DOREL INDUSTRIES INC.

ANNUAL INFORMATION FORM

For the fiscal year ended December 30, 2018

March 29, 2019
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In this annual information form (“AIF”), unless the context indicates otherwise, the terms “Dorel” and the “Company” mean Dorel Industries Inc. together with its subsidiaries.

Unless otherwise indicated, all references to “dollars” and the symbol “$” in this AIF are to US dollars.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements included in this AIF may constitute “forward-looking statements” within the meaning of applicable Canadian securities legislation. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from the Company’s expectations expressed in or implied by such forward-looking statements and that the Company’s 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 AIF 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 AIF are based on a number of assumptions that the Company believed were reasonable on the day it made the forward-looking statements. Factors that could cause actual results to differ materially from the Company’s expectations expressed in or implied by the forward-looking statements include: general economic conditions; changes in product costs and supply channels; foreign currency fluctuations; customer and credit risk, including the risk resulting from the liquidation and reorganization of Toys“R”Us, Inc. (“Toys”R”Us”) referred to in this AIF and from the concentration of revenues with a small number of customers; costs associated with product liability; changes in income tax legislation or the interpretation or application of those rules; the continued ability to develop products and support brand names; changes in the regulatory environment; continued access to capital resources, including compliance with
covenants, and the related costs of borrowing; debt refinancing; failure related to information technology systems; changes in assumptions in the valuation of goodwill and other intangible assets and future decline in market capitalization; and there being no certainty that the Company’s current dividend policy will be maintained. These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking statements are discussed throughout this AIF and, in particular, under “Risk Factors”.

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.

**MARKET AND INDUSTRY DATA**

Dorel has obtained market and industry data presented in this AIF from a combination of third-party sources and the estimates of management. Although Dorel believes that these third-party sources and its management estimates are reliable, the accuracy and completeness of such data is not guaranteed and has not been verified by any independent sources. Market and industry data, including estimates and projections relating to size of market and market share, is inherently imprecise and cannot be verified due to limitations on the availability and reliability of data inputs, the voluntary nature of the data-gathering process and other limitations inherent in any market research or other survey. Management’s estimates are based on internal research, its knowledge of the relevant market and industry and extrapolations from third-party sources. While Dorel is not aware of any misstatements regarding the market and industry data presented in this AIF, such data involve risks and uncertainties and are subject to change based on various factors, including those factors discussed under “Caution Regarding Forward-Looking Statements” and “Risk Factors” in this AIF.

**CORPORATE STRUCTURE**

**Incorporation of Dorel Industries Inc.**

Dorel was incorporated on March 5, 1962 pursuant to Part I of the Companies Act (Québec) under the name Dorel Co. Ltd. On May 19, 1987, the Company was continued under Part IA of the Companies Act (Québec), at which time certain changes were effected to its share capital, the “private company” provisions were removed from its Articles and the Company’s name was changed to Dorel Industries Inc./Les Industries Dorel Inc. On October 26, 1988, the Company amalgamated with its wholly-owned subsidiary, Ridgewood Industries Ltd. On September 20, 1991, the Company filed Articles of Amendment, effective October 1, 1991, converting each issued and outstanding common share into one-half of a Class “A” Multiple Voting Share carrying ten votes per share and one-half of a Class “B” Subordinate Voting Share carrying one vote per share. The Company was automatically continued under the Business Corporations Act (Québec) on February 14, 2011, the date on which that statute came into force. The Company’s head and registered office is located at 1255 Greene Avenue, Suite 300, Westmount, Québec H3Z 2A4.

**Subsidiaries**

Schedule A annexed hereto sets out the major companies within the organizational structure of the Company as of December 30, 2018, the jurisdiction of incorporation of each subsidiary of the Company and the percentage of votes attaching to all voting securities of each beneficially owned, or controlled or directed, directly or indirectly, by the Company.
Dorel is a global organization, operating three distinct businesses in home products, juvenile products and bicycles. It operates in three distinct reporting segments: Dorel Home, Dorel Juvenile and Dorel Sports. Dorel’s extensive product offering includes home items such as a wide variety of Ready-to-Assemble (“RTA”) furniture for home and office use, as well as folding furniture, futons, mattresses, bunk beds, children’s furniture, step stools, hand trucks, specialty ladders, outdoor furniture and other imported furniture items; juvenile products such as infant car seats, strollers, high chairs, playpens, swings, developmental toys and infant health and safety aids; and in Dorel Sports, items such as bicycles, children’s electric ride-ons, jogging strollers, electric bikes and bicycle trailers, as well as related parts and accessories.

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.

As at the date of this AIF, Dorel employs approximately 9,200 people and operates in 25 countries. Operations in the United States include Dorel Home Furnishing, Inc. (“Ameriwood”), which markets RTA furniture products under the Ameriwood, System Build, Altra and Ridgewood brands; Cosco Home & Office (“Cosco”), which markets home/office products under the Cosco brand; Dorel Juvenile U.S., which markets the Safety 1st, Cosco and Maxi-Cosi brands, as well as Disney under licensing agreements; Cycling Sport Group (“CSG”), which markets the premium-oriented Cannondale and GT brands; and Pacific Cycle, which markets several brands, including Schwinn, Mongoose, Roadmaster, IronHorse, InStep and Kid Trax. In Canada, Dorel operates Dorel Juvenile Canada, Ridgewood Industries, Dorel Home Products and CSG Canada. CSG also has operations based in Switzerland, the Netherlands, Japan, Chile and the United Kingdom. Dorel Juvenile Europe principally markets juvenile products throughout Europe, primarily under the Maxi-Cosi, Quinny, Safety 1st and Bébé Confort brands. Dorel Asia Inc. (“Dorel Living”) sources and imports juvenile and home furnishings products. Dorel Juvenile Australia assembles and/or distributes juvenile products in Australia, the greater East Asian market and New Zealand under both global brands and the local brand Mother’s Choice. Dorel Juvenile Brazil manufactures car seats locally and imports other juvenile products such as strollers under local brands Infantini and Voyage as well as Dorel’s international brands such as Safety 1st, Cosco, Maxi-Cosi and Quinny. Dorel Juvenile Chile has operations in Chile and Peru, sells to customers based in Bolivia and Argentina and owns the Infantini brand in these countries. Dorel Juvenile Chile also owns and operates approximately 95 retail locations in Chile and Peru of which the majority are under the Baby Infantini banner and sell multiple ranges of juvenile products and toys, including non-Dorel owned brands. In addition, Dorel operates several factory outlet retail locations in Europe and Australia. Effective in 2019, Dorel Juvenile Chile will distribute products to Colombia, Panama and various Caribbean countries through a local distributor as Dorel intends to close its operations in those jurisdictions. Dorel Juvenile Mexico serves that market by selling Dorel’s global brands. Dorel also owns Caloi, a major Brazilian manufacturer of bicycles and bicycle equipment which markets the Caloi brand and assembles bicycles for Dorel’s brands such as Cannondale, Schwinn, Mongoose and GT to serve the Brazilian and export markets. Dorel serves the Chinese market through its Dorel Juvenile China domestic operation based in Shanghai and sells mostly the Maxi-Cosi and Safety 1st brands. Dorel Juvenile China’s factory comprises two manufacturing facilities that supply all Dorel divisions, as well as third-party customers outside of China. In addition, Dorel has other offices in mainland China and Taiwan to oversee the sourcing, engineering and logistics of raw materials and finished goods in order to ensure the highest standard of quality and to ensure that the flow of product is not interrupted.

Events in the Development of the Business

The Company was founded in Montréal, Québec in 1962 by the late Mr. Leo Schwartz, who served as its President until 1992. Dorel began operations as a small manufacturer and distributor of juvenile products. By the early 1970s, Dorel had established a national sales network for its products.
In 1987, the Company completed an initial public offering in the province of Québec of two million common shares at a price of CAD$5.00 per share for gross proceeds of CAD$10 million. At the same time, its common shares commenced trading on the Montréal Exchange. The Company’s common shares were initially listed on the Toronto Stock Exchange (“TSX”) in 1990.

In September 1991, the Company’s shareholders approved a share capital reorganization, pursuant to which each issued and outstanding common share was converted into one-half of a Class “A” Multiple Voting Share carrying ten votes per share and one-half of a Class “B” Subordinate Voting Share carrying one vote per share.

In December 1991, the Company completed a public offering in Canada of 2.6 million Class “B” Subordinate Voting Shares at a price of CAD$5.75 per share for gross proceeds to the Company of CAD$14.95 million.

In late 1997, the Company issued 1,075,000 Class “B” Subordinate Voting Shares at a price of CAD$34.00 per share by way of public offering in Canada, for gross proceeds to the Company of CAD$36.55 million.

In May 1998, Dorel acquired Ameriwood; a portion of the purchase price for Ameriwood was financed by the issuance of 460,000 Class “B” Subordinate Voting Shares at a price of CAD$47.65 per share by way of a public offering in the United States and Canada. The net proceeds to the Company from this offering were CAD$20.2 million.

In August 1998, the Company announced a two-for-one stock split, which became effective in September 1998.

