



DOREL INDUSTRIES INC.

ANNUAL INFORMATION FORM

For the fiscal year ended December 30, 2016

March 29, 2017

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In this annual information form, 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 annual information form are to US dollars.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included in this annual information form 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 annual information form 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 annual information form are based on a number of assumptions that the Company believed were reasonable on the day it made the forward-looking statements. Factors that could cause actual results to differ materially from the Company’s expectations expressed in or implied by the forward-looking statements include: general economic conditions; changes in product costs and supply channels; foreign currency fluctuations; customer and credit risk including the concentration of revenues with a small number of

customers; costs associated with product liability; changes in income tax legislation or the interpretation or application of those rules; the continued ability to develop products and support brand names; changes in the regulatory environment; continued access to capital resources and the related costs of borrowing; changes in assumptions in the valuation of goodwill and other intangible assets; and there being no certainty that the Company's current dividend policy will be maintained. These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking statements are discussed throughout this annual information form 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 annual information form 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 annual information form, 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 annual information form.

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, 2016, 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.

GENERAL DEVELOPMENT OF THE BUSINESS

Dorel is a world class company selling juvenile, bicycle and home products. It operates in three distinct reporting segments: Dorel Juvenile, Dorel Sports and Dorel Home. Dorel's extensive product offering includes juvenile products such as infant car seats, strollers, high chairs, playpens, swings, developmental toys and infant health and safety aids; in Dorel Sports, items such as bicycles, bicycling and running apparel, children's electric ride-ons, jogging strollers and bicycle trailers and related parts and accessories; and 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 and other imported furniture items.

Dorel's safety and lifestyle leadership is pronounced throughout these three categories with an array of trend-setting, innovative products. Dorel Juvenile's powerfully-branded products include global juvenile brands Safety 1st, Quinny, Maxi-Cosi and Tiny Love, complemented by regional brands such as Cosco, Béb  Confort, Infanti, Voyage, Angel and Mother's Choice. In Dorel Sports, brands include Cannondale, Schwinn, GT, Mongoose, Caloi, Roadmaster, Iron Horse and SUGOI. Dorel Home is broadening its product range and evolving from a traditional furniture company to one offering a best-in-class technological distribution platform for a wide assortment of both domestically produced and imported home products, principally within North America.

As at the date of this annual information form, Dorel employs approximately 10,000 people and operates in more than 25 countries. Operations in the United States include Dorel Juvenile USA, which markets the Cosco, Maxi-Cosi, Quinny, Safety 1st and Tiny Love brands, as well as Disney under licensing agreements; Pacific Cycle, which markets several brands, including Schwinn, Mongoose, Iron Horse, InStep, Kid Trax and Roadmaster; Cycling Sport Group ("CSG"), which markets GT along with Cannondale; Dorel Home Furnishing, Inc. ("Ameriwood"), which markets RTA furniture products under the Ameriwood, SystemBuild, Altra Furniture and Ridgewood brands; and Cosco Home & Office ("Cosco"), which markets home/office products under the Cosco brand. In Canada, Dorel operates Dorel Juvenile Canada, Ridgewood Industries, Dorel Home Products, CSG Canada and SUGOI Performance Apparel. CSG also has operations based in Switzerland, the Netherlands, Japan, China, Chile and the United Kingdom. Dorel Juvenile Europe principally markets juvenile products throughout Europe, primarily under the Maxi-Cosi, Quinny, Safety 1st and Tiny Love brands. Dorel Asia Inc. ("Dorel Living") sources and imports juvenile and home furnishings products. Dorel Juvenile Australia manufactures and distributes juvenile products in Australia, New Zealand and the greater East Asian market under the local brand Mother's Choice as well as Dorel's North American and European brands. Dorel Juvenile Brazil manufactures car seats locally and imports other juvenile products such as strollers under local brands Infanti, Voyage and Stillo as well as international brands such as Maxi-Cosi and Quinny. Dorel Juvenile Chile has operations in Chile and Peru, sells to customers based in Bolivia and Argentina and owns the Infanti brand in these countries. Dorel Juvenile Chile operates close to 100 retail locations in Chile and Peru of which the majority are under the Baby Infanti banner. In addition, Dorel operates several outlet retail locations in Europe and Australia. Dorel Juvenile Colombia operates in Colombia and Panama and sells goods into several countries in Central America and the Caribbean. Dorel also now wholly 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 Juvenile China has manufacturing facilities in China and in Taiwan with an extensive research and development centre. Dorel brands sold in China include the local Angel brand for lower price-points products, alongside many other Dorel's brands to address the premium juvenile products market within China. In addition, Dorel has other offices in 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 Montr al, Qu bec 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 and Deferred Share Units of the Company. Following the initial dividend declaration, the Company paid 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.

