CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

ALL FIGURES IN THOUSANDS OF US $ (UNAUDITED)

	As at June 30, 2019	As at December 30, 2018 (1)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 14)	$ 21,195	$ 39,272
Trade and other receivables	416,438	410,773
Inventories	711,604	635,153
Other financial assets	789	139
Income taxes receivable	12,535	14,284
Prepaid expenses	25,932	24,734
Other assets	18,627	13,770
	1,207,120	1,138,125
Assets held for sale	8,157	8,464
	1,215,277	1,146,589
NON-CURRENT ASSETS		
Property, plant and equipment	176,041	185,794
Right-of-use assets (Note 6)	181,886	–
Intangible assets	242,922	259,580
Goodwill (Note 15)	76,213	76,416
Deferred tax assets	60,578	57,674
Other financial assets	445	506
Other assets	7,314	6,947
	745,399	586,917
	$ 1,960,676	$ 1,733,506
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 8)	$ 57,570	$ 50,098
Trade and other payables	566,522	533,608
Lease liabilities (Note 6)	39,154	–
Other financial liabilities	448	113
Income taxes payable	13,036	10,370
Long-term debt (Note 8)	453,500	432,950
Provisions (Note 5)	51,307	40,124
Other liabilities	9,630	11,916
	1,191,167	1,079,179
NON-CURRENT LIABILITIES		
Lease liabilities (Note 6)	155,541	–
Long-term debt (Note 8)	2,307	4,119
Net pension and post-retirement defined benefit liabilities (Note 5)	25,890	29,515
Deferred tax liabilities	11,482	13,860
Provisions	2,934	2,950
Written put option liabilities (Note 9)	12,570	12,002
Other financial liabilities	3,611	2,137
Other liabilities	7,178	8,641
	221,513	73,224
EQUITY		
Share capital (Note 10)	203,419	203,313
Contributed surplus	29,075	28,555
Accumulated other comprehensive loss	(105,958)	(105,819)
Other equity	17,224	17,350
Retained earnings	404,236	437,704
	547,996	581,103
	$ 1,960,676	$ 1,733,506

EVENTS AFTER THE REPORTING PERIOD (Notes 8 and 16)

(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)

	Second Quarters Ended		Six Months Ended	
	June 30, 2019	June 30, 2018 (1)	June 30, 2019	June 30, 2018 (1)
Sales	$ 669,754	$ 622,822	$ 1,294,969	$ 1,264,774
Licensing and commission income	228	422	573	756
TOTAL REVENUE (Note 15)	669,982	623,244	1,295,542	1,265,530
Cost of sales (Notes 5 and 13)	532,573	488,901	1,028,100	982,619
GROSS PROFIT	137,409	134,343	267,442	282,911
Selling expenses	56,197	58,825	108,911	117,788
General and administrative expenses	47,452	46,190	96,088	99,410
Research and development expenses	9,576	8,637	19,149	18,061
Impairment loss on trade and other receivables (Note 9)	456	132	452	13,161
Restructuring and other costs (Note 5)	3,289	11,408	17,255	12,500
Impairment loss on intangible assets (Note 7)	–	24,193	–	24,193
OPERATING PROFIT (LOSS)	20,439	(15,042)	25,587	(2,202)
Finance expenses (Note 13)	12,733	8,009	23,068	15,770
INCOME (LOSS) BEFORE INCOME TAXES	7,706	(23,051)	2,519	(17,972)
Income taxes expense (recovery) (Note 13)	4,910	(8,283)	7,996	(7,933)
NET INCOME (LOSS)	$ 2,796	$ (14,768)	$ (5,477)	$ (10,039)
EARNINGS (LOSS) PER SHARE				
Basic	$ 0.09	$ (0.46)	$ (0.17)	$ (0.31)
Diluted	$ 0.09	$ (0.46)	$ (0.17)	$ (0.31)
SHARES OUTSTANDING (Note 12)				
Basic – weighted average	32,443,758	32,438,446	32,441,549	32,438,446
Diluted – weighted average	32,798,069	32,438,446	32,441,549	32,438,446

(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)

	Second Quarters Ended		Six Months Ended	
	June 30, 2019	June 30, 2018 (1)	June 30, 2019	June 30, 2018 (1)
NET INCOME (LOSS)	$ 2,796	$ (14,768)	$ (5,477)	$ (10,039)
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	(457)	(38,550)	878	(26,306)
Net gains (losses) on hedge of net investments in foreign operations, net of tax of nil	1,118	(5,206)	(750)	(2,590)
	661	(43,756)	128	(28,896)
Net changes in cash flow hedges:				
Net change in unrealized gains (losses) on derivatives designated as cash flow hedges	(1,003)	4,142	(209)	1,795
Reclassification to net income	(27)	24	(128)	24
Reclassification to the related non-financial asset	(657)	943	(736)	3,566
Deferred income taxes	673	(1,289)	621	(1,431)
	(1,014)	3,820	(452)	3,954
Items that will not be reclassified to net income:				
Defined benefit plans:				
Remeasurements of the net pension and post-retirement defined benefit liabilities	38	64	(14)	34
Deferred income taxes	(6)	(15)	199	(74)
	32	49	185	(40)
TOTAL OTHER COMPREHENSIVE LOSS	(321)	(39,887)	(139)	(24,982)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 2,475	$ (54,655)	$ (5,616)	$ (35,021)

