



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, 2020 and 2019 ("the consolidated financial statements"), as well as with the notes to the consolidated financial statements. All financial information contained in this MD&A and in the Company's consolidated financial statements are in US dollars, unless indicated otherwise, and have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"), using the US dollar as the reporting currency.

The audited annual consolidated financial statements and this MD&A were reviewed by the Company's Audit Committee and were approved and authorized for issuance by its Board of Directors. This MD&A is current as at March 11, 2021.

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 online 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 8,200 people. Dorel's 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 85 retail stores in Chile and Peru, as well as factory outlet retail locations in Europe.

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 online, 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.

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 \$39.0 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 with the balance through sourcing efforts in Asia. Dorel also ranks number two as 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 2020, the Dorel Home segment accounted for 34% 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 both domestically manufactured and import RTA furniture and is headquartered in Wright City, Missouri. Ameriwood's manufacturing facilities are located in Tiffin, Ohio, and Cornwall, Ontario. Ameriwood designs, manufactures, and imports furniture mainly within the home entertainment, bedroom, 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 merger of Dorel Home Products

and Dorel Living in 2019. Major distribution facilities for these three divisions are located in Quebec, California, Michigan and Georgia. 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 Alphason brand.

With its continued expansion into online sales in 2020, along with strong sales growth at the big box retailers, Dorel Home's revenue grew by approximately 11%, recording its highest year in sales to date. Dorel Home has significant market share within its product categories and has a strong presence in its customer base. Sales are concentrated with Internet retailers, mass merchants, warehouse clubs, home centers and office and electronic superstores. Online 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, Queer Eye, Cosco and Alphason. Dorel Home's many competitors include Sauder Manufacturing, Southshore Furniture, 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, highchairs, playpens, 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, Safety 1st and Tiny Love brands are sold globally in most of Dorel Juvenile's markets. Other brands such as 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 product to over 100 countries around the world. In 2020, the Dorel Juvenile segment accounted for 28% of Dorel's revenues.

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

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, Nania (Team-Tex group), Joie Baby, Artsana (Chicco) 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 and Maxi-Cosi. Dorel Juvenile Chile has operations in Chile and Peru and also sells to customers based in Bolivia and Argentina. Dorel Juvenile Chile operates approximately 85 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, Tiny Love 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 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 80 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 2020, the Dorel Sports segment accounted for 38% 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 Woudenberg, 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 2020

Potential Going-private Transaction

On November 2, 2020, Dorel announced that it had reached an agreement in principle whereby the Company would be taken private by a buyer group led by affiliates of a US private equity firm and the controlling shareholders. The buyer group had submitted a non-binding proposal to acquire all of Dorel's outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares not currently held by the controlling shareholders and their immediate families at a price of CAD \$14.50 per share. Dorel granted the buyer group exclusivity through November 10, 2020 to complete negotiations and enter into a definitive transaction agreement between the Company and the buyer group. The proposed transaction would be subject to shareholder, regulatory and court approvals, including approval by a majority of votes cast by the Company's minority shareholders. On November 13, 2020, Dorel announced that it had entered into a definitive agreement following an independent and thorough evaluation process and negotiations by the Special Committee of the Board of Directors of the Company. On February 1, 2021, Dorel announced that it had entered into an amendment to the arrangement agreement whereby the buyer group had agreed to acquire all of Dorel's outstanding Class A Multiple Voting Shares and Class B Subordinate Voting Shares not currently held by the controlling shareholders and their immediate families for an increased purchase price of CAD \$16.00 per share. On February 15, 2021, Dorel announced that the arrangement agreement whereby the Company would be taken private was terminated by mutual agreement of Dorel and the purchaser. Transaction costs related to the going-private transaction amounted to \$7.9 million in 2020 and were recorded in general and administrative expenses.

COVID-19 update

During the first quarter of 2020, global economies and financial markets were impacted by the COVID-19 outbreak as it quickly spread around the world and on March 11, 2020, the World Health Organization declared it a global pandemic. Government authorities around the world have taken actions in an effort to slowdown the spread of COVID-19, including measures such as the closure of non-essential businesses and social distancing. Dorel's three segments were adversely impacted during the first quarter of 2020 due to the closure of certain of their manufacturing facilities and the prolonged closing of stores by many of Dorel's customers around the world, as well as disruptions in their supply chains and reduced workforce productivity. As Dorel navigates through the challenges caused by the COVID-19 pandemic worldwide, its focus remains to closely monitor its cash position and control its spending, while managing its inventory levels in line with the unprecedented change in demand behavior since the COVID-19 pandemic started. While some of Dorel's products were in high demand, sales of other products suffered from the lockdown of many countries. Both Dorel Sports and Dorel Home have been experiencing strong demand beginning in the last two weeks of the first quarter and has continued through the end of the year. However, Dorel Juvenile has been negatively impacted primarily due to retail store closures. In Dorel Sports, demand for bikes continued to spike, as families were looking for outdoor activities that are safe and respect the social distancing guidelines, and as a way of commuting to avoid using public transportation. In Dorel Home, after supply chain interruptions in February 2020 and lower overall retail sales in March 2020, online sales and sales in the brick and mortar channel increased in response to consumers' needs during the prolonged stay-at-home period. As for Dorel Juvenile, sales in the second half of the year were adversely impacted as brick and mortar stores remained closed in certain markets while sales through e-commerce were not sufficient to offset these lost sales.

Refer to the "Operating results" section for further details of the impact on Dorel's business during the fourth quarter and twelve months ended December 30, 2020.

Long-term debt

On March 9, 2020, Dorel amended and restated its revolving bank loans and term loan agreement to amend the quarterly financial covenants to facilitate their compliance based on the quarterly forecasted projections for 2020 at that time. Based on information available at that time, management expected that it would be able to meet its amended quarterly financial covenants for 2020, as it had not seen any significant impact on consumer spending for its products or anticipated any significant disruption in its product supply as a result of COVID-19. However, as the outbreak of COVID-19 continued to spread around the globe, Dorel's results of operations were adversely affected from supply chain

disruptions, reduced workforce productivity and the prolonged closure of stores by many of Dorel's customers. In light of the COVID-19 pandemic impacting Dorel's business, financial condition and results of operations, as well as global economies and financial markets, Dorel amended its senior unsecured notes agreement on March 30, 2020, and its revolving bank loans and term loan agreement on March 31, 2020, to facilitate compliance with its financial covenants. These amendments allowed Dorel to increase its liquidity on hand to face the current economic downturn caused by the COVID-19 pandemic. Accordingly, at the end of the first quarter of 2020, Dorel increased its debt levels to maintain additional cash on hand and liquidity to meet its obligations during the current economic downturn caused by the COVID-19 pandemic, while at the same time ensuring it remained compliant with its amended borrowing covenant requirements as at March 31, 2020. During the second and third quarter of 2020, unprecedented consumer demand for bikes and home products led to increased sales generating higher cash on hand and therefore, improving Dorel's liquidity position. Accordingly, during the second and third quarters of 2020, Dorel was able to reduce its debt levels, thereby significantly reducing leverage as compared to March 31, 2020, when the COVID-19 pandemic began negatively impacting economies on a global scale. As at December 30, 2020, the Company was compliant with all its borrowing covenant requirements. Dorel's revolving credit facilities and term loan are due on July 1, 2021, and therefore have been presented in the current portion of long-term debt in the statement of financial position as at December 30, 2020. The Company will be refinancing its current credit facility and term loan with a syndicated asset based lending facility at market terms. The process is well advanced with BMO as Lead Arranger and we expect to close early in the second quarter of 2021.

Refer to the "Financial condition, liquidity and capital resources" section for further details.

Impairment of non-financial assets

An impairment loss on goodwill of \$43.1 million was recorded during the first quarter of 2020 in connection with the Company's Dorel Juvenile – Europe cash-generating unit ("CGU") due to reduced earnings and cash flows projections, and a higher risk adjusted discount rate, in light of the economic uncertainties caused by the COVID-19 pandemic.

Refer to the "Operating results" section for further details.

3. OPERATING RESULTS

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

a) Non-GAAP financial measures

The Company 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 (loss):	Operating profit (loss) excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs
Adjusted income (loss) before income taxes:	Income (loss) 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 (loss):	Net income (loss) excluding impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, net of taxes
Adjusted earnings (loss) per basic and diluted share:	Earnings (loss) per basic and diluted share calculated on the basis of adjusted net income (loss)

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.

Reconciliation of non-GAAP financial measures:

Fourth Quarters Ended December 30,										
	2020					2019				
	Reported	% of revenue	Restructuring costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring costs	Adjusted	% of revenue
	\$	%	\$	\$	%	\$	%	\$	\$	%
REVENUE	704,358	100.0	-	704,358	100.0	653,435	100.0	-	653,435	100.0
Cost of sales	552,042	78.4	(704)	551,338	78.3	520,829	79.7	(281)	520,548	79.7
GROSS PROFIT	152,316	21.6	704	153,020	21.7	132,606	20.3	281	132,887	20.3
Selling expenses	55,464	7.9	-	55,464	7.9	53,565	8.2	-	53,565	8.2
General and administrative expenses	68,200	9.7	-	68,200	9.7	44,752	6.8	-	44,752	6.8
Research and development expenses	13,634	1.9	-	13,634	1.9	10,874	1.7	-	10,874	1.7
Impairment loss on trade accounts receivable	2,396	0.3	-	2,396	0.3	1,858	0.3	-	1,858	0.3
Restructuring costs	4,276	0.6	(4,276)	-	-	5,346	0.8	(5,346)	-	-
OPERATING PROFIT	8,346	1.2	4,980	13,326	1.9	16,211	2.5	5,627	21,838	3.3
Finance expenses	9,442	1.4	-	9,442	1.4	14,515	2.2	-	14,515	2.2
(LOSS) INCOME BEFORE INCOME TAXES	(1,096)	(0.2)	4,980	3,884	0.5	1,696	0.3	5,627	7,323	1.1
Income taxes expense	21,783	3.1	67	21,850	3.1	2,335	0.4	2,691	5,026	0.7
<i>Tax rate</i>	<i>1,987.5%</i>			<i>562.6%</i>		<i>137.7%</i>			<i>68.6%</i>	
NET (LOSS) INCOME	(22,879)	(3.3)	4,913	(17,966)	(2.6)	(639)	(0.1)	2,936	2,297	0.4
(LOSS) EARNINGS PER SHARE										
Basic	(0.70)		0.15	(0.55)		(0.02)		0.09	0.07	
Diluted	(0.70)		0.15	(0.55)		(0.02)		0.09	0.07	
SHARES OUTSTANDING										
Basic - weighted average	32,504,372			32,504,372		32,466,082			32,466,082	
Diluted - weighted average	32,504,372			32,504,372		32,466,082			32,866,967	