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 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). The Company now operates Best Brands Group SA in Panama and Baby Universe SAS in Colombia. This acquisition expanded the Company's ownership of the Infanti brand to which the Company owned the rights in Chile, Bolivia, Peru and Argentina.

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.

Developments in the Past Three Years

Developments in Fiscal 2014

On January 16, 2014, the Company announced that it had purchased 100% of the shares of juvenile business Tiny Love Ltd., a global baby products and developmental toy company headquartered in Tel Aviv, Israel. Tiny Love 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. The purchase price was \$55.8 million.

On January 23, 2014, the Company announced that the Dorel Sports segment had begun restructuring its operations during the second and fourth quarters of 2013 to enhance its competitiveness. Among the global initiatives, Dorel Sports closed its assembly and testing facility in Bedford, Pennsylvania, and leveraged the strengths and capabilities of its global resources, third party partners, and existing facilities to simplify and optimize its business model. As part of its initiative, Dorel Sports announced a new partnership in Australia with Monza Imports, which became the official distributor of the brands in Australia. The operations in Australia transitioned to Monza Imports on May 1, 2014. Operations performed at the Bedford, Pennsylvania facility, including manufacturing, assembly, testing, quality control and customer and technical services, were redeployed in early 2015. During the second quarter of 2015, the Bedford facility was made available for sale and was sold in the fourth quarter of 2016.

In addition, the Dorel Sports segment relocated its research and development facility in Bethel, Connecticut to Dorel Sports' new headquarters in Wilton, Connecticut, and converted its former retail lab in Bethel to

accommodate GURU Academy activities. In April 2014, the Company made available for sale the building housing the facility in Bethel, Connecticut which was sold in the third quarter of 2016.

On April 3, 2014, Dorel Juvenile Brazil acquired the rights to sell Infanti-branded products in the Brazilian marketplace for a purchase price of approximately \$7.0 million. This acquisition expanded the Company's ownership of the Infanti brand, to which the Company already owned the rights in Chile, Bolivia, Peru, Argentina, Colombia and most Central American and Caribbean countries.

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 terms and the principal repayments of the Non-Convertible Debentures are disclosed in Note 18 of the Company's Consolidated Financial Statements as at December 30, 2016 and 2015 (the "2016 Consolidated Financial Statements").

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.

During the second quarter ended June 30, 2014, the Company implemented a long-term incentive plan which includes a Share Appreciation Rights Plan and a Performance Share Unit Plan for senior executives and certain key employees that entitle them to cash payments in certain circumstances. Further information on these plans can be found in Note 24 of the 2016 Consolidated Financial Statements.

On October 9, 2014, the Company completed a public offering in Canada of 5.50% extendible convertible subordinated 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) referred to below.

On November 3, 2014, the Company completed the acquisition of all of the outstanding shares of the juvenile business of Hong Kong-based Lerado Group, a juvenile product manufacturer in China specializing in the design and manufacture of a wide range of infant and juvenile products. The Lerado Group was composed of subsidiaries of Lerado Group (Holding) Company Limited, a publicly-traded company listed on the Hong Kong Stock Exchange. The purchase price was established at HK\$930 million in cash (\$119.9 million), subject to post-closing adjustments based on the net asset value at the acquisition date, as a result of which the purchase price was reduced by \$5.5 million.

Developments in Fiscal 2015

As of June 19, 2015, the Company amended and restated 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 existing Series "B" Senior Guaranteed Notes and the newly-issued \$50 million Series "C" Senior Guaranteed Notes bear interest as at December 30, 2016 at 5.14% and 4.60%, respectively.

As of June 19, 2015, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and increased the total availability under the revolving bank loans to \$400 million from the availability as at December 30, 2014 of \$360 million. The accordion feature included in the Credit Agreement allowing the Company to have access to an additional \$100 million as of December 30, 2014 was decreased to \$60 million. 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.

During the third quarter of 2015, Dorel Juvenile initiated restructuring activities as part of its transformation into a more fully integrated operation in its various markets. In the fourth quarter, Dorel Juvenile identified cost savings opportunities principally through the consolidation of certain facilities in China where two smaller facilities were closed combining some operations and outsourcing certain activities to third party partners and

thereby lowering component costs and simplifying the business in China. In addition, indirect labour levels were reduced at the Company's remaining main facilities in China. Further consolidation opportunities were identified with major activities to be redeployed into one facility. As a result, during the fourth quarter of 2015, certain underutilized facilities were made available for sale. As part of the on-going restructuring program, in 2016 additional properties were made available for sale further reducing the Company's footprint and generating cash from the assets acquired as part of the 2014 Dorel Juvenile China acquisition. Within North America, it was decided during the third quarter of 2015 that the operations based in the United States would assume the back-office support for the Canadian operations and allow the Canadian business to focus on sales and marketing activities. In addition, a former U.S.-based Dorel Juvenile China office was closed. In Europe, the way in which product is brought to market, the on-going process harmonization and the re-alignment of the sales organization were actions put in place to enhance efficiencies. Finally, the business based in Panama that services Central America and the Caribbean was downsized with a greater focus on a direct import model, realignment of management and a streamlined product offering. Based on these above identified restructuring initiatives, Dorel Juvenile expects to realize annualized cost savings of approximately \$9.0 million once completed.

