16)**	(1.2)	**53**	1.0	-	**53**	1.0
Impairment loss on trade accounts receivable	**(279)**	(13.6)	-	**(279)**	(13.6)	**(7,013)**	(76.1)	-	**(7,013)**	(76.1)
Restructuring and other costs	**3,454**	6,167.9	(3,454)	**-**	-	**(6,885)**	(67.7)	6,885	**-**	-
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)	**241,864**	104.2	(233,423)	**8,441**	164.5	**259,480**	113.2	(245,572)	**13,908**	70.0

For the fourth quarter of 2019, Dorel Sports' revenue increased by $0.5 million, or 0.2%, to $233.2 million from $232.7 million in 2018. When excluding the impact of varying foreign exchange rates year-over-year, the organic revenue improved by approximately 1.9%. The revenue and organic revenue growth during the fourth quarter was mainly in Pacific Cycle driven by strong sales at mass retailers and improvement in e-commerce channel. Caloi also contributed to the revenue growth with increased prices and an improved product mix. At CSG, the overall revenues decreased in the quarter, due to the timing of sales in the IBD channel in the North American market and to the timing of shipments to international distributors, partly offset by growth in the key accounts channel and in most geographies.

For the full year, the segment's revenue increased by $26.0 million, or 2.9%, to $909.0 million compared with $883.0 million in 2018. When excluding the impact of varying foreign exchange rates year-over-year, the organic revenue improved by approximately 5.1%, and when also removing the impact of the divestment of the performance apparel line of business, the organic revenue improved by 6.1%. Year-to-date, all three divisions delivered revenue growth, led by CSG which benefitted from model-year 2020 products and a strong e-bike product offering. Caloi's revenue growth was due to an improved product mix due to the growth of the Cannondale brand in the local market. At Pacific Cycle, the revenue increase was largely driven by strong POS growth at major retailers.

During the fourth quarter, gross profit improved by 330 basis points to 24.0% from 20.7% in 2018 and adjusted gross profit improved by 340 basis points to 24.1% when excluding restructuring and other costs. The improvement is mainly due to the grant of a favourable tariffs exclusion related to kids' bikes in the U.S. In addition, at CSG, the introduction of model-year 2020 products and limited discounting in most markets have also contributed to the margin improvement.

On a year-to-date basis, gross profit declined by 20 basis points to 21.1% from 21.3% in 2018 and when excluding restructuring and other costs, adjusted gross profit declined by 30 basis points to 21.1% from 21.4% reported in 2018. This is mainly explained by increased warehouse costs due to higher average inventory levels in 2019, partly offset by improvement at CSG due to new product launches.

Selling expenses in the fourth quarter increased by $1.0 million, or 4.9%, and by 0.4% as a percentage of revenue. The increase in the fourth quarter was mainly due to increased marketing efforts to support the sales, partly offset by reduced people costs. For the full year, selling expenses decreased by $2.1 million, or 2.4%, and by 0.6% as a percentage of revenue. The year-to-date decrease was mainly driven by reduction of people costs related to restructuring initiatives and savings due to the exit of the performance apparel line of business in the second quarter of 2018.

General and administrative expenses for the fourth quarter decreased by $1.1 million, or 5.9%, during the quarter and by 0.5% as a percentage of revenue, and for the full year, decreased by $2.3 million, or 3.4%, and by 0.4% as a percentage of revenue. The decrease in the fourth quarter was mainly due to cost savings from previous restructuring plans, partly offset by increased costs related to incentive program from improved operating results. The year-to-date decrease is also explained by the divestment of the performance apparel line of business.

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

The impairment loss on trade accounts receivable was $1.8 million during the fourth quarter, comparable to prior year's expenses of $2.0 million. For the full year, the impairment loss was $2.2 million, compared with $9.2 million in 2018 which included an impairment loss of $6.6 million with respect to the trade accounts receivable from Toys"R"Us U.S. recorded in the first quarter of 2018.

Restructuring and other costs increased by $3.5 million for the fourth quarter, and decreased by $6.9 million for the full year compared to 2018. The variations are mainly attributable to the new restructuring plan initiated during the fourth quarter of 2019 and the divestment of the performance apparel line of business during the second quarter of 2018. Refer to "Restructuring costs" within the operating results section for further details.