The principal changes in net (loss) income from 2019 to 2020 are summarized as follows:

Fourth Quarters Ended December 30,			
Change			
	Reported	Restructuring costs	Adjusted
	\$	\$	\$
Dorel Home increase	5,921	(127)	5,794
Dorel Juvenile increase	6,079	1,802	7,881
Dorel Sports decrease	(7,898)	(2,322)	(10,220)
OPERATING PROFIT INCREASE	4,102	(647)	3,455
Decrease in finance expenses	5,073	-	5,073
Increase in corporate expenses	(11,967)	-	(11,967)
Increase in income taxes expense	(19,448)	2,624	(16,824)
NET INCOME DECREASE	(22,240)	1,977	(20,263)

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,									
	2020					2019				
	Reported	% of revenue	Impairment loss on goodwill and restructuring costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring costs	Adjusted	% of revenue
	\$	%	\$	\$	%	\$	%	\$	\$	%
REVENUE	2,762,485	100.0	-	2,762,485	100.0	2,634,646	100.0	-	2,634,646	100.0
Cost of sales	2,193,861	79.4	(3,020)	2,190,841	79.3	2,099,108	79.7	(1,543)	2,097,565	79.6
GROSS PROFIT	568,624	20.6	3,020	571,644	20.7	535,538	20.3	1,543	537,081	20.4
Selling expenses	195,329	7.1	-	195,329	7.1	219,679	8.3	-	219,679	8.3
General and administrative expenses	215,069	7.8	-	215,069	7.8	188,166	7.2	-	188,166	7.2
Research and development expenses	40,221	1.5	-	40,221	1.5	39,695	1.5	-	39,695	1.5
Impairment loss on trade accounts receivable	9,508	0.3	-	9,508	0.3	5,759	0.2	-	5,759	0.2
Restructuring costs	12,006	0.4	(12,006)	-	-	29,526	1.1	(29,526)	-	-
Impairment loss on goodwill	43,125	1.6	(43,125)	-	-	-	-	-	-	-
OPERATING PROFIT	53,366	1.9	58,151	111,517	4.0	52,713	2.0	31,069	83,782	3.2
Finance expenses	47,838	1.7	-	47,838	1.7	50,380	1.9	-	50,380	1.9
INCOME BEFORE INCOME TAXES	5,528	0.2	58,151	63,679	2.3	2,333	0.1	31,069	33,402	1.3
Income taxes expense	48,931	1.8	1,946	50,877	1.8	12,786	0.5	3,856	16,642	0.7
Tax rate	885.1%			79.9%		548.0%			49.8%	
NET (LOSS) INCOME	(43,403)	(1.6)	56,205	12,802	0.5	(10,453)	(0.4)	27,213	16,760	0.6
(LOSS) EARNINGS PER SHARE										
Basic	(1.34)		1.73	0.39		(0.32)		0.84	0.52	
Diluted	(1.34)		1.72	0.38		(0.32)		0.83	0.51	
SHARES OUTSTANDING										
Basic - weighted average	32,491,656			32,491,656		32,448,448			32,448,448	
Diluted - weighted average	32,491,656			32,871,064		32,448,448			32,807,991	

The principal changes in net (loss) income from 2019 to 2020 are summarized as follows:

	Years Ended December 30,		
	Change		
	Reported	Impairment loss on goodwill and restructuring costs	Adjusted
	\$	\$	\$
Dorel Home increase	11,505	2,648	14,153
Dorel Juvenile decrease	(24,400)	22,410	(1,990)
Dorel Sports increase	21,930	2,024	23,954
OPERATING PROFIT INCREASE	9,035	27,082	36,117
Decrease in finance expenses	2,542	-	2,542
Increase in corporate expenses	(8,382)	-	(8,382)
Increase in income taxes expense	(36,145)	1,910	(34,235)
NET INCOME DECREASE	(32,950)	28,992	(3,958)

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

b) Impairment loss on goodwill and restructuring costs

The details of impairment loss on goodwill and restructuring costs are presented below:

	Fourth Quarters Ended December 30,		Years Ended December 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Inventory markdowns	759	-	2,010	693
(Reversal) write-down of long-lived assets	(147)	297	918	297
Other associated costs	92	(16)	92	553
Recorded within gross profit	704	281	3,020	1,543
Employee severance and termination benefits	1,154	3,711	7,833	24,770
Write-down of long-lived assets	2,421	596	1,865	3,635
Net (gains) losses from the remeasurement and disposals of assets held for sale	(487)	-	(487)	248
Curtailment loss (gain) on net pension defined benefit liabilities	20	(122)	(270)	(2,285)
Other associated costs	1,168	1,161	3,065	3,158
Recorded within a separate line in the consolidated income statements	4,276	5,346	12,006	29,526
Total restructuring costs	4,980	5,627	15,026	31,069
Impairment loss on goodwill	-	-	43,125	-
Total impairment loss on goodwill and restructuring costs before income taxes⁽¹⁾	4,980	5,627	58,151	31,069
Total impairment loss on goodwill and restructuring costs after income taxes	4,913	2,936	56,205	27,213
Total impact on diluted earnings (loss) per share	(0.15)	(0.09)	(1.72)	(0.83)
⁽¹⁾ Includes non-cash amounts of:	2,566	426	47,161	2,243

Impairment loss on goodwill

Considering the adverse impact of the COVID-19 pandemic on global economies and financial markets and on Dorel's business, during the first quarter of 2020 management concluded that indicators of impairment existed as at March 31, 2020 requiring Dorel to perform impairment tests. As such, management performed impairment tests for its Dorel Juvenile – Europe, Dorel Sports – Mass markets and Dorel Home CGUs, for which it revised its assumptions on projected earnings and cash flows growth, as well as its assumptions on discount rates used to apply to the forecasted cash flows, using its best estimate of the conditions existing at March 31, 2020.

As a result of the impairment tests performed, management concluded that the recoverable amount of the Dorel Juvenile – Europe CGU was less than its carrying amount, resulting in an impairment loss on goodwill of \$43.1 million recorded during the first quarter of 2020. The impairment loss reflects reduced earnings and cash flows projections, and a higher risk adjusted discount rate, considering the economic uncertainties caused by the COVID-19 pandemic. As for Dorel Sports – Mass markets and Dorel Home CGUs, management concluded that their recoverable amounts were higher than their carrying amounts, resulting in no impairment loss recorded.

Restructuring costs

For the year ended December 30, 2020, the Company recorded total restructuring costs of \$15.0 million compared to \$31.0 million in 2019, of which \$3.0 million (2019 - \$1.5 million) were recorded within gross profit and \$12.0 million (2019 - \$29.5 million) as a separate line in the consolidated income statements.

Dorel Home segment

During the second quarter of 2020, Dorel Home segment initiated a restructuring plan as part of its strategy to reorganize its North American ready-to-assemble ("RTA") manufacturing plants with the transformation of its Dowagiac, Michigan manufacturing facility into a distribution and warehouse facility. Total costs related to these restructuring activities of \$(0.2) million and \$2.6 million, respectively were recognized during the fourth quarter and year ended December 30, 2020.

Dorel Juvenile segment

During the first quarter of 2019, Dorel Juvenile segment initiated a new restructuring program across several regions, whose main objective was to simplify the organization and optimize its global footprint in order to improve its competitive position in the marketplace. These restructuring initiatives were expected to be completed in 2020, however, in light of

the COVID-19 pandemic some initiatives were delayed and will only be completed in 2021. Total costs related to these restructuring activities of \$3.6 million and \$6.9 million, respectively were recognized during the fourth quarter and the year ended December 30, 2020 compared to \$1.8 million and \$27.6 million, respectively a year ago. 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. Dorel Sports segment is strengthening its European CSG operations which will now be centralized in the Netherlands, consolidating its Brazilian operations into a new facility in Sao Paulo and winding down its Chilean and Peruvian businesses. Total costs related to these restructuring activities of \$1.5 million and \$5.5 million, respectively were recognized during the fourth quarter and the year ended December 30, 2020 compared to \$3.8 million and \$3.4 million a year ago.

