



FOURTH QUARTERLY REPORT

FOR THE YEAR ENDED DECEMBER 30, 2024



DOREL INDUSTRIES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis of financial conditions and results of operations ("MD&A") should be read in conjunction with the consolidated financial statements for Dorel Industries Inc. ("Dorel" or "the Company") as at and for the years ended December 30, 2024 and 2023 ("the consolidated financial statements"), as well as with the notes to the consolidated financial statements. All financial information contained in this MD&A and in the Company's consolidated financial statements are in US dollars, unless indicated otherwise, and have been prepared in accordance with IFRS Accounting Standards ("IFRS" or "GAAP"), using the US dollar as the reporting currency.

The audited annual consolidated financial statements and this MD&A were reviewed by the Company's Audit Committee and were approved and authorized for issuance by its Board of Directors. This MD&A is current as at March 11, 2025.

Forward-looking statements are included in this MD&A. See the "Caution Regarding Forward-Looking Information" section included at the end of this MD&A for a discussion of risks, uncertainties and assumptions relating to these statements. For a description of the risks relating to the Company, see the "Market Risks and Uncertainties" section of this MD&A. Further information on Dorel's public disclosures, including the Company's Annual Information Form ("AIF"), are to be available within the prescribed filing deadlines online at <http://www.sedarplus.ca/> and Dorel's website at www.dorel.com.

Note: All tabular figures are in thousands of US dollars except per share amounts or otherwise specified. Certain totals, subtotals and percentages may not agree due to rounding.

1. CORPORATE OVERVIEW

Dorel's head office is based in Westmount, Québec, Canada. Established in 1962, the Company operates in twenty-two countries with sales made throughout the world and employs approximately 3,600 people. Dorel's goal is to produce innovative, quality products and satisfy consumer needs while achieving maximum financial results for its shareholders. It operates two distinct reporting segments: Dorel Juvenile and Dorel Home.

a) **Strategy**

Dorel is a global organization, operating two distinct businesses in juvenile products and home products. Dorel's strength lies in the diversity, innovation, and quality of its products as well as the superiority of its brands. Dorel Juvenile's powerfully branded products include global brands Maxi-Cosi, Safety 1st and Tiny Love, complemented by regional brands such as BebeConfort, Cosco, Mother's Choice and Infanti. Dorel Home, with its comprehensive e-commerce platform and brick-and-mortar distribution network, markets a wide assortment of domestically produced and imported furniture.

Within each of the two segments, there are several operating divisions or subsidiaries. Each segment has its own President & CEO and is operated independently by a separate group of managers. Senior management of the Company coordinates the businesses of both segments and maximizes cross-selling, cross-marketing, procurement, and other complementary business opportunities.

Dorel's channels of distribution vary by segment, but overall, its largest customers are major retail chains and Internet retailers. Retail chains include mass merchant discount chains, department stores, club format outlets and hardware/home centers, while the Internet retailers consist of both mass merchant sites such as Walmart.com and pure Internet retailers such as Amazon. Within Dorel Juvenile, sales are also made to independent boutiques and juvenile

specialty stores. Dorel also owns and operates approximately 88 retail stores in Chile and Peru, as well as factory outlet retail locations in Europe and Brazil.

The majority of Dorel's sales are made by way of wholesale agreements with its customers and those accounts are serviced by Dorel employees. Some smaller accounts are serviced by third-party sales agents. Finally, direct-to-consumer sales are growing in importance, but with exception of Chile/Peru, represent a relatively small portion of overall revenues.

Both segments market, advertise and promote their products through the use of online promotion on customer websites, via social media and on Company-owned websites. Beyond online activities, advertising is done in specific magazines, multi-product brochures, and other media outlets. The Company's major retail customers also advertise Dorel's products online and through circulars and brochures.

Dorel believes that its commitment to providing a high quality, industry-leading level of service has allowed it to develop successful and mutually beneficial relationships with major retailers. A high level of customer satisfaction has been achieved by fostering particularly close contacts between Dorel and its clients. Dedicated account teams ensure that inventory and supply requirements will be met and that issues will be immediately addressed. E-commerce sales are significant for both segments and Dorel has established best-in-class capabilities to successfully service this channel.

Dorel is a designer and manufacturer of a wide range of products, as well as an importer of finished goods, most of which are sourced from Asian-based suppliers. As such, the Company relies on its suppliers for both finished goods and raw materials and has always prided itself on establishing successful long-term relationships both domestically and overseas. The Company has established a workforce in mainland China whose role is to ensure the highest standard of quality of its products and to ensure that the flow of product is not interrupted.

In addition to its solid supply chain, quality products and dedicated customer service, recognized consumer brands are an important element of Dorel's strategy. Maxi-Cosi is recognized around the world as a leading juvenile brand with its origins in car seat safety, since expanded to strollers and home equipment. Safety 1st is also a highly regarded brand in the North American juvenile products market. In most of Dorel's Latin American markets, Infanti is a leading brand in Dorel Juvenile for lower to medium priced products. Branding is less significant in the Home segment, but where advantageous third-part licenses are used to differentiate Dorel products, the most relevant current license being Novogratz.

These brands, and the fact that Dorel has a wide range of other brand names, allow for product and price differentiation within the same product categories. Product development is a significant element of Dorel's past and future growth. Dorel has invested heavily in this area, focusing on innovation, quality, safety, and speed to market with several design and product development centers.

b) Operating Segments

Dorel Juvenile

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

Maxi-Cosi, Safety 1st and Tiny Love are global brands sold in almost all of Dorel Juvenile's markets. Other brands such as BebeConfort, Cosco, Mother's Choice and Infanti are strong regional brands and Dorel Juvenile is able to address all price points with its range of brands and products. In addition, sales are made under licensed brands such as Disney, principally in North America. Sales are also made to customers under their own unique house brand names. Dorel Juvenile has divisions in North America, Europe, Latin America, China, Israel, Australia and New Zealand. In total, the segment sells products to over 100 countries around the world via owned subsidiaries based in those regions or through a worldwide distributor network. In 2024, the Dorel Juvenile segment accounted for 63% of Dorel's revenues.

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

In North America, the majority of juvenile sales are to larger retailers such as mass merchants, Internet retailers and department stores, where consumers' priorities are design oriented, with a focus on safety and quality at reasonable prices. Dorel Juvenile's Maxi-Cosi premium brand is focused on innovative product designs for sales at medium to high price points and are available at smaller boutiques, online and at specialty stores.

Dorel Juvenile Europe's head office is in Helmond, Netherlands where its major product design facilities are located, as are sales and warehousing operations. In addition, sales and/or distribution subsidiaries are located in Portugal, France, Italy, Spain, the United Kingdom, Germany, Belgium, Switzerland and Poland. Manufacturing and warehousing operations are based in Portugal with additional distribution points based in France, Italy and the United Kingdom.

Europe's principal brand is Maxi-Cosi, complemented by BebeConfort, Safety 1st and Tiny Love for specific channels and product categories. In Europe, Dorel sells the majority of its products across the mid-level to high-end price points under the Maxi-Cosi brand. With Dorel's well-recognized brand names, superior designs and product quality, most of these sales are to large European juvenile product retail chains, internet retailers, independent boutiques and specialty stores. Sales made to the mass market channel are principally under the BebeConfort brand and as part of those customers' private label brands.

In Latin America, Dorel Juvenile has operating locations in Brazil, Chile, Peru and Mexico. Dorel Juvenile Brazil, one of the largest juvenile products companies in the country, manufactures car seats locally and imports other juvenile products, such as strollers. The majority of sales are via the e-commerce and specialty store channels. Brands sold in Brazil include local brands Infanti and Voyage, as well as Dorel's international brands such as Safety 1st, Cosco and Maxi-Cosi. Dorel Juvenile Chile is based in Chile and Peru and operates 88 stores under the Infanti banner, which is also the principal Dorel brand sold across multiple products with a focus on opening to mid-price points. Infanti is the dominant retail juvenile chain in the region and sells multiple ranges of juvenile products, including non-Dorel owned brands. Sales are also made via owned e-commerce websites and to major omni-channel retailers.

Dorel Juvenile Australia distributes its products principally under Maxi-Cosi and local brand Mother's Choice and serves Australia and New Zealand with sales to both large retailers and specialty stores. E-commerce is a small but growing channel. For sales made in countries where Dorel does not have a location, distributor relationships have been established and are serviced by a dedicated export market sales team. Tiny Love, based in Tel Aviv, Israel is recognized as an innovator in the developmental toy category, which comprises products such as activity gyms, mobiles, light gear and toys designed specifically for babies and toddlers. As one of Dorel's global brands, Tiny Love product is sold in approximately 70 countries worldwide, both through Dorel subsidiaries and via a worldwide distributor network.

In the industry, Dorel is one of several large juvenile products companies along with Graco (Newell Brands Inc.), Evenflo/Cybex (Goodbaby International Holdings Limited), Nuna/Joie (Wonderland Group), Uppababy, Artsana (Chicco) and Britax. In Latin America, Dorel is a leading juvenile products company with divisions located in its major markets as opposed to global brand competitors which mostly operate through distributors. There are also several smaller competitors which operate using local brands unique to their markets. In Asia, the market is characterized by many local suppliers as well as most major international juvenile products companies attempting to establish a presence in this growing market.