Impairment losses on goodwill, intangible assets and property, plant and equipment decreased by $237.2 million for the fourth quarter and for the full year compared to 2018, as no impairment loss was recorded during 2019. Refer to "Impairment losses on goodwill, intangible assets and property, plant and equipment" within the operating results section for further details on the 2018 impairment losses recorded.

The segment reported an operating profit in the fourth quarter of $9.8 million compared to an operating loss of $232.1 million in 2018. When excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, adjusted operating profit improved by $8.4 million, or 164.5%, to $13.6 million from 2018, which is mainly due to a favourable tariff exclusion granted in 2019. Year-to-date, the segment reported an operating profit of $30.3 million compared to an operating loss of $229.1 million last year and adjusted operating profit was $33.8 million compared to $19.9 million in 2018. When excluding the impairment loss on the trade accounts receivable from Toys"R"Us U.S. recorded in the first quarter of 2018, adjusted operating profit for the full year was $33.8 million compared to $26.5 million last year, which is mainly explained by a favourable tariff exclusion in the fourth quarter and lower year-to-date operating expenses.

4. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

a) Selected Information from the Statement of Financial Position

	As at December 30,		
	2019	**2018[1]**	**2017[1][2]**
	$	**$**	**$**
Total assets	1,860,106	1,733,506	2,229,707
Total liabilities:			
Current	701,814	1,079,179	585,815
Non-current	624,126	73,224	551,741
	1,325,940	1,152,403	1,137,556
Equity	534,166	581,103	1,092,151

[1] The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.

[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.

Compared to December 30, 2018, Dorel's total assets and total liabilities increased mainly as a result of the adoption of IFRS 16 as total assets increased by $165.2 million and total liabilities increased by $183.3 million on transition. Further information can be found in Note 3 of Dorel's consolidated financial statements. 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.

The variation of the current and non-current portions of Dorel's long-term debt compared to December 30, 2018 relates mainly to the change in classification as current of the convertible debentures, revolving bank loans and term loan as at December 30, 2018, considering that the convertible debentures were not repaid or refinanced at that time. During 2019, Dorel entered into a senior unsecured notes agreement, of which the net proceeds obtained were used to repay the convertible debentures. As the convertible debentures were repaid during 2019, the maturity date of the revolving bank loans and term loan was extended to July 1, 2021. Refer to the section "Significant Events in 2019" for further information.

b) Working Capital

Certain of the Company's ratios are as follows:

	As at December 30,	
	2019	**2018[1]**
Debt[2] to equity	0.94	0.84
# of days in receivables	55	57
# of days in inventory	110	113
# of days in payables	76	80

[1] The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.

[2] Debt is defined as bank indebtedness plus long-term debt.

The increase in debt to equity ratio compared to December 30, 2018 is mainly due to an overall lower equity level, explained by the impact of adopting IFRS 16, which resulted in an adjustment to the opening balance of retained earnings of $18.1 million, and the net loss reported during 2019 of $10.5 million.

The net working capital position was at 89 days as at December 30, 2019, consistent with 90 days as at December 30, 2018.

c) Cash Flow

	2019 $	2018[1] $	Change $
CASH FLOW PROVIDED BY (USED IN):			
Operating activities	85,786	110,166	(24,380)
Financing activities	(54,717)	(52,154)	(2,563)
Investing activities	(32,379)	(54,146)	21,767
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,179	(1,435)	2,614
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(131)	2,431	(2,562)

[1] The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.

Cash flow provided by operating activities

For the year, cash flow provided by operating activities decreased by $24.4 million to $85.8 million compared to $110.2 million reported in 2018.

	2019 $	2018[1] $	Change $
Net loss adjusted by items not involving cash	**151,951**	**124,829**	**27,122**
Trade accounts receivable	324	(5,040)	5,364
Inventories	(4,971)	(60,321)	55,350
Other assets	(1,786)	698	(2,484)
Trade and other payables	(22,604)	102,936	(125,540)
Net pension and post-retirement defined benefit liabilities	(4,393)	(3,056)	(1,337)
Provisions	11,544	(2,899)	14,443
Other liabilities	732	(462)	1,194
Net changes in balances related to operations	(21,154)	31,856	(53,010)
Net income taxes and interest paid	(45,011)	(46,519)	1,508
CASH FLOW PROVIDED BY OPERATING ACTIVITIES	**85,786**	**110,166**	**(24,380)**

[1] The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.