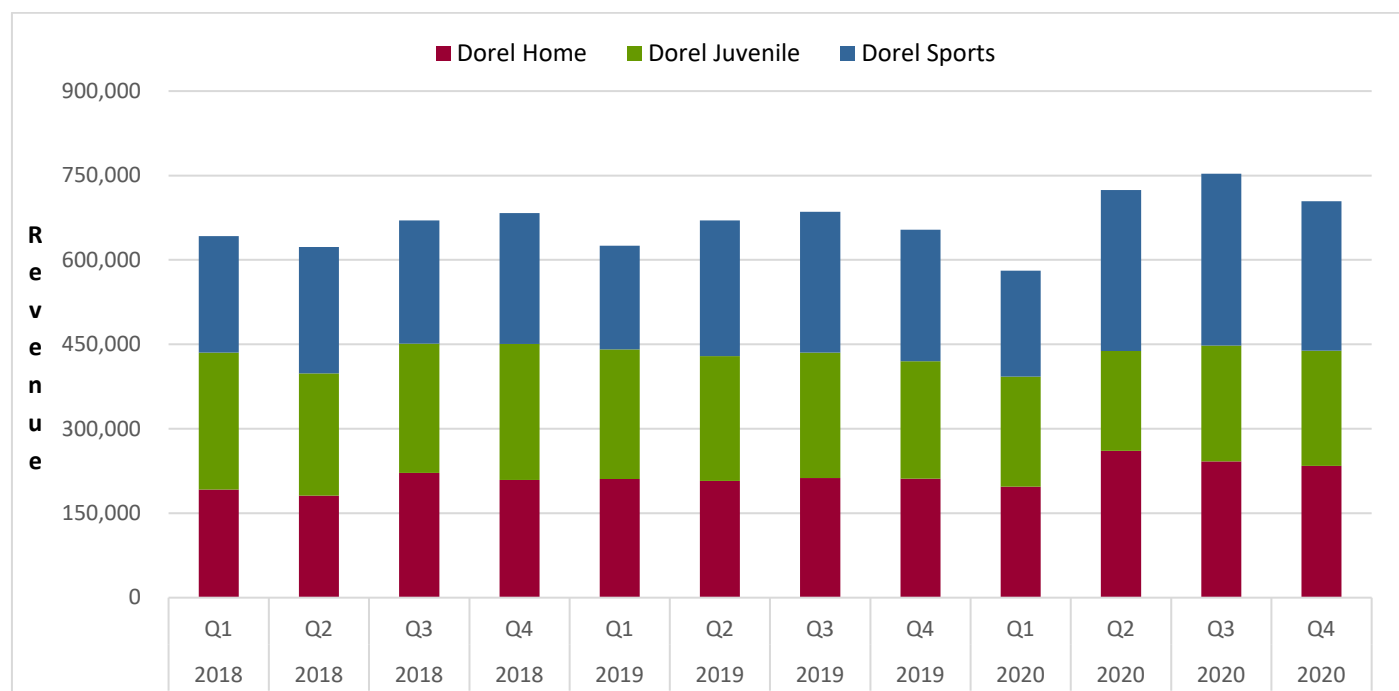
c) Selected financial information

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,			
	2020	2019	Change	%	2020	2019	Change	%
	\$	\$	\$	%	\$	\$	\$	%
Dorel Home	234,110	211,406	22,704	10.7	934,362	842,085	92,277	11.0
Dorel Juvenile	204,910	208,850	(3,940)	(1.9)	783,340	883,532	(100,192)	(11.3)
Dorel Sports	265,338	233,179	32,159	13.8	1,044,783	909,029	135,754	14.9
REVENUE	704,358	653,435	50,923	7.8	2,762,485	2,634,646	127,839	4.9

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:

	2020				2019			
	Dec. 30	Sep. 30	Jun. 30	Mar. 31	Dec. 30	Sep. 30	Jun. 30	Mar. 31
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	704,358	753,419	723,953	580,755	653,435	685,669	669,982	625,560
Net (loss) income	(22,879)	26,165	11,132	(57,821)	(639)	(4,337)	2,796	(8,273)
Per share - Basic	(0.70)	0.81	0.34	(1.78)	(0.02)	(0.13)	0.09	(0.26)
Per share - Diluted	(0.70)	0.80	0.34	(1.78)	(0.02)	(0.13)	0.09	(0.26)
Adjusted net (loss) income	(17,966)	28,725	15,648	(13,605)	2,297	2,355	6,317	5,791
Per share - Basic	(0.55)	0.88	0.48	(0.42)	0.07	0.07	0.19	0.18
Per share - Diluted	(0.55)	0.87	0.48	(0.42)	0.07	0.07	0.19	0.18
After-tax impact of impairment loss on goodwill and restructuring costs on the diluted (loss) earnings per share for the quarter	(0.15)	(0.07)	(0.14)	(1.36)	(0.09)	(0.20)	(0.10)	(0.44)

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 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 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.

In the first quarter of 2020, the Company reported a net loss of \$57.8 million or \$1.78 per diluted share due to impairment loss on goodwill and restructuring costs for a net amount of \$1.36 per diluted share. Adjusted net loss was \$13.6 million for the first quarter or \$0.42 adjusted diluted EPS. The decrease in net income and adjusted net income was mainly attributable to the adverse impact of the COVID-19 pandemic on Dorel's business as well as higher finance expenses compared with previous quarters.

For both the second and third quarters of 2020, the increase in revenue mainly relates to higher sales in both the Dorel Home and Dorel Sports segments as consumer demand for bikes and home products increased since the COVID-19 pandemic started, partly offset by a decrease in revenue within the Dorel Juvenile segment. Demand for bikes continued to spike as families were looking for outdoor activities that are safe and respect social distancing guidelines, and a way of commuting to avoid using public transportation. Demand for home products, including outdoor furniture, also increased due to stay-at-home orders in place to reduce the spread of the COVID-19 virus. Dorel Juvenile segment's revenue was adversely impacted during the third quarter of 2020 by the continued closure of brick and mortar stores in certain markets due to country-imposed lockdowns in light of the COVID-19 pandemic.

For the fourth quarter of 2020, the increase in revenue compared to the fourth quarter of 2019 mainly relates to higher sales in both the Dorel Home and Dorel Sports segments as consumer demand for bikes and home products continued to increase since the COVID-19 pandemic started. In addition, the lower net income and adjusted net income for the fourth quarter was mainly due to the increase in corporate expenses and income taxes expense offset by the increase in gross profit dollars from the higher sales and the overall lower finance expenses.

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

	2020		2019		2018 ⁽¹⁾	
	\$	% of revenue	\$	% of revenue	\$	% of revenue
Revenue	2,762,485	100.0	2,634,646	100.0	2,619,513	100.0
Net loss	(43,403)	(1.6)	(10,453)	(0.4)	(444,343)	(17.0)
Per share - Basic	(1.34)		(0.32)		(13.70)	
Per share - Diluted	(1.34)		(0.32)		(13.70)	
Adjusted net income	12,802	0.5	16,760	0.6	39,484	1.5
Per share - Basic	0.39		0.52		1.22	
Per share - Diluted	0.38		0.51		1.21	
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	(1.72)		(0.83)		(14.91)	
Cash dividends declared per share	-		0.45		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.

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

	2020	2019	2018 ⁽¹⁾
	\$	\$	\$
Total assets	1,719,116	1,860,826	1,733,506
Liabilities			
Bank indebtedness	30,562	59,698	50,098
Total long-term debt (including current portion)	402,736	442,102	437,069
Total lease liabilities (including current portion)	180,052	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.

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	
	2020	2019	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%	%	%
Revenue growth (decline)	7.8	(4.4)	10.7	1.0	(1.9)	(13.6)	13.8	0.2
Impact of varying foreign exchange rates	0.6	1.3	-	-	(0.5)	2.0	2.1	1.7
Organic revenue growth (decline)	8.4	(3.1)	10.7	1.0	(2.4)	(11.6)	15.9	1.9
Impact of the divestment of the performance apparel line of business (SUGOI)	-	-	-	-	-	-	-	-
Adjusted organic revenue growth (decline)	8.4	(3.1)	10.7	1.0	(2.4)	(11.6)	15.9	1.9

	Years Ended December 30,							
	Consolidated		Dorel Home		Dorel Juvenile		Dorel Sports	
	2020	2019	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%	%	%
Revenue growth (decline)	4.9	0.6	11.0	4.7	(11.3)	(5.2)	14.9	2.9
Impact of varying foreign exchange rates	1.3	1.8	-	0.1	1.6	3.1	2.2	2.2
Organic revenue growth (decline)	6.2	2.4	11.0	4.8	(9.7)	(2.1)	17.1	5.1
Impact of the divestment of the performance apparel line of business (SUGOI)	-	0.4	-	-	-	-	-	1.0
Adjusted organic revenue growth (decline)	6.2	2.8	11.0	4.8	(9.7)	(2.1)	17.1	6.1

Revenue

For the fourth quarter of 2020, Dorel's revenue increased by \$50.9 million, or 7.8%, to \$704.4 million compared to a year ago. Organic revenue improved by approximately 8.4%, after removing the variation of foreign exchange rates year-over-year. These revenue and organic revenue improvements were in Dorel Home and Dorel Sports, offset in part by declines in Dorel Juvenile. Dorel Home revenue increased due to strong point of sales ("POS") in most product categories in the brick and mortar channel as stay at home orders were eased across the U.S. In Dorel Sports, revenue improved for the seventh consecutive quarter with organic revenue growth coming from all three divisions. At Cycling Sports Group ("CSG") the revenue improvement was in the key accounts due to the increase in online sales and strong sales in the sporting goods channel at CSG UK. Pacific Cycle's revenue growth was due to strong retail POS as customer demand remained high through the quarter. At Caloi, revenue growth was mainly from price increases to mitigate the devaluation of the Brazilian Real and strong demand as COVID-19 restrictions began to ease in Brazil. In Dorel Juvenile, growth in Brazil and Europe, driven by e-commerce, was offset by declines mainly in the U.S, due to the resurgence of the COVID-19 pandemic impacting the car seat category in particular.

For the full year, Dorel's revenue increased by \$127.8 million, or 4.9%, to \$2,762.5 million compared to a year ago. Organic revenue improved by approximately 6.2% after removing the variation of foreign exchange rates year-over-year. The year-to-date revenue and organic revenue growth is explained mainly by increases in Dorel Home with growth in online sales and strong POS in the brick and mortar channel in the second half of the year and in Dorel Sports due to the unprecedented consumer demand for bikes around the globe since the beginning of the COVID-19 pandemic. This was offset by organic revenue declines in all regions in Dorel Juvenile, except for Brazil, mainly due to supply chain disruptions from China and lower demand due to the COVID-19 pandemic in the first half of the year.

Gross profit

Gross profit for the quarter increased by 130 basis points to 21.6% compared to 20.3% in 2019. When excluding restructuring costs, adjusted gross profit was 21.7%, representing an increase of 140 basis points. The improvement in the quarter was mainly in Dorel Home and Dorel Juvenile partly offset by a decline in Dorel Sports. In Dorel Home the margin improvement was due to lower warehouse costs from the lower inventory levels and reduced promotions and in Dorel Juvenile it was mainly due to favourable foreign exchange gains, better product mix and lower commodity costs.

The decline in Dorel Sports was mainly due to increased freight costs and a one-time grant of a favourable tariffs exclusion on kid's bikes in the fourth quarter of 2019.