Dorel Home

Dorel ranks in the top five of North American furniture manufacturers and marketers and has a strong foothold in both North American manufacturing and importation of furniture, with a significant portion of its supply coming from its own manufacturing facility with the balance through sourcing efforts in Asia. Dorel also ranks number two as manufacturer of Ready-to-Assemble ("RTA") furniture in North America. Products are distributed from Dorel's North American manufacturing location as well as from several distribution facilities. In 2024, the Dorel Home segment accounted for 37% of Dorel's revenue.

Dorel Home consists of four operating divisions. They are: *Ameriwood Home* (“*Ameriwood*”), *Cosco Home & Office* (“*Cosco*”), *DHP Furniture* (“*DHP*”), and *Dorel Home Europe* (*Notio Living*). Ameriwood Home specializes in both domestically manufactured and import RTA furniture and is headquartered in Wright City, Missouri. Ameriwood’s manufacturing facility is located in Cornwall, Ontario. Ameriwood designs, manufactures and imports furniture mainly within the home entertainment, bedroom, and home office categories. Cosco is located in Columbus, Indiana and the majority of its sales consist of folding furniture, step stools, hand trucks, specialty ladders and outdoor furniture. DHP is located in Montréal, Québec, and is a leading manufacturer and importer of quality futons, mattresses and bedroom furniture; they also import upholstery, kitchen, nursery, and dining room furniture. DHP was created through the merger of Dorel Home Products and Dorel Living in 2019. Major distribution facilities for all three divisions are located in Quebec, California, Michigan and Georgia. Dorel Home Europe is headquartered in Denmark with warehouse and locations in the United Kingdom and Denmark. Dorel Home Europe distributes, primarily through e-commerce channels, an assortment of imported furniture including bedroom, office, upholstered, audio visual, kitchen, living, and dining room furniture in the U.K. and mainland Europe.

Due mainly to overall reduced online demand and increased competition in 2024, Dorel Home’s annual revenue declined by approximately 7.7%. Dorel Home has significant market share within its product categories and has a strong presence in its customer base. Sales are concentrated with Internet retailers, mass merchants, warehouse clubs, home centers and office and electronic superstores. Online sales represent a significant portion of Dorel Home revenue and Dorel Home has made many investments in this channel. Dorel Home markets its products under generic retail house brands as well as under a range of branded products including: Ameriwood, Altra, System Build, DHP, Dorel Fine Furniture, Dorel Living, Signature Sleep, Cosmo Living, Novagratz, Little Seeds, Cosco, Alphason, Notio and Ren Home. Dorel Home’s many competitors include Sauder Manufacturing, Southshore Furniture, and Whalen Furniture in the RTA category, Mecor in the folding furniture category, Tricam in step stools, Werner in ladders and Zinus in mattresses.

2. SIGNIFICANT EVENT IN 2024 AND SUBSEQUENT EVENT

Impairment of non-financial assets

An impairment loss on goodwill of \$45.3 million was recorded during the second quarter of 2024 in connection with the Company’s Dorel Home cash-generating unit (“CGU”) due to reduced earnings and cash flows projections in light of the general economic and financial conditions globally.

Refer to the “Operating results” section for further details.

Subsequent event

Financing Transaction

On February 21, 2025, the Company entered into a sale-leaseback transaction for its factory and warehousing facility in Columbus, Indiana. The gross proceeds to the Company from the sale will be \$30.0 million, of which approximately \$8.0 million will be allocated to reduce existing debt, with the balance designated for funding the Company’s ongoing operations. The lease has an initial term of ten years and may be renewed at the Company’s option for two renewal terms of five years each. The initial annual rent is approximately \$2.9 million, subject to annual increases. The obligations of the lessee Dorel Juvenile Group, Inc. are not guaranteed by the Company, its parent company.

Each of Martin Schwartz, Jeffrey Schwartz and Jeff Segel, directors and executive officers of the Company, and Alan Schwartz, an executive officer of Dorel, has an ownership interest in the purchaser/lessor of the facility in Columbus, Indiana. As such, the sale-leaseback transaction constitutes a related party transaction for the Company under Canadian Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions.

3. OPERATING RESULTS

a) Macro-economic conditions

There continues to be uncertainty in the macro-economic environment, including continued inflationary pressures, changes in consumer spending habits, exchange rate fluctuations, high interest rates and tariffs on goods imported into the United States. These events and conditions are making it difficult to assess the future impact on Dorel's customer base, the end markets we serve as well as the impact on our business, both in the short term and long term. Despite these ongoing risks and uncertainties, Dorel's focus remains to closely monitor its cash position and control its spending, while managing its inventory levels in line with the unprecedented change in demand behavior.

On February 1, 2025, the President of the United States issued three executive orders directing the United States to impose new tariffs on imports originating from Canada, Mexico and China. These orders call for additional 25% duty on imports into the United States of Canadian-origin and Mexican-origin products and 10% duty on Chinese origin products, except for Canadian energy resources that are subject to an additional 10% duty. The Company is assessing the direct and indirect impacts to its business of such tariffs, retaliatory tariffs or other trade protectionist measures implemented as this situation develops, and such impacts could be material.

In addition, the Russia-Ukraine war and possible resumption of the Israeli-Hamas war have created, and are expected to continue to create further global economic uncertainty. We will continue to monitor the situation closely, but to date we have not experienced any disruptions in our business operations as we do not have significant operations, customers or supplier relationships in Russia, Belarus, Ukraine, or Israel. However, it is difficult to predict the broader impact of the conflicts on global economies going forward and their impact on our business.

Refer to the "Consolidated operating review" and "Segmented operating review" sections for further details of the impact on Dorel's business during the fourth quarter and year ended December 30, 2024.

b) Non-GAAP financial ratios and measures

Dorel uses non-GAAP financial ratios and measures to assess its operating performance and liquidity. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. In this MD&A, we and certain investors and analysts use non-GAAP financial ratios and measures including adjusted gross profit, adjusted gross margin, adjusted operating profit (loss), adjusted net income (loss), adjusted diluted earnings (loss) per share, and organic revenue growth (decline) and adjusted organic revenue growth (decline) to measure our performance and financial condition from one period to the next, which excludes the variation caused by certain adjustments that could potentially distort the analysis of trends in our operating performance, and because we believe such measures provide meaningful information to investors and analysts on the Company's financial condition and financial performance. Dorel also uses non-GAAP financial ratios and measures including total debt, debt-to-equity ratio and free cash flow.

We refer the reader to section entitled "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A for the definition and complete reconciliation of all non-GAAP financial ratios and measures used and presented by Dorel to the most directly comparable IFRS measures.

c) Fourth quarter and year-end operating results

	Fourth Quarters Ended				Years Ended			
	Dec 30, 2024	Dec 30, 2023	Variation \$	%	Dec 30, 2024	Dec 30, 2023	Variation \$	%
Revenue	326,846	350,679	(23,833)	(6.8)%	1,380,215	1,388,748	(8,533)	(0.6)%
Cost of sales	280,794	279,842	952	0.3%	1,134,175	1,144,968	(10,793)	(0.9)%
Gross profit	46,052	70,837	(24,785)	(35.0)%	246,040	243,780	2,260	0.9%
Adjusted gross profit ⁽¹⁾	56,641	70,837	(14,196)	(20.0)%	257,367	243,780	13,587	5.6%
Selling expenses	30,259	30,258	1	n.m.	126,162	126,096	66	0.1%
General and administrative expenses	29,244	36,645	(7,401)	(20.2)%	133,478	139,696	(6,218)	(4.5)%
Research and development expenses	5,727	5,979	(252)	(4.2)%	23,579	24,536	(957)	(3.9)%
Impairment loss on trade accounts receivable	285	837	(552)	(65.9)%	2,507	1,117	1,390	124.4%
Restructuring costs	3,533	4,532	(999)	(22.0)%	6,043	4,532	1,511	33.3%
Impairment loss on goodwill	-	-	-	n/a	45,302	-	45,302	100.0%
Operating loss	(22,996)	(7,414)	15,582	210.2%	(91,031)	(52,197)	38,834	74.4%
Adjusted operating loss ⁽¹⁾	(8,874)	(2,882)	5,992	207.9%	(28,359)	(47,665)	(19,306)	(40.5)%
Finance expenses	9,694	5,963	3,731	62.6%	38,556	24,726	13,830	55.9%
Loss before income taxes	(32,690)	(13,377)	19,313	144.4%	(129,587)	(76,923)	52,664	68.5%
Income taxes expense (recovery)	40,318	(9,620)	49,938	n.m.	42,371	(14,573)	56,944	n.m.
Net loss	(73,008)	(3,757)	69,251	n.m.	(171,958)	(62,350)	109,608	175.8%
Adjusted net (loss) income ⁽¹⁾	(59,171)	189	59,360	n.m.	(109,829)	(58,404)	51,425	88.1%
Basic loss per share	(2.24)	(0.12)	2.12	n.m.	(5.28)	(1.92)	3.36	175.0%
Diluted loss per share	(2.24)	(0.12)	2.12	n.m.	(5.28)	(1.92)	3.36	175.0%
Adjusted diluted (loss) earnings per share ⁽¹⁾	(1.82)	0.01	1.83	n.m.	(3.37)	(1.79)	1.58	88.3%
Weighted average number of shares - Basic	32,590,581	32,552,430	n/a	n/a	32,571,973	32,541,953	n/a	n/a
Weighted average number of shares - Diluted	32,590,581	32,552,430	n/a	n/a	32,571,973	32,541,953	n/a	n/a
Gross margin ⁽²⁾	14.1%	20.2%	n/a	(610) bp	17.8%	17.6%	n/a	20 bp
Adjusted gross margin ⁽¹⁾	17.3%	20.2%	n/a	(290) bp	18.6%	17.6%	n/a	100 bp
Selling expenses as a percentage of revenue ⁽³⁾	9.3%	8.6%	n/a	70 bp	9.1%	9.1%	n/a	- bp
General and administrative expenses as a percentage of revenue ⁽⁴⁾	8.9%	10.4%	n/a	(150) bp	9.7%	10.1%	n/a	(40) bp