The decrease in the cash flow provided by operating activities compared to 2018 is mainly explained by a net negative change in balances related to operations, as a result of the timing of payments of trade and other payables, partly offset by a reduction of inventories, reflecting the effort to reduce the inventory levels throughout 2019. In addition, the adoption of IFRS 16 had a positive impact on the cash flow provided by operating activities, as the straight-line operating lease expense was replaced by a depreciation charge for right-of-use assets and interest expense on lease liabilities. IFRS 16 positively impacted cash flow from operating activities as the lease payments related to the principal portion of lease liabilities of $43.6 million, net of a lease incentive received of $1.8 million, for 2019 are classified as cash flow used in financing activities.

Free cash flow [2]

	2019 $	2018[1] $	Change $
CASH FLOW PROVIDED BY OPERATING ACTIVITIES	**85,786**	**110,166**	**(24,380)**
Less:			
Dividends paid	(14,599)	(38,926)	24,327
Additions to property, plant and equipment, net of subsidy received related to land use rights and disposals	(20,303)	(30,224)	9,921
Additions to intangible assets	(16,735)	(20,969)	4,234
Net proceeds from disposals of assets held for sale	4,821	-	4,821
FREE CASH FLOW [2]	38,970	20,047	18,923

[1] The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated.

[2] "Free cash flow" is a non-GAAP financial measure. See “Non-GAAP financial measures” section.

Considering the impact on Dorel's business of the increased U.S. imposed tariffs, Dorel reduced its capital expenditures spending and its dividends during 2019 which had a positive impact on Dorel's free cash flow. In addition, as noted above, IFRS 16 also positively impacted free cash flow as the lease payments related to the principal portion of lease liabilities are classified as cash flow used in financing activities. However, these positive impacts were partly offset by the timing of Dorel's payments to its suppliers.

Cash flow used in financing activities

When compared to 2018, cash flow used in financing activities increased by $2.6 million to $54.7 million, mainly as a result of the payments of lease liabilities that are now classified as cash flow used in financing activities and the additional financing costs resulting from Dorel's debt refinancing. This was partly offset by the decrease in payments of dividends on common shares and an overall increase of Dorel's bank indebtedness level. The variation in the bank indebtedness level from a period to another mainly relates to the timing of payments to suppliers and the collection of trade accounts receivable from customers.

Cash flow used in investing activities

Cash flow used in investing activities decreased by $21.8 million to $32.4 million for 2019. The decrease is mainly explained by Dorel's current assessment of its capital expenditures to align with and support its strategy going forward and the sale of an underutilized facility in Dorel Juvenile completed during the third quarter of 2019.

d) Contractual Obligations

The following table summarizes the contractual obligations of the Company as at December 30, 2019:

	Total	**Less than 1 year**	**2 - 3 years**	**4 - 5 years**	**After 5 years**
	$	**$**	**$**	**$**	**$**
Bank indebtedness	59,698	59,698	-	-	-
Long-term debt - revolving bank loans and term loan repayments	315,061	20,590	294,471	-	-
Senior unsecured notes repayments	125,000	-	-	125,000	-
Balance of sale on acquisition of Canbest	6,000	3,000	3,000	-	-
Other long-term debt repayments	2,103	932	1,171	-	-
Contractual undiscounted cash flows of lease liabilities	215,696	47,217	75,352	41,351	51,776
Trade and other payables	502,999	502,999	-	-	-
Written put option liabilities	8,568	-	-	8,568	-
Other financial liabilities	4,562	607	2,491	1,140	324
Capital addition purchase commitments	5,474	5,474	-	-	-
Expenditure commitments related to marketing	2,950	2,950	-	-	-
Minimum royalties payments under licensing agreements	781	721	30	30	-
Total contractual obligations	1,248,892	644,188	376,515	176,089	52,100

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

Bank indebtedness

As at December 30, 2019, Dorel had available bank lines of credit amounting to approximately $101.1 million of which $59.7 million have been used. The availability of these funds are dependent on Dorel continuing to meet the financial covenants of its credit agreements. As at December 30, 2019, certain of Dorel's bank lines of credit amounting to $12.5 million are secured by trade accounts receivable representing a carrying value of $5.0 million.