The year-to-date gross profit increased by 30 basis points to 20.6% compared to 20.3% in 2019. When excluding restructuring costs, adjusted gross profit also increased 30 basis points to 20.7% from 20.4% in 2019. In addition to the reasons explained above for the fourth quarter, Dorel Home's year-to-date margins were negatively impacted by lower volume absorption of fixed overhead costs and higher promotional incentive offerings to reduce inventory levels in the first quarter. Furthermore, in Dorel Juvenile and Dorel Sports foreign currency fluctuations impacted cost of sales as most major currencies weakened against the US dollar resulting from the COVID-19 impact on global economies during the first quarter.

Selling expenses

Selling expenses for the fourth quarter increased by \$1.9 million, or 3.5%, to \$55.5 million and is comparable to the previous year as a percentage of revenue. The increase in the quarter was due to increased commissions from higher sales and growing e-commerce spending to support the business, partly offset by spending cuts initiated in mid-March to mitigate the impacts of the COVID-19 pandemic. For the full year, selling expenses decreased by \$24.4 million, or 11.1%, to \$195.3 million representing a decrease of 120 basis points as a percentage of revenue. The year-to-date decrease is mainly due to cost containment measures in order to mitigate the impacts of the COVID-19 pandemic initiated in mid-March and additional cost savings related to the restructuring activities initiated in Europe in the first quarter of 2019, partly offset by the reasons for the increases in the fourth quarter of this year.

General and administrative expenses

General and administrative expenses were at \$68.2 million for the fourth quarter, an increase of \$23.4 million or 52.4% compared with the prior year. The increase in the quarter was mainly driven by investments in information technology to support the growth of the e-commerce platform, higher product liability costs on higher sales, and higher people costs. In addition, corporate expenses increased in the fourth quarter due to privatization costs and people costs. Year-to-date, these expenses increased by \$26.9 million, or 14.3%, to \$215.1 million representing an increase of 60 basis points as a percentage of revenue and was for the same reasons mentioned in the quarter as detailed above.

Research and development expenses

Research and development expenses increased in the quarter by \$2.8 million, or 25.4%, to \$13.6 million and is mainly due to Dorel Juvenile's write-off of previously capitalized costs related to products that will be discontinued in 2021. Year-to-date, research and development expenses were comparable to last year as Dorel Juvenile's reduced spending is in line with its recent restructuring initiatives and additional cost savings measures were offset by the same reasons as in the quarter, detailed above.

Impairment loss on trade accounts receivable

Impairment loss on trade accounts receivable was \$2.4 million for the fourth quarter of 2020 compared to \$1.9 million in 2019. For the full year, the impairment loss was \$9.5 million compared to \$5.8 million. The year-to-date increase is mainly due to a Dorel Sports customer filing for bankruptcy protection in the second quarter and the consideration of the economic impact of the COVID-19 pandemic in the impairment loss allowance assessment.

Operating profit

For the fourth quarter, Dorel reported an operating profit of \$8.3 million compared to \$16.2 million in 2019. Excluding restructuring costs, adjusted operating profit decreased by \$8.5 million, or 39.0%, to \$13.3 million. The decreases in the operating profit and adjusted operating profit were mainly due to the overall increase in operating expenses, partly offset by the improved revenue and gross margin.

Year-to-date, Dorel reported an operating profit of \$53.4 million compared to \$52.7 million in 2019. Excluding impairment loss on goodwill and restructuring costs, the adjusted operating profit increased by \$27.7 million, or 33.1%, to \$111.5 million from \$83.8 million in 2019. The increase in operating profit and adjusted operating profit for the full year is mainly due to improved revenue in both Dorel Home and Dorel Sports partly offset by overall increased expenses.

Finance expenses

Details of finance expenses are summarized below:

	Fourth Quarters Ended December 30,				Years Ended December 30,			
	2020	2019	Change		2020	2019	Change	
	\$	\$	\$	%	\$	\$	\$	%
Interest on long-term debt – including effect of cash flow hedge related to the interest rate swaps and the accreted interest related to long-term debt bearing interest at fixed rates	5,375	10,016	(4,641)	(46.3)	30,392	33,979	(3,587)	(10.6)
Interest on lease liabilities	1,731	1,947	(216)	(11.1)	7,308	7,907	(599)	(7.6)
Amortization of deferred financing costs	394	153	241	157.5	1,484	1,113	371	33.3
Loss on debt modification and loss on revision of estimated payments related to long-term debt	1,000	628	372	59.2	3,142	1,298	1,844	142.1
Other interest	942	1,771	(829)	(46.8)	5,512	6,083	(571)	(9.4)
TOTAL FINANCE EXPENSES	9,442	14,515	(5,073)	(35.0)	47,838	50,380	(2,542)	(5.0)

Finance expenses decreased by \$5.1 million to \$9.4 million during the fourth quarter compared to \$14.5 million in 2019. The decrease is mainly explained by a decrease of \$4.6 million in interest on long-term debt due to lower average debt balances year-over-year. Year-to-date, finance expenses decreased by \$2.5 million to \$47.8 million. The decrease in finance expenses is mainly explained by a decrease of \$3.6 million in interest on long-term debt due to lower average debt balances year-over-year. In addition, a loss on debt modification of \$3.7 million was recorded during the first quarter related to the modification of the senior unsecured notes agreement and a loss of \$1.0 million was recorded during the fourth quarter upon revision of the estimated payments of the senior unsecured notes agreement, partly offset by the \$1.5 million gain recorded during the second quarter upon revision of the estimated payments of the senior unsecured notes agreement.

Income taxes

For the fourth quarter and the year ended December 30, 2020, the Company's effective tax rates were 1,987.5% and 885.1%, respectively versus 137.7% and 548.0% for the same periods in the prior year. Excluding income taxes on impairment loss on goodwill and restructuring costs, the Company's fourth quarter and year-to-date adjusted tax rates were 562.6% and 79.9%, respectively in 2020 compared with 68.6% and 49.8% in 2019. 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 effective and adjusted tax rates year-over-year are largely due to the non-recognition of tax benefits related to tax losses and temporary differences in certain jurisdictions, as well as changes in the jurisdictions in which the Company generated its income. The effective tax rates for the year are also due to the non-deductible impairment of goodwill recorded in the first quarter of 2020.

On January 26, 2021, the Company announced that it intends to appeal a decision of the Luxembourg Administrative Tribunal received on January 22, 2021 with respect to taxation on the transfer of certain assets in connection with an internal corporate reorganization that took place in 2015. The decision of the Luxembourg Administrative Tribunal concluded that one of the Company's wholly owned subsidiaries owes \$56.9 million (EUR \$46.8 million) in tax plus applicable interest. The Company considers that the transfer of assets was not taxable and intends to appeal the decision to the Luxembourg Administrative Court. The Company accrued \$2.5 million in its annual financial statements as its best estimate for this potential tax liability.

The components of the Company's tax rate from 2019 to 2020 are summarized below:

	Years Ended December 30,			
	2020		2019	
	\$	%	\$	%
INCOME BEFORE INCOME TAXES	5,528	-	2,333	-
PROVISION FOR INCOME TAXES ⁽¹⁾	1,443	26.1	611	26.2
ADD (DEDUCT) EFFECT OF:				
Difference in statutory tax rates of foreign subsidiaries	162	2.9	(1,898)	(81.4)
Non-recognition of tax benefits related to tax losses and temporary differences	40,486	732.4	31,180	1,336.5
Tax incentives	(846)	(15.3)	(1,236)	(53.0)
Non-deductible impairment of goodwill	10,443	188.9	-	-
Permanent differences	(3,075)	(55.6)	(17,061)	(731.3)
Tax rate changes	(658)	(11.9)	157	6.7
Foreign exchange and other - net	976	17.6	1,033	44.3
TOTAL INCOME TAXES	48,931	885.1	12,786	548.0

⁽¹⁾ The applicable statutory tax rates are 26.1% and 26.2%, respectively for the years ended December 30, 2020 and 2019. The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

	Years Ended December 30,			
	2020		2019	
	\$	%	\$	%
ADJUSTED INCOME BEFORE INCOME TAXES	63,679	-	33,402	-
PROVISION FOR INCOME TAXES ⁽¹⁾	16,620	26.1	8,751	26.2
ADD (DEDUCT) EFFECT OF:				
Difference in statutory tax rates of foreign subsidiaries	(719)	(1.1)	(2,441)	(7.3)
Non-recognition of tax benefits related to tax losses and temporary differences	37,716	59.2	27,764	83.1
Tax incentives	(846)	(1.3)	(1,236)	(3.7)
Permanent differences	(3,075)	(4.8)	(17,061)	(51.1)
Tax rate changes	216	0.3	(129)	(0.4)
Foreign exchange and other - net	965	1.5	994	3.0
TOTAL ADJUSTED INCOME TAXES	50,877	79.9	16,642	49.8

⁽¹⁾ The applicable statutory tax rates are 26.1% and 26.2%, respectively for the years ended December 30, 2020 and 2019. The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

Net income (loss)

During the fourth quarter of 2020, the net loss was \$22.9 million, or \$0.70 per diluted share compared with \$0.6 million, or \$0.02 per diluted share in 2019. Excluding restructuring costs, adjusted net loss for the quarter was \$18.0 million, or \$0.55 per diluted share compared to a net income of \$2.3 million, or \$0.07 per diluted share a year ago. For the full year of 2020, the Company reported a net loss of \$43.4 million, or \$1.34 per diluted share compared with \$10.5 million, or \$0.32 per diluted share in 2019. When excluding impairment loss on goodwill and restructuring costs, year-to-date adjusted net income was \$12.8 million, or \$0.38 per diluted share compared to \$16.8 million, or \$0.51 per diluted share recorded in 2019.

e) Segmented operating review

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

Dorel Home

Reconciliation of non-GAAP financial measures:

Fourth Quarters Ended December 30,										
	2020					2019				
	Reported	% of revenue	Restructuring costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring costs	Adjusted	% of revenue
	\$	%	\$	\$	%	\$	%	\$	\$	%
REVENUE	234,110	100.0	-	234,110	100.0	211,406	100.0	-	211,406	100.0
Cost of sales	197,057	84.2	127	197,184	84.2	184,950	87.5	-	184,950	87.5
GROSS PROFIT	37,053	15.8	(127)	36,926	15.8	26,456	12.5	-	26,456	12.5
Selling expenses	5,918	2.5	-	5,918	2.5	5,651	2.7	-	5,651	2.7
General and administrative expenses	12,254	5.3	-	12,254	5.3	7,803	3.7	-	7,803	3.7
Research and development expenses	1,039	0.4	-	1,039	0.4	1,344	0.6	-	1,344	0.6
Impairment loss (reversal) on trade accounts receivable	29	-	-	29	-	(234)	(0.1)	-	(234)	(0.1)
OPERATING PROFIT	17,813	7.6	(127)	17,686	7.6	11,892	5.6	-	11,892	5.6

Years Ended December 30,										
	2020					2019				
	Reported	% of revenue	Restructuring costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring costs	Adjusted	% of revenue
	\$	%	\$	\$	%	\$	%	\$	\$	%
REVENUE	934,362	100.0	-	934,362	100.0	842,085	100.0	-	842,085	100.0
Cost of sales	800,907	85.7	(2,103)	798,804	85.5	724,060	86.0	-	724,060	86.0
GROSS PROFIT	133,455	14.3	2,103	135,558	14.5	118,025	14.0	-	118,025	14.0
Selling expenses	23,562	2.5	-	23,562	2.5	25,731	3.1	-	25,731	3.1
General and administrative expenses	37,021	4.0	-	37,021	4.0	30,054	3.5	-	30,054	3.5
Research and development expenses	4,347	0.5	-	4,347	0.5	4,970	0.6	-	4,970	0.6
Impairment loss on trade accounts receivable	394	-	-	394	-	1,189	0.1	-	1,189	0.1
Restructuring costs	545	0.1	(545)	-	-	-	-	-	-	-
OPERATING PROFIT	67,586	7.2	2,648	70,234	7.5	56,081	6.7	-	56,081	6.7

The principal changes in operating profit from 2019 to 2020 are summarized as follows:

	Fourth Quarters Ended December 30,					Years Ended December 30,				
	Change									
	Reported	Restructuring costs	Adjusted	Reported	Restructuring costs	Adjusted	Reported	Restructuring costs	Adjusted	
	\$	%	\$	\$	%	\$	%	\$	\$	%
REVENUE	22,704	10.7	-	22,704	10.7	92,277	11.0	-	92,277	11.0
Cost of sales	12,107	6.5	127	12,234	6.6	76,847	10.6	(2,103)	74,744	10.3
GROSS PROFIT	10,597	40.1	(127)	10,470	39.6	15,430	13.1	2,103	17,533	14.9
Selling expenses	267	4.7	-	267	4.7	(2,169)	(8.4)	-	(2,169)	(8.4)
General and administrative expenses	4,451	57.0	-	4,451	57.0	6,967	23.2	-	6,967	23.2
Research and development expenses	(305)	(22.7)	-	(305)	(22.7)	(623)	(12.5)	-	(623)	(12.5)
Impairment loss on trade accounts receivable	263	112.4	-	263	112.4	(795)	(66.9)	-	(795)	(66.9)
Restructuring costs	-	-	-	-	-	545	100.0	(545)	-	-
OPERATING PROFIT	5,921	49.8	(127)	5,794	48.7	11,505	20.5	2,648	14,153	25.2

Dorel Home's fourth quarter revenue increased by \$22.7 million, or 10.7%, to \$234.1 million from \$211.4 million last year. The increase in revenue in the quarter is explained by strong POS in most product categories in the brick and mortar channel as stay at home orders were eased across the U.S. The revenue for the full year increased by \$92.3 million, or 11.0%, to \$934.4 million. The year-to-date increase was mainly due to the growth in online sales and strong POS in most product categories during the second half of the year offset in part by delayed shipments from China resulting from the supply chain disruptions in that country caused by the COVID-19 outbreak in the first quarter.

Gross profit, at 15.8% in the fourth quarter and 14.3% for the full year, improved by 330 and 30 basis points respectively from last year's fourth quarter and year-to-date periods. During the second quarter of 2020, Dorel Home initiated a restructuring plan, for which \$2.1 million was recognized during the full year within cost of sales. Excluding restructuring costs, the adjusted gross profit for the quarter and year-to-date were 15.8% and 14.5% respectively, which represented an improvement of 330 and 50 basis points respectively in the quarter and year-to-date periods. The fourth quarter improvement was due to lower warehouse costs and reduced promotions compared to the prior year. The year-to-date improvement, for the same reasons as in the quarter, was offset by the lower volume absorption of fixed overhead costs resulting from lower production levels and higher promotional incentive offerings in the Internet retail channel in an effort to reduce inventory levels in the first quarter.

Overall selling, general and administrative and research and development expenses for the fourth quarter increased by \$4.4 million, or 29.8%, compared to last year's fourth quarter and increased by \$4.2 million or 6.9% for the year compared to 2019, representing an increase of 120 basis points for the quarter and a decrease of 20 basis points for the year, on a percentage of revenue basis. The increase in the quarter was due to increased people costs, increased product liability costs as a result of higher sales and increased insurance costs. The year-to-date increase was partly offset by the synergies created by the merger of the DHP and Dorel Living divisions, as well as reductions amid the economic uncertainties caused by the COVID-19 pandemic.

The impairment loss on trade accounts receivable increased by \$0.3 million for the fourth quarter and decreased by \$0.8 million year-to-date. The year-to-date decrease is due to the bankruptcy of a Canadian customer that occurred in the third quarter of 2019.

Dorel Home's operating profit improved by \$5.9 million, or 49.8% for the quarter to \$17.8 million from \$11.9 million in 2019. For the full year, operating profit improved by \$11.5 million, or 20.5%, to \$67.6 million from \$56.1 million in the previous year. Adjusted operating profit improved by \$5.8 million in the quarter and by \$14.2 million for the year to \$17.7 million and \$70.2 million respectively. The improvements were mainly due to the improved revenue and gross margin offset by the increases in operating expenses, as detailed above.

Dorel Juvenile

Reconciliation of non-GAAP financial measures:

Fourth Quarters Ended December 30,										
2020						2019				
	Reported	% of revenue	Restructuring costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring costs	Adjusted	% of revenue
	\$	%	\$	\$	%	\$	%	\$	\$	%
REVENUE	204,910	100.0	-	204,910	100.0	208,850	100.0	-	208,850	100.0
Cost of sales	144,933	70.7	(486)	144,447	70.5	158,574	75.9	-	158,574	75.9
GROSS PROFIT	59,977	29.3	486	60,463	29.5	50,276	24.1	-	50,276	24.1
Selling expenses	22,895	11.2	-	22,895	11.2	25,847	12.4	-	25,847	12.4
General and administrative expenses	19,582	9.5	-	19,582	9.5	18,179	8.7	-	18,179	8.7
Research and development expenses	10,667	5.2	-	10,667	5.2	8,232	3.9	-	8,232	3.9
Impairment loss on trade accounts receivable	1,747	0.9	-	1,747	0.9	327	0.2	-	327	0.2
Restructuring costs	3,152	1.6	(3,152)	-	-	1,836	0.9	(1,836)	-	-
OPERATING PROFIT (LOSS)	1,934	0.9	3,638	5,572	2.7	(4,145)	(2.0)	1,836	(2,309)	(1.1)

Years Ended December 30,										
2020						2019				
	Reported	% of revenue	Impairment loss on goodwill and restructuring costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring costs	Adjusted	% of revenue
	\$	%	\$	\$	%	\$	%	\$	\$	%
REVENUE	783,340	100.0	-	783,340	100.0	883,532	100.0	-	883,532	100.0
Cost of sales	578,339	73.8	(572)	577,767	73.8	657,818	74.5	(1,388)	656,430	74.3
GROSS PROFIT	205,001	26.2	572	205,573	26.2	225,714	25.5	1,388	227,102	25.7
Selling expenses	85,439	10.9	-	85,439	10.9	106,923	12.1	-	106,923	12.1
General and administrative expenses	74,166	9.4	-	74,166	9.4	74,262	8.4	-	74,262	8.4
Research and development expenses	29,839	3.8	-	29,839	3.8	29,377	3.3	-	29,377	3.3
Impairment loss on trade accounts receivable	3,951	0.5	-	3,951	0.5	2,372	0.3	-	2,372	0.3
Restructuring costs	6,347	0.8	(6,347)	-	-	26,246	2.9	(26,246)	-	-
Impairment loss on goodwill	43,125	5.6	(43,125)	-	-	-	-	-	-	-
OPERATING (LOSS) PROFIT	(37,866)	(4.8)	50,044	12,178	1.6	(13,466)	(1.5)	27,634	14,168	1.6

The principal changes in operating profit (loss) from 2019 to 2020 are summarized as follows:

	Fourth Quarters Ended December 30,					Years Ended December 30,				
	Change									
	Reported		Restructuring costs	Adjusted		Reported		Impairment loss on goodwill and restructuring costs	Adjusted	
	\$	%	\$	\$	%	\$	%	\$	\$	%
REVENUE	(3,940)	(1.9)	-	(3,940)	(1.9)	(100,192)	(11.3)	-	(100,192)	(11.3)
Cost of sales	(13,641)	(8.6)	(486)	(14,127)	(8.9)	(79,479)	(12.1)	816	(78,663)	(12.0)
GROSS PROFIT	9,701	19.3	486	10,187	20.3	(20,713)	(9.2)	(816)	(21,529)	(9.5)
Selling expenses	(2,952)	(11.4)	-	(2,952)	(11.4)	(21,484)	(20.1)	-	(21,484)	(20.1)
General and administrative expenses	1,403	7.7	-	1,403	7.7	(96)	(0.1)	-	(96)	(0.1)
Research and development expenses	2,435	29.6	-	2,435	29.6	462	1.6	-	462	1.6
Impairment loss on trade accounts receivable	1,420	434.3	-	1,420	434.3	1,579	66.6	-	1,579	66.6
Restructuring costs	1,316	71.7	(1,316)	-	-	(19,899)	(75.8)	19,899	-	-
Impairment loss on goodwill	-	-	-	-	-	43,125	100.0	(43,125)	-	-
OPERATING PROFIT (LOSS)	6,079	146.7	1,802	7,881	341.3	(24,400)	(181.2)	22,410	(1,990)	(14.0)

Dorel Juvenile's fourth quarter revenue declined by \$3.9 million, or 1.9%, to \$204.9 million. Organic revenue declined by approximately 2.4%, 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 the U.S. explained by weak POS particularly in the car seat category due to the resurgence of the COVID-19 pandemic, and in Australia due to delayed shipments from China. These declines were partly offset by revenue gains at Dorel Juvenile Europe and Dorel Juvenile Brazil driven by continued growth in the e-commerce channel at both divisions.