During the third quarter of 2015, Dorel Sports announced a new Go-to-Market strategy and structure for its North American Independent Bike Dealer ("IBD") operation. The plan included realigning Dorel Sports to allow for more focus and support on the Parts and Accessories and Apparel products. In accordance with these initiatives, the Company identified significant cost reductions across the segment which included a headcount reduction in North America and the consolidation of Cannondale and SUGOI apparel product lines into a single global apparel portfolio. These restructuring initiatives were in the fourth quarter of 2015. These particular initiatives were expected to deliver annual cost savings of approximately \$4.0 million.

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. Effective June 8, 2016, the Company decreased the total availability of its revolving bank loans from \$422 million to \$415 million while increasing the availability of the accordion feature by the same amount. In addition, effective October 18, 2016, the Company increased the total availability of its revolving bank loans from \$415 million to \$435 million while decreasing the availability of the accordion feature by the same amount. The revolving bank loans agreement includes as at December 30, 2016 an accordion feature allowing the Company to have access to an additional amount of \$25 million (2015 - \$38 million).

In the third quarter of 2015, the Dorel Juvenile segment initiated restructuring activities as part of its on-going transformation into a more fully integrated operation in its various markets. These initiatives are now expected to continue into 2017 as Dorel Juvenile further aligns 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. Central to this change is allocating resources that create the greatest return. Overheads are being 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 is being improved by decreasing complexity and by sourcing opportunities to supplement existing best-in-class product development and manufacturing. The restructuring initiatives in Dorel Juvenile are expected to be completed in 2017. Another Chinese facility should be made available for sale during 2017 and further people costs reductions will occur. The main driver of these headcount reduction costs will be 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 will be exited to allow for additional energy and financial resources to be dedicated to Dorel owned brands. Since the beginning of the restructuring initiatives in 2015, the segment expects to realize annualized cost savings of approximately \$13.0 million once the restructuring actions are completed. However, the Company anticipates re-investing a significant portion of these savings to drive Dorel Juvenile's future revenue and earnings.

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 will be exited. In total, restructuring actions are expected to result in an approximate 4% reduction in Dorel Sports' global workforce. These restructuring initiatives are expected to be completed by the end of the second quarter of 2017. Starting in 2017, these restructuring activities are expected to deliver annualized savings of \$5.0 million.

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 extendible convertible subordinated 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 new 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 repay the Non-Convertible Debentures in Brazil and the Series "B" and "C" Senior Guaranteed Notes, and to reduce bank indebtedness. The Term Loan bears interest at various rates per annum, based on 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.

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

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

Company-owned websites, in specific magazines, multi-product brochures, and other media outlets. The Company's major retail customers also advertise Dorel's products, principally through circulars and brochures.

In the case of Dorel Sports, event and team sponsorships are also an important marketing tool. One of the principal promotional vehicles is the sponsorship of the Cannondale Pro Cycling team with the team name appearing prominently on riders' jerseys. This allows for significant marketing integration between Cannondale and the team in order to showcase team riders and wins as well as capitalize on consumers' interests in pro-cycling. Additionally, other various sponsorships are provided to teams and individual athletes to promote the 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 more than 230 people in mainland China and Taiwan whose role is to ensure the highest standard of quality of its products and to ensure that the flow of product is not interrupted. The on-going economic downturn has illustrated the quality of these supplier relationships in that Dorel has not been adversely affected by issues with its supplier base and their continuing ability to service Dorel.

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

These brands, and the fact that Dorel has a wide range of other brand names, allow for product and price differentiation within the same product categories. Product development is a significant element of Dorel's past and future growth. Dorel has invested heavily in this area, focusing on innovation, quality, safety and speed to market with several design and product development centres. Over the past five years, Dorel has spent on average more than \$34.0 million per year on new product development.

Operating Segments

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

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 company in the world. Innovative products and a strong brand portfolio form an integral part of Dorel Juvenile's business strategy.

The Safety 1st, Quinny, Maxi-Cosi and Tiny Love brands are sold globally in practically all of Dorel Juvenile's markets. Other brands such as Cosco, Béb  Confort, Infanti, Voyage, Angel and Mother's Choice are strong regional brands and Dorel Juvenile can 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 USA's operations are headquartered in Foxboro, Massachusetts. Except for 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 based in Ontario, California. Dorel Juvenile Canada is headquartered in Toronto, Ontario and sells to customers throughout Canada. The principal brand names in North America are Cosco, Safety 1st, Maxi-Cosi and Quinny.