n.m. = not meaningful

n/a = not applicable

bp = basis point

(1) This is a non-GAAP financial ratio or measure with no standardized meaning prescribed by IFRS and therefore is unlikely to be comparable to similar measures presented by other issuers. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

(2) Gross margin is defined as gross profit divided by revenue.

(3) Selling expenses as a percentage of revenue is defined as selling expenses divided by revenue.

(4) General and administrative expenses as a percentage of revenue is defined as general and administrative expenses divided by revenue.

d) Impairment loss on goodwill and restructuring costs

Impairment loss on goodwill

The Company assesses at each reporting date whether there is an indication that an asset or a CGU may be impaired. During the second quarter of 2024, the general economic and financial conditions globally from the ongoing high inflationary environment and the sustained high interest and mortgage rates continued to have a negative impact on the furniture industry, resulting in a significant decrease in consumer demand. The Company's Home segment earnings were markedly impacted during the second quarter of 2024, creating difficult market conditions and reduced demand. Accordingly, management concluded that these factors were indicators of impairment.

As such, management performed an impairment test for its Dorel Home CGU, for which it revised its assumptions on projected earnings and cash flows growth, as well as its assumptions on discount rates used to apply to the forecasted cash flows, using its best estimate of the conditions existing at June 30, 2024. As there was significant uncertainty surrounding the extent of the impact of the changes in the general economic and financial conditions globally on the Company's business, management incorporated weighted-probability scenarios in its assessment of forecasted cash flows.

As a result of the impairment tests performed, management concluded that the recoverable amount of the Dorel Home CGU was less than its carrying amount, resulting in an impairment loss on goodwill of \$45.3 million recorded during the second quarter of 2024. The recoverable amount is based on the higher of the value in use and fair value less costs to sell. The impairment loss reflects reduced earnings and cash flows projections, and a lower risk adjusted discount rate, in light of the general economic and financial conditions globally.

On October 31, 2024, the Company performed its annual impairment testing of trademarks. As the recoverable amounts of the CGUs were higher than their carrying amount, no impairment loss was recorded.

Restructuring costs

The details of restructuring costs are presented below:

	Fourth Quarters Ended		Years Ended	
	Dec 30, 2024	Dec 30, 2023	Dec 30, 2024	Dec 30, 2023
Inventory markdowns ⁽¹⁾	4,340	-	5,078	-
Impairment on property, plant and equipment ⁽¹⁾	1,990	-	1,990	-
Impairment on right-of-use assets ⁽¹⁾	4,259	-	4,259	-
Recorded within gross profit	10,589	-	11,327	-
Employee severance and termination benefits	3,325	4,585	5,432	4,585
Curtailment gain on net pension defined benefit liabilities ⁽¹⁾	(24)	(53)	(35)	(53)
Other associated costs	232	-	646	-
Recorded within a separate line in the consolidated income statements	3,533	4,532	6,043	4,532
Total restructuring costs	14,122	4,532	17,370	4,532

(1) Non-cash expenses

2023 Restructuring Plan

In light of the continued uncertainty in the macro-economic environment, including the current high inflation and high interest rate environment, the Company initiated a new restructuring plan in the fourth quarter of 2023. The current environment has limited consumers' purchasing power and forced them to balance household needs and prioritize daily purchases over larger consumer goods items. This is particularly the case in Dorel Home where the furniture industry overall is lower in terms of overall sales.

These restructuring initiatives that were initiated in the fourth quarter of 2023 have continued in 2024 and will carry on in 2025 as the Company continues to make additional operational improvements and evaluate its cost structure.

Dorel Juvenile

Dorel Juvenile identified opportunities to reduce redundancy and improve efficiencies and also initiated headcount reductions in several divisions. For the year ended December 30, 2024, Dorel Juvenile incurred \$2.7 million of restructuring costs consisting mainly of employee severance and termination benefits, and other associated costs.

Dorel Home

Dorel Home's restructuring plan is to simplify its management reporting structure by combining several key management positions leading to the elimination of certain redundant roles. This resulted in the reduction of Dorel Home's overall North American headcount by approximately 5% during the fourth quarter of 2023.

For the year ended December 30, 2024, Dorel Home incurred \$14.6 million of restructuring costs consisting mainly of employee severance and termination benefits, inventory markdowns and impairment on property, plant and equipment, and on right-of-use assets. These property, plant and equipment and right-of-use assets will be discontinued and therefore a full impairment was taken.

On July 8, 2024, in light of challenging economic conditions and the industry's market trends, Dorel Home halted production at the Tiffin, Ohio facility and issued a 60-day notice to the affected employees. The Tiffin site was repurposed into a distribution center for Dorel Home, allowing the Company to retain some of its employees for these operations, while the Cornwall, Ontario facility is assuming all ready-to-assemble manufacturing duties. The benefits of this decision are expected immediately in 2025.

On January 30, 2025, as part of an expanded restructuring plan, Dorel Home announced the following initiatives: downsizing of non-manufacturing workforce, closure of manufacturing operations based in Montreal, Quebec, which triggered the recording of impairment on property, plant and equipment, and on right-of-use assets, acceleration of a SKU reduction initiative and distribution footprint reduction.

Following the announcement of the Tiffin factory closure, considerable progress has been made towards consolidating operations into a single facility. As of today, the equipment transfers and facility upgrades at Cornwall have been mostly completed. Additionally, we have implemented management improvements, including the filling of key management positions. We are already benefitting from this decision and with an anticipated increase in orders, these benefits will increase as we ramp up production.

The workforce reduction was completed in the fourth quarter of 2024 and will reduce the size of these functions by 30%, resulting in one-time severance costs of approximately \$4.0 million, with the majority being paid out over the course of 2025.

Production at the Montreal manufacturing facility is expected to cease before the end of the first quarter of the 2025 fiscal year. Over time, this facility had become dedicated exclusively to mattress production. Alternative supply sources have already been identified to ensure seamless fulfillment of existing customer orders and to provide a reliable source for future business needs. This change is a significant step towards achieving the overall footprint reduction target for the segment.

The proliferation of the number of SKUs that occurred in the past to service e-commerce has created a larger than necessary warehousing footprint, principally in the United States. With brick-and-mortar now playing a more important role in the Home segment's channels of distribution, the focus in 2024 was to reduce the number of SKUs targeted for e-commerce, which is expected to reduce warehousing in the U.S. by approximately 1.2 million square feet by the fourth quarter of 2025. Dorel Home will continue to serve its customers and DTC consumers from both West Coast and East Coast warehouses, providing coverage for all U.S. based sales. In Canada, a warehouse will also be maintained to service all Canadian sales.

The savings from these initiatives began in 2024 and are expected to continue into 2025. The Company believes that the full benefits of these actions will be realized in 2026 with an expected improvement in earnings of up to \$40.0 million.