The segment's revenue for the full year decreased by \$100.2 million, or 11.3%, to \$783.3 million versus the prior year's \$883.5 million, while organic revenue declined by approximately 9.7%, after removing the impact of varying foreign exchange rates year-over-year. All regions except Brazil saw full year organic revenue declines. This was mainly due to the impact of the COVID-19 outbreak in the first half of the year, firstly in supply chain disruptions from China followed by lower demand that negatively affected the segment's revenue in several product categories. Dorel Juvenile Brazil's organic revenue increase was the exception as outperformance in online sales and price increases to mitigate the devaluation of the Brazilian Real against the US dollar offset brick and mortar store declines.

Fourth quarter and year-to-date gross profit was 29.3%, and 26.2%, respectively. This represented an improvement of 520 basis points in the quarter and 70 basis points year-to-date. Excluding restructuring costs, the adjusted gross profit for the quarter and year-to-date were 29.5% and 26.2%, respectively, which represented an improvement of 540 basis points in the quarter and 50 basis points year-to-date. The improvements in gross profit and adjusted gross profit in the fourth quarter were mainly due to favourable foreign exchange gains, better product mix and lower commodity costs. The improvements in gross profit for the year were to a lesser extent also explained by the improvements listed above for the quarter, and were mostly offset by lower volume absorption of fixed overhead costs, including \$1.8 million of abnormal production costs recognized during the second quarter. In addition, the strength of the US dollar against all major currencies in the first quarter of 2020 increased cost of sales in the majority of markets.

Selling expenses in the fourth quarter decreased by \$3.0 million, or 11.4%, to \$22.9 million, representing a decrease of 1.2% as a percentage of revenue. For the full year, selling expenses decreased by \$21.5 million, or 20.1%, to \$85.4 million and by 1.2% as a percentage of revenue. The decreases in selling expenses are explained mainly by the cost containment measures initiated to mitigate the impact of the lower sales mainly resulting from the COVID-19 pandemic. Additional cost savings were realized related to the restructuring activities initiated in Europe in the first quarter of 2019.

General and administrative expenses for the fourth quarter increased by \$1.4 million, or 7.7%, to \$19.6 million from \$18.2 million in 2019, and for the year-to-date, decreased by \$0.1 million, or 0.1% compared to last year. The increase in the quarter is mainly due to pension related expenses while the decrease year-to-date is explained by lower product liability costs and people costs.

Research and development expenses increased in the quarter by \$2.4 million or 29.6% compared to 2019. The increase in the quarter was mainly due to the write-off of previously capitalized costs related to products that will be discontinued in 2021. Year-to-date research and development expenses increased by \$0.5 million, or 1.6%, compared to last year. The year-to-date increase is for the same reasons as in the quarter offset by reduced research and development spending in line with its recent restructuring initiatives and additional cost savings measures in order to mitigate the impact of the COVID-19 pandemic.

Impairment loss on trade accounts receivable was \$1.7 million for the fourth quarter of 2020 compared to \$0.3 million in 2019. Year-to-date, the impairment loss on trade accounts receivable increased by \$1.6 million to \$4.0 million in 2020 compared to \$2.4 million last year. The increase in both the quarter and year-to-date were due to the consideration of the economic impact of the COVID-19 pandemic in the impairment loss allowance assessment.

Restructuring costs increased by \$1.3 million for the fourth quarter and decreased by \$19.9 million for the full year compared to 2019. The decrease for the year is mainly attributable to the new restructuring plan that was initiated during the first quarter of 2019. Refer to “Restructuring costs” within the operating results section for further details.

Year-to-date impairment loss on goodwill increased by \$43.1 million compared to 2019 as an impairment loss was recorded in the first quarter of 2020 related to Dorel Juvenile – Europe CGU due to reduced earnings and cash flows projections, and a higher risk adjusted discount rate considering the economic uncertainties caused by the COVID-19 pandemic.

Operating profit was \$1.9 million during the fourth quarter compared to an operating loss of \$4.1 million in 2019. Excluding restructuring costs, adjusted operating profit improved by \$7.9 million to \$5.6 million from an adjusted operating loss of \$2.3 million in 2019. The improvement in adjusted operating profit in the fourth quarter is mainly explained by the improved gross profit margin as detailed above. The year-to-date operating loss was \$37.9 million compared to \$13.5 million during the prior year, while excluding impairment loss on goodwill and restructuring costs, adjusted operating profit for the full year declined by \$2.0 million to \$12.2 million in 2020. For the year-to-date, the decline in adjusted operating profit is explained by the decline in sales volume which was adversely impacted by the COVID-19 pandemic, offset by the cost containment initiatives and savings in order to mitigate the impact of the COVID-19 pandemic and from the ongoing restructuring activities.

Dorel Sports

Reconciliation of non-GAAP financial measures:

Fourth Quarters Ended December 30,										
	2020					2019				
	Reported	% of revenue	Restructuring costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring costs	Adjusted	% of revenue
	\$	%	\$	\$	%	\$	%	\$	\$	%
REVENUE	265,338	100.0	-	265,338	100.0	233,179	100.0	-	233,179	100.0
Cost of sales	210,052	79.2	(345)	209,707	79.0	177,305	76.0	(281)	177,024	75.9
GROSS PROFIT	55,286	20.8	345	55,631	21.0	55,874	24.0	281	56,155	24.1
Selling expenses	26,628	10.0	-	26,628	10.0	21,976	9.4	-	21,976	9.4
General and administrative expenses	23,104	8.8	-	23,104	8.8	17,545	7.5	-	17,545	7.5
Research and development expenses	1,928	0.7	-	1,928	0.7	1,298	0.6	-	1,298	0.6
Impairment loss on trade accounts receivable	620	0.2	-	620	0.2	1,765	0.8	-	1,765	0.8
Restructuring costs	1,124	0.4	(1,124)	-	-	3,510	1.5	(3,510)	-	-
OPERATING PROFIT	1,882	0.7	1,469	3,351	1.3	9,780	4.2	3,791	13,571	5.8

Years Ended December 30,										
	2020					2019				
	Reported	% of revenue	Restructuring costs	Adjusted	% of revenue	Reported	% of revenue	Restructuring costs	Adjusted	% of revenue
	\$	%	\$	\$	%	\$	%	\$	\$	%
REVENUE	1,044,783	100.0	-	1,044,783	100.0	909,029	100.0	-	909,029	100.0
Cost of sales	814,615	78.0	(345)	814,270	77.9	717,230	78.9	(155)	717,075	78.9
GROSS PROFIT	230,168	22.0	345	230,513	22.1	191,799	21.1	155	191,954	21.1
Selling expenses	86,186	8.2	-	86,186	8.2	86,734	9.5	-	86,734	9.5
General and administrative expenses	75,407	7.2	-	75,407	7.2	63,906	7.1	-	63,906	7.1
Research and development expenses	6,035	0.6	-	6,035	0.6	5,348	0.6	-	5,348	0.6
Impairment loss on trade accounts receivable	5,163	0.5	-	5,163	0.5	2,198	0.2	-	2,198	0.2
Restructuring costs	5,114	0.5	(5,114)	-	-	3,280	0.4	(3,280)	-	-
OPERATING PROFIT	52,263	5.0	5,459	57,722	5.6	30,333	3.3	3,435	33,768	3.7

The principal changes in operating profit from 2019 to 2020 are summarized as follows:

	Fourth Quarters Ended December 30,					Years Ended December 30,				
	Change									
	Reported		Restructuring costs	Adjusted		Reported		Restructuring costs	Adjusted	
	\$	%	\$	\$	%	\$	%	\$	\$	%
REVENUE	32,159	13.8	-	32,159	13.8	135,754	14.9	-	135,754	14.9
Cost of sales	32,747	18.5	(64)	32,683	18.5	97,385	13.6	(190)	97,195	13.6
GROSS PROFIT	(588)	(1.1)	64	(524)	(0.9)	38,369	20.0	190	38,559	20.1
Selling expenses	4,652	21.2	-	4,652	21.2	(548)	(0.6)	-	(548)	(0.6)
General and administrative expenses	5,559	31.7	-	5,559	31.7	11,501	18.0	-	11,501	18.0
Research and development expenses	630	48.5	-	630	48.5	687	12.8	-	687	12.8
Impairment loss on trade accounts receivable	(1,145)	(64.9)	-	(1,145)	(64.9)	2,965	134.9	-	2,965	134.9
Restructuring costs	(2,386)	(68.0)	2,386	-	-	1,834	55.9	(1,834)	-	-
OPERATING PROFIT	(7,898)	(80.8)	(2,322)	(10,220)	(75.3)	21,930	72.3	2,024	23,954	70.9

For the fourth quarter of 2020, Dorel Sports' revenue increased by \$32.2 million, or 13.8%, to \$265.3 million. When excluding the impact of varying foreign exchange rates year-over-year, the organic revenue improved by approximately 15.9%. Dorel Sports' revenue and organic revenue improved for the seventh consecutive quarter, driven by organic gains at all three divisions. At CSG and Pacific Cycle revenue continued to grow with unprecedented consumer demand for bikes around the globe since the beginning of the COVID-19 pandemic. The revenue growth at CSG was mainly in the key accounts due to the increase in online sales and curbside pickups, and at CSG UK due to strong sales in the sporting goods channel. Pacific Cycle's revenue growth was due to strong retail POS with customer demand remaining high throughout the quarter. E-commerce POS also increased on continued growth in bikes, battery powered ride-ons and scooters. Caloi's organic revenue growth was mainly due to the price increases implemented during the quarter and strong demand as COVID-19 restrictions began to ease in Brazil.