In North America, the majority of juvenile sales are made 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 Quinny and Maxi-Cosi brand names, competes with smaller premium product juvenile companies. Dorel is one of several large juvenile products companies servicing the North American market.

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

In Europe, Dorel sells juvenile products primarily across the mid-level to high-end price points. With Dorel's well-recognized brand names and superior designs and product quality, the majority of European sales are made to large European juvenile product retail chains, Internet retailers and 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 the majority of markets. Dorel Juvenile Brazil manufactures car seats locally and imports other juvenile products, such as strollers. Brands sold in Brazil include local brands Infanti, Voyage and Stillo as well as Dorel's international brands such as Maxi-Cosi and Quinny. Dorel Juvenile Chile has operations in Chile and Peru and sells to customers based in Bolivia and Argentina. The principal brand sold by Dorel Juvenile Chile is Infanti, which is one of the most popular juvenile products brands in Latin America, and enjoys a leading position in the market as it caters to all price categories with a focus on opening to mid-price points. Dorel Juvenile Chile operates approximately 100 retail locations in Chile and Peru of which the majority are under the Baby Infanti banner. Dorel Juvenile Colombia operates in Colombia and in Panama, which sells goods into several countries in Central America and the Caribbean. Dorel Juvenile Mexico was created in 2014 and serves that market by selling Dorel's global brands.

In Asia, Dorel sells to the Chinese market through its Dorel Juvenile China domestic operation based in Shanghai. Brands sold include Angel, unique to the Chinese market, alongside many of Dorel's premium brands. Dorel Juvenile China is headquartered in Zhongshan and comprises two manufacturing facilities which supply all Dorel divisions, as well as third party customers outside of China. The greater East Asian market is serviced by Dorel Juvenile Australia which assembles and/or distributes its products under both local brand Mother's Choice, as well as Dorel's North American and European brands in Australia and New Zealand. Sales are made to both large retailers and specialty stores. Tiny Love is headquartered 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 2016, the Dorel Juvenile segment accounted for 36% of Dorel's revenue (37% in 2015).

Dorel Sports

Dorel Sports participates in a worldwide marketplace that totals approximately \$46 billion in retail sales annually. This includes bicycles, bicycling and running apparel, children's electric rides-on, jogging strollers and bicycle trailers, as well as related parts and accessories. The breakdown of bicycle industry sales around the world is approximately 64% in the Asia-Pacific region, 20% in Europe and 12% in North America, with the balance in the rest of the world. Bicycles are sold in the mass merchant channel, at IBDs as well as in sporting goods chains.

In the United States, mass merchants have captured a greater share of the market over the past 20 years and today account for approximately 74% of unit sales. Despite the growth of the mass merchant channel, the IBD channel remains an important retail outlet in North America, Europe and other parts of the world. IBD retailers specialize in higher-end bicycles and deliver a level of service to their customers that the mass merchants cannot provide. Retail prices in the IBDs are much higher, reaching to 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 these channels account 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 headquarter is in Wilton, Connecticut. There are also significant operations in Madison, Wisconsin, Vancouver, British Columbia, as well as São Paulo, Brazil. In addition, distribution centres are in California, Georgia, Savannah, Georgia and Olney, 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, China and Chile. In Australia, sales are made through a third-party distributor. There is a sourcing operation based in Taiwan established to oversee Dorel Sports' Far East supplier base and logistics chain, ensuring that the Company's products are produced to meet the exacting quality standards that are required.

The IBD retail channel is serviced by CSG which focuses exclusively on this category principally with the premium-oriented Cannondale and GT brands. The majority of sales to this channel consist of bicycles, with some sales of parts, accessories and apparel. 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 accessories, its product line also includes jogging strollers, bicycle trailers, children's electric ride-ons and some toys. The mass merchant product line of bicycles, parts and accessories are sold under several brands, the most significant being Schwinn and Mongoose. Other important brands used at varying price points include Roadmaster and Iron Horse, 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. Sales of sports apparel and related products are made by CSG through the IBDs, various sporting goods chains and specialty running stores. CSG's principal apparel brand is SUGOI.

In 2016, the Dorel Sports segment accounted for 36% of Dorel's revenue (37% in 2015).

Dorel Home

Dorel's Home participates in the approximately \$105 billion North American furniture industry. To the Company's knowledge, Dorel ranks in the top ten 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. To the Company's knowledge, 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's Home segment consists of four operating divisions. They are Ameriwood Home ("Ameriwood"), Cosco Home & Office ("Cosco"), Dorel Home Products ("DHP") and Dorel Asia ("Dorel Living"). 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, 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 in Columbus, Indiana and the majority of its sales consist of 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 and accessories such as toddler beds and cribs for distribution throughout North America. Major distribution facilities are also located in Québec, California and Georgia.