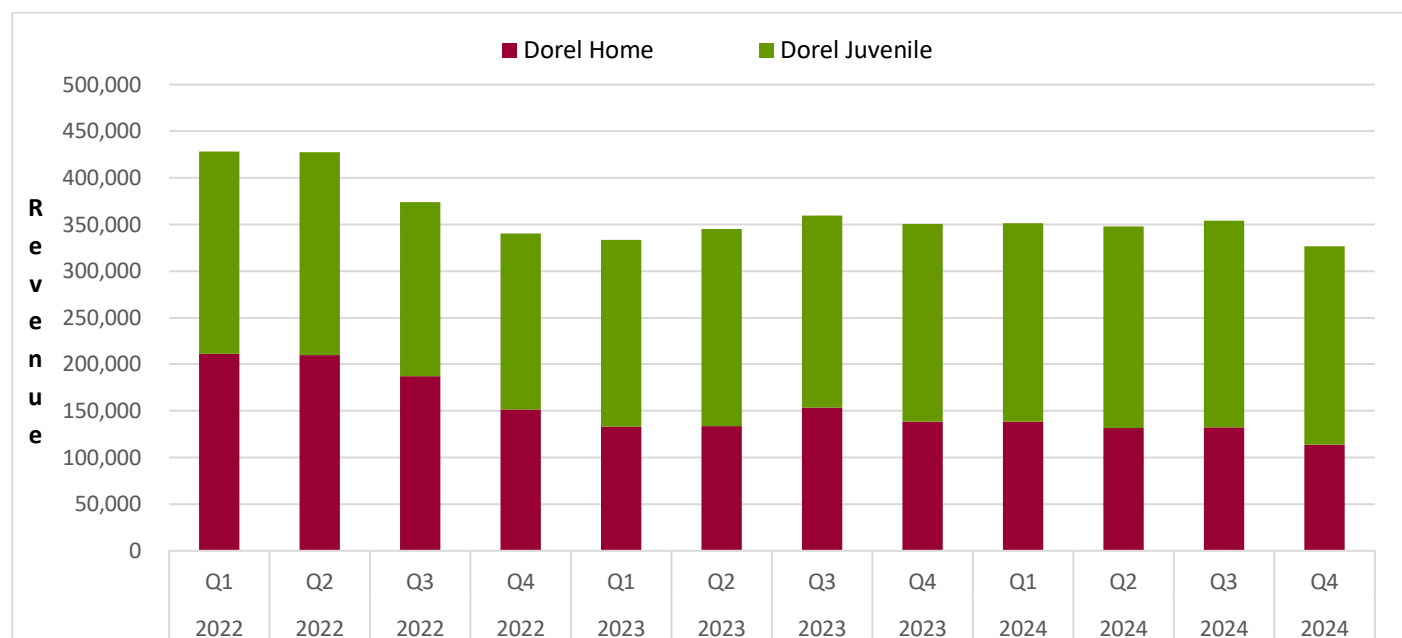
Beyond achieving cost reductions, the Home segment is concentrating on leveraging its previous successes with traditional brick-and-mortar and omni-channel retailers. Dorel's capability to offer real-time customer service and maintain required in-stock levels for these retailers sets the segment apart from its competitors. With a leaner and more agile organization, coupled with a reduction in the number of SKUs, the Home segment is poised to benefit from enhanced manufacturing efficiency at the RTA factory in Cornwall, Ontario. Additionally, the Home segment will focus on selling new, innovative imported items with higher profit margins. Lastly, prioritizing fewer but more successfully licensed brands, such as Novogratz, will enable better allocation of targeted marketing expenditures to drive sales and enhance both revenue and profitability.

e) Selected financial information

Variations in revenue across the Company's segments for the fourth quarters and years ended December 30:

	Fourth Quarters Ended				Years Ended			
	Dec 30, 2024	Dec 30, 2023	Variation		Dec 30, 2024	Dec 30, 2023	Variation	
			\$	%			\$	%
Revenue from Dorel Juvenile	212,843	212,035	808	0.4%	864,065	829,778	34,287	4.1%
Revenue from Dorel Home	114,003	138,644	(24,641)	(17.8)%	516,150	558,970	(42,820)	(7.7)%
Total Revenue	326,846	350,679	(23,833)	(6.8)%	1,380,215	1,388,748	(8,533)	(0.6)%

Although revenue in the operating segments may vary based on seasonality, for the Company as a whole, variations between quarters are not significant as illustrated below.



The table below shows selected financial information for the eight most recently completed quarters ended:

	2024				2023			
	Dec 30	Sep 30	Jun 30	Mar 31	Dec 30	Sep 30	Jun 30	Mar 31
Revenue	326,846	354,220	348,077	351,072	350,679	359,661	345,211	333,197
Net loss	(73,008)	(21,900)	(59,481)	(17,569)	(3,757)	(10,360)	(16,724)	(31,509)
Per share - Basic	(2.24)	(0.67)	(1.83)	(0.54)	(0.12)	(0.32)	(0.51)	(0.97)
Per share - Diluted	(2.24)	(0.67)	(1.83)	(0.54)	(0.12)	(0.32)	(0.51)	(0.97)

For the first quarter of 2024, the increase in revenue compared to the first quarter of 2023 is due to the increase in revenue in both Dorel Juvenile and Dorel Home. The decrease in the net loss compared to the first quarter of 2023 is mainly due to an increase in the gross profit in both Dorel Juvenile and Dorel Home.

For the second quarter of 2024, the increase in the net loss compared to the second quarter of 2023 is mainly due to the impairment loss on goodwill recorded in Dorel Home during the second quarter of 2024.

For the third quarter of 2024, the increase in the net loss compared to the third quarter of 2023 is mainly due to the increase in general and administrative expenses, impairment loss on trade accounts receivable and finance expenses.

For the fourth quarter of 2024, the decrease in revenue compared to the fourth quarter of 2023 was in Dorel Home partially offset by the improvement in Dorel Juvenile. The increase in the net loss compared to the fourth quarter of 2023 is mainly due to a reversal of deferred tax assets and a decrease in the gross profit in both Dorel Juvenile and Dorel Home.

Selected financial information from the consolidated statement of financial position and from the consolidated income statement as at and for the years ended December 30:

	Dec 30, 2024	Dec 30, 2023	Dec 30, 2022
Revenue	1,380,215	1,388,748	1,570,274
Net (loss) income	(171,958)	(62,350)	135,963
Per share - Basic	(5.28)	(1.92)	4.18
Per share - Diluted	(5.28)	(1.92)	4.07
Cash dividends declared per share	-	-	12.00
Total assets	802,795	1,000,927	1,060,448
Total non-current financial liabilities	109,264	330,031	382,918

f) Consolidated operating review

Revenue and organic revenue (decline) growth:

	Fourth Quarters Ended December 30,											
	Consolidated				Dorel Juvenile				Dorel Home			
	2024		2023		2024		2023		2024		2023	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Revenue of the period	326,846		350,679		212,843		212,035		114,003		138,644	
Revenue of the comparative period	(350,679)		(340,261)		(212,035)		(188,923)		(138,644)		(151,338)	
Revenue (decline) growth	(23,833)	(6.8)	10,418	3.1	808	0.4	23,112	12.2	(24,641)	(17.8)	(12,694)	(8.4)
Impact of varying foreign exchange rates	4,031	1.2	(5,843)	(1.8)	3,952	1.8	(5,472)	(2.9)	79	0.1	(371)	(0.2)
Organic revenue (decline) growth ⁽¹⁾	(19,802)	(5.6)	4,575	1.3	4,760	2.2	17,640	9.3	(24,562)	(17.7)	(13,065)	(8.6)

(1) This is a non-GAAP financial ratio or measure with no standardized meaning prescribed by IFRS and therefore is unlikely to be comparable to similar measures presented by other issuers. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

	Years Ended December 30,											
	Consolidated				Dorel Juvenile				Dorel Home			
	2024		2023		2024		2023		2024		2023	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Revenue of the period	1,380,215		1,388,748		864,065		829,778		516,150		558,970	
Revenue of the comparative period	(1,388,748)		(1,570,274)		(829,778)		(810,191)		(558,970)		(760,083)	
Revenue (decline) growth	(8,533)	(0.6)	(181,526)	(11.6)	34,287	4.1	19,587	2.4	(42,820)	(7.7)	(201,113)	(26.5)
Impact of varying foreign exchange rates	9,568	0.7	(9,905)	(0.6)	9,573	1.2	(9,899)	(1.2)	(5)	-	(6)	-
Organic revenue growth (decline) ⁽¹⁾	1,035	0.1	(191,431)	(12.2)	43,860	5.3	9,688	1.2	(42,825)	(7.7)	(201,119)	(26.5)

(1) This is a non-GAAP financial ratio or measure with no standardized meaning prescribed by IFRS and therefore is unlikely to be comparable to similar measures presented by other issuers. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

Revenue

For the fourth quarter of 2024, Dorel's revenue decreased by \$23.8 million, or 6.8%, to \$326.8 million compared to a year ago. Organic revenue declined by approximately 5.6%, after removing the variation of foreign exchange rates year-over-year. The revenue and organic revenue decline was in Dorel Home partially offset by the improvement in Dorel Juvenile. In Dorel Home, the revenue and organic revenue decline is mainly explained by the reduced online sales from the lower online consumer demand that has persisted over the last several quarters, as well as a decline in the brick-and-mortar channel. In Dorel Juvenile, the revenue and organic revenue improvement was mainly in Europe, Brazil, Australia and Export markets, with the most significant contributor being Europe, offset in part by the decline in the U.S., Chilean and Peruvian markets.

For the full year, Dorel's revenue decreased by \$8.5 million, or 0.6%, to \$1,380.2 million compared to \$1,388.7 million a year ago. Organic revenue was essentially flat compared to the prior year, after removing the variation of foreign exchange rates year-over-year. The revenue and organic revenue decline in Dorel Home almost entirely offset the increase in Dorel Juvenile. In Dorel Home, the year-to-date revenue and organic revenue decline is mainly explained by the reduced online sales from the overall lower online consumer demand throughout the year, partially offset by the increased sales in the brick-and-mortar channel in the first half of this year only. Dorel Home sales in the brick-and-mortar channel were essentially flat in the third quarter this year and declined by single digits in the fourth quarter this year compared to the same periods last year. In Dorel Juvenile, the revenue and organic revenue improvement was in all markets, except for Chile, Peru and Mexico, with the most significant contributors being the U.S., Brazil and Europe, similar to the third quarter of this year.