For the full year, Dorel Sport's revenue increased by \$135.8 million, or 14.9%, to \$1,044.8 million. When excluding the impact of varying foreign exchange rates year-over-year, the organic revenue improved by 17.1%. Year-to-date, all three divisions delivered organic revenue growth, led by CSG and Pacific Cycle mainly for the same reasons as in the quarter. Caloi was able to deliver growth despite lower market demand following price increases to offset the weakening of the Brazilian Real in the first quarter and an almost total lock-down in Brazil.

During the fourth quarter, gross profit declined by 320 basis points to 20.8% from 24.0% in 2019 and adjusted gross profit declined by 310 basis points to 21.0% when excluding restructuring costs. The decline in gross profit was mainly due to increased freight costs and the one-time grant of a favourable tariffs exclusion related to kids' bikes in the U.S. in the fourth quarter of 2019.

On a year-to-date basis, gross profit improved by 90 basis points to 22.0% from 21.1% in 2019 and when excluding restructuring costs, adjusted gross profit improved by 100 basis points to 22.1% from 21.1% reported in 2019. This is mainly explained by less discounting as a result of the increased demand during the COVID-19 pandemic, improved customer mix, reduced warranty expenses, and higher fixed cost absorption on increased revenue.

Selling expenses for the fourth quarter increased by \$4.7 million, or by 21.2%, and by 0.6% as a percentage of revenue. The increase in the fourth quarter was mainly due to increased commissions from higher sales and growing e-commerce spending to support the increased revenue. For the full year, selling expenses decreased by \$0.5 million, or 0.6%, and by 1.3% as a percentage of revenue. The year-to-date decrease was largely driven by cost containment measures in order to mitigate the impacts of the COVID-19 pandemic, driven by reductions in travel and marketing spends offset by the same reasons as in the quarter.

General and administrative expenses for the fourth quarter increased by \$5.6 million, or 31.7%, and by 1.3% as a percentage of revenue. For the full year, general and administrative expenses increased by \$11.5 million, or 18.0%, and by 0.1% as a percentage of revenue. The increase in both the quarter and the year-to-date were mainly driven by investments in information technology to support the growth of the e-commerce platform, higher product liability costs due to increased sales and higher people costs.

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

Impairment loss on trade accounts receivable decreased by \$1.1 million for the fourth quarter and increased by \$3.0 million year-to-date. The increase year-to-date is mainly due to a customer filing for bankruptcy protection in the second quarter and the consideration of the economic impact of the COVID-19 pandemic in the impairment loss allowance assessment.

Operating profit was \$1.9 million during the fourth quarter of 2020 compared to \$9.8 million in 2019. When excluding restructuring costs, adjusted operating profit declined by \$10.2 million, or 75.3%, to \$3.4 million from \$13.6 million in 2019, which is mainly due to a favourable tariff exclusion granted in the fourth quarter of 2019. Year-to-date, the segment reported an operating profit of \$52.3 million compared to \$30.3 million in 2019 and an adjusted operating profit of \$57.7 million compared to \$33.8 million in 2019, which is mainly explained by the increased revenue and gross margin improvements, offset in part by higher operating expenses as detailed above.

4. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

a) Selected Information from the Statement of Financial Position

	As at December 30,		
	2020	2019	2018 ⁽¹⁾
	\$	\$	\$
Total assets			
Current	1,089,642	1,131,333	1,146,589
Non-current	629,474	729,493	586,917
	1,719,116	1,860,826	1,733,506
Total liabilities			
Current	893,654	701,814	1,079,179
Non-current	329,254	624,126	73,224
	1,222,908	1,325,940	1,152,403
Equity	496,208	534,886	581,103

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

Compared to December 30, 2019, Dorel's total assets decreased mainly due to:

- reduced inventory levels, in line with management's inventory reduction strategy and also due to the stronger than anticipated demand for bikes and home products since the outbreak of the COVID-19 pandemic, which led to a decrease in inventories of \$99.1 million compared to December 30, 2019;
- an impairment loss on goodwill of \$43.1 million recorded during the first quarter of 2020;
- depreciation and amortization of \$98.1 million recorded during the year ended December 30, 2020; and
- offset partly by an increase of trade accounts receivable of \$46.9 million due to the overall sales increase within Dorel Home and Dorel Sports segments.

Compared to December 30, 2019, Dorel's total liabilities decreased mainly due to:

- reduced debt levels, as total long-term debt, including current portion, decreased by \$39.4 million to \$402.7 million as at December 30, 2020 compared to \$442.1 million as at December 30, 2019;
- reduced bank indebtedness balances, as bank indebtedness decreased by \$29.1 million to \$30.6 million as at December 30, 2020 compared to \$59.7 million as at December 30, 2019; and
- reduced trade and other payables of \$36.2 million related to the timing of payments to suppliers.

The variation of the current and non-current portions of Dorel's long-term debt compared to December 30, 2019 relates mainly to the change in classification as current of the revolving bank loans and term loan as at December 30, 2020, considering that the revolving bank loans and term loan maturity date is July 1, 2021. The Company will be refinancing its current credit facility and term loan with a syndicated asset based lending facility at market terms. The process is well advanced with BMO as Lead Arranger and we expect to close early in the second quarter of 2021.

During the first quarter of 2020, Dorel increased its debt levels by drawing down on a portion of its bank lines of credit and revolving bank loans in order to increase its cash on hand and improve its liquidity to face the unprecedented challenges that companies worldwide, including Dorel, were facing in light of the COVID-19 pandemic. This provided Dorel with a cash and cash equivalents balance of \$146.3 million as at March 31, 2020, compared to \$39.1 million as at December 30, 2019, while total long-term debt, including current portion, increased by \$111.1 million to \$553.2 million as at March 31, 2020 compared to \$442.1 million as at December 30, 2019. During the remainder of 2020, the unprecedented consumer demand for bikes and home products led to a significant increase in sales generating higher cash on hand and therefore, improving Dorel's liquidity position. Accordingly, year-to-date, Dorel was able to repay a significant portion of its long-term debt, reducing the amount drawn from its revolving bank loans credit facility to a level lower than the balance outstanding as at December 30, 2019, while maintaining a cash and cash equivalents balance of \$38.2 million as at December 30, 2020.

b) Working Capital

Certain of Dorel's ratios are as follows:

	As at December 30,	
	2020	2019
Debt ⁽¹⁾ to equity	0.87	0.94
# of days in receivables	59	55
# of days in inventory	89	110
# of days in payables	69	76

⁽¹⁾ Debt is defined as bank indebtedness plus long-term debt.

The decrease in debt to equity ratio compared to December 30, 2019 is a function of lower debt levels, offset in part by lower equity. The decrease in Dorel's debt level reflects the lower borrowings as a result of repayments made throughout 2020, while the decrease in equity was mainly due to the impairment loss on goodwill recorded during the first quarter of 2020.

The net working capital position as at December 30, 2020 at 79 days decreased by 10 days as compared to December 30, 2019. The decrease is mainly explained by the decrease in inventories in line with management's inventory reduction strategy and also due to the stronger than anticipated demand for bikes and home products since the outbreak of the COVID-19 pandemic, partly offset by the decrease in trade and other payables related to the timing of payments to suppliers.

c) Cash flow

	2020 \$	2019 \$	Change \$
CASH FLOW PROVIDED BY (USED IN):			
Operating activities	134,534	85,786	48,748
Financing activities	(109,803)	(54,717)	(55,086)
Investing activities	(27,261)	(32,379)	5,118
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,624	1,179	445
NET DECREASE IN CASH AND CASH EQUIVALENTS	(906)	(131)	(775)

Cash flow provided by operating activities

For the year, cash flow provided by operating activities increased by \$48.7 million to \$134.5 million compared to \$85.8 million reported in 2019.

	Source (Use) of cash		
	2020	2019	Change
	\$	\$	\$
Net loss adjusted by items not involving cash	200,447	151,951	50,546
Trade accounts receivable	(48,139)	324	(48,463)
Inventories	94,254	(4,971)	99,225
Other assets	(3,020)	(1,786)	(1,234)
Trade and other payables	(34,225)	(22,604)	(11,421)
Net pension and post-retirement defined benefit liabilities	(4,909)	(4,393)	(516)
Provisions	(4,264)	11,544	(15,808)
Other liabilities	6,057	732	3,075
Net change in balances related to operations	5,754	(21,154)	24,858
Net income taxes and interest paid	(71,667)	(45,011)	(26,656)
CASH PROVIDED BY OPERATING ACTIVITIES	134,534	85,786	48,748

The increase in the cash flow provided by operating activities compared to 2019 is mainly explained by a net positive change in balances related to operations in line with management's inventory reduction strategy and also due to the stronger than anticipated demand for bikes and home products since the outbreak of the COVID-19 pandemic, partly offset by an increase in trade accounts receivable due to the higher sales.

Free cash flow ⁽¹⁾

	2020	2019	Change
	\$	\$	\$
CASH PROVIDED BY OPERATING ACTIVITIES	134,534	85,786	48,748
Less:			
Dividends paid	-	(14,599)	14,599
Additions to property, plant and equipment, net of subsidy received related to land use rights and disposals	(18,710)	(20,303)	1,593
Additions to intangible assets	(12,689)	(16,735)	4,046
Net proceeds from disposals of assets held for sale	4,138	4,821	(683)
FREE CASHFLOW ⁽¹⁾	107,273	38,970	68,303

⁽¹⁾ "Free cashflow" is a non-GAAP financial measure. See "Non-GAAP financial measures" section.

Cash flow used in financing activities

When compared to 2019, cash flow used in financing activities increased by \$55.1 million to \$109.8 million, mainly as a result of the repayments of long-term debt and bank indebtedness due to the improved revenue and gross profit resulting from the unprecedented consumer demand for bikes and furniture around the globe since the beginning of the COVID-19 pandemic. This was partly offset by the decrease in payments of dividends on common shares.