In May 2002, the Company issued 2,929,200 Class “B” Subordinate Voting Shares at a price of CAD$38.50 per share by way of a public offering in Canada, for gross proceeds to the Company of CAD$112.8 million. The net proceeds from the public offering were used by the Company to reduce bank indebtedness.

In July 2002, the Company sold, through one of its subsidiaries, $50 million principal amount of 6.80% Series A Senior Guaranteed Notes due July 26, 2012. The net proceeds from the sale of the notes were used to repay floating debt that was outstanding at the time. The notes were purchased by a group of institutional investors led by The Prudential Insurance Company of America.

In connection with the acquisition of Ampa France, now known as Dorel Juvenile France, Dorel completed the sale in February 2003 of $110 million principal amount of senior guaranteed notes. The senior guaranteed notes were purchased by a group of institutional investors including Prudential Capital Group, an institutional investment business of Prudential Financial, and Teachers Insurance and Annuity Association - College Retirement Equity Fund. Of the $110 million, Dorel issued $55 million of Series A Notes bearing interest at 5.09%, which were repaid on February 11, 2008, and $55 million of Series B Notes bearing interest at 5.63%, which were repaid on February 10, 2010.

In March 2007, the Company voluntarily delisted its Class “B” Subordinate Voting Shares from the NASDAQ Global Market. The Class “B” Subordinate Voting Shares continued to trade on the TSX after the delisting from NASDAQ.

For the first time in the Company’s history, on March 12, 2007, the Board of Directors declared a quarterly dividend, in an amount of $0.125 per share on the Class “A” Multiple Voting Shares, Class “B” Subordinate Voting Shares, Deferred Share Units, cash-settled Restricted Share Units and cash-settled Performance Share Units of the Company. Following the initial dividend declaration, the Company declared annualized dividends in the amount of $0.50 per share. On May 6, 2010, the annualized dividend was increased to $0.60 per share as a result of an increase in the quarterly dividend to $0.15 per share and on August 9, 2012, the annualized dividend was increased to $1.20 per share as a result of an increase in the quarterly dividend to $0.30 per share. On March 14, 2019, the annualized dividend was decreased to $0.60 per share as a result of a decrease in the quarterly dividend to $0.15 per share.

In connection with the acquisition of Cannondale/SUGOI, the Company entered into an amendment to its revolving bank loans on January 18, 2008. Under the amended revolving bank loans, the total availability was
increased to $475 million with an “accordion” feature allowing the Company to have access to an additional amount of $50 million on a revolving basis.

On April 6, 2010, the Company announced that it had secured new long-term financing by issuing $50 million of Series “A” Senior Guaranteed Notes and $150 million of Series “B” Senior Guaranteed Notes, bearing interest at 4.24% and 5.14%, respectively. The notes were purchased by a group of institutional investors including Prudential Capital Group, an institutional investment business of Prudential Financial, Inc. In addition, on June 16, 2010, the Company announced that it had completed the extension of its revolving credit facility. This three-year agreement, which was effective July 1, 2010 with an expiry date of July 1, 2013, was co-led by Royal Bank of Canada and Bank of Montreal. The facility allowed for borrowing up to $300 million and contained provisions for the Company to borrow up to an additional $200 million.

Effective July 15, 2011, the Company amended its revolving bank loans in order to extend the maturity date from July 1, 2013 to July 1, 2014.

On November 3, 2011, the Company announced that it had significantly increased the presence of its Dorel Juvenile segment in Latin America by signing share purchase agreements to acquire a 70% interest in an existing group of companies, the Silfa Group (now known as Dorel Juvenile Chile), which owns and operates the popular Infanti brand in Chile, Bolivia, Peru and Argentina. The transaction was completed on November 30, 2011. With this investment, Dorel entered the juvenile retail business.

Effective April 10, 2012, the Company amended its revolving bank loans in order to extend the maturity date from July 1, 2014 to July 1, 2015; the total availability was reduced from $300 million to $260 million.

On September 25, 2012, the Company signed purchase agreements acquiring a 70% interest in two juvenile product businesses that sell to customers in Colombia and Central America (now known as Dorel Juvenile Colombia). This acquisition expanded the Company’s ownership of the Infanti brand for which the Company owned the rights in Chile, Bolivia, Peru and Argentina. Effective in 2019, Dorel Juvenile Chile will distribute products to Colombia, Panama and other Caribbean countries through a local distributor as Dorel intends to close its operations in those jurisdictions.

Effective May 31, 2013, the Company amended its revolving bank loans in order to extend the maturity date from July 1, 2015 to July 1, 2016. In addition, effective August 21, 2013, the total availability of the Company’s revolving bank loans was increased from $260 million to $360 million and the accordion feature allowing the Company to have access to an additional amount was reduced from $200 million to $100 million.

On April 22, 2014, Caloi issued approximately $30.7 million (100.0 million BRL) of non-convertible debentures in Brazil (“Non-Convertible Debentures”). The proceeds from the issuance of the Non-Convertible Debentures were used to replace then-existing debts such as bank indebtedness and revolving bank loans. The Non-Convertible Debentures were prepaid in March 2017.

Effective May 27, 2014, the Company amended the terms of its $360 million revolving bank loans in order to extend the maturity date from July 1, 2016 to July 1, 2017.

On October 9, 2014, the Company completed a public offering in Canada of 5.50% extendible convertible subordinated debentures (“convertible debentures”) due November 30, 2019 in an aggregate principal amount of $120 million. The Company used the net proceeds from the offering to fund the acquisition of Lerado Group (now known as Dorel Juvenile China).

Effective June 19, 2015, the Company amended its Note Purchase Agreement of April 2010. Specifically, the Company repaid the $50 million Series “A” Senior Guaranteed Notes and issued $50 million Series “C” Senior Guaranteed Notes with similar terms and conditions. The Series “B” and “C” Senior Guaranteed Notes were prepaid in March 2017.

Effective June 19, 2015, the Company amended the terms of its revolving bank loans and increased the total availability under the revolving bank loans to $400 million from $360 million while the accordion feature allowing
the Company to have access to an additional amount was reduced from $100 million to $60 million. In addition, effective November 20, 2015, the Company increased the total availability of its revolving bank loans from $400 million to $422 million, while decreasing the availability of the accordion feature by the same amount.

Developments in the Past Three Years

Developments in Fiscal 2016

Effective March 31, 2016, the Company amended the terms of its $422 million revolving bank loans in order to extend the maturity date from July 1, 2017 to July 1, 2018. In 2016, the Company increased the total availability of its revolving bank loans from $422 million to $435 million while decreasing the availability of the accordion feature by the same amount. The revolving bank loans agreement included as at December 30, 2016 an accordion feature allowing the Company to have access to an additional amount of $25 million (2015-38 million).

The restructuring activities initiated previously in 2015 as part of the Dorel Juvenile segment’s on-going transformation, whose main objective was to further align its operations to drive profitable sales growth by concentrating on improved agility with a more market-focused approach to reduce costs and better react to trends in the juvenile industry, were completed in the fourth quarter of 2018. Central to this change was the allocation of resources that create the greatest return. Overheads were reduced and savings re-purposed into needed improvement in digital capabilities and enhanced brand support. The ability to develop and bring meaningful products to market faster was improved by decreasing complexity and by sourcing opportunities to supplement existing best-in-class product development and manufacturing and further people costs reductions occurred. The main driver of these headcount reduction costs was the consolidation of the Asian-based product development team in China and additional headcount reduction opportunities overall. In addition, certain licensed third-party brands used in North America were exited to allow for additional energy and financial resources to be dedicated to Dorel owned brands.

In order to simplify and focus its business to support and grow earnings, the Dorel Sports segment began restructuring activities in the third quarter of 2016. First, the distribution for the GT brand was transferred to a third-party distributor in China, which is the actual route-to-market in many other countries for this brand. In addition, to better serve customers, the majority of Pacific Cycle’s mass market and distribution operations were relocated from Olney, Illinois to Savannah, Georgia. Lastly, the three U.S. “Cannondale Sports” retail outlets were exited. These restructuring initiatives were completed in third quarter of 2017.

Developments in Fiscal 2017

As part of the acquisition of Caloi in 2013, the Company had entered into a forward purchase agreement with the non-controlling interest holder for the purchase of its 30% stake in Caloi. In April 2016, the Company purchased 15% of its stake in Caloi for $4.4 million and in March 2017, the remaining 15% stake in Caloi was purchased for $7.9 million.

Effective March 24, 2017, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and extended the maturity date from July 1, 2018 to the earlier of (i) July 1, 2020 and (ii) May 30, 2019 if the convertible debentures have not been repaid or refinanced (i.e. six months prior to the maturity date). In addition, the total availability under the revolving bank loans was decreased to $350 million from the total availability as at December 30, 2016 of $435 million. The accordion feature included in the Credit Agreement allowing the Company to have access to an additional amount of $25 million as at December 30, 2016 was increased to $100 million.

In addition, effective March 24, 2017, the Company secured a term loan (“Term Loan”) of $200 million with the same maturity date as the revolving bank loans. The net proceeds from the Term Loan were used by the Company to prepay the Series “B” and “C” Senior Guaranteed Notes and the Non-Convertible Debentures in Brazil, and to reduce bank indebtedness. The Term Loan bears interest at various rates per annum, based on the LIBOR rate plus a margin.
The Term Loan as well as the revolving bank loans are secured by certain of the Company’s trade receivables, inventories, property, plant and equipment and intangible assets. Under the Term Loan and the revolving bank loans, the Company is subject to certain covenants, including maintaining certain financial ratios.