(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 loss:								
Net loss	–	–	–	–	–	–	(10,039)	(10,039)
Other comprehensive income (loss)	–	–	(28,896)	3,954	(40)	–	–	(24,982)
	–	–	(28,896)	3,954	(40)	–	(10,039)	(35,021)
Share-based payments (Note 11)	–	559	–	–	–	–	–	559
Remeasurement of written put option liabilities	–	–	–	–	–	7,137	–	7,137
Dividends on common shares (Note 10)	–	–	–	–	–	–	(19,463)	(19,463)
Dividends on deferred share units (Note 11)	–	178	–	–	–	–	(178)	–
Balance as at June 30, 2018 (2)	$ 203,300	$ 28,294	$ (78,374)	$ 712	$ (17,525)	$ 13,025	$ 891,676	$ 1,041,108
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	–	–	–	–	–	–	(5,477)	(5,477)
Other comprehensive income (loss)	–	–	128	(452)	185	–	–	(139)
	–	–	128	(452)	185	–	(5,477)	(5,616)
Reclassification from contributed surplus due to settlement of deferred share units (Notes 10 and 11)	106	(163)	–	–	–	–	–	(57)
Share-based payments (Note 11)	–	571	–	–	–	–	–	571
Remeasurement of written put option liabilities (Note 9)	–	–	–	–	–	(126)	–	(126)
Dividends on common shares (Note 10)	–	–	–	–	–	–	(9,732)	(9,732)
Dividends on deferred share units (Note 11)	–	112	–	–	–	–	(112)	–
Balance as at June 30, 2019	$ 203,419	$ 29,075	$ (92,765)	$ (483)	$ (12,710)	$ 17,224	$ 404,236	$ 547,996

(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)

	Second Quarters Ended		Six Months Ended	
	June 30, 2019	June 30, 2018 (1)	June 30, 2019	June 30, 2018 (1)
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net income (loss)	$ 2,796	$ (14,768)	$ (5,477)	$ (10,039)
Items not involving cash:				
Depreciation and amortization	23,574	12,041	46,867	24,098
Impairment loss on intangible assets (Note 7)	–	24,193	–	24,193
Unrealized losses (gains) arising on financial assets and financial liabilities classified as mandatorily at fair value through profit or loss	180	971	(28)	(403)
Share-based payments (Note 11)	5	16	94	80
Defined benefit pension and post-retirement costs	768	1,100	1,555	2,284
Net loss on disposal of property, plant and equipment and on lease modifications	675	267	664	250
Restructuring and other costs (Note 5)	291	9,265	(1,005)	9,265
Finance expenses (Note 13)	12,733	8,009	23,068	15,770
Income taxes expense (recovery)	4,910	(8,283)	7,996	(7,933)
Net changes in balances related to operations (Note 14)	(15,338)	24,588	(46,874)	13,939
Income taxes paid	(3,056)	(5,186)	(5,338)	(14,115)
Income taxes received	1,220	992	3,182	2,998
Interest paid (Note 6)	(12,686)	(8,477)	(20,450)	(14,922)
Interest received	117	76	286	216
CASH PROVIDED BY OPERATING ACTIVITIES	16,189	44,804	4,540	45,681
FINANCING ACTIVITIES				
Bank indebtedness	4,480	(347)	6,801	(5,178)
Increase of long-term debt	13,968	12	35,321	23,986
Repayments of long-term debt	(11,450)	(8,369)	(15,200)	(5,470)
Increase of written put option liabilities (Note 9)	442	–	442	–
Payments of lease liabilities (Note 6)	(10,735)	–	(21,361)	–
Financing costs (Note 8)	(104)	(5)	(651)	(13)
Dividends on common shares (Note 10)	(9,732)	(9,731)	(9,732)	(19,463)
CASH USED IN FINANCING ACTIVITIES	(13,131)	(18,440)	(4,380)	(6,138)
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(4,192)	(6,001)	(10,010)	(16,558)
Disposals of property, plant and equipment	92	1,405	160	1,435
Additions to intangible assets	(3,814)	(6,221)	(8,545)	(12,041)
CASH USED IN INVESTING ACTIVITIES	(7,914)	(10,817)	(18,395)	(27,164)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(983)	(1,329)	158	(336)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,839)	14,218	(18,077)	12,043
Cash and cash equivalents, beginning of period	27,034	34,666	39,272	36,841
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 21,195	$ 48,884	$ 21,195	$ 48,884

(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 and 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.