Gross profit and gross margin

Gross profit for the fourth quarter decreased by \$24.8 million, or 35.0%, compared to last year. Gross margin for the fourth quarter decreased by 610 basis points as a percentage of revenue to 14.1% from 20.2% last year. Excluding restructuring costs, the adjusted gross profit decreased by \$14.2 million, or 20.0%, and by 290 basis points as a percentage of revenue to 17.3% from 20.2% last year. The gross profit and gross margin decreased in both Dorel Juvenile and in Dorel Home in the quarter. In Dorel Juvenile, the decline in gross profit and gross margin was mainly driven by a significant negative foreign exchange rate impact as the US dollar strengthened versus most major currencies. In Dorel Home, the decline in gross profit and gross margin was mainly due to increased promotional

incentive offerings, reduced online business that generates higher margins, and lower volume efficiency in domestic manufacturing activity resulting in lower factory overhead absorption.

The year-to-date gross profit increased by \$2.3 million, or 0.9% compared to last year. The year-to-date gross margin increased by 20 basis points as a percentage of revenue to 17.8% from 17.6% last year. Excluding restructuring costs, the adjusted gross profit increased by \$13.6 million, or 5.6%. The year-to-date adjusted gross margin improved by 100 basis points as a percentage of revenue from 17.6% to 18.6%. In Dorel Juvenile, the increase was in the first nine months of the year driven by higher sales volumes, lower input costs, and a favorable foreign exchange impact despite the significant negative foreign exchange rate impact in the fourth quarter. In Dorel Home, the year-to-date decline in gross profit and gross margin was mainly due to the same reasons as in the quarter.

Selling expenses

Selling expenses for the fourth quarter and full year were flat at \$30.3 million and \$126.2 million, respectively, compared to the prior year. The decrease in selling expenses in Dorel Home due to reduced people costs from the reductions in headcount as a result of the restructuring activities carried out in the fourth quarter of 2023, as well as decreased commissions from the lower sales were offset by the increase in selling expenses in Dorel Juvenile due to higher marketing and promotional expenses related to new product launches.

General and administrative expenses

General and administrative expenses, at \$29.2 million, decreased in the fourth quarter by \$7.4 million, or 20.2%, representing a decrease of 150 basis points as a percentage of revenue compared to the prior year. The decrease in general and administrative expenses in the quarter was mainly due to lower overall corporate expenses driven by foreign exchange gains and lower people costs, and in Dorel Home due to lower product liability insurance costs. The general and administrative expenses in Dorel Juvenile were essentially flat versus last year.

For the full year, these expenses decreased by \$6.2 million, or 4.5%, to \$133.5 million, representing a decrease of 40 basis points as a percentage of revenue compared to the prior year. Year-to-date, the decrease in general and administrative expenses was in the overall corporate expenses and in Dorel Home and was partially offset by the increase in Dorel Juvenile. The decline in corporate expenses was for the same reasons as in the quarter while in Dorel Home, the decline is mainly explained by lower people costs from the reductions in headcount as a result of the restructuring activities carried out in the fourth quarter of 2023 which continued into 2024, as well as the decrease in product liability insurance costs. In Dorel Juvenile, the increase in general and administrative expenses was due to the increase in people costs and professional fees which were partly offset by the decrease in product liability insurance costs.

Research and development expenses

Research and development expenses remained comparable to last year's fourth quarter and year-to-date periods.

Impairment loss on trade accounts receivable

The impairment loss on trade accounts receivable decreased by \$0.6 million for the quarter but increased by \$1.4 million year-to-date. The year-to-date increase is due to the bankruptcy of a Dorel Home customer in the U.S. during the third quarter of this year. The impairment loss on trade accounts receivable remained comparable to last year's fourth quarter and year-to-date periods in Dorel Juvenile.

Restructuring costs

Restructuring costs were \$3.5 million for the fourth quarter and \$6.0 million year-to-date and are attributed to the restructuring plan that was initiated in the fourth quarter of 2023. Refer to "Impairment loss on goodwill and restructuring costs" within the operating results section for further details.

Impairment loss on goodwill

An impairment loss on goodwill of \$45.3 million was recorded in the second quarter related to Dorel Home CGU due to reduced earnings and cash flow projections in light of the general economic and financial conditions globally from the ongoing high inflationary environment and the sustained high interest rates and mortgage rates that continued to have a negative impact on the furniture industry, resulting in a significant decrease in consumer demand.

Operating loss

For the fourth quarter, Dorel reported an operating loss of \$23.0 million compared to \$7.4 million in 2023. Excluding restructuring costs, adjusted operating loss increased by \$6.0 million to \$8.9 million from \$2.9 million last year. The increase in operating loss was mainly due to the decrease in gross profit dollars from the lower sales and decrease in gross margin, offset in part by the overall lower operating expenses as detailed above.

Year-to-date, Dorel reported an operating loss of \$91.0 million compared to \$52.2 million in 2023. The increase in the operating loss was mainly due to the impairment loss on goodwill, offset in part by the overall lower operating expenses as detailed above. Excluding restructuring costs and impairment loss on goodwill, adjusted operating loss decreased by \$19.3 million to \$28.4 million from \$47.7 million last year. The decrease in the adjusted operating loss for the twelve months was mainly due to the increase in gross profit dollars as a result of the increase in gross margin as a percentage of revenue as well as the overall lower expenses as detailed above.

Finance expenses

Details of finance expenses are summarized below:

	Fourth Quarters Ended				Years Ended			
	Dec 30, 2024	Dec 30, 2023	Variation \$	%	Dec 30, 2024	Dec 30, 2023	Variation \$	%
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	7,407	4,548	2,859	62.9%	28,714	15,751	12,963	82.3%
Interest on lease liabilities	1,411	1,614	(203)	(12.6)%	6,054	6,655	(601)	(9.0)%
Other interest expense (income)	876	(199)	1,075	n.m.	3,788	2,320	1,468	63.3%
Finance expenses	9,694	5,963	3,731	62.6%	38,556	24,726	13,830	55.9%
n.m. = not meaningful								

Finance expenses increased by \$3.7 million to \$9.7 million during the fourth quarter compared to last year. The increase is mainly explained by the higher average long-term debt balances and higher average interest rates compared to last year.

Year-to-date, finance expenses increased by \$13.8 million to \$38.6 million compared to last year. The increase in year-to-date finance expenses is mainly explained for the same reasons as in the quarter.

Income taxes expense (recovery)

For the fourth quarter and year ended December 30, 2024, the Company's effective tax rates were (123.3)% and (32.7)%, respectively, compared to 71.9% and 18.9% for the same periods in the prior year. As a multi-national company, Dorel is resident in numerous countries and therefore subject to different tax rates in those various tax jurisdictions and by the interpretation and application of tax laws, as well as the application of income tax treaties between various countries. As such, significant variations can occur from year-to-year and between quarters within a given year.

The effective tax rate for the year ended December 30, 2024 was primarily impacted by the non-recognition of tax benefits related to tax losses and temporary differences, the write-down of deferred tax assets and the impact of the non-deductible impairment loss on goodwill. The effective tax rate for the year ended December 30, 2023 was primarily impacted by the non-recognition of tax benefits related to tax losses and temporary differences, net of the reversal of previous write-down of a deferred tax asset and the impact of the permanent differences.

The components of the Company's tax rate for 2024 and 2023 are summarized below:

	2024		2023	
	\$	%	\$	%
Loss before income taxes	(129,587)	-	(76,923)	-
Recovery of income taxes (1)	(33,952)	26.2	(20,154)	26.2
Add (deduct) effect of:				
Difference in statutory tax rates of foreign subsidiaries	1,587	(1.2)	1,936	(2.5)
Non-recognition of tax benefits related to tax losses and temporary differences	29,903	(23.1)	14,714	(19.1)
Benefit arising from previously unrecognized tax losses and temporary differences of a prior period	(1,049)	0.8	(303)	0.4
Write-down of deferred tax assets	36,520	(28.2)	-	-
Reversal of previous write-down of a deferred tax asset	-	-	(7,935)	10.3
Tax incentives	(785)	0.6	(550)	0.7
Permanent differences	509	(0.4)	(3,024)	3.9
Non-deductible impairment loss on goodwill	9,340	(7.2)	-	-
Tax rates changes	14	-	-	-
Foreign exchange and other - net	284	(0.2)	743	(1.0)
	42,371	(32.7)	(14,573)	18.9

(1) The applicable statutory tax rates are 26.2% and 26.2%, respectively for the years ended December 30, 2024 and 2023. The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

The Company is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in Canada and was also enacted or substantively enacted in certain jurisdictions in which subsidiaries of the Company operate. The legislation came into effect for the Company's fiscal year commencing on December 31, 2023.