**Developments in Fiscal 2018**

Dorel is currently reviewing its refinancing options with its financial advisors and will pursue what it believes to be the best alternative. In this regard, Dorel is in the process of refinancing its $120 million convertible debentures maturing on November 30, 2019, although there can be no assurance that it will be able to successfully complete such refinancing. On March 8, 2019, Dorel amended its revolving bank loans and Term Loan agreement to facilitate the compliance with its covenants in light of the last twelve months results of operations, and to permit additional financing from other lenders to refinance and repay the convertible debentures. The amendment also extended the maturity date to July 1, 2021 if the convertible debentures are repaid or refinanced by May 30, 2019. If the convertible debentures have not been repaid or refinanced, the maturity date remains May 30, 2019.

On March 14, 2019, Dorel announced that it will adjust its dividend from the current annual $1.20 per share to $0.60 for the upcoming year. Given the convertible debentures have not yet been repaid or refinanced, as such, the convertible debentures, the revolving bank loans and Term Loan were all classified as current as at December 30, 2018. In the event the convertible debentures are not repaid or refinanced by May 30, 2019, the revolving bank loans and Term Loan will become due in full on May 30, 2019. In addition, if the Company is not able to meet its quarterly debt covenant requirements, the revolving bank loans and Term Loan will become due in full at the date of non-compliance. While the Company does not have arranged financing to repay the revolving bank loans and Term Loan on May 30, 2019 or if covenants are not met, the Company has various alternatives available should these scenarios arise, such as further adjusting its current dividend policy to meet quarterly covenants or converting the convertible debentures into shares to avoid the revolving bank loans and Term Loan becoming due in full on May 30, 2019. Accordingly, the Company does not expect a liquidity problem in the foreseeable future, however no assurance can be provided.

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

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

On March 15, 2018, Toys“R”Us, one of the Company’s customers, announced that it had filed a motion seeking Bankruptcy Court approval to begin the process of conducting an orderly wind-down of its U.S. business and liquidation of inventory in all of its U.S. stores. In August 2018, the Bankruptcy Court approved the Toys“R”Us settlement agreement with its creditors and lenders. As part of the settlement agreement reached, the Company received approximately 22 cents on the dollar. Considering these events, the Company had determined that the trade accounts receivable from this customer were at risk of collection. Accordingly, the Company recorded an impairment loss of $3.8 million for the year ended December 30, 2017 and an additional $12.5 million for the year ended December 30, 2018 with respect to these trade accounts receivable from Toys“R”Us U.S. Of the $12.5 million, $2.1 million (fourth quarter ended December 30, 2017 – nil) was within Dorel Home, $3.8 million (fourth quarter ended December 30, 2017 – $0.7 million) was within Dorel Juvenile and $6.6 million (fourth quarter ended December 30, 2017 – $3.1 million) was within Dorel Sports. These amounts represented management’s best estimate of potential losses arising from non-payment based on information available at that time. As at December 30, 2018, $4.6 million was received under the settlement agreement and in total, Dorel had a
remaining balance of trade accounts receivable from Toys“R”Us U.S. amounting to $0.3 million (net of impairment loss allowance).

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

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

Dorel recognizes that a market-competitive dividend is important to its shareholders, as is maintaining Dorel’s long-term strategy of investing in new product development. In order to strike a balance and to ensure financial flexibility, on March 14, 2019, Dorel announced that it will adjust its dividend from the current annual $1.20 per share to $0.60 for the upcoming year.

DESCRIPTION OF THE BUSINESS

Operating Segments and Principal Products

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. These 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 Dealer (“IBD”) network is a significant channel, along with sporting goods chains. Dorel also owns and operates approximately 100 retail stores in Chile and Peru, as well as several factory outlet retail locations in Europe and Australia.

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

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

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

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

In addition to its solid supply chain, quality products and dedicated customer service, recognized consumer brands are an important element of Dorel’s strategy. As examples, in North America, Dorel’s Schwinn and Cannondale product lines are among the most recognized brand names in the sporting goods industry. Safety 1st is a highly regarded Dorel brand in the North American juvenile products market. Throughout Europe, the Maxi-Cosi brand has become synonymous with quality car seats. In most of Dorel’s Latin American markets, Infanti is a leading brand for lower to medium priced juvenile 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 expected 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 more than $40.8 million per year on new product development.

Operating Segments

The following is a description of Dorel’s three operating segments, namely, Dorel Home, Dorel Juvenile and Dorel Sports.

Dorel Home

Dorel Home participates in the approximately $105 billion North American furniture and mattress industry. Dorel ranks in the top five of North American furniture manufacturers and marketers and has a strong foothold in both North American manufacturing and importation of furniture, with a significant portion of its supply coming from its own manufacturing facilities and the balance through sourcing efforts in Asia. Dorel is also the number two manufacturer of RTA furniture in North America. Products are distributed from Dorel’s North American manufacturing locations as well as from several distribution facilities.

Dorel Home consists of five operating divisions. They are Ameriwood Home (“Ameriwood”), Cosco Home & Office (“Cosco”), Dorel Home Products (“DHP”), Dorel Asia (“Dorel Living”) and Dorel Home Europe. Ameriwood specializes in domestically manufactured RTA furniture and is headquartered in Wright City, Missouri. Ameriwood’s manufacturing and distribution facilities are located in Tiffin, Ohio, Savannah, Georgia, Dowagiac, Michigan and Cornwall, Ontario. Ameriwood also has an import division, Altra Furniture (“Altra”). Altra is also located in Wright City, Missouri and designs and imports furniture mainly within the home entertainment and home office categories. Cosco is located in Columbus, Indiana and the majority of its sales consist of folding furniture, step stools, hand trucks, specialty ladders and outdoor furniture. DHP, located in Montréal, Québec, manufactures futons and baby mattresses and imports futons, bunk beds, mattresses and other accent furniture. Dorel Living specializes in sourcing upholstery and a full range of wooden goods from Asia including children’s furniture, dining room products and accessories such as toddler beds and cribs for distribution throughout North America. Dorel Home Europe is located in the United Kingdom and designs and distributes furniture mainly in the home office and audio-visual categories, and includes the recently acquired Alphason brand. Major distribution facilities are also located in Québec, California and Georgia.
With its continued expansion into on-line sales in 2018, Dorel Home grew revenue by approximately 2%, recording its highest year in sales to date. Dorel Home has significant market share within its product categories and has a strong presence with its customer base. Sales are concentrated with Internet retailers, mass merchants, warehouse clubs, home centers and office and electronic superstores. On-line sales represent a significant portion of Dorel Home revenue and it has made many investments in this channel. Dorel Home markets its products under generic retail house brands as well as under a range of branded products including: Ameriwood, Altra, System Build, Ridgewood, DHP, Dorel Fine Furniture, Dorel Living, Signature Sleep, Cosmo Living, Novagratz, Little Seeds, Baby Relax, Cosco and Alphason.

In 2018, the Dorel Home segment accounted for 31% of Dorel’s total revenue (31% in 2017).

**Dorel Juvenile**

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

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

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

In North America, the majority of juvenile sales are to larger retailers such as mass merchants, Internet retailers and department stores, where consumers’ priorities are design oriented, with a focus on safety and quality at reasonable prices. Dorel 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, under principally the Maxi-Cosi brand name, also competes with smaller premium product juvenile companies. Dorel is one of several large juvenile products companies servicing the North American market.

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

In Europe, Dorel sells the majority of its products across the mid-level to high-end price points. With Dorel’s well-recognized brand names, superior designs and product quality, the majority of European sales are to large European juvenile product retail chains, Internet retailers, independent boutiques and specialty stores. Dorel is one of the leading juvenile products companies in Europe.

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

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

In 2018, the Dorel Juvenile segment accounted for 35% of Dorel’s total revenue (36% in 2017).

**Dorel Sports**

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

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 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.

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

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

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

In 2018, the Dorel Sports segment accounted for 34% of Dorel’s total revenue (33% in 2017).

**Distribution**

Dorel sells its products primarily to major retail chains and Internet retailers. In 2018, Dorel had sales to the following: (i) mass merchant discount chains; (ii) speciality stores; (iii) department stores; (iv) club format outlets; (v) hardware/home centers; (vi) independent stores; (vii) sporting goods stores; and (viii) Internet retailers.

Dorel conducts its business through a variety of sales and distribution arrangements. These consist of salaried Dorel employees; individual agents who carry Dorel’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.

**Major Customers**

For the year ended December 30, 2018, one customer accounted for more than 10% of the Company’s total revenue, representing 28.9% of Dorel’s total revenue. In 2017, this customer accounted for 27.2% of total revenue. Dorel believes that its commitment to provide a high-quality, industry-leading level of service has allowed it to develop successful and mutually-beneficial relationships with major retailers such as Wal-Mart and Target. Dorel has achieved high levels of customer satisfaction by fostering particularly close contacts between its sales representatives and clients. To this end, Dorel has a permanent, full-service account team dedicated exclusively to Wal-Mart, located near Wal-Mart’s headquarters in Bentonville, Arkansas. Dorel has also engaged account teams dedicated exclusively to Target. These dedicated account teams give Dorel’s customers the assurance that inventory and supply requirements will be met and that any problems will be immediately addressed. The account teams also provide product and market analysis and can assist with product specification and design.

