CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	As at March 31, 2019	As at December 30, 2018 (1)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 15)	$ 27,034	$ 39,272
Trade and other receivables	441,982	410,773
Inventories	651,070	635,153
Other financial assets	1,395	139
Income taxes receivable	12,099	14,284
Prepaid expenses	25,738	24,734
Other assets	14,261	13,770
	1,173,579	1,138,125
Assets held for sale (Note 6)	8,155	8,464
	1,181,734	1,146,589
NON-CURRENT ASSETS		
Property, plant and equipment	178,886	185,794
Right-of-use assets (Note 7)	175,016	–
Intangible assets	242,445	259,580
Goodwill (Note 16)	75,876	76,416
Deferred tax assets	62,105	57,674
Other financial assets	488	506
Other assets	7,139	6,947
	741,955	586,917
	$ 1,923,689	$ 1,733,506
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	$ 52,267	$ 50,098
Trade and other payables (Note 15)	549,660	533,608
Lease liabilities (Note 7)	36,787	–
Other financial liabilities	106	113
Income taxes payable	11,878	10,370
Long-term debt (Note 8)	449,198	432,950
Provisions (Note 5)	49,919	40,124
Other liabilities (Note 9)	8,740	11,916
	1,158,555	1,079,179
NON-CURRENT LIABILITIES		
Lease liabilities (Note 7)	150,419	–
Long-term debt (Note 8)	2,305	4,119
Net pension and post-retirement defined benefit liabilities (Note 5)	25,562	29,515
Deferred tax liabilities	11,558	13,860
Provisions	3,007	2,950
Written put option liabilities (Note 10)	12,357	12,002
Other financial liabilities	2,456	2,137
Other liabilities	7,794	8,641
	215,458	73,224
EQUITY		
Share capital (Note 11)	203,419	203,313
Contributed surplus	28,532	28,555
Accumulated other comprehensive loss	(105,637)	(105,819)
Other equity	16,995	17,350
Retained earnings	406,367	437,704
	549,676	581,103
	$ 1,923,689	$ 1,733,506

LIQUIDITY RISK (Note 8)

EVENT AFTER THE REPORTING PERIOD (Note 8)

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

(See accompanying notes)

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS

ALL FIGURES IN THOUSANDS OF US $, EXCEPT PER SHARE AMOUNTS (UNAUDITED)

	Three Months Ended	
	March 31, 2019	March 31, 2018 (1)
Sales	$ 625,215	$ 641,952
Licensing and commission income	345	334
TOTAL REVENUE (Note 16)	625,560	642,286
Cost of sales (Notes 5 and 14)	495,527	493,718
GROSS PROFIT	130,033	148,568
Selling expenses	52,714	58,963
General and administrative expenses	48,636	53,220
Research and development expenses	9,573	9,424
Impairment loss (reversal) on trade and other receivables (Note 10)	(4)	13,029
Restructuring and other costs (Note 5)	13,966	1,092
OPERATING PROFIT	5,148	12,840
Finance expenses (Note 14)	10,335	7,761
INCOME (LOSS) BEFORE INCOME TAXES	(5,187)	5,079
Income taxes expense (Note 14)	3,086	350
NET INCOME (LOSS)	$ (8,273)	$ 4,729
EARNINGS (LOSS) PER SHARE		
Basic	$ (0.26)	$ 0.15
Diluted	$ (0.26)	$ 0.14
SHARES OUTSTANDING (Note 13)		
Basic – weighted average	32,439,340	32,438,446
Diluted – weighted average	32,439,340	32,704,857

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

(See accompanying notes)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	Three Months Ended	
	March 31, 2019	March 31, 2018 (1)
NET INCOME (LOSS)	$ (8,273)	$ 4,729
OTHER COMPREHENSIVE INCOME (LOSS):		
Items that are or may be reclassified subsequently to net income:		
Cumulative translation account:		
Net change in unrealized foreign currency gains (losses) on translation of net investments in foreign operations, net of tax of nil	1,335	12,244
Net gains (losses) on hedge of net investments in foreign operations, net of tax of nil	(1,868)	2,616
	(533)	14,860
Net changes in cash flow hedges:		
Net change in unrealized gains (losses) on derivatives designated as cash flow hedges	794	(2,347)
Reclassification to net income	(101)	–
Reclassification to the related non-financial asset	(79)	2,623
Deferred income taxes	(52)	(142)
	562	134
Items that will not be reclassified to net income:		
Defined benefit plans:		
Remeasurements of the net pension and post-retirement defined benefit liabilities	(52)	(30)
Deferred income taxes	205	(59)
	153	(89)
TOTAL OTHER COMPREHENSIVE INCOME	182	14,905
TOTAL COMPREHENSIVE INCOME (LOSS)	$ (8,091)	$ 19,634

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

(See accompanying notes)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	Attributable to equity holders of the Company							
			Accumulated other comprehensive income (loss)					
	Share Capital	Contributed Surplus	Cumulative Translation Account	Cash Flow Hedges	Defined Benefit Plans	Other Equity	Retained Earnings	Total Equity
Balance as at December 30, 2017 (1) (2)	$ 203,300	$ 27,557	$ (49,478)	$ (3,242)	$ (17,485)	$ 5,888	$ 925,611	$ 1,092,151
Adjustment on initial application of IFRS 15 (net of tax)	–	–	–	–	–	–	(497)	(497)
Adjustment on initial application of IFRS 9 (net of tax)	–	–	–	–	–	–	(3,758)	(3,758)
Adjusted balance as at December 31, 2017 (2)	$ 203,300	$ 27,557	$ (49,478)	$ (3,242)	$ (17,485)	$ 5,888	$ 921,356	$ 1,087,896
Total comprehensive income:								
Net income	–	–	–	–	–	–	4,729	4,729
Other comprehensive income (loss)	–	–	14,860	134	(89)	–	–	14,905
	–	–	14,860	134	(89)	–	4,729	19,634
Share-based payments (Note 12)	–	64	–	–	–	–	–	64
Remeasurement of written put option liabilities	–	–	–	–	–	(651)	–	(651)
Dividends on common shares (Note 15)	–	–	–	–	–	–	(9,732)	(9,732)
Dividends on deferred share units (Note 12)	–	85	–	–	–	–	(85)	–
Balance as at March 31, 2018 (2)	$ 203,300	$ 27,706	$ (34,618)	$ (3,108)	$ (17,574)	$ 5,237	$ 916,268	$ 1,097,211
Balance as at December 30, 2018 (2)	$ 203,313	$ 28,555	$ (92,893)	$ (31)	$ (12,895)	$ 17,350	$ 437,704	$ 581,103
Adjustment on initial application of IFRS 16 (net of tax) (Note 3)	–	–	–	–	–	–	(18,147)	(18,147)
Adjusted balance as at December 31, 2018	$ 203,313	$ 28,555	$ (92,893)	$ (31)	$ (12,895)	$ 17,350	$ 419,557	$ 562,956
Total comprehensive loss:								
Net loss	–	–	–	–	–	–	(8,273)	(8,273)
Other comprehensive income (loss)	–	–	(533)	562	153	–	–	182
	–	–	(533)	562	153	–	(8,273)	(8,091)
Reclassification from contributed surplus due to settlement of deferred share units (Notes 11 and 12)	106	(163)	–	–	–	–	–	(57)
Share-based payments (Note 12)	–	89	–	–	–	–	–	89
Remeasurement of written put option liabilities (Note 10)	–	–	–	–	–	(355)	–	(355)
Dividends on common shares (Note 15)	–	–	–	–	–	–	(4,866)	(4,866)
Dividends on deferred share units (Note 12)	–	51	–	–	–	–	(51)	–
Balance as at March 31, 2019	$ 203,419	$ 28,532	$ (93,426)	$ 531	$ (12,742)	$ 16,995	$ 406,367	$ 549,676