The Company has performed an assessment of the exposure to Pillar Two income taxes. The assessment is based on the most recent information available regarding the financial performance of the constituent entities in the Company. Based on this assessment, there are a limited number of jurisdictions where the transitional safe harbours do not apply. However, as the Pillar Two effective tax rate is close to 15% for these jurisdictions, the Company and its subsidiaries did not have to recognize current income tax expense with respect to the implementation of the Pillar Two legislation for the year ended December 30, 2024. The Company applies the temporary mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two incomes taxes, as provided in the amendments to IAS 12 issued in May 2023.

The breadth of the Company's operations and the global complexity of tax regulations require assessments of uncertainties and judgments in estimating the ultimate taxes the Company will pay. The final taxes paid are dependent upon many factors, including negotiations with taxation authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, provincial, state and local tax audits. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Company's tax assets and tax liabilities.

Net loss

During the fourth quarter of 2024, the net loss was \$73.0 million, or \$2.24 per diluted share compared with \$3.8 million, or \$0.12 per diluted share in 2023. Excluding restructuring costs, the adjusted net loss for the quarter was \$59.2 million, or \$1.82 per diluted share compared with an adjusted net income of \$0.2 million, or \$0.01 per diluted share a year ago.

For the full year, the net loss was \$172.0 million, or \$5.28 per diluted share compared with \$62.4 million, or \$1.92 per diluted share in 2023. Excluding restructuring costs and impairment loss on goodwill, adjusted net loss for the full year was \$109.8 million, or \$3.37 per diluted share compared with \$58.4 million, or \$1.79 per diluted share a year ago.

g) Segmented operating review

Segmented figures are presented in Note 28 of the Company's consolidated financial statements. Further reporting segment detail is presented below.

Dorel Juvenile

	Fourth Quarters Ended				Years Ended			
	Dec 30, 2024	Dec 30, 2023	Variation		Dec 30, 2024	Dec 30, 2023	Variation	
			\$	%			\$	%
Revenue	212,843	212,035	808	0.4%	864,065	829,778	34,287	4.1%
Cost of sales	158,505	147,679	10,826	7.3%	628,842	610,669	18,173	3.0%
Gross profit	54,338	64,356	(10,018)	(15.6)%	235,223	219,109	16,114	7.4%
Adjusted gross profit ⁽¹⁾	54,803	64,356	(9,553)	(14.8)%	235,688	219,109	16,579	7.6%
Selling expenses	25,173	24,288	885	3.6%	104,585	101,185	3,400	3.4%
General and administrative expenses	22,289	21,921	368	1.7%	93,466	89,751	3,715	4.1%
Research and development expenses	4,655	4,689	(34)	(0.7)%	18,702	19,345	(643)	(3.3)%
Impairment loss on trade accounts receivable	326	608	(282)	(46.4)%	638	866	(228)	(26.3)%
Restructuring costs	279	1,551	(1,272)	(82.0)%	2,204	1,551	653	42.1%
Operating profit	1,616	11,299	(9,683)	(85.7)%	15,628	6,411	9,217	143.8%
Adjusted operating profit ⁽¹⁾	2,360	12,850	(10,490)	(81.6)%	18,297	7,962	10,335	129.8%
Gross margin ⁽²⁾	25.5%	30.4%	n/a	(490) bp	27.2%	26.4%	n/a	80 bp
Adjusted gross margin ⁽¹⁾	25.7%	30.4%	n/a	(470) bp	27.3%	26.4%	n/a	90 bp
Selling expenses as a percentage of revenue ⁽³⁾	11.8%	11.5%	n/a	30 bp	12.1%	12.2%	n/a	(10) bp
General and administrative expenses as a percentage of revenue ⁽⁴⁾	10.5%	10.3%	n/a	20 bp	10.8%	10.8%	n/a	- bp

n/a = not applicable

bp = basis point

(1) This is a non-GAAP financial ratio or measure with no standardized meaning prescribed by IFRS and therefore is unlikely to be comparable to similar measures presented by other issuers. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

(2) Gross margin is defined as gross profit divided by revenue.

(3) Selling expenses as a percentage of revenue is defined as selling expenses divided by revenue.

(4) General and administrative expenses as a percentage of revenue is defined as general and administrative expenses divided by revenue.

Dorel Juvenile's fourth quarter revenue at \$212.8 million was essentially flat versus last year. Organic revenue improved by approximately 2.2%, after removing the impact of varying foreign exchange rates year-over-year. The improvement in revenue and organic revenue in the fourth quarter was mainly in Europe, Brazil, Australia and Export markets, and was across the majority of brands and product categories in those markets. Europe experienced double-digit organic revenue growth in all markets and according to the latest market share data, now occupies the number one position in the car seat category. E-commerce was the most significant channel in terms of increased revenue as sales to this channel accelerated during the fourth quarter. These improvements were partially offset by the revenue declines in the U.S. market, driven by most major customers as well as in the Chilean and Peruvian markets across all channels, attributable to lower consumer demand that has continued to persist in those markets over the last several quarters.

The segment's revenue for the full year increased by \$34.3 million, or 4.1%, to \$864.1 million versus the prior year's \$829.8 million. Organic revenue improved by approximately 5.3%, after removing the impact of varying foreign exchange rates year-over-year. Year-to-date, revenue and organic revenue improvements were in all markets, except for Chile, Peru and Mexico, with the most significant contributors being Europe, the U.S., and Brazil. In Europe, the revenue improvement was for the same reasons as in the quarter, except for the second quarter where revenue was essentially flat. In the U.S., even when considering the reduction in revenue from the network security incident last year, the year-to-date revenue improvement was across all brands and categories. In Brazil, the year-to-date revenue improvement continued from the third quarter, driven by success in both the e-commerce and direct-to-consumer channels. Lastly, the decline in the Chilean and Peruvian markets is mainly for the same reasons as in the quarter.

Gross profit for the fourth quarter decreased by \$10.0 million, or 15.6%, compared to last year's fourth quarter. The gross margin in the fourth quarter was 25.5%, representing a decline of 490 basis points from 30.4% last year. Excluding restructuring costs, the adjusted gross profit decreased by \$9.6 million, or 14.8%, and by 470 basis points as a percentage of revenue to 25.7% from 30.4% last year. The decrease in gross profit and gross margin in the fourth quarter was primarily driven by a significant negative foreign exchange rate impact as the US dollar strengthened versus most major currencies. Year-over-year, the negative impact of the stronger US dollar versus last year's levels was over \$7.0 million.

For the full year, the gross profit increased by \$16.1 million, or 7.4% compared to last year and gross margin improved by 80 basis points to 27.2%. Excluding restructuring costs, the adjusted gross profit increased by \$16.6 million, or 7.6%, and by 90 basis points as a percentage of revenue to 27.3% from 26.4% last year. The year-to-date improvement, primarily from the first nine months of the year, was driven by higher sales volumes, lower input costs, as well as a favorable foreign exchange impact as of September 30, which more than offset the declines in the fourth quarter. Last year's first quarter also included sales of a larger proportion of older higher cost items included in opening inventories.

Selling expenses in the fourth quarter increased by \$0.9 million, or 3.6%, to \$25.2 million, representing an increase of 30 basis points as a percentage of revenue. The increase in selling expenses in the fourth quarter is mainly due to higher marketing and promotional expenses to support the business. For the full year, selling expenses increased by \$3.4 million, or 3.4%, to \$104.6 million from \$101.2 million the previous year. The year-to-date increase in selling expenses is mainly due to overall higher marketing and promotional expenses related to the new product launches, particularly in the second quarter, and increased people costs.

General and administrative expenses for the fourth quarter increased by \$0.4 million, or 1.7%, to \$22.3 million, and were flat as a percentage of revenue compared to the prior year. For the full year, general and administrative expenses increased by \$3.7 million, or 4.1%, and were flat as a percentage of revenue. Year-to-date, the increase in people costs and professional fees were partly offset by a decrease in product liability insurance costs.

Research and development expenses remained comparable to last year's fourth quarter and year-to-date periods.

Similarly, impairment loss on trade accounts receivable also remained comparable to last year's fourth quarter and year-to-date periods.

Restructuring costs were \$0.3 million for the fourth quarter and \$2.2 million year-to-date and are attributed to the restructuring plan that was initiated in the fourth quarter of 2023. Refer to "Impairment loss on goodwill and restructuring costs" within the operating results section for further details.

Operating profit was \$1.6 million during the fourth quarter compared to \$11.3 million in 2023. Excluding restructuring costs, adjusted operating profit declined by \$10.5 million to an adjusted operating profit of \$2.4 million. The decrease in operating profit in the fourth quarter is mainly explained by the decrease in gross profit dollars from the lower gross margin due to unfavourable foreign exchange rates. The year-to-date operating profit was \$15.6 million compared to \$6.4 million during the prior year. Excluding restructuring costs, the adjusted operating profit improved by \$10.3 million to an adjusted operating profit of \$18.3 million from \$8.0 million during the prior year. Year-to-date, the increase in operating profit is mainly explained by the increase in gross profit dollars from the increased sales volume and the higher gross margin, offset in part by the overall higher operating expenses.