Dorel believes that its mass merchant customers’ preference is to buy from fewer but larger suppliers who can deliver a wide range of products, provide greater security of supply and render increased levels of service. Dorel believes that its ability to deliver a wide range of products on a reliable basis, combined with its demonstrated commitment to service, provides it with an important competitive advantage in this environment.

Dorel’s relationship with each of Wal-Mart and Target has the additional benefit of providing Dorel with important feedback which it uses to improve its product offerings and to respond rapidly to changing market trends.

**Foreign Operations**

In 2018, 61% of Dorel’s sales took place in the United States, 4% in Canada, 21% in Europe, 10% in Latin America, 2% in Asia and 2% elsewhere. The origin of Dorel’s sales in 2018 from its various facilities is as follows: United States 58%, Canada 8%, Europe 20%, Latin America 9%, Asia 3% and 2% elsewhere.
Components

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

Intangible Properties

Strong consumer brands are an important element of Dorel’s strategy. For example, 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 is synonymous with quality car seats. In most of Dorel’s Latin American markets, Infanti is a leading brand for lower to medium priced juvenile products and Caloi 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.

Some of Dorel’s intangible assets include: trademarks, customer relationships, patents and land use rights.

Cycles

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

Competitive Conditions

Dorel Home participates in the approximately $105 billion North American furniture and mattress industry. To Dorel’s knowledge, it ranks in the top five of North American furniture manufacturers and marketers and has a strong foothold in both North American manufacturing and importation of furniture, with a significant portion of its supply coming from its own manufacturing facilities and the balance through sourcing efforts in Asia. Dorel is also the number two manufacturer of RTA furniture in North America. Products are distributed from Dorel’s North American manufacturing locations as well as from several distribution facilities. Dorel Home has many competitors including Sauder Manufacturing and Whalen Furniture in the RTA category, Meco in the folding furniture category, Tricam in step stools, Werner in ladders and Zinus in mattresses.

With regards to Dorel Juvenile, Dorel is one of several large juvenile products companies servicing the North American market along with Graco (a part of Newell Brands Inc.), Evenflo Company Inc. (a subsidiary of Goodbaby International Holdings Limited), Uppababy and Britax. In Europe, Dorel is one of the leading juvenile products companies, competing with others such as Britax, Chicco, Joie and Cybex (a subsidiary of Goodbaby International Holdings Limited), as well as several smaller companies. In Latin America, Dorel is a leading juvenile products company with divisions located in its major markets as opposed to global brand competitors such as Graco, Evenflo, Britax, Peg Perego and Chicco which mostly operate through distributors. There are also several smaller competitors which operate using local brands unique to their markets. The Chinese market is characterized by many local suppliers as well as most major international juvenile products companies attempting to establish a presence in this growing market. In China, feeding category and strollers are the most important product categories as the use of car seats is less common. Dorel currently has a small share of the Chinese market and is beginning to support its international brands including Maxi-Cosi and Safety 1st. Within its principal categories, Dorel believes that its combined juvenile operations make it one of the leading juvenile products companies in the world.

In Dorel Sports, 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.

Although the diversity of products and fragmented markets of the home furnishings and sports products industries make useful comparisons difficult, Dorel believes that the following table sets out the major competitors for each of its business segments:

<table>
<thead>
<tr>
<th>Dorel Home</th>
<th>Dorel Juvenile</th>
<th>Dorel Sports</th>
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<tbody>
<tr>
<td>Home Star</td>
<td>South Shore</td>
<td>Accell</td>
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<tr>
<td>Lifetime</td>
<td>Tricam</td>
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<td>Meco</td>
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<td>Dynacraft</td>
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<td>Louisville Ladder Group</td>
<td>Noble House Furniture</td>
<td>Specialized</td>
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<tr>
<td>Sauder</td>
<td>Other imports from the Orient</td>
<td>Giant</td>
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</table>

Product Development

Product development is an important element of Dorel’s past and expected future growth. As a growing consumer products company, Dorel has invested heavily in this area, focusing on innovation, quality, safety and speed to market with several design and product development centers. Each of Dorel’s three operating segments generally introduces many new products every year. Additionally, quality control is an essential part of Dorel’s competitive position. Most products are developed to exclusive specifications and rigid safety standards, particularly as regards Dorel Juvenile.

North American research and development is done at several locations. Except for car seat development, juvenile products are conceived, designed and developed at Dorel Juvenile U.S.’ Foxboro, Massachusetts location. Car seat development is centralized at the Company’s state-of-the-art car seat Dorel Technical Center for Child Safety in Columbus, Indiana. Car seat engineering is carried out at Dorel Juvenile U.S.’ plant in Columbus, Indiana. This facility includes a 25,000 square foot area with respect to car seats as well as for home furnishings products carried by the Cosco Home & Office division. Furniture products and futons are conceived and developed at a design center at Ameriwood’s head office in Wright City, Missouri as well as at Dorel Home Products in Montréal, Québec. In Europe, development for Dorel Juvenile is carried out in Helmond, Netherlands and Cholet, France. Dorel Juvenile China further expanded Dorel’s research and development expertise. Recreational products are conceived and designed principally at Dorel’s facilities in Wilton, Connecticut, Madison, Wisconsin and Sao Paulo, Brazil.

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

**Environmental Protection**

To Dorel’s knowledge, all Dorel segments currently operate within existing environmental regulations.

**Employees**

At the end of fiscal 2018, Dorel had approximately 9,200 full-time employees in 25 countries. Approximately 3,150 employees are based in Asia, none of whom are unionized. Approximately 2,700 employees are based in North America, of whom 910 are unionized. The unionized North American employees are subject to an aggregate of four collective agreements. Approximately 1,850 employees are based in Latin America, of whom 540 are unionized, and approximately 1,400 employees are based in Europe, of whom 105 are unionized. The unionized Latin American employees are subject to an aggregate of five collective agreements while the unionized European employees are subject to an aggregate of two collective agreements. Approximately 100 employees are based in other regions around the world.

**Social or Environmental Policies**

Dorel’s sustainability initiatives span all divisions and are designed to minimize the Company’s environmental impact. In addition, the Company has a Code of Conduct to which all suppliers must adhere. Dorel’s programs include:

**Recycling and energy management**: Standard practices at Dorel include the recycling of packaging materials such as shrink wrap, cardboard, plastics and Styrofoam. High volume scanners in many offices considerably reduce paper usage. Energy management systems for lighting include use of fluorescents, controls for intensity levels and motion detectors to turn off lights in unoccupied offices and other facilities.

**Going green**: Dorel has developed programs to encourage its employees to use bicycles, car pools and mass transit to commute to and from work.

**Creating a healthy lifestyle**: The link between employee well-being and overall corporate success is well-documented. Accordingly, Dorel pursues several pro-active initiatives with the goal of creating an environment where employees can continuously monitor their health and make adjustments to become healthier.

**Built-in sustainability**: The product development process at Dorel anticipates and foresees environmental impact. The Company’s research and development center in Europe is progressively integrating Life Cycle Assessment and ECO-design methodology to increase the environmental benefits of new products.

**Company-wide minimization of environmental impact**: Dorel is fostering sustainability at its divisions with the long-term view of helping to preserve and improve the environment:

- Dorel Juvenile U.S.’ 1.2 million square foot car seat plant in Columbus, Indiana was converted a number of years ago into a zero-landfill facility that recycles more than 99% of its plastic manufacturing waste and other materials. The remaining 1% is sold to an outside recycler (50 million pounds of plastic used per year). The installation of cooling tower systems in Columbus (for plastic pressers and air compressors) has also reduced water usage by more than 97% or 1.5 million gallons of water per day.

- In 2018, Dorel Juvenile U.S. launched on Earth Day (April 22) the Safety 1st RIVA Travel System which is the only recycled resin stroller frame made in the United States.

- Dorel Juvenile Europe’s research and development center is studying and progressively implementing new and alternative materials in Dorel Juvenile’s products to lower their environmental impact, while
training programs on ECO-design methods have been intensified to increase the competence of the center’s R&D specialists.

- Dorel Juvenile Europe has established a sustainability strategy that will help develop products and services that work with consumers’ changing lifestyles, align with their values and reduce Dorel’s environmental footprint; by 2020, it is expected that more than 20% of Dorel’s sales will come from sustainable solutions and that Dorel’s footprint will be cut by 20%.

- At Dorel Juvenile U.S. and Cosco Home and Office Products, on-site Health and Wellness Centers provide employees with rapid access to a range of services. Additionally, Dorel conducts the American Lung Association’s “Freedom From Smoking” program, which produces excellent results and should lead to reduced healthcare costs over the long-term.

- DHP holds formal periodic reviews of its policies through an outside firm to chart progress in reducing its carbon footprint. DHP’s plant precludes the use of chemicals or the possibility of water contamination in the processing function, its Recycle/Shred initiative significantly reduces landfill use, and the facility is FSC (Forest Stewardship Council) certified and audited by QMI (Quality Management Institute).