(1) The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated.
(2) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

(See accompanying notes)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	Three Months Ended	
	March 31, 2019	March 31, 2018 (1)
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income (loss)	$ (8,273)	$ 4,729
Items not involving cash:		
Depreciation and amortization	23,293	12,057
Unrealized losses (gains) arising on financial assets and financial liabilities classified as mandatorily at fair value through profit or loss	(208)	(1,374)
Share-based payments (Note 12)	89	64
Defined benefit pension and post-retirement costs	787	1,184
(Gain) loss on disposal of property, plant and equipment and on lease modifications	(11)	(17)
Restructuring and other costs (Note 5)	(1,296)	–
Finance expenses (Note 14)	10,335	7,761
Income taxes expense	3,086	350
Net changes in balances related to operations (Note 15)	(31,536)	(10,649)
Income taxes paid	(2,282)	(8,929)
Income taxes received	1,962	2,006
Interest paid (Note 7)	(7,764)	(6,445)
Interest received	169	140
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(11,649)	877
FINANCING ACTIVITIES		
Bank indebtedness	2,321	(4,831)
Increase of long-term debt	21,353	29,598
Repayments of long-term debt	(3,750)	(2,725)
Payments of lease liabilities (Note 7)	(10,626)	–
Financing costs	(547)	(8)
Dividends on common shares (Note 15)	–	(9,732)
CASH PROVIDED BY FINANCING ACTIVITIES	8,751	12,302
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(5,818)	(10,557)
Disposals of property, plant and equipment	68	30
Additions to intangible assets	(4,731)	(5,820)
CASH USED IN INVESTING ACTIVITIES	(10,481)	(16,347)
Effect of foreign currency exchange rate changes on cash and cash equivalents	1,141	993
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,238)	(2,175)
Cash and cash equivalents, beginning of period	39,272	36,841
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 27,034	$ 34,666

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

(See accompanying notes)

1. Nature of operations

Dorel Industries Inc. (the "Company") is a global consumer products company which designs, manufactures or sources, markets and distributes a diverse portfolio of powerful product brands, marketed through its Dorel Home, Dorel Juvenile and Dorel Sports segments. The principal markets for the Company's products are the United States, Europe, Latin America, Canada and Asia.

2. Statement of compliance, basis of preparation and measurement

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as adopted by the International Accounting Standards Board ("IASB"), using the US dollar as the reporting currency. The US dollar is the functional currency of the Canadian parent company. All financial information is presented in US dollars and has been rounded to the nearest thousand, unless otherwise indicated. These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and with the same accounting policies and methods of computation followed in the most recent audited consolidated annual financial statements as at and for the year ended December 30, 2018, except as disclosed below. The condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements. Certain information and footnote disclosures normally included in consolidated annual financial statements prepared in accordance with IFRS were omitted or condensed where such information is not considered material to the understanding of the Company's condensed consolidated interim financial statements.

At each reporting period, management assesses the basis of preparation of the consolidated financial statements. These condensed consolidated interim financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Assessing the Company's ability to resolve its financing arrangements on a timely basis including future compliance with covenants requires judgment, as disclosed in Note 4 b) Use of Estimates and Judgments in the consolidated annual financial statements. Refer to Note 8 for information on an event after the reporting period regarding the status on the Company's refinancing of the convertible debentures.

These condensed consolidated interim financial statements should be read in conjunction with the Company's 2018 audited consolidated annual financial statements. This is the first set of the Company's consolidated financial statements where IFRS 16, *Leases,* has been applied. Changes to significant accounting policies are described in Note 3.

The condensed consolidated interim financial statements have been prepared on a historical basis except for:

- derivative financial instruments which are measured at fair value;
- written put option liabilities which are measured at fair value;
- share-based compensation arrangements which are measured in accordance with IFRS 2, *Share-Based Payment*;
- assets held for sale which are measured at the lower of their carrying amount or fair value less costs to sell;
- identifiable assets acquired and liabilities assumed in connection with a business combination which are measured at fair value at acquisition date;
- net pension and post-retirement defined benefit liabilities which are measured as the net total of plan assets measured at fair value less the discounted present value of the defined benefit obligations; and
- product liability which is measured at its discounted present value.

These condensed consolidated interim financial statements were authorized by the Company's Board of Directors for issue on May 10, 2019.

The results of operations for the interim period are not necessarily indicative of the results of operations for the full year.

3. Changes in significant accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 30, 2018.

The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 30, 2019.

a) *IFRS 16 – Leases*

In January 2016, the IASB released IFRS 16, *Leases*, which replaced the previous leases standard, IAS 17, *Leases,* and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Company has adopted IFRS 16 using the modified retrospective method of adoption, with the effect of initially applying this standard recognized at the date of initial application, i.e. December 31, 2018. Accordingly, the cumulative effect of initially applying IFRS 16 has been recognized as an adjustment to the opening balance of retained earnings as at December 31, 2018 and the comparative information presented for 2018 has not been restated, i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

i. Transition options and practical expedients

The Company has elected to apply the following transition options and practical expedients available under IFRS 16:

- *Lease definition*: to grandfather the assessment of which transactions are leases on the date of initial application. Accordingly, the Company applied IFRS 16 only to contracts that were previously identified as leases under IAS 17, *Leases*, and IFRIC 4, *Determining whether an Arrangement contains a Lease*, and applied the definition of leases under IFRS 16 only to contracts entered on or after the date of initial application;
- *Impairment and onerous leases*: to rely on the Company's previous assessment of whether leases are onerous in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, immediately before the date of initial application as an alternative to performing an impairment review;
- *Initial direct costs*: to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- *Use of hindsight*: to use hindsight, for example, in determining the lease term of contracts that contain options to extend or terminate the lease on the date of initial application; and
- *Non-lease components*: to not separate lease components from any associated non-lease components.

The Company has elected not to apply the following transition options and practical expedients available under IFRS 16:

- *Short-term leases and leases of low-value items recognition exemptions;*
- *Leases with a short remaining term*; and
- *Discount rates.*

3. Changes in significant accounting policies (continued)

a) *IFRS 16 – Leases (continued)*

ii. Impact of adopting IFRS 16

The most significant impact as a result of adopting IFRS 16 related to the accounting for the Company's operating leases, as the nature of expenses related to most of the Company's leases changed as IFRS 16 replaced the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Under IAS 17, the Company classified each of its leases at the inception date as either a finance lease or an operating lease, based on the extent to which risks and rewards of ownership were transferred to the Company. Most of the Company's leases were classified as operating leases as they did not transfer substantially all the risks and rewards of ownership to the Company. Lease payments related to the Company's operating leases were recognized as rent expense in the consolidated income statements on a straight-line basis over the lease term and presented as part of cash flows from operating activities in the consolidated statements of cash flows. Any prepaid rent, accrued rent and deferred rent were recognized under "Prepaid expenses", "Trade and other payables" and "Other long-term liabilities", respectively, in the consolidated statements of financial position.

Upon adoption of IFRS 16, the Company recognized right-of-use assets for leases previously classified as operating leases. Right-of-use assets were measured as if IFRS 16 had always been applied, but using the incremental borrowing rate at the date of initial application. Lease liabilities were measured at the present value of the remaining lease payments on a discounted basis, using the incremental borrowing rate at the date of initial application.