Dorel Home

	Fourth Quarters Ended				Years Ended			
	Dec 30, 2024	Dec 30, 2023	Variation \$	%	Dec 30, 2024	Dec 30, 2023	Variation \$	%
Revenue	114,003	138,644	(24,641)	(17.8)%	516,150	558,970	(42,820)	(7.7)%
Cost of sales	122,289	132,163	(9,874)	(7.5)%	505,333	534,299	(28,966)	(5.4)%
Gross profit	(8,286)	6,481	(14,767)	(227.9)%	10,817	24,671	(13,854)	(56.2)%
Adjusted gross profit ⁽¹⁾	1,838	6,481	(4,643)	(71.6)%	21,679	24,671	(2,992)	(12.1)%
Selling expenses	5,086	5,970	(884)	(14.8)%	21,577	24,911	(3,334)	(13.4)%
General and administrative expenses	7,379	8,813	(1,434)	(16.3)%	28,769	31,570	(2,801)	(8.9)%
Research and development expenses	1,072	1,290	(218)	(16.9)%	4,877	5,191	(314)	(6.0)%
Impairment (reversal) loss on trade accounts receivable	(41)	229	(270)	n.m.	1,869	251	1,618	n.m.
Restructuring costs	3,168	2,981	187	6.3%	3,753	2,981	772	25.9%
Impairment loss on goodwill	-	-	-	n/a	45,302	-	45,302	100.0%
Operating loss	(24,950)	(12,802)	12,148	94.9%	(95,330)	(40,233)	55,097	136.9%
Adjusted operating loss ⁽¹⁾	(11,658)	(9,821)	1,837	18.7%	(35,413)	(37,252)	(1,839)	(4.9)%
Gross margin ⁽²⁾	(7.3)%	4.7%	n/a	(1,200) bp	2.1%	4.4%	n/a	(230) bp
Adjusted gross margin ⁽¹⁾	1.6%	4.7%	n/a	(310) bp	4.2%	4.4%	n/a	(20) bp
Selling expenses as a percentage of revenue ⁽³⁾	4.5%	4.3%	n/a	20 bp	4.2%	4.5%	n/a	(30) bp
General and administrative expenses as a percentage of revenue ⁽⁴⁾	6.5%	6.4%	n/a	10 bp	5.6%	5.6%	n/a	- bp

n.m. = not meaningful

n/a = not applicable

bp = basis point

(1) This is a non-GAAP financial ratio or measure with no standardized meaning prescribed by IFRS and therefore is unlikely to be comparable to similar measures presented by other issuers. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

(2) Gross margin is defined as gross profit divided by revenue.

(3) Selling expenses as a percentage of revenue is defined as selling expenses divided by revenue.

(4) General and administrative expenses as a percentage of revenue is defined as general and administrative expenses divided by revenue.

Dorel Home's fourth quarter revenue declined by \$24.6 million, or 17.8%, to \$114.0 million from \$138.6 million last year. The decline in revenue in the fourth quarter is mainly explained by reduced online sales from the lower online consumer demand that has persisted over the last several quarters. In addition, sales in the brick-and-mortar channel declined versus last year, albeit less than the online sales decline, due to reduced POS sales. The current interest rate environment, particularly in the U.S., continues to constrain consumer spending habits related to home furnishings items, specifically as it relates to online furniture demand.

The segment's revenue for the full year declined by \$42.8 million, or 7.7%, to \$516.2 million from \$559.0 million last year. The year-to-date decline is mainly explained by the reduced online sales from the overall lower online consumer demand throughout the year partially offset by the increased sales in the brick-and-mortar channel in the first half of this year only. Sales in the brick-and-mortar channel were essentially flat in the third quarter this year and declined by single digits in the fourth quarter this year compared to the same periods last year.

Gross profit for the fourth quarter decreased by \$14.8 million compared to last year's fourth quarter. The gross margin in the fourth quarter was (7.3)%, representing a decline of 1,200 basis points from 4.7% last year. Excluding restructuring costs, adjusted gross profit decreased by \$4.6 million, or 71.6% and by 310 basis points to 1.6% from 4.7% last year. The decrease in gross profit and gross margin in the quarter was mainly due to increased promotional incentive offerings, reduced online business that generates higher margins, and lower volume efficiency in domestic manufacturing activity resulting in lower factory overhead absorption. In addition, there were asset impairments as well as inventory write-downs in the current quarter related to the Montreal, Quebec plant closure announcement in early January 2025.

For the full year, gross profit decreased by \$13.9 million compared to last year and gross margin declined by 230 basis points to 2.1% from 4.4% last year. Excluding restructuring costs, adjusted gross profit decreased by \$3.0 million, or 12.1% and by 20 basis points to 4.2%. The year-to-date decline in gross profit and gross margin was mainly due to the same reasons as in the quarter. The year-to-date decline was partially offset by the first quarter improvement in gross profit and gross margin mainly due to reduced freight and raw material costs, as well as higher factory overhead absorption from the slightly better domestic manufacturing activity.

Selling expenses in the fourth quarter were lower by \$0.9 million, or 14.8%, to \$5.1 million from \$6.0 million last year. For the full year, selling expenses declined by \$3.3 million, or 13.4%, to \$21.6 million. The decline in the quarter and year-to-date periods is mainly explained by reduced people costs from the reductions in headcount due to the restructuring activities carried out in the fourth quarter of 2023, as well as the decreased commissions from lower sales.

General and administrative expenses in the fourth quarter declined by \$1.4 million, or 16.3% to \$7.4 million from \$8.8 million last year. For the full year, general and administrative expenses declined by \$2.8 million, or 8.9%, to \$28.8 million, and were flat as a percentage of revenue compared to the prior year. The decline in the year-to-date period is mainly explained by lower people costs from the reductions in headcount due to the restructuring activities initiated in the fourth quarter of 2023 which continued into 2024, as well as the decrease in product liability insurance costs.

Research and development expenses remained comparable to last year's fourth quarter and year-to-date periods.

Impairment loss on trade accounts receivable remained comparable to last year's fourth quarter but increased by \$1.6 million year-to-date due to the bankruptcy of a customer in the U.S. during the third quarter of this year.

Restructuring costs were \$3.2 million for the fourth quarter and \$3.8 million year-to-date and are attributed to the restructuring plan that was initiated in the fourth quarter of 2023 and continued into 2024. Refer to "Impairment loss on goodwill and restructuring costs" within the operating results section for further details.

Impairment loss on goodwill of \$45.3 million was recorded in the second quarter of this year related to Dorel Home CGU due to reduced earnings and cash flow projections in light of the general economic and financial conditions globally from the ongoing high inflationary environment and the sustained high interest and mortgage rates continued to have a negative impact on the furniture industry, resulting in a significant decrease in consumer demand.

Dorel Home's operating loss increased by \$12.1 million for the quarter to an operating loss of \$25.0 million. Excluding restructuring costs, the adjusted operating loss increased by \$1.8 million to an adjusted operating loss of \$11.7 million. The increase in the operating loss for the quarter is mainly explained by the decrease in gross profit dollars from the overall lower sales and lower gross margin, offset in part by the overall lower operating expenses. For the full year, operating loss increased by \$55.1 million to an operating loss of \$95.3 million compared to last year, mainly due to the impairment loss on goodwill. Excluding restructuring costs and the impairment loss on goodwill, the year-to-date adjusted operating loss was essentially flat at \$35.4 million.

4. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

a) Selected information from the consolidated statements of financial position

	Dec 30, 2024	Dec 30, 2023
Assets		
Current assets	500,141	619,559
Assets held for sale	63,365	-
	563,506	619,559
Non-current assets	239,289	381,368
	802,795	1,000,927
Liabilities		
Current liabilities	579,756	429,582
Liabilities directly associated with assets held for sale	56,980	-
	636,736	429,582
Non-current liabilities	123,916	346,643
Equity	42,143	224,702
	802,795	1,000,927

Compared to December 30, 2023, Dorel's total current assets decreased mainly as a result of:

- a decrease in inventories of \$86.7 million, which is mainly coming from Dorel Home with their continuing efforts, throughout the year, to further reduce inventories and move out existing high-cost items;
- a decrease in trade accounts receivable of \$56.3 million of which \$39.7 million was in Dorel Home and \$16.6 million was in Dorel Juvenile due to the timing of collection of accounts receivable from customers;
- partly offset by an increase in assets held for sale.

Compared to December 30, 2023, Dorel's total non-current assets decreased mainly as a result of:

- a decrease in goodwill of \$45.4 million following the recording of an impairment loss on goodwill for the Dorel Home CGU in the second quarter of this year;
- a decrease in deferred tax assets of \$40.1 million;
- a decrease in property, plant and equipment of \$17.0 million mainly from the depreciation and amortization recorded during year ended December 30, 2024; and
- a decrease in right-of-use assets of \$36.6 million from the depreciation and amortization recorded during the year ended December 30, 2024, net of the additions, reassessment of lease liabilities and lease modifications of the same period.