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

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 August 2, 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 Company has initially adopted IFRS 16, *Leases,* as at December 31, 2018. The Company has also adopted amendments to IAS 12, *Income Taxes*, IAS 23, *Borrowing Costs* and *IAS 19 – Plan Amendment, Curtailment or Settlement*, as at December 31, 2018, but they did not have a material impact on the Company's consolidated financial statements. Detailed information on initial adoption of these standards and amendments to standards, and the related changes to significant accounting policies can be found in the Company's first quarter consolidated financial statements for the three months ended March 31, 2019. The changes in significant 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.

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 six months ended June 30, 2019. Management does not expect that any of the new standards and amendments to existing standards issued but not yet effective would have a material impact on the Company's consolidated financial statements.

5. Restructuring and other costs

For the six months ended June 30, 2019, the Company recorded total expenses of $18,643 (2018 – $14,171) with respect to restructuring and other costs, of which $1,388 (2018 – $1,671) were recorded within gross profit and $17,255 (2018 – $12,500) 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

The restructuring activities were initiated during the first quarter as part of the Dorel Juvenile segment's new restructuring program across several regions, whose main objective 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, $18,336 was recorded in 2019, details of which can be found in the tables below.

5. Restructuring and other costs (continued)

Restructuring costs (continued)

Dorel Juvenile segment (continued)

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. There are no significant remaining costs associated with these restructuring initiatives.

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

	Second Quarters Ended June 30,							
	TOTAL		Dorel Juvenile (2019 Plan)		Dorel Juvenile (Previous Plan)		Dorel Sports (2018 Plan)	
	2019	2018	2019	2018	2019	2018	2019	2018
Inventory markdowns*	$ 526	$ 1,671	$ 526	$ –	$ –	$ 87	$ –	$ 1,584
Other associated costs	431	–	431	–	–	–	–	–
Recorded within gross profit	$ 957	$ 1,671	$ 957	$ –	$ –	$ 87	$ –	$ 1,584
Employee severance and termination benefits	$ 2,291	$ 2,330	$ 2,291	$ –	$ –	$ 1,529	$ –	$ 801
Write-down of long-lived assets*	–	7,962	–	–	–	–	–	7,962
Curtailment gain on net pension defined benefit liabilities*	(235)	–	(235)	–	–	–	–	–
Other associated costs	1,233	1,116**	1,233	–	–	226	–	890**
Recorded within a separate line in the condensed consolidated interim income statements	$ 3,289	$ 11,408	$ 3,289	$ –	$ –	$ 1,755	$ –	$ 9,653
Total restructuring costs	**$ 4,246**	**$ 13,079**	**$ 4,246**	**$ –**	**$ –**	**$ 1,842**	**$ –**	**$ 11,237**
Total other costs	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Total restructuring costs and other costs	**$ 4,246**	**$ 13,079**	**$ 4,246**	**$ –**	**$ –**	**$ 1,842**	**$ –**	**$ 11,237**

* non-cash
** includes a non-cash gain of $368

5. Restructuring and other costs (continued)

Restructuring costs (continued)

	Six Months Ended June 30,							
	TOTAL		**Dorel Juvenile (2019 Plan)**		**Dorel Juvenile (Previous Plan)**		**Dorel Sports (2018 Plan)**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Inventory markdowns*	$ 819	$ 1,671	$ 819	$ –	$ –	$ 87	$ –	$ 1,584
Other associated costs	569	–	569	–	–	–	–	–
Recorded within gross profit	$ 1,388	$ 1,671	$ 1,388	$ –	$ –	$ 87	$ –	$ 1,584
Employee severance and termination benefits	$ 17,282	$ 3,422	$ 17,282	$ –	$ –	$ 2,621	$ –	$ 801
Write-down of long-lived assets*	–	7,962	–	–	–	–	–	7,962
Net losses from the remeasurement of assets held for sale*	307	–	–	–	307	–	–	–
Curtailment gain on net pension defined benefit liabilities*	(2,131)	–	(2,131)	–	–	–	–	–
Other associated costs	1,797	1,116**	1,797	–	–	226	–	890**
Recorded within a separate line in the condensed consolidated interim income statements	$ 17,255	$ 12,500	$ 16,948	$ –	$ 307	$ 2,847	$ –	$ 9,653
Total restructuring costs	**$ 18,643**	**$ 14,171**	**$ 18,336**	**$ –**	**$ 307**	**$ 2,934**	**$ –**	**$ 11,237**
Total other costs	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Total restructuring and other costs	**$ 18,643**	**$ 14,171**	**$ 18,336**	**$ –**	**$ 307**	**$ 2,934**	**$ –**	**$ 11,237**