RISK FACTORS

General Economic Conditions

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

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

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

In Dorel Sports, the Company believes that consumer trends that focus on health and environmental concerns help buffer this segment against possible declines in overall consumer spending. However, demand can also be affected by weather conditions, which are beyond the Company’s control. In addition, Dorel offers a great assortment of products in the value priced product category available at its mass merchant customers. This means that should consumers elect to spend less on a particular recreational product, Dorel has alternatives to higher priced items.
Should economic conditions worsen significantly, competitive environment increase, unemployment rise dramatically or bad weather conditions occur, it could have a negative impact on the Company as consumer spending would likely be curtailed. In addition, as customers are continuously changing their purchasing preferences and habits, the retail industry has experienced an increase in recent years in the number of retailers filing for bankruptcy protection or announcing liquidation of their inventories. 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 by the Company through e-commerce. There can be no assurance that the economies in which the Company operates, taken as a whole, will improve going forward and in the event of a substantial deterioration of these economies, the Company could be adversely affected.

**Product Costs and Supply**

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

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

The Company’s suppliers of components and finished goods experienced higher input material costs in 2018. In addition, a significant change in the U.S. tariffs structure on Chinese-sourced product will increase costs, which may affect consumer demand. The Chinese currency (RMB) appreciated approximately 5% in 2018. Labour costs in China continue to increase at a rate of approximately 5% per year.

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

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

**Foreign Currency Fluctuations**

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

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

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

The Company uses swaps, options, futures and forward contracts to hedge against these adverse fluctuations in
currency rates. Further details on the Company’s hedging strategy and the impact in the year can be found in
Note 19 to the 2018 Consolidated Financial Statements. Significant changes in the value of the US dollar can
greatly affect the Company’s future earnings.

Concentration of Revenues

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

Customer and Credit Risk

The majority of the Company’s revenue is derived from sales to major retail chains and Internet retailers. The
remainder of Dorel’s sales are made mostly to specialty juvenile stores and IBDs. To minimize credit risk, the
Company conducts on-going credit reviews and maintains credit insurance on selected accounts. Should certain
of these major retailers cease operations, there could be a material short-term adverse effect on the Company’s
consolidated results of operations. As an example, Toys“R”Us’ financial difficulty that resulted in its bankruptcy
and subsequent liquidation of its inventories in 2018 had a negative impact on the Company’s financial results for
2018 and 2017. In the long term, the Company believes that should certain retailers cease to exist, consumers will
shop at competitors at which Dorel’s products will generally also be sold. However, in the event that some of the
Company’s other major customers face financial difficulties and/or cease operations, this could adversely affect
the Company’s future earnings. As at December 30, 2018, one customer accounted for 21.6% of the Company’s
total trade accounts receivable balance. As at December 30, 2017, this customer accounted for 16.1% of the
Company’s total trade accounts receivable balance.

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

Product Liability

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

Income Taxes

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

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

**Product and Brand Development**

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

**Regulatory Environment**

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

**Liquidity and Access to Capital Resources**

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

On redemption or maturity of its $120 million convertible debentures, Dorel may, at its option and subject to regulatory approval, elect to satisfy its obligation to pay all or a portion of the principal amount of its convertible debentures by issuing a number of Class “B” Subordinate Voting Shares determined by dividing the principal amount by 95% of the current market price of the shares on the redemption date. Converting the convertible debentures at the current market price of the shares could cause existing shareholders to suffer significant dilution. The Company may have to exercise this option if it is unable to refinance its $120 million convertible
debentures by May 30, 2019, to avoid the revolving bank loans and Term Loan becoming due in full on May 30, 2019.

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

Reliance on information technology systems

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

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

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

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

Valuation of Goodwill and other Intangible Assets

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

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

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

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

**DIVIDENDS**

During fiscal 2018, the Company declared and paid four quarterly dividends of $0.30 per share on the Class “A” Multiple Voting Shares and Class “B” Subordinate Voting Shares, for an aggregate amount $1.20 per share for the year, or $38.9 million. In fiscal 2017 and 2016, these four quarterly dividends totalled $38.9 million and $38.8 million, respectively.

On March 14, 2019, Dorel announced that it will adjust its dividend from the current annual $1.20 per share to $0.60 for the upcoming year on each of the Class “A” Multiple Voting Shares, Class “B” Subordinate Voting Shares, Deferred Share Units, cash-settled Performance Share Units and cash-settled Restricted Share Units of the Company.

Under the Company’s current financing arrangements, the payment of dividends is prohibited if the Company is in default under its Credit Agreement. These financing arrangements also include certain customary financial covenants that may indirectly restrict the Company’s ability to pay dividends.
DESCRIPTION OF CAPITAL STRUCTURE

The designation of each class and series of the Company’s authorized share capital is as follows:

- An unlimited number of preferred shares without nominal or par value, issuable in series (none of which are outstanding as at the date hereof), with such rights and conditions as may be determined by the Board of Directors of the Company prior to issuance thereof, carrying no voting rights except as prescribed by law, and ranking prior to the Class “A” Multiple Voting Shares and Class “B” Subordinate Voting Shares with respect to the payment of dividends and return of capital in the event of liquidation, dissolution or other distribution of the assets of the Company for purpose of winding-up its affairs;

- An unlimited number of Class “A” Multiple Voting Shares (ten votes per share) 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, entitling their holders to participate equally with the holders of the Class “B” Subordinate Voting Shares in respect of payment of dividends, and ranking equally with the Class “B” Subordinate Voting Shares in respect of return of capital in the event of liquidation, dissolution or other distribution of the assets of the Company for purpose of winding-up its affairs; and

- An unlimited number of Class “B” Subordinate Voting Shares (one vote per share) 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” Multiple Voting Shares, entitling their holders to participate equally with the holders of the Class “A” Multiple Voting Shares in respect of payment of dividends, and ranking equally with the Class “A” Multiple Voting Shares in respect of return of capital in the event of liquidation, dissolution or other distribution of the assets of the Company for purpose of winding-up its affairs.

MARKET FOR SECURITIES

The Company’s Class “A” Multiple Voting Shares and Class “B” Subordinate Voting Shares are listed on the TSX under the symbols DII.A and DII.B, respectively.

The following table provides the price range and volume of shares traded of the Class “A” Multiple Voting Shares and Class “B” Subordinate Voting Shares, respectively, on the TSX for each month of 2018:

<table>
<thead>
<tr>
<th>Month</th>
<th>Low</th>
<th>High</th>
<th>Volume Traded</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>$30.51</td>
<td>$32.39</td>
<td>1,570</td>
</tr>
<tr>
<td>February</td>
<td>$29.00</td>
<td>$29.99</td>
<td>1,880</td>
</tr>
<tr>
<td>March</td>
<td>$27.01</td>
<td>$32.65</td>
<td>2,155</td>
</tr>
<tr>
<td>April</td>
<td>$27.03</td>
<td>$29.79</td>
<td>5,148</td>
</tr>
<tr>
<td>May</td>
<td>$22.39</td>
<td>$28.89</td>
<td>10,968</td>
</tr>
<tr>
<td>June</td>
<td>$21.78</td>
<td>$23.79</td>
<td>8,375</td>
</tr>
<tr>
<td>July</td>
<td>$22.99</td>
<td>$25.49</td>
<td>5,170</td>
</tr>
<tr>
<td>August</td>
<td>$24.20</td>
<td>$27.29</td>
<td>7,553</td>
</tr>
<tr>
<td>September</td>
<td>$23.51</td>
<td>$25.60</td>
<td>2,026</td>
</tr>
<tr>
<td>October</td>
<td>$20.99</td>
<td>$23.57</td>
<td>3,050</td>
</tr>
<tr>
<td>November</td>
<td>$18.23</td>
<td>$22.49</td>
<td>7,130</td>
</tr>
<tr>
<td>December</td>
<td>$15.69</td>
<td>$19.10</td>
<td>2,830</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Month</td>
<td>Low</td>
<td>High</td>
<td>Volume Traded</td>
</tr>
<tr>
<td>-----------</td>
<td>-------</td>
<td>--------</td>
<td>---------------</td>
</tr>
<tr>
<td>January</td>
<td>$30.43</td>
<td>$32.67</td>
<td>572,376</td>
</tr>
<tr>
<td>February</td>
<td>$28.66</td>
<td>$31.38</td>
<td>619,953</td>
</tr>
<tr>
<td>March</td>
<td>$26.90</td>
<td>$33.10</td>
<td>761,290</td>
</tr>
<tr>
<td>April</td>
<td>$27.65</td>
<td>$29.82</td>
<td>638,908</td>
</tr>
<tr>
<td>May</td>
<td>$21.68</td>
<td>$29.25</td>
<td>1,386,015</td>
</tr>
<tr>
<td>June</td>
<td>$20.98</td>
<td>$23.75</td>
<td>1,009,079</td>
</tr>
<tr>
<td>July</td>
<td>$22.28</td>
<td>$25.68</td>
<td>620,668</td>
</tr>
<tr>
<td>August</td>
<td>$23.32</td>
<td>$27.16</td>
<td>537,231</td>
</tr>
<tr>
<td>September</td>
<td>$22.81</td>
<td>$26.16</td>
<td>599,449</td>
</tr>
<tr>
<td>October</td>
<td>$20.19</td>
<td>$23.51</td>
<td>731,572</td>
</tr>
<tr>
<td>November</td>
<td>$17.89</td>
<td>$22.65</td>
<td>1,284,795</td>
</tr>
<tr>
<td>December</td>
<td>$14.70</td>
<td>$19.36</td>
<td>3,357,757</td>
</tr>
</tbody>
</table>
The Company’s 5.50% extendible convertible subordinated debentures due November 30, 2019 are listed on the TSX under the symbol DILDB.U. The following table provides the price range and volume of the debentures traded on the TSX for each month of 2018:

<table>
<thead>
<tr>
<th>Month</th>
<th>Low</th>
<th>High</th>
<th>Volume Traded</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>$100.85</td>
<td>$102.50</td>
<td>2,390</td>
</tr>
<tr>
<td>February</td>
<td>$100.00</td>
<td>$101.50</td>
<td>13,680</td>
</tr>
<tr>
<td>March</td>
<td>$99.50</td>
<td>$100.90</td>
<td>22,340</td>
</tr>
<tr>
<td>April</td>
<td>$99.50</td>
<td>$100.70</td>
<td>22,840</td>
</tr>
<tr>
<td>May</td>
<td>$96.99</td>
<td>$100.70</td>
<td>38,150</td>
</tr>
<tr>
<td>June</td>
<td>$98.80</td>
<td>$100.25</td>
<td>9,740</td>
</tr>
<tr>
<td>July</td>
<td>$99.75</td>
<td>$100.50</td>
<td>10,195</td>
</tr>
<tr>
<td>August</td>
<td>$99.50</td>
<td>$100.26</td>
<td>9,030</td>
</tr>
<tr>
<td>September</td>
<td>$99.10</td>
<td>$100.35</td>
<td>33,490</td>
</tr>
<tr>
<td>October</td>
<td>$97.00</td>
<td>$99.51</td>
<td>33,020</td>
</tr>
<tr>
<td>November</td>
<td>$97.00</td>
<td>$99.00</td>
<td>69,860</td>
</tr>
<tr>
<td>December</td>
<td>$97.00</td>
<td>$98.50</td>
<td>8,770</td>
</tr>
</tbody>
</table>
# DIRECTORS AND SENIOR OFFICERS

As at the date of this AIF, the name, province and country of residence, period during which each has served as a director, where applicable, offices held with the Company and principal occupations of each of the directors and senior officers of the Company are as follows:

<table>
<thead>
<tr>
<th>Name and place of residence</th>
<th>Director since</th>
<th>Offices</th>
<th>Principal occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Martin Schwartz</td>
<td>1987</td>
<td>President, Chief Executive Officer and Director</td>
<td>President and Chief Executive Officer of the Company</td>
</tr>
<tr>
<td>Québec, Canada</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jeff Segel</td>
<td>1987</td>
<td>Executive Vice-President, Sales and Marketing and Director</td>
<td>Executive Vice-President, Sales and Marketing of the Company</td>
</tr>
<tr>
<td>Québec, Canada</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alan Schwartz</td>
<td>1987</td>
<td>Executive Vice-President, Operations and Director</td>
<td>Executive Vice-President, Operations of the Company</td>
</tr>
<tr>
<td>Québec, Canada</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jeffrey Schwartz</td>
<td>1987</td>
<td>Executive Vice-President, Chief Financial Officer, Secretary and Director</td>
<td>Executive Vice-President, Chief Financial Officer and Secretary of the Company</td>
</tr>
<tr>
<td>Ontario, Canada</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frank Rana</td>
<td>—</td>
<td>Senior Vice-President, Finance and Assistant-Secretary</td>
<td>Senior Vice-President, Finance of the Company</td>
</tr>
<tr>
<td>Québec, Canada</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Edward Wyse</td>
<td>—</td>
<td>Senior Vice-President, Global Procurement</td>
<td>Senior Vice-President, Global Procurement of the Company</td>
</tr>
<tr>
<td>Québec, Canada</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maurice Tousson(2)</td>
<td>1995</td>
<td>Lead Director</td>
<td>Corporate Director</td>
</tr>
<tr>
<td>Ontario, Canada</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dian Cohen, C.M., O.M.(2)(3)</td>
<td>2004</td>
<td>Director</td>
<td>Corporate Director and Economic Consultant</td>
</tr>
<tr>
<td>Ontario, Canada</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alain Benedetti, FCPA, FCA, ICD.D(1)(2)</td>
<td>2004</td>
<td>Director</td>
<td>Corporate Director</td>
</tr>
<tr>
<td>Québec, Canada</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rupert Duchesne, C.M.(3)</td>
<td>2009</td>
<td>Director</td>
<td>Corporate Director</td>
</tr>
<tr>
<td>Ontario, Canada</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Michelle Cormier, CPA, CA(1)(3)</td>
<td>2015</td>
<td>Director</td>
<td>Operating Partner Wynnchurch Capital (Canada) Ltd. (private equity fund)</td>
</tr>
<tr>
<td>Québec, Canada</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norman M. Steinberg, Ad. E(3)</td>
<td>2018</td>
<td>Director</td>
<td>Chair Emeritus Norton Rose Fulbright Canada LLP</td>
</tr>
<tr>
<td>Québec, Canada</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Member of the Audit Committee.
(2) Member of the Human Resources and Compensation Committee.
(3) Member of the Corporate Governance and Nominating Committee.

During the last five years, the directors and senior officers have been engaged in their respective present principal occupations or in other executive capacities with the companies indicated opposite their respective names, with the exception of: Maurice Tousson, who was Chairman of the Board of Directors of DAVIDsTEA Inc. until June 14, 2018, and Rupert Duchesne, who was until his retirement in May 2017 founding Chief Executive and a Director of Aimia Inc. The term of each of the directors listed above will expire at the next annual meeting of shareholders of the Company.
**Beneficial Ownership**

As at December 30, 2018, the directors and senior officers beneficially owned, or exercised control or direction over, directly or indirectly, an aggregate of 4,001,261 Class “A” Multiple Voting Shares, representing 95.5% of the issued and outstanding Class “A” Multiple Voting Shares, and 2,077,780 Class “B” Subordinate Voting Shares, representing 7.4% of the issued and outstanding Class “B” Subordinate Voting Shares.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the knowledge of the Company, none of the foregoing directors or executive officers of the Company is as of the date of this AIF, or has been within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

(a) was subject to a cease trade or similar order, or an order that denied such company access to any exemption under applicable securities legislation for a period of more than 30 consecutive days (an “Order”) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or

(b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

Other than as set out below, to the knowledge of the Company, none of the foregoing directors or executive officers of the Company, or a shareholder holding enough securities of the Company to affect materially its control:

(a) is, as of the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his, her or its assets.

To the knowledge of the Company, none of the foregoing directors or executive officers of the Company, or a shareholder holding enough securities of the Company to affect materially its control, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Michelle Cormier was asked to chair and conduct the restructuring of Adaltis Inc., a company involved in biotesting with operations in Italy, China and Montréal from 2009 to 2010. Upon her recommendation, the company was closed and then became bankrupt in 2010. In January 2017, Ms. Cormier was asked by the remaining senior secured creditor and by the sole shareholder of Calyx Transportation Inc. (“Calyx”) to become the sole director and officer of Calyx. In this capacity, her mandate was to wind down Calyx in the most efficient manner, following the sale, in December 2016, by Calyx of all assets and businesses in which it operated. The large majority of net proceeds from such sales were used to repay bank indebtedness, employee severances and suppliers. Following all such payments, the cash on hand was insufficient to repay the remaining secured creditor. Given the insolvency of Calyx, Ms. Cormier in her capacity of director of Calyx approved a voluntary
assignment in bankruptcy pursuant to the Bankruptcy and Insolvency Act (Canada) in order to complete the wind down of Calyx’s affairs and discharge her mandate.

**LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

In the normal course of business activities, Dorel is subject to various legal actions. Dorel contests these actions and believes that their resolution will not have a material adverse impact on the Company’s financial condition.

During fiscal 2018, the Company (i) was not subject to any penalty or sanction imposed by a court relating to securities legislation or by a securities regulatory authority, (ii) was not subject to any other penalty or sanction imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision, and (iii) did not enter into any settlement agreement before a court relating to securities legislation or with a securities regulatory authority.

**INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No director or senior officer of the Company, and no person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Class “A” Multiple Voting Shares or Class “B” Subordinate Voting Shares, and any of their respective associates or affiliates, has or had a material interest, direct or indirect, in any transaction, within the three most recently completed fiscal years or during the current fiscal year, that has materially affected or is reasonably expected to materially affect the Company.

**MATERIAL CONTRACTS**

The Company did not enter into any contract out of the ordinary course of its business during fiscal year 2018.

**TRANSFER AGENT AND REGISTRAR**

Computershare Investor Services Inc., at its principal offices in Toronto, Ontario, is the registrar and transfer agent for the Class “A” Multiple Voting Shares and Class “B” Subordinate Voting Shares of the Company.