Financial covenants

The availability of the funds under the revolving bank loans, including the accordion feature, and the $50.0 million tranche under the senior unsecured notes are dependent on Dorel continuing to meet the financial covenants under its credit agreements. Under the senior unsecured notes, revolving bank loans and term loan, Dorel is subject to certain covenants, including maintaining certain financial ratios. In the event Dorel is not able to meet its quarterly debt covenant requirements, the senior unsecured notes, revolving bank loans and term loan will become due in full at the date of non-compliance.

During the first and third quarters of 2019, certain of Dorel's borrowing covenant requirements with respect to its revolving bank loans and term loan were amended. As at December 30, 2019, Dorel was compliant with all its amended borrowing covenant requirements and the senior unsecured notes, revolving bank loans and term loan were not due on demand on December 30, 2019. On March 9, 2020, Dorel amended and restated its revolving bank loans and term loan to facilitate their compliance based on the quarterly forecasted projections for 2020.

Assets secured under revolving bank loans and term loan

As at December 30, 2019, 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 $249.7 million, $469.9 million, $70.6 million and $27.3 million, respectively.

Lease liabilities

As at December 30, 2019, total contractual undiscounted cash flows of lease liabilities was $215.7 million. In addition, as at December 30, 2019, Dorel had undiscounted future lease payments of $3.9 million related to leases not yet commenced to which it was committed, which are not reflected in the measurement of lease liabilities.

Other considerations

As new product development is vital to the continued success of Dorel, the Company must make capital investments in research and development, moulds and other machinery, equipment and technology. It is expected that Dorel will invest between $40 million and $50 million in 2020 to meet its new product development and other growth objectives. Dorel expects its existing operations to be able to generate sufficient cash flow to provide for this and other requirements as they arise throughout the year. As part of its capital management strategy to ensure it will have sufficient liquidity to meet its obligations as they become due, Dorel may need to reduce or change the timing of its expected capital investments during 2020.

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.

As detailed in Note 22 of the consolidated financial statements, an amount of $25.8 million pertains to Dorel's pension and post-retirement benefit plans. In 2020, contributions expected to be paid for funded plans and benefits expected to be paid for unfunded plans under these plans amount to approximately $5.8 million.

e) Off-Balance Sheet Arrangements

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

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

The main change from the off-balance sheet arrangements information reported in Dorel's 2018 annual MD&A relates to the adoption of IFRS 16 on December 31, 2018, for which Dorel has recognized lease liabilities for leases previously classified as operating leases, whereas the lease payments under these leases were disclosed as commitments under the previous standard. Refer to Note 12 of Dorel's consolidated financial statements for further details on the Company's leases.

f) Financial Instruments

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

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

Dorel is subject to other various risks relating primarily to foreign exchange risk. In order to mitigate the effects of changes in foreign exchange rates on its revenue, its expenses and its cash flows, 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.

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

5. CRITICAL ACCOUNTING ESTIMATES

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

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

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

The Company does not expect a liquidity problem in the foreseeable future, however no assurance can be provided.

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

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

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

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

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

The Company's income tax provision is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities. 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, Dorel estimates customer programs and incentive offerings that give rise to variable consideration. Estimated amounts of variable consideration are based on various assumptions including agreements with comparable customers, past experience with customers and/or products, and other relevant factors. The amount of revenue recognized is adjusted for expected returns, which are estimated by management based on the historical data for the related types of goods sold. Actual results can differ from management's estimates.

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

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

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

6. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Dorel has initially adopted IFRS 16, *Leases*, as at December 31, 2018, which resulted in the recognition of right-of-use assets and related lease liabilities for leases previously classified as operating leases. As Dorel adopted IFRS 16 using the modified retrospective method of adoption, the cumulative effect of initially applying IFRS 16 of $18.1 million has been recognized as an adjustment to the opening balance of retained earnings as at December 31, 2018. Dorel has also adopted the *Annual Improvements to IFRS Standards 2015-2017 Cycle* and amendments to IAS 19, *Plan Amendment, Curtailment or Settlement*, on December 31, 2018.