* non-cash
** includes a non-cash gain of $368

Restructuring provision

As at June 30, 2019, the related restructuring plans provision totaling $16,555 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 June 30, 2019**
Dorel Juvenile segment (2019 Plan):							
Employee severance and termination benefits	$ –	$ –	$ –	$ 17,282	$ (1,710)	$ 150	$ 15,722
Other associated costs	–	–	–	2,366	(2,361)	(5)	–
	$ –	$ –	$ –	$ 19,648	$ (4,071)	$ 145	$ 15,722
Dorel Juvenile segment (Previous Plan):							
Employee severance and termination benefits	$ 1,838	$ –	$ 1,838	$ –	$ (1,508)	$ –	$ 330
Other associated costs	–	–	–	–	–	–	–
	$ 1,838	$ –	$ 1,838	$ –	$ (1,508)	$ –	$ 330
Dorel Sports segment:							
Employee severance and termination benefits	$ 198	$ –	$ 198	$ –	$ –	$ –	$ 198
Other associated costs	1,067	(557)	510	–	(204)	(1)	305
	$ 1,265	$ (557)	$ 708	$ –	$ (204)	$ (1)	$ 503
Total	$ 3,103	$ (557)	$ 2,546	$ 19,648	$ (5,783)	$ 144	$ 16,555

6. 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 on the Company.

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	–	11,414	686	64	410	977	13,551
Depreciation for the period	(214)	(18,981)	(1,245)	(120)	(726)	(953)	(22,239)
Reassessment of lease liabilities and lease modifications	–	6,889	102	(17)	(107)	18	6,885
Effect of foreign currency exchange rate changes	–	147	25	4	2	(14)	164
Balance as at June 30, 2019	$ 16,499	$ 152,669	$ 6,746	$ 570	$ 2,586	$ 2,816	$ 181,886

b) Lease liabilities

The following table summarizes the lease liabilities amounts recognized in the condensed consolidated interim statement of financial position as at June 30, 2019:

	June 30, 2019
Current	$ 39,154
Non-current	$ 155,541

The reconciliation of movements of the lease liabilities to cash flows arising from financing activities is as follows for the second quarter and six months ended June 30, 2019:

	Second Quarter Ended June 30, 2019							
		Cash used in financing activities	Cash used in operating activities	Non-cash changes				
	Balance as at March 31, 2019	Payments	Interest paid	Additions	Reassessment of lease liabilities and lease modifications	Interest expense	Effect of foreign currency exchange rate changes	Balance as at June 30, 2019
Lease liabilities	$ 187,206	$ (10,735)	$ (2,277)	$ 11,897	$ 5,920	$ 2,007	$ 677	$ 194,695

	Six Months Ended June 30, 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 June 30, 2019
Lease liabilities	$ 195,170	$ (21,361)	$ (4,001)	$ 13,551	$ 6,879	$ 3,971	$ 486	$ 194,695

6. Leases (continued)

c) Amounts recognized in the condensed consolidated interim income statement

	Second Quarter Ended June 30, 2019	Six Months Ended June 30, 2019
Depreciation of right-of-use assets	$ 11,247	$ 22,239
Interest expense on lease liabilities (Note 13)	$ 2,007	$ 3,971
Expense related to variable lease payments not included in the measurement of lease liabilities	$ 2,518	$ 5,161
Foreign exchange loss (gain) on lease liabilities – lease contracts denominated in a currency different from the functional currency of the lessee	$ 217	$ 339

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

	Second Quarter Ended June 30, 2019	Six Months Ended June 30, 2019
Included in cost of sales	$ 7,164	$ 13,779
Included in selling expenses	2,412	4,965
Included in general and administrative expenses	1,623	3,394
Included in research and development expenses	48	101
	$ 11,247	$ 22,239

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

	Second Quarter Ended June 30, 2019	Six Months Ended June 30, 2019
Operating activities:		
Cash outflow for variable lease payments not included in the measurement of lease liabilities – included within net loss	$ 2,518	$ 5,161
Cash outflow for interest portion of lease liabilities – included within interest paid	2,277	4,001
	$ 4,795	$ 9,162
Financing activities:		
Cash outflow for principal portion of lease liabilities	$ 10,735	$ 21,361
Total cash outflow for leases	$ 15,530	$ 30,523

6. Leases (continued)

e) Maturity analysis – contractual undiscounted cash flows

The following table summarizes the contractual undiscounted cash flows of lease liabilities as at June 30, 2019:

	June 30, 2019
Less than 1 year	$ 46,448
Between 1 and 5 years	118,385
More than 5 years	59,653
Total contractual undiscounted cash flows of lease liabilities	$ 224,486

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 June 30, 2019 as it was not reasonably certain that the leases would be extended or not be terminated.

	June 30, 2019
Extension options	$ 91,185
Termination options (net of payments of penalties for terminating the leases)	$ 8,348

7. Impairment of intangible assets

During the second quarter of 2018, as Dorel Juvenile – Latin America's business continued to face a decline in sales and profitability as a result of changes in the market and consumer behaviour, assumptions on projected earnings and cash flows growth for Dorel Juvenile – Latin America cash generating unit ("CGU") were revised. As a result, during the second quarter of 2018, the Company recorded impairment charges on customer relationships of $8,915 and trademarks of $15,278 (Infanti brand) for a total of $24,193, as it has concluded that the recoverable amount based on the value in use was less than the carrying amount of the CGU.