With its continued expansion into on-line sales in 2016, Dorel Home grew revenue by more than 7%, 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 mass merchants, warehouse clubs, home centres, Internet retailers and office and electronic superstores. On-line sales represent a significant portion of Dorel Home's sales revenue and Dorel Home has made many investments in this channel. Dorel 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 and Cosco.

In 2016, the Dorel Home segment accounted for 28% of Dorel's revenue (26% in 2015).

Distribution

Dorel sells its products primarily to major retail chains. In 2016, Dorel had sales to the following: (i) mass merchant discount chains; (ii) speciality stores; (iii) department stores; (iv) club format outlets; (v) hardware/home centres; (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, 2016, one customer accounted for more than 10% of the Company's revenues, representing 27.8% of Dorel's total revenue. In 2015, this customer accounted for 27.3% of total revenues. 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 such major retailers as Wal-Mart, Target, K-Mart and Toys "R" Us. 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, K-Mart and Toys "R" Us. 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, Target, K-Mart and Toys "R" Us 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 2016, 62% of Dorel's sales took place in the United States, 3% in Canada, 21% in Europe, 9% in Latin America, 2% in Asia and 3% elsewhere. The origin of Dorel's sales in 2016 from its various facilities is as follows: United States 56%, Canada 9%, Europe 20%, Latin America 9%, Asia 3% and 3% elsewhere.

Components

Dorel purchases raw materials, component parts and finished goods. The main commodity items purchased for production include particleboard 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 Cannondale and Schwinn product lines are two of the most recognized sporting goods brand names. 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 in Dorel Juvenile for lower to medium priced products and Caloi is the largest bicycle brand in the region. 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, a supplier relationship, patents and land use rights.

Cycles

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

Competitive Conditions

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) and Britax. In Europe, Dorel is one of the leading juvenile products companies, competing with others such as Britax, Chicco, Avent 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 Chile, Peru, Brazil, Colombia and Panama. This compares 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 is the most important product category as the use of strollers and car seats is less common. Dorel is currently behind most of its major competitors in terms of Chinese market share and is beginning to support its international brands which are sold alongside the regional Chinese Angel brand acquired in 2014. Within its principal

categories, Dorel believes that its combined juvenile operations make it one of the leading juvenile products companies in the world.

In the Dorel Sports segment, 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, Trek, Giant, Specialized, Scott and Raleigh. In Europe, the market is significantly more fragmented as there is additional competition from much smaller companies that are popular in different regions.

Dorel's Home segment participates in the approximately \$105 billion North American furniture industry. To the Company's knowledge, Dorel ranks in the top ten 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. To the Company's knowledge, 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 and Werner in ladders.

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 of each of its business segments:

<u>Dorel Juvenile</u>		<u>Dorel Sports</u>		<u>Dorel Home</u>	
Artsana (Chicco, Prenatal, Neobaby)	Newell Brands (Graco)	Accell	Huffy	Home Star	South Shore
Britax Romer	Maclaren	Bridgeway	Kent	Lifetime	Tricam
Bugaboo	Peg Perego	Dynacraft	Specialized	Linon	Zinus
Summer Infant	The First Years	Giant	Trek	Louisville Ladder Group	Werner
Baby Trend	Munchkin	Scott	Merida	Meco	Whalen
Goodbaby/Evenflo /Cybex	Stokke	Pon Holdings		Mylex	Z-Line
Fisher Price	Team Tex			Sauder	Other imports from the Orient
Kolcraft	Avent				

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 centres. Each of Dorel's three operating segments generally introduce 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 with regards to 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 USA'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 USA'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 centre 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, Holland and Cholet, France. The acquisition of Dorel Juvenile China further expanded Dorel's research and development expertise with an extensive R&D centre in Taiwan. Recreational products are conceived and designed principally at Dorel's facilities in Wilton, Connecticut, Madison, Wisconsin, Vancouver, British Columbia and Sao Paulo, Brazil.

As new product development is vital to the continued success of Dorel, it must make capital investments in research and development, moulds and other machinery, equipment and technology. It is expected that Dorel will invest approximately \$55.0 million over the course of 2017 to meet its new product development and other growth objectives. It is expected that these capital additions will be funded by cash flow generated from existing operations.

Environmental Protection

To Dorel's knowledge, all Dorel segments currently operate within existing environmental regulations. Dorel assumed certain environmental liabilities and contingencies associated with the Dowagiac, Michigan facility acquired with the purchase of Ameriwood in 1998.

Employees

At the end of fiscal 2016, Dorel had approximately 10,000 full-time employees in 25 countries. Approximately 3,400 employees are based in Asia, none of whom are unionized. Approximately 2,900 employees are based in North America, of whom 920 are unionized. The unionized North American employees are subject to an aggregate of three collective agreements. Approximately 2,100 employees are based in Latin America, of whom 520 are unionized, and approximately 1,500 employees are based in Europe, of whom 110 are unionized. The unionized Latin American employees are subject to an aggregate of four 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 wellbeing 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 centre 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 USA'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.
- Dorel Juvenile Europe's research and development centre 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 centre'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 USA and Cosco Home and Office Products, on-site Health and Wellness Centres 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 2016, in most of its markets, the retail environment could be characterized as challenging. As a result, the majority of the Company's retail customers 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.