In addition, upon adoption of IFRS 16, land use rights were reclassified from intangible assets to right-of-use assets, at the carrying amount measured under IAS 38, *Intangible assets,* as at December 30, 2018. Assets under finance leases were also reclassified from property, plant and equipment to right-of-use assets and related obligations under finance leases were reclassified from long-term debt to lease liabilities, at the carrying amounts measured under IAS 17 as at December 30, 2018. Right-of-use assets and lease liabilities for these land use rights and leases previously classified as finance leases are recognized in accordance with the requirements of IFRS 16 starting December 31, 2018.

3. Changes in significant accounting policies (continued)

a) *IFRS 16 – Leases (continued)*

ii. Impact of adopting IFRS 16 (continued)

The following table summarizes the impacts of adopting IFRS 16 on the Company's consolidated statement of financial position as at December 31, 2018:

Impact of adopting IFRS 16 as at December 31, 2018	**Note**	**Increase (decrease)**
ASSETS		
CURRENT ASSETS		
Prepaid expenses	i	$ (2,398)
		(2,398)
NON-CURRENT ASSETS		
Property, plant and equipment	ii	(3,842)
Right-of-use assets	iii	183,525
Intangible assets	iv	(16,713)
Deferred tax assets	v	4,589
		167,559
TOTAL ASSETS		$ 165,161
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	i	$ (3,714)
Lease liabilities	iii	37,227
Income taxes payable	v	593
Long-term debt	ii	(932)
Provisions	i	(557)
		32,617
NON-CURRENT LIABILITIES		
Lease liabilities	iii	157,943
Long-term debt	ii	(1,844)
Deferred tax liabilities	v	(1,208)
Other liabilities	vii	(4,200)
		150,691
EQUITY		
Retained earnings	vi	(18,147)
TOTAL LIABILITIES AND EQUITY		$ 165,161

i. Prepaid expenses, trade and other payables and onerous contract provisions related to previous operating leases were derecognized.
ii. Assets under finance leases were reclassified as right-of-use assets and related obligations under finance leases were reclassified as lease liabilities. In addition, restoration costs within leasehold improvements related to leases were reclassified to right-of-use assets.
iii. Lease liabilities of $195,170 and related right-of-use assets of $183,525 were recognized and presented separately on the Company's consolidated statement of financial position. These include assets under finance leases, restoration costs, land use rights and obligations under finance leases that were reclassified from property, plant and equipment, intangible assets and long-term debt.
iv. Land use rights were reclassified as right-of-use assets.
v. Deferred tax assets increased by $4,589, deferred tax liabilities decreased by $1,208 and income taxes payable increased by $593 as a result of the deferred and current tax impact on the related assets and liabilities.
vi. Cumulative effect of the adjustments resulting from adoption of IFRS 16 was recognized as an adjustment to the opening balance of retained earnings as at December 31, 2018, net of tax of $5,204.
vii. Deferred rent related to previous operating leases included within other long-term liabilities were derecognized.

3. Changes in significant accounting policies (continued)

a) *IFRS 16 – Leases (continued)*

iii. Reconciliation of operating lease commitments to lease liabilities recognized

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate as at December 31, 2018. The weighted average incremental borrowing rate applied as at December 31, 2018 was 4.07%. The lease liabilities as at December 31, 2018 can be reconciled to the operating lease commitments as at December 30, 2018 as follows:

Reconciliation of operating lease commitments to lease liabilities recognized		
Operating lease commitments as at December 30, 2018	$	225,463
Leases not yet commenced to which the lessee is committed		(11,636)
Extension options reasonably certain to be exercised and termination options reasonably certain not to be exercised, net		9,818
Associated non-lease components not separated from lease components		2,300
Lease incentives receivable		(1,489)
Variable lease payments based on an index or a specified rate		643
Other		(1,711)
Additional lease liabilities as a result of the initial application of IFRS 16 as at December 31, 2018 – undiscounted	$	223,388
Discounted using the incremental borrowing rate as at December 31, 2018	$	192,394
Obligations under finance leases reclassified as lease liabilities as at December 31, 2018		2,776
Lease liabilities as at December 31, 2018	$	195,170

iv. Significant accounting policies

The details of the new significant accounting policies in relation to the Company's leases are set out below.

Leases

At inception, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease, i.e. the date the underlying asset is available for use.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. Cost of right-of-use assets is comprised of:

- the initial measurement amount of the lease liabilities recognized;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease contract.

3. Changes in significant accounting policies (continued)

a) *IFRS 16 – Leases (continued)*

iv. Significant accounting policies (continued)

Leases (continued)

Right-of-use assets (continued)

Right-of-use assets are depreciated on a straight-line basis over the lesser of i) the estimated useful life of the underlying assets; and ii) the lease term. Right-of-use assets are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date over the lease term. The present value of the lease payments is determined using the lessee's incremental borrowing rate at the commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is a function of the lessee's incremental borrowing rate, the nature of the underlying asset, the location of the asset, the length of the lease and the currency of the lease contract. Generally, the Company uses the lessee's incremental borrowing rate for the present value. At the commencement date, lease payments generally include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index (e.g. based on inflation index) or a specified rate, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising the option to terminate the lease. Lease payments also include amounts expected to be paid under residual value guarantees and the exercise price of a purchase option if the Company is reasonably certain to exercise that option.

Variable lease payments that do not depend on an index or a specified rate are not included in the measurement of lease liabilities but instead are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced to reflect lease payments made. In addition, the carrying amount of lease liabilities is remeasured when there is a change in future lease payments arising from a change in an index or specified rate, if there is a modification to the lease terms and conditions, a change in the estimate of the amount expected to be payable under residual value guarantee, or if the Company changes its assessment of whether it will exercise a termination, extension or purchase option. The remeasurement amount of the lease liabilities is recognized as an adjustment to the right-of-use asset, or in the consolidated income statement when the carrying amount of the right-of-use asset is reduced to zero.

Classification and presentation of lease-related expenses

Depreciation charge for right-of-use assets, expenses related to variable lease payments not included in the measurement of lease liabilities and loss (gain) related to lease modifications are allocated in the Company's consolidated income statement based on their function within the Company, while interest expense on lease liabilities is presented within finance costs.

Cash flows classification

Lease payments related to the principal portion of the lease liabilities are classified as cash flows from financing activities while lease payments related to the interest portion of the lease liabilities are classified as interest paid within cash flows from operating activities. Lease incentives received are classified as cash flows from investing activities. Variable lease payments not included in the measurement of lease liabilities are classified as cash flows from operating activities.

3. Changes in significant accounting policies (continued)

a) *IFRS 16 – Leases (continued)*

iv. Significant accounting policies (continued)

Leases (continued)

Significant judgment in determining the lease term of contracts with extension options and termination options

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

b) *Annual Improvements to IFRS Standards 2015–2017 Cycle*

In December 2017, the IASB published *Annual Improvements to IFRS Standards 2015–2017 Cycle*, which includes amendments to the following:

- Income tax consequences under IAS 12, *Income Taxes*, of payments on financial instruments classified as equity.
- Borrowing costs eligible for capitalization under IAS 23, *Borrowing Costs*.

The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company adopted these amendments in its consolidated financial statements for the annual period beginning on December 31, 2018. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

c) *Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement*

In February 2018, the IASB issued amendments to IAS 19, *Employee Benefits*, clarifying the accounting when a plan amendment, curtailment or settlement occurs. The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The amendments clarify:

- that when a defined benefit plan amendment, curtailment or settlement occurs and an entity remeasures its net defined benefit liability or asset, the entity uses the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan; and
- the effect of a plan amendment, curtailment or settlement on the asset ceiling requirements.