8. Long-term debt, bank indebtedness and capital management

a) Long-term debt and bank indebtedness

Senior unsecured notes

On June 17, 2019, the Company entered into a five-year $175,000 senior unsecured notes agreement ("senior unsecured notes") with several institutional lenders. These senior unsecured notes are divided into two tranches: (i) a $125,000 tranche that will be fully drawn and used to redeem at par the Company's $120,000 convertible debentures maturing on November 30, 2019; and (ii) a $50,000 tranche that will be available for general corporate purposes with the consent of the lenders. These senior unsecured notes mature five years from the date of the initial advance, bear interest at a rate of 7.5% per annum payable quarterly in cash, rank *pari passu* with all of the Company's other senior unsecured indebtedness and are guaranteed by certain of the Company's subsidiaries. In addition, the Company is subject to certain covenants under the senior unsecured notes agreement, including maintaining certain financial ratios. The first tranche of $125,000 was fully drawn by the Company on July 19, 2019 (date of the initial advance).

8. Long-term debt, bank indebtedness and capital management (continued)

a) Long-term debt and bank indebtedness (continued)

Convertible debentures

In June 2019, the Company provided the holders of the convertible debentures with a redemption notice. During the second quarter of 2019, the Company revised its estimated cash flows related to its convertible debentures considering the expected early redemption of the convertible debentures on July 22, 2019. Accordingly, the Company recorded a loss on revision of estimated payments related to its convertible debentures in the amount of $670 during the second quarter of 2019, within finance expenses (see Note 13). On July 22, 2019, the Company redeemed its convertible debentures, in whole, at the par value of $120,000, plus accrued and unpaid interest amounting to $935, using the net proceeds from the senior unsecured notes.

Revolving bank loans and term loan

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 previous 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. As the convertible debentures were repaid on July 22, 2019, the maturity date of the revolving bank loans and term loan has been extended to July 1, 2021. Although, given that the convertible debentures were not repaid or refinanced as at June 30, 2019, the revolving bank loans and term loan remain classified as current as at June 30, 2019.

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.

(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 was repaid on April 5, 2019 related to the December 30, 2018 Excess Cash Flow calculation. As at June 30, 2019, there is no required instalment as a result of the Excess Cash Flow calculation.

The financing costs related to the amended and restated Credit Agreement amounted to approximately $651, of which $449 was allocated to the revolving bank loans and $202 to the term loan. As the amendment and restatement of the Credit Agreement was accounted for as a non-substantial modification, the financing costs allocated to the revolving bank loans were recorded as an addition to “Other assets” and are amortized as interest expense on a straight-line basis over the term of the related debt. The financing costs allocated to the term loan were recorded as a reduction of its carrying amount and are amortized over the remaining term of the loan using the effective interest rate method. There was no material impact on the carrying amount of the revolving bank loans and term loan as a result of the modification of the Credit Agreement.

8. Long-term debt, bank indebtedness and capital management (continued)

a) Long-term debt and bank indebtedness (continued)

Revolving bank loans and term loan (continued)

For the six months ended June 30, 2019, the average interest rate on the Company's long-term debt was 6.1% (2018 – 4.9%).

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 under its credit agreements. Under the revolving bank loans and term loan, the Company is subject to certain covenants, including maintaining certain financial ratios. The convertible debentures also had a cross-default covenant. In the event 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. During the first quarter of 2019, certain of the Company's borrowing covenant requirements were amended. As at June 30, 2019, the Company was compliant with all its amended borrowing covenant requirements and the revolving bank loans and term loan were not due on demand on June 30, 2019.

Bank indebtedness

As at June 30, 2019, certain of the Company's bank lines of credit amounting to $13,084 are secured by trade accounts receivable representing a carrying value of $5,234.

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.

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. 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.

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

	June 30, 2019		December 30, 2018 (1)	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Long-term debt – bearing interest at fixed rates	$ 122,915	$ 122,173	$ 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:

	June 30, 2019			
	Fixed rate	**Notional amount**	**Maturity**	**Carrying amount**
Interest rate swap agreement	2.32%	$ 50,000	April 9, 2024	$ (1,578)

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 when 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 June 30, 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.

9. Financial instruments (continued)

Fair value measurement (continued)

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.

Written put option 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 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 liabilities would increase (decrease).

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

Written Put Option Liabilities	**June 30, 2019**	**December 30, 2018**
Balance, beginning of the period	$ 12,002	$ 23,464
Remeasurement of the fair value [unrealized] (1)	126	(11,462)
Increase due to capital injection done by the non-controlling interest	442	–
Balance, end of period	$ 12,570	$ 12,002

(1) The assumptions used to fair value the written put option liabilities for the six months ended June 30, 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 June 30, 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).