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 birthrates are being exploited. In recent years, while a trend to less expensive items has emerged for certain consumers, a segment of the market is attracted towards higher-end product dividing the marketplace into two distinct consumer groups that Dorel Juvenile services with its multiple brand strategy.

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

that should consumers elect to spend less on a particular recreational product, Dorel has alternatives to higher priced items.

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.

Should economic conditions worsen significantly, unemployment rise dramatically or bad weather conditions occur, it could have a negative impact on the Company as consumer spending would likely be reduced. 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 particleboard 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 costs fluctuations were highlighted by resin price increases in both the U.S. and Europe in 2016. Also, particle board prices increased in North America. With crude oil prices continuing to rise, U.S. resin prices are expected to increase slightly in 2017. Particle board prices are forecasted to remain stable in 2017.

The Company's suppliers of components and finished goods experienced higher input material costs in 2016. The Chinese currency (RMB) depreciated approximately 7% in 2016 and labour costs in China continue to increase but at a lower rate of approximately 10% per year.

Container freight costs are expected to remain volatile in 2017 due to ongoing industry consolidation. Current expectations are for container prices to increase in 2017.

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 revenues 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 2016, the decline of the British Pound following the Brexit vote had a transactional and translational net negative impact on Dorel Juvenile's and Dorel Sports' operating profit. During the first half of 2016, the continued strengthening of the US dollar against the Brazilian Real from 2015 also had an unfavourable impact on these segments which was offset by price increases implemented in the fourth quarter of 2015 and onwards. Dorel Home positively benefited from the overall surge of the US dollar versus the Canadian dollar in 2016 compared to the prior year. Other selective price increases were carried out during 2016 to reflect the current foreign exchange rates levels offsetting the negative impact created by the decline of other currencies during the year.

The Company uses options, futures and forward contracts to hedge against these adverse fluctuations in currency. Further details on the Company's hedging strategy and the impact in the year can be found in Note 20 to the 2016 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, 2016, one customer accounted for more than 10% of the Company's revenues, at 27.8% of Dorel's total revenue. In 2015, this customer accounted for 27.3% 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. The remainder of Dorel's sales are made mostly to specialty juvenile stores and IBDs. To minimize credit risk, the Company conducts ongoing credit reviews and maintains credit insurance on selected accounts. Should certain of these major retailers cease operations, there could be a material short-term adverse effect on the Company's consolidated results of operations. In the long term, the Company believes that should certain retailers cease to exist, consumers will shop at competitors at which Dorel's products will generally also be sold. As at December 30, 2016, one customer accounted for 15.0% of the Company's total trade accounts receivable balance. As at December 30, 2015, two customers accounted for respectively 13.7% and 12.3% for an aggregate of 26.0% of the Company's total trade accounts receivable balance.

Product Liability

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

Income Taxes

The Company's current organizational structure has resulted in a comparatively low effective income tax rate. This 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 rate can also be affected by the application of income 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.

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 centre 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 businesses operating in these industries, such as the Company. 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.

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. 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 have a material adverse effect on the Company's financial condition and results of operation.

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 and supplier relationship 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. For example, more conservative risk assumptions could materially affect these valuations and could require a downward adjustment in the value of these intangible assets in the future.

Information Systems

In operating its business, Dorel depends heavily on the proper functioning, availability and security of its information and communications systems, including financial reporting and operating systems. Dorel's operating system is critical to selling its products, and billing and collecting for them. The Company's financial reporting system is critical to producing accurate and timely financial statements and analyzing business information to help the Company manage its business effectively.

Dorel's operations and those of its technology and communications service providers are vulnerable to interruption by natural and man-made disasters and other events beyond Dorel's control. If any of Dorel's critical information systems fail, are breached or become otherwise unavailable, Dorel's ability to manage its operations

efficiently, to respond to customers' requests effectively, to maintain billing and other records reliably, to maintain the confidentiality of its data, to bill for products sold and prepare financial statements accurately or in a timely manner would be challenged. Any significant system failure, upgrade complication, security breach or other system disruption could interrupt or delay Dorel's operations, damage its reputation, cause Dorel to lose customers, cause it to incur costs to repair its systems or in respect of litigation, or impact Dorel's ability to manage its operations and report its financial performance, any of which could have a material adverse effect on the Company.

DIVIDENDS

The Company's current dividend policy is based on the declaration by the Board of Directors, on August 9, 2012, of an increase in the Company's quarterly dividend to \$0.30 on each of the Class "A" Multiple Voting Shares, Class "B" Subordinate Voting Shares, Deferred Share Units and cash-settled Performance Share Units of the Company, which equates to an annual dividend of \$1.20 per share.