**NAMES AND INTERESTS OF EXPERTS**

The Company’s external auditors are KPMG LLP, 600 de Maisonneuve Boulevard West, Suite 1500, Montréal, Québec H3A 0A3, who reported on the 2018 Consolidated Financial Statements, which financial statements have been filed under Québec Regulation 51-102 respecting Continuous Disclosure Obligations and National Instrument 51-102 Continuous Disclosure Obligations. KPMG LLP is independent in accordance with auditors’ rules of professional conduct in Québec.

**INFORMATION ON THE AUDIT COMMITTEE**

*Audit Committee Charter*

The Audit Committee Charter sets out the roles and responsibilities of the Audit Committee of the Board of Directors. A copy of the Charter is attached hereto as Schedule B.

*Composition of the Audit Committee*

The Audit Committee is composed of Alain Benedetti, FCPA, FCA, ICD.D, Michelle Cormier, CPA, CA and Rupert Duchesne, C.M. Each member of the Audit Committee is independent and financially literate within the
meaning of Québec Regulation 52-110 respecting Audit Committees and National Instrument 52-110 Audit Committees.

Financial Literacy

Each member of the Audit Committee has a good command of generally accepted accounting principles and has the ability to understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements. This section describes at greater length how these members acquired that financial literacy.

Alain Benedetti, FCPA, FCA, ICD.D: Mr. Benedetti is the retired Vice-Chairman of Ernst & Young LLP, where he worked for 34 years, most recently as the Canadian area managing partner, overseeing all Canadian operations. Prior thereto, he was the managing partner for eastern Canada and the Montréal office. Mr. Benedetti has extensive experience with both public and private companies and currently serves on the Board of Directors of Russel Metals Inc. A former Chair of the Canadian Institute of Chartered Accountants, Mr. Benedetti has served on the Audit Committee of the Company since 2004 and has been its Chair since 2005.

Michelle Cormier, CPA, CA: Ms. Cormier is Operating Partner for the Québec-based investments of Wynnchurch Capital (Canada) Ltd., a $2.3 billion private equity fund. Prior to joining Wynnchurch, she was Chief Financial Officer of a privately-held company, spent 13 years in senior management and as Chief Financial Officer of a publicly-traded forest products company with operations in Canada and the United States and spent eight years in various management positions with Alcan Aluminium Limited. Ms. Cormier has extensive senior management experience in financial management, corporate finance, turnaround and strategic advisory situations and corporate governance. She possesses capital markets background with extensive experience in public markets in Canada and the United States. She serves on the Boards of Directors of Uni-Sélect Inc., Cascades Inc. and Champion Iron Limited.

Rupert Duchesne, C.M.: Mr. Duchesne retired in early 2017 from Aimia Inc. (TSX: AIM) where he was the founding Chief Executive and a Director, and grew the company over 15 years to be a global leader in loyalty marketing and data-analytics with businesses and clients in more than 20 countries. Mr. Duchesne previously held a number of senior officer positions at Air Canada from 1996, and prior thereto was involved in strategy and investment consulting. He is currently a Director of Mattamy Homes Limited and was previously a Director of Alliance Atlantis Communications International Inc. Mr. Duchesne is a Member of the Order of Canada. He holds an MBA degree from Manchester Business School and a B.Sc. (Hons) degree from Leeds University in the United Kingdom.

Pre-approval Policies and Procedures for Audit and Non-Audit Services

In 2003, the Audit Committee adopted a policy regarding the breadth of services provided by the Company’s external auditors. This policy prohibits the Company from hiring external auditors to provide certain non-auditing services. Under certain exceptions, the policy provides that the Company may hire external auditors to provide non-audit services that are not prohibited, on condition that they are pre-approved by the Audit Committee.
**External Auditor Service Fees (by Category)**

In 2018 and 2017, the Company’s auditors were KPMG LLP. The table below represents all fees paid to the Company’s auditors for the years ended December 30, 2018 and 2017:

<table>
<thead>
<tr>
<th>Years ended December 30</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>$2,704,771</td>
<td>$3,501,883</td>
</tr>
<tr>
<td>Audit-related fees</td>
<td>12,246</td>
<td>182,704</td>
</tr>
<tr>
<td>Tax fees</td>
<td>386,648</td>
<td>120,266</td>
</tr>
<tr>
<td>All other fees</td>
<td>190,000</td>
<td>19,296</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$3,293,665</td>
<td>$3,824,149</td>
</tr>
</tbody>
</table>

1. Audit fees were charged for professional services rendered by the auditors for the audit of the Company’s annual Consolidated Financial Statements or services provided in connection with certain statutory and regulatory filings or engagements.
2. Audit-related fees were charged for due diligence services, miscellaneous assurance and related services that are reasonably related to the performance of the audit or review of the annual Consolidated Financial Statements and which are not reported as part of audit fees.
3. Tax fees were charged for tax compliance services.
4. Other fees were charged for operational advisory services.

**ADDITIONAL INFORMATION**

Additional information, including directors’ and officers’ remuneration and indebtedness (if any), principal holders of the Company’s securities, and securities authorized for issuance under equity compensation plans, that is not included herein, is contained in the Company’s Management Proxy Circular dated April 9, 2018 sent and filed in connection with the Company’s annual meeting of shareholders held on May 22, 2018. Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional financial information may be found in the 2018 Consolidated Financial Statements and Management’s Discussion and Analysis for the fiscal year ended December 30, 2018.
## Schedule A

**Major Companies within Dorel Industries Inc.**

*as of December 30, 2018*

<table>
<thead>
<tr>
<th>Name</th>
<th>Jurisdiction of Incorporation</th>
<th>Percentage of Votes Attaching to Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>North America</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cannondale Sports Group, LLC</td>
<td>Delaware</td>
<td>100%</td>
</tr>
<tr>
<td>Cycling Sports Group, Inc.</td>
<td>Delaware</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Asia Inc.</td>
<td>Delaware</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel China America, Inc.</td>
<td>Delaware</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Home Furnishings, Inc.</td>
<td>Delaware</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Home Furnishings, Inc.</td>
<td>Michigan</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Home Furnishings, Inc.</td>
<td>Ohio</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Juvenile Group, Inc.</td>
<td>Massachusetts</td>
<td>100%</td>
</tr>
<tr>
<td>DS Canada Limited Partnership *</td>
<td>British Columbia</td>
<td>100%</td>
</tr>
<tr>
<td>Pacific Cycle Inc.</td>
<td>Delaware</td>
<td>100%</td>
</tr>
<tr>
<td>PCL Holdings Inc.</td>
<td>Delaware</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMPA 2P SAS</td>
<td>France</td>
<td>100%</td>
</tr>
<tr>
<td>BabyArt BVBA</td>
<td>Belgium</td>
<td>100%</td>
</tr>
<tr>
<td>Cycling Sports Group GmbH</td>
<td>Switzerland</td>
<td>100%</td>
</tr>
<tr>
<td>Cycling Sports Group Europe B.V.</td>
<td>The Netherlands</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Belgium SA</td>
<td>Belgium</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel France Holding SAS</td>
<td>France</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel France SAS</td>
<td>France</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Germany GmbH</td>
<td>Germany</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Hispania SA</td>
<td>Spain</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Home Furnishings Europe Limited</td>
<td>United Kingdom</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Italia SpA</td>
<td>Italy</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Juvenile Switzerland SA</td>
<td>Switzerland</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Luxembourg Sàrl</td>
<td>Luxembourg</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Sports Luxembourg Sàrl</td>
<td>Luxembourg</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Polska Sp z.o.o.</td>
<td>Poland</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Portugal - Artigos para bébé Unipessoal, Lda</td>
<td>Portugal</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Suisse Sàrl</td>
<td>Switzerland</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel (UK) Limited</td>
<td>United Kingdom</td>
<td>100%</td>
</tr>
<tr>
<td>IBD Bikes UK Limited</td>
<td>United Kingdom</td>
<td>100%</td>
</tr>
<tr>
<td>Maxi Milaan B.V.</td>
<td>The Netherlands</td>
<td>100%</td>
</tr>
<tr>
<td>Pacific Cycle (UK) Ltd.</td>
<td>United Kingdom</td>
<td>100%</td>
</tr>
</tbody>
</table>