The Company adopted the amendments to IAS 19 in its consolidated financial statements for the annual period beginning on December 31, 2018. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

4. Future accounting changes

New standards and amendments to existing standards have been issued by the IASB, which are mandatory but not yet effective for the three months ended March 31, 2019. Management does not expect that any of the new standards and amendments to existing standards issued but not yet effective would have a material impact on the Company's consolidated financial statements.

5. Restructuring and other costs

For the three months ended March 31, 2019, the Company recorded total expenses of $14,397 (2018 – $1,092) with respect to restructuring and other costs, of which $431 (2018 – nil) were recorded within gross profit and $13,966 (2018 – $1,092) were recorded as restructuring and other costs as a separate line within the condensed consolidated interim income statements.

Restructuring costs

Dorel Juvenile segment

2019 Plan

During the first quarter of 2019, Dorel Juvenile segment initiated a new restructuring program across several regions. The overriding objective of this program is to simplify the organization and optimize its global footprint. These changes will also identify and prioritize opportunities that will improve the Company's competitive position in the marketplace.

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

As at the date of issuance of the condensed consolidated interim financial statements, total costs related to these restructuring initiatives are estimated to be between $25,000 and $30,000 and are expected to be incurred in 2019 and 2020. The majority of these estimated costs are for employee severance and termination benefits, net of curtailment gain on net pension defined benefit liabilities. Of this estimated range of costs, $14,090 was recorded in 2019, details of which can be found in the table below.

Previous Plan

The main objective of the restructuring activities initiated previously as part of the Dorel Juvenile segment's on-going transformation, was to further align its operations to drive profitable sales growth by concentrating on improved agility with a more market-focused approach to reduce costs and better react to trends in the juvenile industry. The segment re-positioned itself through further investments in digital capabilities, changes in support functions and the re-orientation of its workforce. The ability to develop and bring meaningful products to market faster have been improved by decreasing complexity and by sourcing opportunities to supplement existing best-in-class product development and manufacturing.

These restructuring initiatives were essentially completed in the fourth quarter of 2018. Total costs related to these restructuring initiatives were $43,172, including $13,632 of non-cash charges related to the write-down of long-lived assets and net losses from the remeasurement and disposals of assets held for sale, $3,076 of non-cash inventory markdowns, $3,295 of curtailment gain on net pension defined benefit liabilities, $24,807 of employee severance and termination benefits and $4,952 of other associated costs. Of this amount, $10,276 was recorded for the year ended December 30, 2015, $13,825 was recorded for the year ended December 30, 2016, $11,933 was recorded for the year ended December 30, 2017, $6,831 was recorded for the year ended December 30, 2018, and $307 was recorded in 2019, details of which can be found in the table below. There are no significant remaining costs associated with these restructuring initiatives.

5. Restructuring and other costs (continued)

The expenses recorded in the condensed consolidated interim income statements related to the restructuring activities and other costs consist of the following:

	Three Months Ended March 31,					
	TOTAL		Dorel Juvenile (2019 Plan)		Dorel Juvenile (Previous Plan)	
	2019	2018	2019	2018	2019	2018
Inventory markdowns*	$ 293	$ –	$ 293	$ –	$ –	$ –
Other associated costs	138	–	138	–	–	–
Recorded within gross profit	$ 431	$ –	$ 431	$ –	$ –	$ –
Employee severance and termination benefits	$ 14,991	$ 1,092	$ 14,991	$ –	$ –	$ 1,092
Net losses from the remeasurement of assets held for sale* (Note 6)	307	–	–	–	307	–
Curtailment gain on net pension defined benefit liabilities*	(1,896)	–	(1,896)	–	–	–
Other associated costs	564	–	564	–	–	–
Recorded within a separate line in the condensed consolidated interim income statements	13,966	1,092	13,659	–	307	1,092
Total restructuring costs	**$ 14,397**	**$ 1,092**	**$ 14,090**	**$ –**	**$ 307**	**$ 1,092**
Total other costs	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Total restructuring and other costs	**$ 14,397**	**$ 1,092**	**$ 14,090**	**$ –**	**$ 307**	**$ 1,092**

* non-cash

5. Restructuring and other costs (continued)

Restructuring provision

As at March 31, 2019, the related restructuring plans provision totaling $16,138 consists of employee severance and termination benefits and other associated costs. A summary of the Company's restructuring plans provision is as follows:

	Balance December 30, 2018	Adjustment on initial application of IFRS 16 on December 31, 2018 (Note 3)	Adjusted balance December 31, 2018	2019 provision	Cash paid	Effect of foreign exchange	Balance March 31, 2019
Dorel Juvenile segment (2019 Plan):							
Employee severance and termination benefits	$ –	$ –	$ –	$ 14,991	$ (259)	$ (126)	$ 14,606
Other associated costs	–	–	–	702	(415)	3	290
	$ –	$ –	$ –	$ 15,693	$ (674)	$ (123)	$ 14,896
Dorel Juvenile segment (Previous Plan):							
Employee severance and termination benefits	$ 1,838	$ –	$ 1,838	$ –	$ (1,254)	$ –	$ 584
Other associated costs	–	–	–	–	–	–	–
	$ 1,838	$ –	$ 1,838	$ –	$ (1,254)	$ –	$ 584
Dorel Sports segment:							
Employee severance and termination benefits	$ 198	$ –	$ 198	$ –	$ –	$ –	$ 198
Other associated costs	1,067	(557)	510	–	(48)	(2)	460
	$ 1,265	$ (557)	$ 708	$ –	$ (48)	$ (2)	$ 658
Total	$ 3,103	$ (557)	$ 2,546	$ 15,693	$ (1,976)	$ (125)	$ 16,138

6. Assets held for sale

	March 31, 2019	December 30, 2018
Balance, beginning of period	$ 8,464	$ 8,481
Remeasurement (Note 5)	(307)	–
Effect of foreign currency exchange rate changes	(2)	(17)
Balance, end of period	$ 8,155	$ 8,464

Assets held for sale presented in the condensed consolidated interim statements of financial position consist of properties which are measured at the lower of carrying amount and fair value less costs to sell. The fair value measurement of the assets held for sale have been categorized in Level 2 in the fair value hierarchy based on observable market inputs, i.e. offers from third-party buyers for these assets or similar assets or recent market prices of similar properties in similar locations.

7. Leases

The Company has entered into lease contracts mainly for buildings and machinery and equipment, which expire at various dates through the year 2034. Lease contracts are negotiated and entered into by local management. Some leases have extension options and/or termination options included in the contracts for various terms. Some lease payments are based on changes in local price indices, sales or actual space used. The lease contracts do not impose any financial covenants.

a) Right-of-use assets

	Land use rights	Land and buildings	Machinery and equipment	Furniture and fixtures	Computer equipment	Vehicles	Total
Balance as at December 31, 2018	$ 16,713	$ 153,200	$ 7,178	$ 639	$ 3,007	$ 2,788	$ 183,525
Additions	–	403	615	43	232	361	1,654
Depreciation for the period	(107)	(9,376)	(614)	(44)	(375)	(476)	(10,992)
Reassessment of lease liabilities and lease modifications	–	1,132	–	(17)	(107)	(40)	968
Effect of foreign currency exchange rate changes	–	(85)	(8)	1	(4)	(43)	(139)
Balance as at March 31, 2019	$ 16,606	$ 145,274	$ 7,171	$ 622	$ 2,753	$ 2,590	$ 175,016

b) Lease liabilities

The following table summarizes the lease liabilities amounts recognized in the condensed consolidated interim statement of financial position as at March 31, 2019:

	March 31, 2019
Current	$ 36,787
Non-current	$ 150,419

7. Leases (continued)

b) Lease liabilities (continued)

The reconciliation of movements of lease liabilities to cash flows arising from financing activities is as follows for the three months ended March 31, 2019:

		Cash used in financing activities	Cash used in operating activities	Non-cash changes				
	Balance as at December 31, 2018	Payments	Interest paid	Additions	Reassessment of lease liabilities and lease modifications	Interest expense	Effect of foreign currency exchange rate changes	Balance as at March 31, 2019
Lease liabilities	$ 195,170	$ (10,626)	$ (1,724)	$ 1,654	$ 959	$ 1,964	$ (191)	$ 187,206

c) Amounts recognized in the condensed consolidated interim income statement

	Three Months Ended March 31, 2019
Depreciation of right-of-use assets	$ 10,992
Interest expense on lease liabilities (Note 14)	$ 1,964
Expense related to variable lease payments not included in the measurement of lease liabilities	$ 2,643
Loss (gain) related to lease modifications	$ (9)
Foreign exchange loss (gain) on lease liabilities – lease contracts denominated in a currency different from the functional currency of the lessee	$ 122

Depreciation of right-of-use assets is included in the condensed consolidated interim income statement in the following captions:

	Three Months Ended March 31, 2019
Included in cost of sales	$ 6,615
Included in selling expenses	2,553
Included in general and administrative expenses	1,771
Included in research and development expenses	53
	$ 10,992

7. Leases (continued)

d) Cash outflow for leases recognized in the condensed consolidated interim statement of cash flows

	Three Months Ended March 31, 2019
Operating activities:	
Cash outflow for variable lease payments not included in the measurement of lease liabilities – included within net loss	$ 2,643
Cash outflow for interest portion of lease liabilities – included within interest paid	1,724
	$ 4,367
Financing activities:	
Cash outflow for principal portion of lease liabilities	$ 10,626
Total cash outflow for leases	$ 14,993

e) Maturity analysis – contractual undiscounted cash flows

The following table summarizes the contractual undiscounted cash flows of lease liabilities as at March 31, 2019:

	March 31, 2019
Less than 1 year	$ 43,633
Between 1 and 5 years	111,075
More than 5 years	62,145
Total contractual undiscounted cash flows of lease liabilities	$ 216,853

As at March 31, 2019, the Company had undiscounted future lease payments of $11,832 related to leases not yet commenced to which it was committed, which are not reflected in the measurement of lease liabilities.

f) Extension options and termination options

The following table summarizes the potential undiscounted future lease payments that have not been reflected in the measurement of lease liabilities as at March 31, 2019 as it was not reasonably certain that the leases would be extended or not be terminated.

	March 31, 2019
Extension options	$ 89,593
Termination options (net of payments of penalties for terminating the leases)	$ 8,392

8. Long-term debt, liquidity risk and capital management

a) Long-term debt and liquidity risk

The Company is in the process of refinancing its $120,000 convertible debentures maturing on November 30, 2019. On May 9, 2019, the Company entered into a commitment letter with an institutional lender for an issuance by the Company of senior unsecured notes in the amount of $175,000, of which $125,000 will be drawn on closing. The Company would be able to draw down the additional $50,000 after closing with the consent of the lender. The Company intends to use the proceeds from the first tranche of senior unsecured notes to repay its $120,000 convertible debentures.

Closing of the senior unsecured notes is conditional upon a number of factors, including preparation of definitive documentation acceptable to the Company and the institutional lender, completion of due diligence to the satisfaction of the lender and other standard conditions. The Company cannot provide any assurance that the senior note transaction will be completed on a timely basis or at all.

On March 8, 2019, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and term loan to modify the covenants to permit additional indebtedness with other lenders to refinance and repay the convertible debentures. In addition, the covenants were adjusted in light of the last twelve months results of operations in order to facilitate their compliance. The amendment also extends the maturity date to July 1, 2021 if the convertible debentures are repaid or refinanced by May 30, 2019. On May 8, 2019, the Company again amended its Credit Agreement with respect to its revolving bank loans and term loan to extend their maturity date to the earlier of (i) July 1, 2021 and (ii) July 31, 2019 if the convertible debentures have not been repaid or refinanced, in cash or in shares of the Company, by that date. If the convertible debentures have not been repaid or refinanced, the maturity date of the revolving bank loans and term loan remains July 31, 2019. Given that the convertible debentures were not repaid or refinanced as at March 31, 2019 and as at the date of issuance of the condensed consolidated interim financial statements, the revolving bank loans and term loan were classified as current as at March 31, 2019. In the event the Company's convertible debentures are not repaid or refinanced by July 31, 2019, the revolving bank loans and term loan will become due in full on July 31, 2019. In addition, if the Company is not able to meet its quarterly debt covenant requirements, the revolving bank loans and term loan will become due in full at the date of non-compliance. The availability of the funds under the revolving bank loans, including the accordion feature, are dependent on the Company continuing to meet the financial covenants of its credit agreements. The covenants do not permit the Company to use funds under its revolving bank loans to repay the convertible debentures. On March 14, 2019, the Company announced that it adjusted its dividend from the prior annual $1.20 a share to $0.60 for the current year.

While the Company does not have arranged financing to repay the revolving bank loans and term loan on July 31, 2019 or if covenants are not met, the Company has various alternatives should these scenarios arise, such as further adjusting its current dividend policy to meet quarterly covenants, converting the convertible debentures into shares to avoid the revolving bank loans and term loan becoming due in full on July 31, 2019 provided the Company provides notice 40 days prior to that date, or possibly entering into an asset-based lending agreement for a portion of its financing requirements. Accordingly, the Company does not expect a liquidity problem in the foreseeable future, however no assurance can be provided that the Company will be able to refinance its debt on a timely basis.

Following the March 8, 2019 amendment, the principal repayments of the term loan are as follows:

(i) – 4 quarterly instalments of $3,750 starting in April 2019 to the extent the maturity date has not yet occurred;
– quarterly instalments of $5,000 starting in April 2020 to the extent the maturity date has not yet occurred; and
– any remaining outstanding amount on the maturity date;

(ii) 50% of the quarterly Excess Cash Flow (1) to be applied as principal repayment for any quarter where the indebtedness to adjusted EBITDA ratio is more than 3.0x at the end of any quarter or 25% of the quarterly Excess Cash Flow (1) to be applied as principal repayment for any quarter where the indebtedness to adjusted EBITDA ratio is equal to or greater than 2.5x and less than or equal to 3.0x at the end of any quarter; and

(iii) an amount equal to the aggregate amount of the indebtedness to refinance and repay the convertible debentures which would be in excess of $150,000 payable no later than the business day following that on which such financing occurs.

8. Long-term debt, liquidity risk and capital management (continued)

a) Long-term debt and liquidity risk (continued)

(1) Excess Cash Flow is defined as the quarterly adjusted EBITDA less income taxes paid, net paid additions to property, plant and equipment and intangible assets, interest paid, scheduled repayments of long-term debt and acquisition-related costs paid plus or minus the net changes in balances related to operations.

Under the term loan, the Company is required to make quarterly instalments corresponding to the quarterly Excess Cash Flow, in addition to its quarterly fixed instalments, as principal repayments. $7,700 has been repaid on April 5, 2019 related to the December 30, 2018 Excess Cash Flow calculation and as at March 31, 2019, there is no required instalment as a result of the Excess Cash Flow calculation. The Excess Cash Flow amount has been classified as current portion of long-term debt as at March 31, 2019.