10. Share capital

Details of the issued and outstanding shares are as follows:

	Six Months Ended June 30, 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 11)	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 six months ended June 30, 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).

Dividends on common shares

On March 14, 2019, the Company announced that it adjusted its quarterly dividend from the prior $0.30 a share to $0.15 a share for the current year. During the first and the second quarters of 2019, a quarterly dividend of $0.15 per share (first and second quarters of 2018 – $0.30 per share) was declared by the Board of Directors. As at June 30, 2019, dividends payable on common shares amounting to $4,866 are included within trade and other payables (December 30, 2018 – nil).

11. 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:

	Six Months Ended June 30, 2019	Year Ended December 30, 2018
DSUs outstanding, beginning of period	155,701	137,849
Issued for fees forfeited	12,540	8,574
Issued for dividend equivalents	5,552	9,278
DSUs outstanding, end of period	173,793	155,701

11. Share-based payments (continued)

Directors' Deferred Share Unit Plan (continued)

The employee benefits expense included in general and administrative expenses for fees forfeited for the second quarter and six months ended June 30, 2019 amounts to $52 and $105, respectively (2018 – $19 and $38, respectively) and was credited to contributed surplus. In addition, DSUs issued for dividend equivalents for the second quarter and six months ended June 30, 2019 amount to $25 and $48, respectively (2018 – $42 and $83, respectively) which were charged to retained earnings and credited to contributed surplus. As at June 30, 2019, there were 173,793 DSUs outstanding with related contributed surplus amounting to $4,566.

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 or 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:

	Six Months Ended June 30, 2019	**Year Ended December 30, 2018**
DSUs outstanding, beginning of period	178,743	140,885
Issued for salaries and bonus paid	59,071	22,768
Discretionary DSUs granted	–	22,610
Issued for dividend equivalents	7,462	11,639
Performance adjustment	9,864	(18,254)
Forfeited	(9,604)	–
Settlement of deferred share units (1)	(7,406)	(905)
DSUs outstanding, end of period	238,130	178,743
Total vested, end of period	216,855	157,950

(1) During the six months ended June 30, 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 second quarter and six months ended June 30, 2019 amounts to $430 and $466, respectively (2018 – $476 and $521, respectively) and was credited to contributed surplus. In addition, DSUs issued for dividend equivalents for the second quarter and six months ended June 30, 2019 amount to $36 and $64, respectively (2018 – $51 and $95, respectively) which were charged to retained earnings and credited to contributed surplus. As at June 30, 2019, there were 238,130 DSUs outstanding with related contributed surplus amounting to $4,418.

11. Share-based payments (continued)

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 plan (RSUs) 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 168,214 RSUs outstanding as at June 30, 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 778,452 SARs outstanding as at June 30, 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 176,656 PSUs outstanding as at June 30, 2019 (December 30, 2018 – 225,386).

The employee benefits expense included in general and administrative expenses for these plans for the second quarter and six months ended June 30, 2019 amounts to a recovery of $218 and $355, respectively (2018 – recovery of $975 and $658, respectively) for which recognized amounts as at June 30, 2019 of $1,024 (December 30, 2018 – $376) are included in trade and other payables and $658 (December 30, 2018 – $1,586) in other long-term liabilities.

12. Earnings (loss) per share

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

	Second Quarters Ended June 30,		**Six Months Ended June 30,**	
	2019	**2018**	**2019**	**2018**
Weighted daily average number of Class "A" Multiple and Class "B" Subordinate Voting Shares	32,443,758	32,438,446	32,441,549	32,438,446
Dilutive effect of deferred share units	354,311	–	–	–
Weighted average number of diluted shares	32,798,069	32,438,446	32,441,549	32,438,446
Number of anti-dilutive stock options and deferred share units excluded from fully diluted earnings (loss) per share calculation	–	340,933	411,923	340,933

As at June 30, 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.

13. Finance expenses and other information

a) Finance expenses

Finance expenses consist of the following:

	Second Quarters Ended June 30,		Six Months Ended June 30,	
	2019	**2018 (1)**	**2019**	**2018 (1)**
Interest on lease liabilities (Note 6)	$ 2,007	$ –	$ 3,971	$ –
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	8,376	6,584	15,087	12,696
Amortization of deferred financing costs	298	266	580	534
Loss on revision of estimated payments related to convertible debentures (Note 8)	670	–	670	–
Other interest	1,382	1,159	2,760	2,540
	$ 12,733	$ 8,009	$ 23,068	$ 15,770

(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.