* Formerly named Sugoi Performance Apparel Limited Partnership.
## Schedule A

### Major Companies within Dorel Industries Inc.

**as of December 30, 2018 (cont’d)**

<table>
<thead>
<tr>
<th>Name</th>
<th>Jurisdiction of Incorporation</th>
<th>Percentage of Votes Attaching to Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Latin America</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baby Universe SAS</td>
<td>Colombia</td>
<td>70%</td>
</tr>
<tr>
<td>Best Brands Group S.A.</td>
<td>Panama</td>
<td>70%</td>
</tr>
<tr>
<td>Caloi Norte S.A.</td>
<td>Brazil</td>
<td>100%</td>
</tr>
<tr>
<td>Comercial e Industrial Silfa S.A.</td>
<td>Chile</td>
<td>70%</td>
</tr>
<tr>
<td>Comexa Comercializadora Extranjera SA</td>
<td>Panama</td>
<td>70%</td>
</tr>
<tr>
<td>Companhia Dorel Brasil Produtos Infantis</td>
<td>Brazil</td>
<td>100%</td>
</tr>
<tr>
<td>DJGM, S.A. de C.V.</td>
<td>Mexico</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Sports Chile S.A.</td>
<td>Chile</td>
<td>70%</td>
</tr>
<tr>
<td>Dorel Sports Peru S.R.L.</td>
<td>Peru</td>
<td>70%</td>
</tr>
<tr>
<td>Ofir S.A.</td>
<td>Panama</td>
<td>70%</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ameriwood Home China Co., Ltd.</td>
<td>People’s Republic of China</td>
<td>100%</td>
</tr>
<tr>
<td>Angel Juvenile Products (Zhongshan) Co., Ltd.</td>
<td>People’s Republic of China</td>
<td>100%</td>
</tr>
<tr>
<td>Cannondale Japan KK</td>
<td>Japan</td>
<td>100%</td>
</tr>
<tr>
<td>Cycling Sports Group China Co., Ltd.</td>
<td>People’s Republic of China</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Consulting (Shanghai) Co., Ltd.</td>
<td>People’s Republic of China</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Juvenile (Huangshi) Product Co., Ltd.</td>
<td>People’s Republic of China</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Juvenile (Zhongshan) Product Co., Ltd.</td>
<td>People’s Republic of China</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Global (MCO) Limited</td>
<td>Macau</td>
<td>100%</td>
</tr>
<tr>
<td>Guohong (Zhongshan) Industrial Co., Ltd.</td>
<td>People’s Republic of China</td>
<td>100%</td>
</tr>
<tr>
<td>Peaceful Trust Co., Ltd.</td>
<td>Taiwan</td>
<td>100%</td>
</tr>
<tr>
<td>Shanghai Dorel Juvenile Co., Ltd.</td>
<td>People’s Republic of China</td>
<td>100%</td>
</tr>
<tr>
<td>Tiny Love Ltd.</td>
<td>Israel</td>
<td>100%</td>
</tr>
<tr>
<td>Zhongshan Jiemeng Children Articles Co., Ltd.</td>
<td>People’s Republic of China</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comexa Distribution Limited</td>
<td>Barbados</td>
<td>70%</td>
</tr>
<tr>
<td>Dorel Asia SRL</td>
<td>Barbados</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Australia Pty Ltd</td>
<td>Australia</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Colombian Holdings Limited</td>
<td>Barbados</td>
<td>70%</td>
</tr>
<tr>
<td>Dorel Finance Limited</td>
<td>Barbados</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel International Trade Limited</td>
<td>Barbados</td>
<td>100%</td>
</tr>
<tr>
<td>Dorel Limited</td>
<td>Barbados</td>
<td>100%</td>
</tr>
<tr>
<td>IGC Dorel New Zealand Limited</td>
<td>New Zealand</td>
<td>100%</td>
</tr>
</tbody>
</table>
Schedule B

DOREL INDUSTRIES INC.

AUDIT COMMITTEE CHARTER

The mandate of the Audit Committee (the “Committee”) of the Board of Directors of Dorel Industries Inc. (the “Company”) assists the Board of Directors in fulfilling its oversight responsibilities relating to the quality and integrity of the accounting, auditing, and reporting practices of the Company and such other duties as directed by the Board of Directors or imposed by legislative and securities and exchange authorities.

• STRUCTURE AND ORGANIZATION

1. The Committee will be composed solely of directors who are independent of the management of the Company and are free of any relationship that, in the opinion of the Board of Directors, may interfere with their exercise of independent judgment as a Committee member, all in accordance with applicable securities and exchange regulations.

2. The membership of the Committee will consist of at least three independent members of the Board of Directors. Committee members and the Committee Chairperson shall be designated by and serve at the pleasure of the Board of Directors. All members must be financially literate and at least one member shall be designated as the “financial expert” as defined by applicable legislation and regulation. The Committee shall appoint a Secretary who need not be a director of the Company.

3. The Committee shall meet at least four times per year or more frequently as circumstances require. All Committee members may attend meetings in person or via tele- or video-conference. The Committee may ask members of management, auditors or others to attend the meetings and provide pertinent information as necessary. The required quorum is a simple majority of members.

4. The Committee has the authority to maintain free and open communication with Company officers, employees, internal audit, the external auditors and outside counsel.

5. The Committee has the authority to investigate any matter brought to its attention and to retain independent counsel, accountants, or others for this purpose if, in its judgment, that is appropriate. The Committee further has the authority to set and authorize the compensation for any advisors employed by the Committee.

6. Members of the Audit Committee are prohibited from receiving any payment, either directly or indirectly, from the Company other than for the Board of Directors and its committees membership.

7. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services provided that such services meet the definition pursuant to securities and exchange regulations. Such pre-approval must be presented to the Committee by the respective member at its first scheduled meeting following such pre-approval.

8. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

• GENERAL RESPONSIBILITIES

1. Meet periodically with representatives of the external auditors, the Vice-President, Audit & Compliance, and management in separate sessions to discuss any matters that the Committee or these groups believe should be discussed privately (in camera) with the Committee. Provide sufficient opportunity for the external auditors to meet with the internal auditor as appropriate without members of the management being present.
2. Submit the minutes of all Committee meetings to the Board of Directors and regularly report to the Board of Directors about Committee activities and issues that arise with respect to the quality and integrity of the Company’s financial statements, the Company’s compliance with legal or regulatory requirements, the performance and independence of the Company’s independent auditors and the performance of the internal audit function.

3. Review and reassess the adequacy of this Charter annually.

• **RESPONSIBILITIES FOR ENGAGING AND MONITORING EXTERNAL AUDITORS**

1. Recommend for approval by the Board of Directors and ratification by the shareholders the selection and retention of an independent firm of Chartered Professional Accountants as external auditors, for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services; approve all compensation of the external auditors; and review and approve in advance the discharge of the external auditors.

2. Review the independence of the external auditors. In considering the independence of the external auditors, the Committee will review the nature of the services provided by the external auditors’ firm and the fees charged, and such other matters as the Committee deems appropriate.

3. Arrange for the external auditors to be available to the Board of Directors at least annually to help provide a basis for the Board’s approval of the external auditors’ appointment.

4. Review services and related fees for work done by the external auditors in the period and newly pre-approved services since the prior meeting as well as an updated projection of the total costs for the fiscal year.

5. Pre-approve all non-audit related services to be provided by the Company’s external auditors on a case-by-case basis provided that such services meet the definition pursuant to securities and exchange regulations.

6. Review and approve the Company’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

7. Oversee the rotation of lead, concurring and other external audit partners, to the extent required by securities and exchange regulations.

8. Review at least annually, representations by the external auditors describing their internal quality-control procedures, as well as significant results arising from regulatory and professional quality-control procedures.

9. Review with the external auditors and management the audit plan, including scope and approach, of the external auditors for the current year, including coordination of audit effort with internal audit.

10. Review the performance of the external auditors.

• **RESPONSIBILITIES FOR OVERSIGHT OF THE QUALITY AND INTEGRITY OF ACCOUNTING, AUDITING, AND REPORTING PRACTICES OF THE COMPANY**

1. Review the annual audited financial statements and quarterly financial statements, including the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, Annual Information Form and the Management Proxy Circular with management and the external auditors prior to release. The Committee should review each annual and interim profit or loss announcement with management (and the external auditors if desired) prior to release, filing and distribution. These discussions should cover the quality of the financial reporting, and such others matters as the Committee deems appropriate.

2. Review with management and the external auditors the results of the audit, including any difficulties encountered, and management’s response and/or action plan related to any Management Letter issued by the external auditors and any significant recommendations contained therein. This will also include a review of any
restrictions on the scope of the independent auditor’s activities or on access to requested information, and any significant disagreements with management.

3. Ensure adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements, other than the public disclosure referred to in (1), and periodically assess the adequacy of those procedures.

4. Review disclosures made by the President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Secretary during the Form 52-109F certification process about significant deficiencies and or material weaknesses in the design or operation of internal controls, or any fraud that involves management or other employees who have a significant role in the Company’s internal controls.

5. Review the periodic report of the Company’s Disclosure Committee, including the reassessment of its Charter annually.

6. Consider the adequacy and effectiveness of the Company’s internal control system, including information technology security and control.

7. Understand the scope of internal audit’s review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses.

8. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters. Such complaints regarding questionable accounting or auditing matters are to be treated confidentially and anonymously.

9. Review and approve all related party transactions undertaken by the Company.

• PERIODIC RESPONSIBILITIES

1. Review with management any legal and regulatory matters that may have a material impact on the Company’s financial statements, compliance policies and compliance programs.

2. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management’s investigation and follow-up (including disciplinary action) of any instances of noncompliance.

3. Review with the Vice-President, Audit & Compliance the charter, plans, activities, budget, staffing and organizational structure of the internal audit function and its effectiveness. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Vice-President, Audit & Compliance.


5. Review the process for communicating the Code of Business Conduct to Company personnel, and for monitoring compliance therewith.

6. Institute and oversee any special investigations as needed.

7. Evaluate the Committee’s and individual members’ performance on a regular basis.

8. Perform such other functions assigned by law, the Company’s charter or bylaws, or by the Board of Directors.