Cash flow used in investing activities

Cash flow used in investing activities decreased by \$5.1 million to \$27.3 million for 2020. The decrease is mainly explained by Dorel's reduced capital expenditures in response to the market uncertainties caused by the COVID-19 pandemic.

d) Contractual Obligations

The following table summarizes the contractual obligations of the Company as of December 30, 2020:

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
	\$	\$	\$	\$	\$
Bank indebtedness	30,562	30,562	-	-	-
Long-term debt - revolving bank loans and term loan repayments	273,494	273,494	-	-	-
Senior unsecured notes repayment	127,500	-	-	127,500	-
Other long-term debt repayments	7,485	3,796	2,399	1,032	258
Contractual undiscounted cash flows of lease liabilities	205,733	46,326	66,177	43,137	50,093
Trade and other payables	466,805	466,805	-	-	-
Other financial liabilities	10,623	5,707	3,543	1,020	353
Capital addition purchase commitments	3,650	3,650	-	-	-
Expenditure commitments related to marketing	12,000	12,000	-	-	-
Total contractual obligations	1,137,852	842,340	72,119	172,689	50,704

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

Bank indebtedness

As at December 30, 2020, Dorel had available bank lines of credit amounting to approximately \$67.5 million of which \$30.6 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, 2020, certain of Dorel's bank lines of credit amounting to \$12.2 million are secured by trade accounts receivable representing a carrying value of \$4.5 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.

On March 9, 2020, Dorel amended and restated its revolving bank loans and term loan agreement to amend the quarterly financial covenants to facilitate their compliance based on the quarterly forecasted projections for 2020 at that time. Based on information available at that time, management expected that it would be able to meet its amended quarterly financial covenants for 2020, as it had not seen any significant impact on consumer spending for its products or anticipated any significant disruption in its product supply as a result of COVID-19. However, as the outbreak of COVID-19 continued to spread around the globe, Dorel's results of operations were adversely affected from supply chain disruptions, reduced workforce productivity and the prolonged closure of stores by many of Dorel's customers. In light of the COVID-19 pandemic impacting Dorel's business, financial condition and results of operations, as well as global economies and financial markets, Dorel amended its senior unsecured notes agreement on March 30, 2020, and its revolving bank loans and term loan agreement on March 31, 2020, to facilitate compliance with its financial covenants. As at December 30, 2020, Dorel was compliant with all its borrowing covenant requirements and the senior unsecured notes, revolving bank loans and term loan were not due on demand on December 30, 2020.

Assets secured under revolving bank loans and term loan

As at December 30, 2020, the revolving bank loans and the term loan are secured by certain of Dorel's trade accounts receivable, inventories, property, plant and equipment and intangible assets, with a carrying value of \$318.4 million, \$400.0 million, \$65.9 million and \$145.5 million, respectively.

Lease liabilities

As at December 30, 2020, total contractual undiscounted cash flows of lease liabilities were \$205.7 million. In addition, as at December 30, 2020, Dorel had undiscounted future lease payments of \$1.3 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 \$45 million and \$55 million in 2021 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 2021.

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 in the contractual obligations table, 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 contractual obligations 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 21 of the consolidated financial statements, an amount of \$26.3 million pertains to Dorel's pension and post-retirement benefit plans. In 2021, contributions expected to be paid for funded plans and benefits expected to be paid for unfunded plans under these plans amount to approximately \$5.0 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 25 to the consolidated financial statements.

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

f) 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 ongoing 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, 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 the 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 19 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.

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.

Provisions and contingent liabilities: A provision is recognized if the Company has a present legal or constructive obligation, as a result of past events, that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation for product liability, accrual of product warranties, liabilities for potential litigation claims and settlements. Management must use judgment in determining whether all of the above three conditions have been met to recognize a provision or instead whether a contingent liability is in existence at the reporting date.

Management formulates a reliable estimate for the obligation once the applicable criteria have been satisfied to recognize the liability. Management's estimate is based on the likelihood and timing of economic outflows, discount rates, historical experience, nature of provision, opinions of legal counsel and other advisors and if there is a claim amount.

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 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 from various jurisdictions. 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 result 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 ACCOUNTING POLICIES

The following are amendments to standards applied by the Company in the preparation of the consolidated financial statements.

- Amendment to IFRS 16 – COVID-19-Related Rent Concessions;
- Amendment to IAS 1 – Classification of Liabilities as Current or Non-current;
- Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7);
- Amendments to IAS 1 and IAS 8 – Definition of Material; and
- Amendments to IFRS 3 – Definition of a Business.

Further information on adoption of these amendments to standards 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, 2020. 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. Further information can be found in Note 5 of 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 2020, 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 ongoing 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, the competitive environment intensify, unemployment rises 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 increases in the second half of 2020 in both the U.S. and Europe while particle board prices remained stable in North America in 2020. Crude oil prices are expected to increase and remain volatile in 2021. U.S. resin prices are expected to further increase in 2021. Particle board prices are expected to increase in 2021.

Dorel's suppliers of components and finished goods experienced higher input material costs in the second half of 2020. While the Chinese currency ("RMB") appreciated approximately 7% in 2020, labour costs remained stable in 2020.

Container freight costs are expected to increase significantly and remain volatile in 2021 due to numerous supply chain issues including a shortage of container availability and the unprecedented surge in demand (e-commerce, etc.) surpassing available capacity. International air freight and domestic trucking rates increased significantly in 2020 and are expected to remain high in 2021.

Dorel's level of profitability is impacted by its ability to manage these various input costs and adjust pricing to its customers as required. In addition, Dorel relies on its suppliers to provide quality products on a timely basis and has always prided itself on establishing successful long-term relationships both domestically and overseas. 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 2020, the strengthening of the Euro and Pound Sterling against the US dollar had a transactional and translational net positive impact on Dorel Juvenile's and Dorel Sports' operating profit, while the weakening of the

Brazilian Real against the US dollar had a transactional and translational net negative impact on Dorel Juvenile's and Dorel Sports' operating profit.

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

Concentration of Revenues

For the year ended December 30, 2020, two customers accounted for more than 10% of the Company's revenue, at 37.2% of Dorel's revenue. In 2019, one customer accounted for more than 10% of the Company's revenue, at 28.6% of Dorel's revenue. As at December 30, 2020, three customers accounted for 45.1% of the Company's total trade accounts receivable balance while in 2019, one customer accounted for 14.2%. Dorel does not have long-term contracts with its customers, and as such revenues are dependent upon Dorel's continued ability to deliver attractive products at a reasonable price, combined with high levels of service. There can be no assurance that Dorel will be able to sell to such customers on an economically advantageous basis in the future or that such customers will continue to buy from Dorel.

Customer and Credit Risk

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

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

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 ongoing efforts to improve quality control and to ensure the safety of its products. The Company is insured to mitigate its product liability exposure. No assurance can be given that a judgment will not be rendered against Dorel in an amount exceeding the amount of insurance coverage or in respect of a claim for which Dorel is not insured.

Income Taxes

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

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

Product and Brand Development

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

and strengthen its end-user brands. Should the Company invest in or design products that are not accepted in the marketplace, or if its products are not brought to market in a timely manner, or in certain cases, fail to be approved by the appropriate regulatory authorities, this could negatively impact future growth.

Regulatory Environment

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

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 and on March 11, 2020, the World Health Organization declared it a global pandemic. Dorel's three segments were adversely impacted during the first quarter of 2020 due to the closure of certain of their manufacturing facilities and the prolonged closing of stores by many of Dorel's customers around the world, as well as disruptions in their supply chains and reduced workforce productivity. While some of Dorel's products were in high demand, sales of other products suffered from the lockdown of many countries. However, the extent to which the coronavirus will impact Dorel's results in the foreseeable future 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/renewed 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 asset 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.

The Company's three segments were adversely impacted during the first quarter of 2020 due to the COVID-19 outbreak. Given the uncertainties surrounding the impact of the COVID-19 pandemic, management also expected that the Company's three segments would be further impacted during the second quarter of 2020 as prolonged social distancing measures continued to take place globally. Accordingly, management concluded that these factors, including the further decline in the Company's stock price, were indicators of impairment. On March 31, 2020, management performed impairment tests for its Dorel Juvenile – Europe, Dorel Sports – Mass markets and Dorel Home CGU, for which it revised its assumptions on projected earnings and cash flows growth, as well as its assumptions on discount rates used to apply to the forecasted cash flows, using its best estimate of the conditions existing as at the measurement date. As there were significant uncertainties surrounding the extent of the impact of COVID-19 on the Company's business, management incorporated weighted-probability scenarios in its assessment of forecasted cash flows. As a result of the impairment tests performed, management concluded that the recoverable amount of the Dorel Juvenile – Europe CGU was less than its carrying amount, resulting in an impairment loss on goodwill of \$43.1 million recorded during the first quarter of 2020.

During the fourth quarter of 2020, 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 its shares outstanding as of March 8, 2021 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)
4,149,875	\$1,748	28,355,246	\$202,953	\$204,701

Outstanding Deferred Share Units, cash-settled Restricted Share Units, cash-settled Share Appreciation Rights and cash-settled Performance Share Units are disclosed in Note 23 to 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, 2020 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 2020, 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, 2020 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

During the fourth quarter ended December 30, 2020, 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, 2020
	\$
Revenue	75,311
Operating profit	1,591

Caloi Norte S.A.

Selected financial information from the statement of financial position

	As at December 30, 2020
	\$
Total current assets	56,091
Total non-current assets	16,128
Total current liabilities	38,244
Total non-current liabilities	7,733

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, including statements regarding the impact of the COVID-19 pandemic on the Company’s business, financial position and operations, 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, including disruption of the Company’s supply chain resulting from the COVID-19 pandemic;
- foreign currency fluctuations, including high levels of volatility in foreign currencies with respect to the US dollar reflecting uncertainties related to the COVID-19 pandemic;
- 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 current COVID-19 pandemic, that could adversely affect global economies and financial markets, resulting in an economic downturn which could be for a prolonged period of time and have a material adverse effect on the demand for the Company's products and on its business, financial condition and results of operations;
- continued access to capital resources, including compliance by the Company with financial covenants under its senior unsecured notes, revolving bank loans and term loan agreements, and the related costs of borrowing, all of which may be adversely impacted by the COVID-19 pandemic;
- failures 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 Information Form filed with the applicable Canadian securities regulatory authorities. The risk factors set out in the previously-mentioned documents are expressly incorporated by reference herein in their entirety.

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.