Further information can be found in Note 3 of Dorel's consolidated financial statements.

7. FUTURE ACCOUNTING CHANGES

New standards and amendments to existing standards have been issued by the International Accounting Standards Board, which are mandatory but not yet effective for the year ended December 30, 2019. Management does not expect that any of the new standards and amendments to existing standards issued but not yet effective would have a material impact on Dorel's consolidated financial statements.

8. MARKET RISKS AND UNCERTAINTIES

General Economic Conditions

In its almost 60-year history, Dorel has experienced several economic downturns and its products have proven to be ones that consumers continue to purchase in varying economic conditions. In 2019, 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 more likely to shop at the mass merchants, both brick and mortar and online, for reasonably priced items.

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

In Dorel Sports, Dorel 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 Dorel'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, importing tariffs increase substantially or bad weather conditions occur, it could have a negative impact on Dorel as consumer spending would likely be curtailed. In addition, as customers are continuously changing their purchasing preferences and habits, the retail industry is experiencing an increase in the number of retailers filing for bankruptcy protection or announcing liquidation of their inventories in recent years. As customers are increasingly embracing shopping 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 Dorel operates, will improve going forward and in the event of a substantial deterioration of these economies, Dorel could be adversely affected.

Product Costs and Supply

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

Raw material cost fluctuations were highlighted by resin price decreases in both the U.S. and Europe in 2019 while particle board prices remained stable in North America. Crude oil pricing remains volatile for 2020 and U.S. resin prices are expected to further decrease in 2020. Particle board prices are expected to remain stable in 2020.

Dorel's suppliers of components and finished goods experienced lower input material costs in 2019. The Chinese currency ("RMB") depreciated approximately 5% in 2019. Labour costs in China remained stable in 2019.

Container freight costs are expected to remain volatile in 2020 due to on-going industry consolidation and implications surrounding global trade. Current expectations are for container prices to increase in the single digits in 2020. International air costs are also expected to be volatile and domestic trucking rates are expected to remain stable.

Dorel's level of profitability is impacted by its ability to manage these various input costs and adjust pricing to its customers as required. During 2019, the U.S. tariffs increased generally for goods imported from China, affecting Dorel Home and Dorel Sports in particular. Dorel was able to pass on the tariff increases in dollars to its customers, but this had a negative impact on the sales volume and the gross margin. In addition, Dorel relies on its suppliers to provide quality products on a timely basis and has always prided itself on establishing successful long-term relationships both domestically and overseas. Dorel remains committed to actively working with its supplier base to ensure that the flow of product is not interrupted. Should input costs increase dramatically, should major existing vendors be unable to supply Dorel or the supply chain be disrupted due to crises such as ongoing coronavirus epidemics, it could have an adverse effect on Dorel going forward.

Foreign Currency Fluctuations

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

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

Throughout 2019, the weakening of the Euro, Pound Sterling, Brazilian Real, Australian Dollar and Chilean Pesos against the US dollar had a transactional and translational net negative impact on Dorel Juvenile's and Dorel Sports segments' operating profit.

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

Concentration of Revenue

For the year ended December 30, 2019, one customer accounted for more than 10% of Dorel's revenue, at 28.6%. In 2018, this customer accounted for 28.9% of revenue. As at December 30, 2019, this customer accounted for 14.2% of Dorel's total trade accounts receivable balance while in 2018, it accounted for 21.6%. 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 Dorel'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, Dorel 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 Dorel's consolidated results of operations. In the long term, Dorel 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 Dorel's other major customers face financial difficulties and/or cease operations, this could adversely affect Dorel's future earnings.

While Dorel 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. Dorel 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

Dorel is subject to income tax in various jurisdictions. Dorel's organizational structure and the resulting tax rate are supported by current domestic tax laws in the jurisdictions in which Dorel 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 Dorel going forward.

Dorel 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 Dorel'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 Dorel's future earnings.