During fiscal 2016, the Company declared and paid four quarterly dividends of \$0.30 per share on the Class "A" Multiple Voting Shares, Class "B" Subordinate Voting Shares and Deferred Share Units of the Company for an aggregate amount \$1.20 per share for the year, or \$38.8 million. In fiscal 2015 and 2014, these four quarterly dividends totalled \$38.8 million and \$38.7 million, respectively.

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 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 2016:

Month	Class "A" Multiple Voting Shares			Class "B" Subordinate Voting Shares		
	Price Range (in Canadian dollars)			Price Range (in Canadian dollars)		
	Low	High	Volume Traded	Low	High	Volume Traded
January	\$27.00	\$30.77	3,200	\$25.88	\$31.29	2,684,443
February	\$28.56	\$32.99	625	\$26.67	\$32.84	921,983
March	\$26.61	\$30.38	7,548	\$26.20	\$32.49	1,657,038
April	\$28.00	\$28.79	3,650	\$27.01	\$29.18	793,413
May	\$28.50	\$34.00	2,850	\$27.33	\$34.65	1,321,073
June	\$35.17	\$36.00	960	\$33.21	\$36.05	1,252,930
July	\$35.54	\$38.99	1,780	\$34.20	\$38.70	1,187,694
August	\$37.11	\$37.85	2,160	\$34.82	\$38.47	983,413
September	\$37.50	\$37.51	400	\$34.80	\$38.00	792,210
October	\$33.54	\$36.01	5,743	\$33.33	\$36.09	644,059
November	\$34.00	\$37.80	6,862	\$33.51	\$38.39	706,056
December	\$35.03	\$40.99	4,443	\$37.01	\$40.85	656,156

The Company's 5.50% extendible convertible subordinated debentures due November 30, 2019 are listed on the TSX under the symbol DII.DB.U. The following provides the price range and volume of the debentures traded on the TSX for each month of 2016:

5.50% Extendible Convertible Subordinated Debentures

Month	Price Range (in Canadian dollars)		Volume Traded
	Low	High	
January	\$85.57	\$94.00	4,920
February	\$87.25	\$93.00	35,970
March	\$90.00	\$95.76	65,620
April	\$92.61	\$96.00	17,570
May	\$93.13	\$97.50	20,550
June	\$97.01	\$99.50	27,060
July	\$98.60	\$100.01	34,670
August	\$99.80	\$101.99	21,050
September	\$100.50	\$102.99	18,470
October	\$101.75	\$107.50	5,670
November	\$100.65	\$102.99	11,560
December	\$100.00	\$101.75	3,820

DIRECTORS AND SENIOR OFFICERS

As at the date of this annual information form, the name, province or state 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:

<u>Name and place of residence</u>	<u>Director since</u>	<u>Offices</u>	<u>Principal occupation</u>
Martin Schwartz..... Québec, Canada	1987	President, Chief Executive Officer and Director	President and Chief Executive Officer of the Company
Jeff Segel..... Québec, Canada	1987	Executive Vice-President, Sales and Marketing and Director	Executive Vice-President, Sales and Marketing of the Company
Alan Schwartz Québec, Canada	1987	Executive Vice-President, Operations and Director	Executive Vice-President, Operations of the Company
Jeffrey Schwartz Ontario, Canada	1987	Executive Vice-President, Chief Financial Officer, Secretary and Director	Executive Vice-President and Chief Financial Officer of the Company
Frank Rana..... Québec, Canada	—	Senior Vice-President, Finance and Assistant-Secretary	Senior Vice-President, Finance of the Company
Edward Wyse..... Québec, Canada	—	Senior Vice-President, Global Procurement	Senior Vice-President, Global Procurement of the Company
Maurice Tousson ⁽²⁾⁽³⁾ Ontario, Canada	1995	Lead Director	Corporate Director
Dian Cohen ⁽³⁾ Ontario, Canada	2004	Director	Corporate Director and Economic Consultant
Alain Benedetti, FCPA, FCA ⁽¹⁾⁽²⁾ Québec, Canada	2004	Director	Corporate Director
Rupert Duchesne ⁽¹⁾⁽²⁾⁽³⁾ Ontario, Canada	2009	Director	Group Chief Executive and Director Aimia Inc. (loyalty-management company)
Michelle Cormier, CPA, CA ⁽¹⁾⁽³⁾ Québec, Canada	2015	Director	Operating Partner Wynnchurch Capital (Canada) Ltd. (private equity fund)

(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. 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, 2016, the directors and senior officers beneficially owned in the aggregate, or exercised control or direction over, directly or indirectly, 3,070,101 Class “A” Multiple Voting Shares, representing 73.2% of the issued and outstanding Class “A” Multiple Voting Shares, and 1,994,514 Class “B” Subordinate Voting Shares, representing 7.1% 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 annual information form, or has been within ten years before the date of this annual information form, 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.