As at March 31, 2019, the term loan as well as the revolving bank loans are secured by certain of the Company's trade accounts receivable, inventories, property, plant and equipment and intangible assets, with a carrying value of $288,917, $483,476, $73,838 and $27,961, respectively.

For the three months ended March 31, 2019, the average interest rate on the Company's long-term debt was 5.4% (2018 – 4.7%).

Under the revolving bank loans and term loan, the Company is subject to certain covenants, including maintaining certain financial ratios. The convertible debentures also have a cross-default covenant. During the first quarter of 2019, certain of the Company's borrowing covenant requirements were amended. As at March 31, 2019, the Company was compliant with all its modified borrowing covenant requirements and the revolving bank loans and term loan were not due on demand on March 31, 2019.

Convertible debentures

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

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

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

b) Capital management

During the three months ended March 31, 2019, the Company revised its definition of indebtedness and adjusted EBITDA in its indebtedness to adjusted EBITDA ratio in order to align management monitoring of its capital structure with the financial ratios calculation under the covenants of its long-term debt. The revision consists mainly of removing the effect of leases (IFRS 16) from indebtedness and adjusted EBITDA and to include the convertible debentures in indebtedness. The ratio must be kept below a certain threshold so as not to be in breach of its debt agreements.

8. Long-term debt, liquidity risk and capital management (continued)

b) Capital management (continued)

Indebtedness

Indebtedness is equal to the aggregate of bank indebtedness, face value of long-term debt (excluding leases), guarantees (including all letters of credit and standby letters of credit) and written put option liabilities based on current earnings level less cash and cash equivalents up to a maximum amount of $25,000 subject to certain conditions. For the purpose of the calculation of the ratio indebtedness / adjusted EBITDA, the written put option liabilities are based on current earnings level as opposed to the fair value, which is a function of earnings levels in future periods, and is reflected in the consolidated financial statements.

Adjusted EBITDA

Adjusted EBITDA is defined as earnings (excluding the loss (gain) related to lease modifications and foreign exchange loss (gain) on lease liabilities) before finance expenses (excluding the interest expense on lease liabilities), income taxes, depreciation and amortization (excluding the depreciation of right-of-use assets), stock option plan expense, impairment losses on goodwill and intangible assets, write-down of long-lived assets, (paid) unpaid product liability costs related to judgments, restructuring and other costs and expenses incurred as a result of the wind-down of the Toys“R”Us, Inc. (“Toys“R”Us”) business and liquidation of inventory in its U.S. stores up to a maximum of $25,000. Adjusted EBITDA is based on the last four quarters ending on the same date as the consolidated statement of financial position date used to compute the indebtedness but including retroactively the results of operations of the acquired businesses.

9. Contract liabilities

	March 31, 2019
Balance, beginning of period	$ 7,296
Revenue recognized that was included in the contract liabilities balance at the beginning of the period	(6,097)
Increases due to cash received, excluding amounts recognized as revenue during the period	1,940
Effect of foreign currency exchange rate changes	(4)
Balance, end of period	$ 3,135

10. Financial instruments

Fair value disclosure

The Company has determined that the fair value of its current financial assets and liabilities approximates their respective carrying amounts as at the consolidated statement of financial position dates because of the short-term nature of those financial instruments. For long-term debt bearing interest at variable rates, the fair value is considered to approximate the carrying amount. For long-term debt bearing interest at fixed rates, the fair value is estimated using Level 2 inputs in the fair value hierarchy based on discounting expected future cash flows at the discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturity.

10. Financial instruments (continued)

Fair value disclosure (continued)

The fair value of the long-term debt bearing interest at fixed rates is as follows:

	March 31, 2019		December 30, 2018 (1)	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt – bearing interest at fixed rates	$ 121,789	$121,450	$ 124,080	$ 123,702

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

During the three months ended March 31, 2019, the Company entered into a new interest rate swap agreement to replace the agreements that had matured on March 26, 2019 as it has decided to continue to use interest rate swap agreements to lock-in a portion of its debt cost and reduce its exposure to the variability of interest rates by exchanging variable rate payments for fixed rate payments. The Company has designated its interest rate swaps as cash flow hedges for which it uses hedge accounting.

The maturity analysis associated with the interest rate swap agreement used to manage interest risk associated with long-term debt is as follows:

	March 31, 2019			
	Fixed rate	Notional amount	Maturity	Carrying amount
Interest rate swap agreement	2.32%	$ 50,000	April 9, 2024	$ (409)

Fair value measurement

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing the fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Should any of the inputs to these models or changes in assumptions about these factors occur, this could affect the reported fair value of financial instruments. The Company's financial assets and liabilities measured at fair value consist of derivative financial instruments. The balance of these assets and liabilities are not significant as at March 31, 2019.

The fair value of the foreign exchange contracts is measured using level 2 inputs in the fair value hierarchy and a generally accepted valuation technique which is the discounted value of the difference between the contract's value at maturity based on the foreign exchange rate set out in the contract and the contract's value at maturity based on the foreign exchange rate that the counterparty would use if it were to renegotiate the same contract at today's date under the same conditions. The Company's or the counterparty's credit risk is also taken into consideration in determining fair value.

The fair value of interest rate swaps is measured using level 2 inputs in the fair value hierarchy and a generally accepted valuation technique which is the discounted value of the difference between the value of the swap based on variable interest rates (estimated using the yield curve for anticipated interest rates) and the value of the swap based on the swap's fixed interest rate. The counterparty's credit risk is also taken into consideration in determining fair value.

10. Financial instruments (continued)

Fair value measurement (continued)

Written put option and forward purchase agreement liabilities are valued at fair value using Level 3 inputs in the fair value hierarchy. The fair value represents the present value of the exercise price of the put option or the forward and is measured by applying the income approach using the probability-weighted expected payment of the exit price and is based on discounted cash flows. Unobservable inputs within the fair value measurement include the exit price and the expected payment date for the written put options. The exit price is based on a formulaic variable price which is mainly a function of the earnings levels in future periods and requires assumptions about revenue growth rates, operating margins and the expected payment date of the exit price for the written put options. The Company assumes a discount rate in order to calculate the present value of the expected payment of the exit price which represents the cost of borrowing of the specific period for the cash flows. If the future earnings levels in future periods would increase (decrease), the estimated fair value of the written put option and forward purchase agreement liabilities would increase (decrease).

Changes in fair value of Level 3 financial instruments were as follows, for the three months ended March 31, 2019 and the year ended December 30, 2018:

	Written Put Option Liabilities	
	March 31, 2019	**December 30, 2018**
Balance, beginning of the period	$ 12,002	$ 23,464
Remeasurement of the fair value [unrealized] (1)	355	(11,462)
Balance, end of period	$ 12,357	$ 12,002

(1) The assumptions used to fair value the written put option liabilities for the three months ended March 31, 2019 remained the same as the ones used for the year ended December 30, 2018.

Management of risks arising from financial instruments: credit risk

On March 15, 2018, Toys“R”Us, one of the Company’s customers, announced that it had filed a motion seeking Bankruptcy Court approval to begin the process of conducting an orderly wind-down of its U.S. business and liquidation of inventory in all of its U.S. stores. In August 2018, the Bankruptcy Court approved the Toys“R”Us settlement agreement with its creditors and lenders. As part of the settlement agreement reached, the Company received approximately 22 cents on the dollar. Considering these events, the Company had determined that trade accounts receivable from this customer was at risk of collection. Accordingly, the Company recorded an impairment loss of $12,481 for the three months ended March 31, 2018 with respect to these trade accounts receivable from Toys“R”Us U.S., within impairment loss on trade and other receivables in its condensed consolidated interim income statement. Of the $12,481, $2,116 was within Dorel Home segment, $3,798 was within Dorel Juvenile segment and $6,567 was within Dorel Sports segment. These amounts represented management’s best estimate of potential losses arising from non-payment based on information available at that time. As at March 31, 2019 and December 30, 2018, $4,601 was received under the settlement agreement and in total, the Company had a remaining balance of trade accounts receivable from Toys“R”Us U.S. amounting to $260 (net of impairment loss allowance).