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

	Second Quarters Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Included in cost of sales:				
Cost of inventories recognized as an expense	$ 475,956	$ 454,922	$ 927,922	$ 903,347
Write-downs of inventories as a result of net realizable value being lower than cost (including amounts presented in Note 5)	$ 2,727	$ 1,293	$ 4,345	$ 3,435
Reversal of inventory write-downs recognized in previous years	$ (1,027)	$ (1,960)	$ (1,845)	$ (2,867)

c) Income taxes

The effective tax rates for the second quarter and six months ended June 30, 2019 were 63.7% and 317.4%, respectively (2018 – 35.9% and 44.1%, respectively). Considering the significant impairment losses recorded during the fourth quarter of 2018, the Company was not able to recognize certain tax benefits related to tax losses and temporary differences, which resulted in an increase in the effective tax rates for both periods compared to prior year. The balance of the increase is also due to changes in the jurisdictions in which the Company generated its income.

14. Supplemental cash flow information

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

	June 30,	
	2019	2018 (1)
Acquisition of property, plant and equipment financed by trade and other payables	$ 2,133	$ 2,659
Acquisition of property, plant and equipment financed by obligations under finance leases	$ –	$ 406
Acquisition of intangible assets financed by trade and other payables	$ 1,454	$ 440

(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.

Net changes in balances related to operations are as follows:

	Second Quarters Ended June 30,		Six Months Ended June 30,	
	2019	2018 (1)	2019	2018 (1)
Trade and other receivables	$ 24,394	$ 20,658	$ (7,948)	$ 21,380
Inventories	(59,106)	(20,608)	(76,655)	(16,462)
Other financial assets	77	10	59	(72)
Prepaid expenses	(102)	(4,100)	(3,021)	(4,501)
Other assets	(4,578)	(731)	(5,376)	(1,535)
Trade and other payables	22,692	19,380	37,185	10,687
Net pension and post-retirement defined benefit liabilities	(299)	(2,969)	(2,979)	(2,660)
Provisions, other financial liabilities and other liabilities	1,584	12,948	11,861	7,102
	$ (15,338)	$ 24,588	$ (46,874)	$ 13,939

(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.

The components of cash and cash equivalents are:

	June 30, 2019	December 30, 2018
Cash	$ 20,774	$ 37,798
Short-term investments	421	1,474
Cash and cash equivalents	$ 21,195	$ 39,272

15. Segmented information

Reporting Segments

	Second Quarters Ended June 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018 (1)	2019	2018 (1)	2019	2018 (1)	2019	2018 (1)
Total revenue	$ 669,982	$ 623,244	$ 207,448	$ 181,296	$ 221,505	$ 217,435	$ 241,029	$ 224,513
Cost of sales (Note 5)	532,573	488,901	177,896	150,744	163,419	161,433	191,258	176,724
Gross profit	137,409	134,343	29,552	30,552	58,086	56,002	49,771	47,789
Selling expenses	56,132	58,505	6,923	6,502	27,377	28,606	21,832	23,397
General and administrative expenses	41,440	40,269	7,273	6,065	18,032	17,902	16,135	16,302
Research and development expenses	9,576	8,637	1,274	1,046	6,825	6,233	1,477	1,358
Impairment (reversal) loss on trade and other receivables	456	132	11	33	213	(262)	232	361
Restructuring and other costs (Note 5)	3,289	11,408	–	–	3,289	1,755	–	9,653
Impairment loss on intangible assets (Note 7)	–	24,193	–	–	–	24,193	–	–
Operating profit (loss)	26,516	(8,801)	$ 14,071	$ 16,906	$ 2,350	$ (22,425)	$ 10,095	$ (3,282)
Finance expenses	12,733	8,009						
Corporate expenses	6,077	6,241						
Income taxes expense (recovery)	4,910	(8,283)						
Net income (loss)	$ 2,796	$ (14,768)						
Depreciation and amortization included in operating profit (loss)	$ 23,390	$ 11,838	$ 4,007	$ 1,047	$ 15,158	$ 8,638	$ 4,225	$ 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.

15. Segmented information (continued)

Reporting Segments (continued)

	Six Months Ended June 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018 (1)	2019	2018 (1)	2019	2018 (1)	2019	2018 (1)
Total revenue	$ 1,295,542	$ 1,265,530	$ 418,212	$ 373,558	$ 451,757	$ 460,772	$ 425,573	$ 431,200
Cost of sales (Note 5)	1,028,100	982,619	359,019	309,013	332,538	335,883	336,543	337,723
Gross profit	267,442	282,911	59,193	64,545	119,219	124,889	89,030	93,477
Selling expenses	108,759	117,289	13,285	12,823	54,287	59,380	41,187	45,086
General and administrative expenses	83,465	88,382	14,791	14,364	38,004	41,357	30,670	32,661
Research and development expenses	19,149	18,061	2,442	2,133	14,008	13,121	2,699	2,807
Impairment loss (reversal) on trade and other receivables (Note 9)	452	13,161	151	2,052	423	3,783	(122)	7,326
Restructuring and other costs (Note 5)	17,255	12,500	–	–	17,255	2,847	–	9,653
Impairment loss on intangible assets (Note 7)	–	24,193	–	–	–	24,193	–	–
Operating profit (loss)	38,362	9,325	$ 28,524	$ 33,173	$ (4,758)	$ (19,792)	$ 14,596	$ (4,056)
Finance expenses	23,068	15,770						
Corporate expenses	12,775	11,527						
Income taxes expense (recovery)	7,996	(7,933)						
Net loss	$ (5,477)	$ (10,039)						
Depreciation and amortization included in operating profit (loss)	$ 46,466	$ 23,692	$ 7,743	$ 2,103	$ 30,231	$ 17,283	$ 8,492	$ 4,306