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 annual information form, or has been within the ten years before the date of this annual information form, 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 annual information form, 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.

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 2016, 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 2016.

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 2016 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, Michelle Cormier, CPA, CA and Rupert Duchesne. 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: 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. and Discovery Air 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: Mrs. 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 and of a publicly-traded forest products company with operations in Canada and the United States. Ms. Cormier has extensive senior management experience in

corporate strategy, finance, human resources and turnaround situations. She is an accredited corporate director and has strong knowledge and experience in corporate governance. She serves on the Boards of Directors of Champion Iron Limited, Cascades Inc. and Uni-Select Inc.

Rupert Duchesne: Mr. Duchesne is the Group Chief Executive and Director of Aimia Inc. (TSX: AIM), the international loyalty-management company that owns and operates the Aeroplan program in Canada, the Nectar program in the United Kingdom and Italy, and Air Miles Middle East (60% owned), and which provides proprietary loyalty and data-analytic services to clients in 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. He was previously a Director of Alliance Atlantis Communications International Inc. Mr. Duchesne 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 2016, 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, 2016 and 2015:

	Years ended December 30	
	2016	2015
Audit fees	\$ 2,731,834	\$ 3,354,148
Audit-related fees.....	197,561	1,482,837
Tax fees	90,835	51,298
All other fees	59,299	123,594
TOTAL.....	\$ 3,079,529	\$ 5,011,877

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 relating to business acquisitions, 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 15, 2016 sent and filed in connection with the Company's annual and special meeting of shareholders held on May 26, 2016. Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional financial information may be found in the 2016 Consolidated Financial Statements and MD&A for the fiscal year ended December 30, 2016.

Schedule A

Major Companies within Dorel Industries Inc. As of December 30, 2016

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

Schedule A

Major Companies within Dorel Industries Inc. As of December 30, 2016 (cont'd)

Name	Jurisdiction of Incorporation	Percentage of Votes Attaching to Shares
<u>Latin America</u>		
Baby Universe SAS	Colombia	70%
Best Brands Group S.A.	Panama	70%
Caloi Norte S.A.	Brazil	85%
Comercial e Industrial Silfa S.A.	Chile	70%
Comexa Comercializadora Extranjera SA	Panama	70%
Companhia Dorel Brasil Produtos Infantis	Brazil	100%
Cycling Sports Group Brazil Investimentos Limitada	Brazil	100%
DJGM, S.A. de C.V.	Mexico	100%
Dorel Sports Chile S.A.	Chile	70%
Dorel Sports Peru S.R.L.	Peru	100%
Ofir S.A.	Panama	70%
<u>Asia</u>		
Angel Juvenile Products (Zhongshan) Co., Ltd.	People's Republic of China	100%
Cannondale Japan KK	Japan	100%
Cycling Sports Group China Co., Ltd	People's Republic of China	100%
Dorel Consulting (Shanghai) Co., Ltd.	People's Republic of China	100%
Dorel Juvenile (Huangshi) Product Co., Ltd.	People's Republic of China	100%
Dorel Juvenile (Yangjiang) Product Co., Ltd.	People's Republic of China	100%
Dorel Juvenile (Zhongshan) Industrial Co., Ltd.	People's Republic of China	100%
Dorel Global (MCO) Limited	Macau	100%
Guohong (Zhongshan) Industrial Co., Ltd.	People's Republic of China	100%
Peaceful Trust Co., Ltd.	Taiwan	100%
Shanghai Dorel Juvenile Product Co., Ltd.	People's Republic of China	100%
Tiny Love Ltd.	Israel	100%
Zhongshan Jiemeng Children Articles Co., Ltd.	People's Republic of China	100%
<u>Other</u>		
Comexa Distribution Limited	Barbados	70%
Dorel Asia SRL	Barbados	100%
Dorel Australia Pty Ltd	Australia	100%
Dorel Colombian Holdings Limited	Barbados	70%
Dorel Finance Limited	Barbados	100%
Dorel International Trade Limited	Barbados	100%
Dorel Limited	Barbados	100%
IGC Dorel New Zealand Limited	New Zealand	100%

Schedule B

DOREL INDUSTRIES INC.

AUDIT COMMITTEE CHARTER

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 Chairman 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 periodically 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 chief audit executive 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 chief audit executive.

4. Discuss with management the Company's major compliance policies with respect to risk assessment and risk management, including but not limited to: Code of Business Conduct, Disclosure Policy, Policy on Financial Reporting, Policy on Whistle blowing, Policy Regarding Procurement of Audit Services and Non Audit Services, Insider Trading and Blackout Periods Policy, Policy Statement on Internal Audit Services, Policy on Incident Reporting and Policy on Hiring of Employees from Independent Auditors.

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.