11. Share capital

Details of the issued and outstanding shares are as follows:

	Three Months Ended March 31, 2019		Year Ended December 30, 2018	
	Number	Amount	Number	Amount
Class "A" Multiple Voting Shares				
Balance, beginning of period	4,188,775	$ 1,767	4,189,835	$ 1,768
Converted from Class "A" to Class "B" (1)	(300)	–	(1,060)	(1)
Balance, end of period	4,188,475	$ 1,767	4,188,775	$ 1,767
Class "B" Subordinate Voting Shares				
Balance, beginning of period	28,250,414	$ 201,546	28,248,611	$ 201,532
Converted from Class "A" to Class "B" (1)	300	–	1,060	1
Reclassification from contributed surplus due to settlement of deferred share units (Note 12)	4,569	106	743	13
Balance, end of period	28,255,283	$ 201,652	28,250,414	$ 201,546
TOTAL SHARE CAPITAL		$ 203,419		$ 203,313

(1) During the three months ended March 31, 2019, the Company converted 300 Class "A" Multiple Voting Shares into Class "B" Subordinate Voting Shares (year ended December 30, 2018 – 1,060) at an average rate of $0.63 per share (year ended December 30, 2018 – $0.63 per share).

12. Share-based payments

Directors' Deferred Share Unit Plan

The Company has a Directors' Deferred Share Unit Plan under which an external director of the Company may elect annually to have their director's fees paid in the form of deferred share units ("DSUs"). A plan participant may also receive dividend equivalents paid in the form of DSUs.

The changes in outstanding number of DSUs are as follows:

	Three Months Ended March 31, 2019	Year Ended December 30, 2018
DSUs outstanding, beginning of period	155,701	137,849
Issued for fees forfeited	5,795	8,574
Issued for dividend equivalents	2,567	9,278
DSUs outstanding, end of period	164,063	155,701

The employee benefits expense included in general and administrative expenses for fees forfeited for the three months ended March 31, 2019 amounts to $53 (2018 – $19) and was credited to contributed surplus. In addition, DSUs issued for dividend equivalents for the three months ended March 31, 2019 amount to $23 (2018 – $41) which were charged to retained earnings and credited to contributed surplus. As at March 31, 2019, there were 164,063 DSUs outstanding with related contributed surplus amounting to $4,489.

12. Share-based payments (continued)

Executive Deferred Share Unit Plan

The Company has an Executive Deferred Share Unit Plan under which executive officers of the Company may elect annually to have a portion of their annual salary and bonus paid in the form of DSUs. The Board of Directors may also grant at its discretion DSUs with vesting conditions, such as service and non-market performance conditions. A plan participant may also receive dividend equivalents paid in the form of DSUs.

The changes in outstanding number of DSUs are as follows:

	Three Months Ended March 31, 2019	Year Ended December 30, 2018
DSUs outstanding, beginning of period	178,743	140,885
Issued for salaries and bonus paid	–	22,768
Discretionary DSUs granted	–	22,610
Issued for dividend equivalents	3,072	11,639
Performance adjustment	9,103	(18,254)
Forfeited	(1,964)	–
Settlement of deferred share units (1)	(7,406)	(905)
DSUs outstanding, end of period	181,548	178,743
Total vested, end of period	153,910	157,950

(1) During the three months ended March 31, 2019, 7,406 DSUs (year ended December 30, 2018 – 905 DSUs) were settled for which $163 was debited to contributed surplus (year ended December 30, 2018 – $20) and $106 credited to share capital (year ended December 30, 2018 – $13); the difference representing the withholding taxes the Company was required by law to withhold upon settlement.

The employee benefits expense included in general and administrative expenses for salaries and bonus paid and for discretionary DSUs for the three months ended March 31, 2019 amounts to $36 (2018 – $45) and was credited to contributed surplus. In addition, DSUs issued for dividend equivalents for the three months ended March 31, 2019 amount to $28 (2018 – $44) which were charged to retained earnings and credited to contributed surplus. As at March 31, 2019, there were 181,548 DSUs outstanding with related contributed surplus amounting to $3,952.

Long-term incentive plans (cash-settled)

The Company has the following long-term incentive plans for senior executives and certain key employees:

- A restricted share unit ("RSUs") plan that entitles them to a cash payment equal to the number of the Company's Class "B" Subordinate Voting Shares underlying the vested RSUs multiplied by the weighted average trading price during the five trading days immediately preceding the vesting date. The RSUs granted vest in whole after three years from the date of the issuance of the grant. The RSUs vest based on service conditions and are not subject to performance conditions. A plan participant may also receive dividend equivalents paid in the form of RSUs. There were 173,351 RSUs outstanding as at March 31, 2019 (December 30, 2018 – 172,151).
- A share appreciation rights ("SARs") plan that entitles them to a cash payment based on the increase in the share price of the Company's Class "B" Subordinate Voting Shares from the grant date to the settlement date. The SARs vest based on service conditions and are not subject to performance conditions. There were 794,312 SARs outstanding as at March 31, 2019 (December 30, 2018 – 799,191).
- A performance share unit ("PSUs") plan that entitles them to a cash payment. The PSUs vest based on non-market performance conditions. The number of PSUs that can vest can be up to 1.5 times the actual number of PSUs awarded if exceptional financial performance is achieved. A plan participant may also receive dividend equivalents paid in the form of PSUs. There were 231,361 PSUs outstanding as at March 31, 2019 (December 30, 2018 – 225,386).

12. Share-based payments (continued)

Long-term incentive plans (cash-settled) (continued)

The employee benefits expense included in general and administrative expenses for these plans for the three months ended March 31, 2019 amounts to a recovery of $137 (2018 – expense of $317) for which recognized amounts as at March 31, 2019 of $675 (December 30, 2018 – $376) are included in trade and other payables and $1,192 (December 30, 2018 – $1,586) in other long-term liabilities.

13. Earnings (loss) per share

The following table provides a reconciliation between the number of basic and fully diluted shares outstanding:

	Three Months Ended March 31,	
	2019	**2018**
Weighted daily average number of Class “A” Multiple and Class “B” Subordinate Voting Shares	32,439,340	32,438,446
Dilutive effect of deferred share units	–	266,411
Weighted average number of diluted shares	32,439,340	32,704,857
Number of anti-dilutive stock options and deferred share units excluded from fully diluted earnings (loss) per share calculation	317,973	35,000

As at March 31, 2019 and 2018, convertible debentures were excluded from the calculation of diluted earnings (loss) per share as these debentures were deemed to be anti-dilutive.

14. Finance expenses and other information

a) Finance expenses

Finance expenses consist of the following:

	Three Months Ended March 31,	
	2019	**2018 (1)**
Interest on lease liabilities (Note 7)	$ 1,964	$ –
Interest on long-term debt – including effect of cash flow hedge related to the interest rate swaps and the accreted interest related to long-term debt bearing interest at fixed rates	6,711	6,112
Amortization of deferred financing costs	282	268
Other interest	1,378	1,381
	$ 10,335	$ 7,761

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

14. Finance expenses and other information (continued)

b) Cost of inventories, write-downs of inventories and reversal of inventory write-downs included in the condensed consolidated interim income statements

	Three Months Ended March 31,	
	2019	2018
Included in cost of sales:		
Cost of inventories recognized as an expense	$ 451,966	$ 448,425
Write-downs of inventories as a result of net realizable value being lower than cost	$ 1,618	$ 2,142
Reversal of inventory write-downs recognized in previous years	$ (818)	$ (907)

c) Income taxes

The effective tax rate for the three months ended March 31, 2019 was (59.5%) versus 6.9% in the prior year. The main causes of the variation are explained largely due to the non-recognition of tax benefits related to tax losses and temporary differences, and the changes in the jurisdictions in which the Company generated its income.