(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. 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:

	Second Quarters Ended June 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018	2019	2018	2019	2018	2019	2018
Geographic area								
Canada	$ 50,949	$ 48,441	$ 34,678	$ 34,972	$ 7,709	$ 6,539	$ 8,562	$ 6,930
United States	415,582	360,246	168,139	142,191	83,935	76,872	163,508	141,183
Europe	118,951	123,105	1,125	49	71,965	70,911	45,861	52,145
Latin America	52,590	54,736	–	–	32,597	34,223	19,993	20,513
Asia	18,941	22,042	–	7	15,836	18,293	3,105	3,742
Other countries	12,969	14,674	3,506	4,077	9,463	10,597	–	–
Total	$ 669,982	$ 623,244	$ 207,448	$ 181,296	$ 221,505	$ 217,435	$ 241,029	$ 224,513
Channels of distribution								
Brick and mortar retailers	$ 473,188	$ 450,965	$ 102,828	$ 89,343	$ 158,672	$ 156,898	$ 211,688	$ 204,724
Internet retailers	187,693	161,502	104,564	91,346	53,922	50,694	29,207	19,462
Other	9,101	10,777	56	607	8,911	9,843	134	327
Total	$ 669,982	$ 623,244	$ 207,448	$ 181,296	$ 221,505	$ 217,435	$ 241,029	$ 224,513

	Six Months Ended June 30,							
	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018	2019	2018	2019	2018	2019	2018
Geographic area								
Canada	$ 100,213	$ 105,135	$ 65,510	$ 70,211	$ 13,848	$ 14,335	$ 20,855	$ 20,589
United States	779,645	725,378	343,530	292,727	170,253	162,685	265,862	269,966
Europe	248,537	257,352	2,654	81	153,339	163,790	92,544	93,481
Latin America	108,587	107,249	–	–	68,700	68,051	39,887	39,198
Asia	34,331	38,785	–	24	27,906	30,795	6,425	7,966
Other countries	24,229	31,631	6,518	10,515	17,711	21,116	–	–
Total	$ 1,295,542	$ 1,265,530	$ 418,212	$ 373,558	$ 451,757	$ 460,772	$ 425,573	$ 431,200
Channels of distribution								
Brick and mortar retailers	$ 916,502	$ 926,319	$ 205,362	$ 184,579	$ 329,987	$ 341,928	$ 381,153	$ 399,812
Internet retailers	357,582	318,637	212,750	188,241	103,450	99,527	41,382	30,869
Other	21,458	20,574	100	738	18,320	19,317	3,038	519
Total	$ 1,295,542	$ 1,265,530	$ 418,212	$ 373,558	$ 451,757	$ 460,772	$ 425,573	$ 431,200

15. Segmented information (continued)

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	(762)	(5)	(989)	232
Balance as at June 30, 2019	$ 577,614	$ 32,410	$ 362,799	$ 182,405

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	(559)	–	(791)	232
Balance as at June 30, 2019	$ 501,401	$ –	$ 318,996	$ 182,405

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 June 30, 2019	$ 76,213	$ 32,410	$ 43,803	$ –

(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.

16. Event after the reporting period

On July 1, 2019, the Company acquired certain assets and operations of Canbest Marketing Inc. ("Canbest"), a Montréal-based company engaged in the development, design and marketing of home furnishings products, for a purchase price of $9,200, which will be paid in three installments (i) $3,200 payable on October 1, 2019; (ii) $3,000 payable on October 1, 2020, and (iii) $3,000 payable on October 1, 2021. Canbest is a commission-based sales, marketing and design company which provided these services to the Dorel Home segment exclusively to its Dorel Living division. For almost 20 years, Canbest supported Dorel Living in the furniture product categories of wooden bedroom, upholstery, nursery and dining. The acquisition will be recorded under the acquisition method of accounting with the results of the acquired business being included in the Company's consolidated financial statements as of the date of acquisition. The Company is presently in the process of establishing the fair value of the identifiable assets acquired, but has preliminary assessed that the consideration transferred will be allocated to goodwill as the fair value of the remaining identifiable assets acquired are not material. The goodwill is attributed to the workforce, know-how and expected supply chain cost synergies and will be allocated to the Dorel Home segment. The goodwill will be deductible for tax purposes.