Product and Brand Development

To support continued revenue growth, Dorel must continue to update existing products, design innovative new items, develop strong brands and make significant capital investments. Dorel has invested heavily in product development and plans to keep it at the center of its focus. In addition, Dorel must continue to maintain, develop and strengthen its enduser brands. Should Dorel 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

Dorel 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 Dorel 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 Dorel going forward.

Public Health Crises

Dorel is exposed to risks related to pandemics or epidemics, such as the outbreak of the coronavirus that surfaced in December 2019 in Wuhan, Hubei Province, China and has spread to other countries around the world. Dorel could experience disruptions in its supply chain and other operations depending on future developments. To date, Dorel has not seen any significant impact on consumer spending at retail for its products. However, the extent to which the coronavirus will impact Dorel's results will depend on further developments which are highly uncertain and cannot be predicted with great certainty.

Liquidity and Access to Capital Resources

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

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

Reliance on Information Technology Systems

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

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

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

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

Valuation of Goodwill and Intangible Assets

As part of its annual impairment tests, the value of Dorel's goodwill and indefinite useful life intangible assets are subject to significant assumptions, such as future expected cash flows, assumed discount and weighted average cost of capital rates. In addition, the value of Dorel's customer relationships recognized also includes significant assumptions, such as in reference to customer attrition rates and useful lives. Furthermore, Dorel's share price and control premium are significant factors in assessing Dorel's fair value for purposes of its goodwill and indefinite useful life intangible assets impairment assessment. For example, as a result of a sustained decline in Dorel's stock price, Dorel recorded significant impairment losses in the fourth quarter of 2018, which was driven by revision of its assumptions on projected earnings and cash flow growth for the majority of its CGUs. Dorel's share price can be affected by, among other things, changes in industry or market conditions, including the effect of competition, changes in its results of operations and/or in its forecasts or market expectations relating to future results.

During the fourth quarter of 2019, Dorel performed its annual impairment testing of goodwill and trademarks, which resulted in no impairment loss being recorded. Should current market conditions adversely affect Dorel'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 Dorel'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 Dorel's goodwill and intangible assets in the future, and would require further impairment to be recorded.

9. OTHER INFORMATION

The designation, number and amount of each class and series of Dorel's shares outstanding as of March 10, 2020 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	28,299,631	$202,200	$203,967

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

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

Disclosure controls and procedures ("DC&P")

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

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Executive Vice-president, Chief Financial Officer and Secretary, management has evaluated the design and operating effectiveness of the Company's DC&P as at December 30, 2019 and have concluded that those DC&P were appropriately designed and operating effectively in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

Internal controls over financial reporting ("ICFR")

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

During 2019, management evaluated the Company's ICFR to ensure that their design and operation are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS. Management has used the Internal Control – Integrated Framework (2013) to evaluate the effectiveness of ICFR, which is a recognized and suitable framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Executive Vice-president, Chief Financial Officer and Secretary, management has evaluated the ICFR as at December 30, 2019 and have concluded that those internal controls were appropriately designed and were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS.

Changes in DC&P and ICFR

As reported previously, 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 finalized the process of implementing this lease accounting software throughout its locations, and finalized the development of new reports to capture information required for presentation and disclosure under IFRS 16 during the first quarter ended March 31, 2019. Accordingly, internal control processes and procedures have been put in place and updated in order to ensure proper ICFR, and DC&P have been updated to capture information required for presentation and disclosure under IFRS 16.

During the fourth quarter ended December 30, 2019, the Company has made no change that has materially affected or is likely to materially affect the Company's internal controls over financial reporting.

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, 2019
	$
Revenue	94,286
Operating profit	3,784

Caloi Norte S.A.
Selected financial information from the statement of financial position

	As at December 30, 2019
	$
Total current assets	78,103
Total non-current assets	21,651
Total current liabilities	69,864
Total non-current liabilities	4,813

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 concentration of revenues with a small number of customers; costs associated with product liability; changes in income tax legislation or the interpretation or application of those rules; the continued ability to develop products and support brand names; changes in the regulatory environment; outbreak of public health crises, such as the coronavirus; continued access to capital resources, including compliance with covenants, and the related costs of borrowing; 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 will declare any dividend in the future. 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.