15. Supplemental cash flow information

The condensed consolidated interim statements of cash flows exclude the following non-cash transactions:

	March 31,	
	2019	2018 (1)
Acquisition of property, plant and equipment financed by trade and other payables	$ 3,033	$ 2,435
Acquisition of property, plant and equipment financed by obligations under finance leases	$ –	$ 238
Acquisition of intangible assets financed by trade and other payables	$ 634	$ 610

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

15. Supplemental cash flow information (continued)

Net changes in balances related to operations are as follows:

	Three Months Ended March 31,	
	2019	2018 (1)
Trade and other receivables	$ (32,342)	$ 722
Inventories	(17,549)	4,146
Other financial assets	(18)	(82)
Prepaid expenses	(2,919)	(401)
Other assets	(798)	(804)
Trade and other payables	14,493	(8,693)
Net pension and post-retirement defined benefit liabilities	(2,680)	309
Provisions, other financial liabilities and other liabilities	10,277	(5,846)
	$ (31,536)	$ (10,649)

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

Dividends payable on common shares included within trade and other payables:

	Three Months Ended March 31,	
	2019	2018
Balance, beginning of period	$ –	$ –
Dividends declared	4,866	9,732
Dividends paid	–	(9,732)
Balance, end of period	$ 4,866	$ –

On March 14, 2019, the Company announced that it adjusted its dividend from the prior annual $1.20 a share to $0.60 for the current year. During the first quarter of 2019, a quarterly dividend of $0.15 per share (first quarter of 2018 – $0.30 per share) was declared by the Board of Directors. The dividend was payable on April 11, 2019 to shareholders of record as at the close of business on March 28, 2019.

The components of cash and cash equivalents are:

	March 31, 2019	December 30, 2018
Cash	$ 25,749	$ 37,798
Short-term investments	1,285	1,474
Cash and cash equivalents	$ 27,034	$ 39,272

16. Segmented information

Reporting Segments

	Three Months Ended March 31,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018 (1)	2019	2018 (1)	2019	2018 (1)	2019	2018 (1)
Total revenue	$ 625,560	$ 642,286	$ 210,764	$ 192,262	$ 230,252	$ 243,337	$ 184,544	$ 206,687
Cost of sales (Note 5)	495,527	493,718	181,123	158,269	169,119	174,450	145,285	160,999
Gross profit	130,033	148,568	29,641	33,993	61,133	68,887	39,259	45,688
Selling expenses	52,627	58,784	6,362	6,321	26,910	30,774	19,355	21,689
General and administrative expenses	42,025	48,113	7,518	8,299	19,972	23,455	14,535	16,359
Research and development expenses	9,573	9,424	1,168	1,087	7,183	6,888	1,222	1,449
Impairment loss (reversal) on trade and other receivables (Note 10)	(4)	13,029	140	2,019	210	4,045	(354)	6,965
Restructuring and other costs (Note 5)	13,966	1,092	–	–	13,966	1,092	–	–
Operating profit (loss)	11,846	18,126	$ 14,453	$ 16,267	$ (7,108)	$ 2,633	$ 4,501	$ (774)
Finance expenses	10,335	7,761						
Corporate expenses	6,698	5,286						
Income taxes expense	3,086	350						
Net income (loss)	$ (8,273)	$ 4,729						
Depreciation and amortization included in operating profit (loss)	$ 23,076	$ 11,854	$ 3,736	$ 1,056	$ 15,073	$ 8,645	$ 4,267	$ 2,153

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

16. Segmented information (continued)

Disaggregation of Total Revenue

Within each reporting segment, the Company disaggregates its revenue from customers based on the geographic area where the selling entity is located and based on channels of distribution as it believes it best depicts how the nature, timing and uncertainty of the Company's revenue and cash flows are affected by economics factors. The following table provides the disaggregation of the Company's total revenue:

	Three Months Ended March 31,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018	2019	2018	2019	2018	2019	2018
Geographic area								
Canada	$ 49,264	$ 56,694	$ 30,832	$ 35,239	$ 6,139	$ 7,796	$ 12,293	$ 13,659
United States	364,063	365,132	175,391	150,536	86,318	85,813	102,354	128,783
Europe	129,586	134,247	1,529	32	81,374	92,879	46,683	41,336
Latin America	55,997	52,513	–	–	36,103	33,828	19,894	18,685
Asia	15,390	16,743	–	17	12,070	12,502	3,320	4,224
Other countries	11,260	16,957	3,012	6,438	8,248	10,519	–	–
Total	$ 625,560	$ 642,286	$ 210,764	$ 192,262	$ 230,252	$ 243,337	$ 184,544	$ 206,687
Channels of distribution								
Brick and mortar retailers	$ 443,314	$ 475,354	$ 102,534	$ 95,236	$ 171,315	$ 185,030	$ 169,465	$ 195,088
Internet retailers	169,889	157,135	108,186	96,895	49,528	48,833	12,175	11,407
Other	12,357	9,797	44	131	9,409	9,474	2,904	192
Total	$ 625,560	$ 642,286	$ 210,764	$ 192,262	$ 230,252	$ 243,337	$ 184,544	$ 206,687

Goodwill

The continuity of goodwill by reporting segment is as follows:

a) Gross amount

	Total	Dorel Home	Dorel Juvenile	Dorel Sports
Balance as at December 30, 2017	$ 601,451	$ 31,172	$ 375,075	$ 195,204
Addition	1,281	1,281	–	–
Disposal (1)	(9,237)	–	–	(9,237)
Effect of foreign currency exchange rate changes	(15,119)	(38)	(11,287)	(3,794)
Balance as at December 30, 2018	$ 578,376	$ 32,415	$ 363,788	$ 182,173
Effect of foreign currency exchange rate changes	(3,275)	27	(3,215)	(87)
Balance as at March 31, 2019	$ 575,101	$ 32,442	$ 360,573	$ 182,086

16. Segmented information (continued)

Goodwill (continued)

b) Accumulated impairment losses

	Total	Dorel Home	Dorel Juvenile	Dorel Sports
Balance as at December 30, 2017	$ 163,379	$ –	$ 102,996	$ 60,383
Disposal (1)	(9,237)	–	–	(9,237)
Impairment loss	353,634	–	218,813	134,821
Effect of foreign currency exchange rate changes	(5,816)	–	(2,022)	(3,794)
Balance as at December 30, 2018	$ 501,960	$ –	$ 319,787	$ 182,173
Effect of foreign currency exchange rate changes	(2,735)	–	(2,648)	(87)
Balance as at March 31, 2019	$ 499,225	$ –	$ 317,139	$ 182,086

c) Net book value

	Total	Dorel Home	Dorel Juvenile	Dorel Sports
Balance as at December 30, 2018	$ 76,416	$ 32,415	$ 44,001	$ –
Balance as at March 31, 2019	$ 75,876	$ 32,442	$ 43,434	$ –

(1) As a result of the sale of the performance apparel line of business in the second quarter of 2018, SUGOI's related goodwill was derecognized.