Compared to December 30, 2023, Dorel's total current liabilities increased mainly as a result of:

- an increase in the current portion of the long-term debt of \$195.5 million following the reclassification of the ABL facility and the term loan as current;
- an increase in liabilities directly associated with assets held for sale;
- partly offset by a decrease in trade and other payables in the amount of \$41.8 million due to the timing of payments to suppliers.

Compared to December 30, 2023, Dorel's total non-current liabilities decreased mainly as a result of:

- a decrease in long-term debt following the reclassification of the ABL facility and the term loan as current; and
- a decrease in lease liabilities of \$34.9 million from the payment of lease liabilities, net of the additions, reassessment of lease liabilities and lease modifications.

b) Debt-to-equity ratio

	Dec 30, 2024	Dec 30, 2023
Long-term debt	246,369	235,665
Bank indebtedness	6,425	7,317
Total debt ⁽¹⁾	252,794	242,982
Equity	42,143	224,702
Debt-to-equity ratio ⁽¹⁾	6.00	1.08

(1) This is a non-GAAP financial ratio or measure with no standardized meaning prescribed by IFRS and therefore is unlikely to be comparable to similar measures presented by other issuers. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

The debt-to-equity ratio as at December 30, 2024 increased when compared to the ratio as at December 30, 2023, due to the decrease in equity, from the net loss in the year as the Company's overall debt levels remained comparable.

c) Cash flow

	Years Ended		
	Dec 30, 2024	Dec 30, 2023	Variation \$
Cash flow provided by (used in):			
Operating activities	62,368	76,932	(14,564)
Financing activities	(24,390)	(65,950)	41,560
Investing activities	(17,599)	(20,539)	2,940
Effect of foreign currency exchange rate changes on cash and cash equivalents	(3,195)	1,237	(4,432)
Net increase (decrease) in cash and cash equivalents	17,184	(8,320)	25,504

Cash flow provided by operating activities

For the year, cash flow provided by operating activities was \$62.4 million compared to \$76.9 million last year. This represented a year-over-year decrease in cash flow provided by operating activities of \$14.5 million.

	Source (use) of cash		
	Years Ended		
	Dec 30, 2024	Dec 30, 2023	Variation
Net loss	(171,958)	(62,350)	(109,608)
Items not involving cash:			
Depreciation and amortization	67,629	69,504	(1,875)
Impairment loss on goodwill	45,302	-	45,302
Unrealized (gains) losses arising on financial assets and financial liabilities classified at fair value through profit or loss	(72)	7	(79)
Change in funds held by ceding insurer	(229)	(1,925)	1,696
Defined benefit pension and post-retirement costs	1,593	1,876	(283)
Net loss (gain) on disposal of property, plant and equipment and intangible assets and on lease modifications	1,086	(970)	2,056
Restructuring costs	11,292	(53)	11,345
Finance expenses	38,556	24,726	13,830
Income taxes expense (recovery)	42,371	(14,573)	56,944
Net changes in balances related to operations:			
Trade accounts receivable	7,725	(2,995)	10,720
Inventories	53,953	62,502	(8,549)
Other assets	(8,339)	(6,328)	(2,011)
Trade and other payables	2,429	40,165	(37,736)
Net pension and post-retirement defined benefit liabilities	(3,390)	(4,787)	1,397
Provisions	(547)	(3,257)	2,710
Other liabilities	2,620	1,290	1,330
Income taxes paid	(5,508)	(3,327)	(2,181)
Income taxes received	691	2,758	(2,067)
Interest paid	(24,017)	(26,472)	2,455
Interest received	1,181	1,141	40
Cash provided by operating activities	62,368	76,932	(14,564)

The decrease in cash flow provided by operating activities compared to 2023 is mainly explained by a net negative change in balances related to operations partially offset by the overall lower loss from earnings in 2024. The net negative change in balances related to operations is due to the net negative change in inventories and trade and other payables offset in part by the net positive change in trade accounts receivable. The net negative change in inventories is from the continuing efforts to reduce inventories of high-cost items in opening inventories while the net negative change in trade and other payables is due to the timing of payments to suppliers. The net positive change in trade accounts receivable is mainly due to the timing of the collection of accounts receivable from customers.

Free cash flow

	Years Ended		
	Dec 30, 2024	Dec 30, 2023	Variation \$
Cash provided by operating activities	62,368	76,932	(14,564)
Less:			
Additions to property, plant and equipment	(14,157)	(15,835)	1,678
Disposals of property, plant and equipment	5,997	50	5,947
Additions to intangible assets	(9,439)	(7,716)	(1,723)
Net proceeds on sale of assets held for sale	-	2,962	(2,962)
Free cash flow ⁽¹⁾	44,769	56,393	(11,624)

(1) This is a non-GAAP financial ratio or measure with no standardized meaning prescribed by IFRS and therefore is unlikely to be comparable to similar measures presented by other issuers. Refer to the section "Definition and reconciliation of non-GAAP financial ratios and measures" in this MD&A.

Cash flow used in financing activities

Cash flow used in financing activities decreased by \$41.6 million to \$24.4 million as last year's cash flow used in financing activities included the repayment of long-term debt compared to proceeds from additional borrowings this year.

Cash flow used in investing activities

Cash flow used in investing activities remained comparable for both periods.

d) Contractual obligations

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Bank indebtedness	6,425	6,425	-	-	-
Trade and other payables	279,391	279,391	-	-	-
Long-term debt repayments:					
ABL facility	128,200	128,200	-	-	-
Term loan	81,400	81,400	-	-	-
Debt financing	28,818	1,519	3,227	4,087	19,985
Other long-term debt	15,061	11,818	3,123	120	-
Interest obligations on long-term debt at fixed interest rates	6,352	1,296	1,555	1,220	2,281
Contractual undiscounted cash flows of lease liabilities	125,960	40,235	53,826	15,253	16,646
Other financial liabilities	807	71	689	47	-
Capital expenditure commitments	1,896	1,896	-	-	-
Licensing commitments	1,720	1,720	-	-	-
Total contractual obligations	676,030	553,971	62,420	20,727	38,912

The Company does not have significant contractual commitments beyond those reflected in the consolidated statement of financial position, the commitments listed in Note 23 of the consolidated financial statements and capital expenditure and licensing commitments in the table above.

Bank indebtedness

As at December 30, 2024, Dorel had available bank lines of credit amounting to approximately \$9.6 million of which \$6.4 million have been used. The availability of these funds is dependent on Dorel continuing to meet the financial covenants of its related credit agreements.

Long-term debt and financial covenants

Term loan facility and senior secured asset based revolving credit facility (“ABL facility”)

On November 1, 2024, the Company further amended its ABL facility agreement to decrease the total availability to \$235.0 million and to amend certain covenants. On November 1, 2024, the Company further amended its senior secured term loan credit agreement to amend certain covenants.

Financial covenants

Under both the ABL facility and term loan facility, the Company is subject to certain covenants, including maintaining minimum revolving excess availability. If this minimum excess availability is not met, then the Company must meet a minimum quarterly projected Earnings before interest, taxes, depreciation and amortization (“EBITDA”) target. The Company did not meet its covenants as at December 30, 2024 and classified its bank loans under the ABL facility and term loan as current.

Lease liabilities

As at December 30, 2024, total contractual undiscounted cash flows of lease liabilities were \$126.0 million. In addition, as at December 30, 2024, Dorel had undiscounted future lease payments of \$0.8 million related to leases not yet commenced to which it was committed, which are not reflected in the measurement of lease liabilities.

Other considerations

As new product development is vital to the continued success of Dorel, the Company must make capital investments in research and development, moulds and other machinery, equipment, and technology. It is expected that Dorel will invest between \$25.0 million and \$30.0 million in 2025 to meet its new product development and other growth objectives. Dorel expects its existing operations to be able to generate sufficient cash flow to provide for this and other requirements as they arise throughout the year. As part of its capital management strategy to ensure it will have sufficient liquidity to meet its obligations as they become due, Dorel may need to reduce or change the timing of its expected capital investments during 2025.

Contractual obligations for the purchases of goods or services are defined as agreements that are enforceable and legally binding on the Company and that specify all significant terms, including: fixed or variable price provisions, and the approximate timing of the transaction. With the exception of those listed in the contractual obligations table, Dorel does not have significant agreements for the purchase of raw materials or finished goods specifying minimum quantities or set prices that exceed its short term expected requirements. Therefore, not included in the contractual obligations table are Dorel's outstanding purchase orders for raw materials, finished goods or other goods and services which are based on current needs and are fulfilled by its vendors on relatively short timetables.

As detailed in Note 19 of the consolidated financial statements, there is a \$3.5 million liability related to Dorel's pension and post-retirement benefit plans. In 2025, contributions expected to be paid for funded plans and benefits expected to be paid for unfunded plans under these plans amount to approximately \$2.1 million.

e) Off-Balance Sheet Arrangements

In addition to the contractual obligations listed above, Dorel has certain off-balance sheet arrangements and commitments that have financial implications, specifically standby letters of credit and other guarantees. Off-balance sheet arrangements are described in Note 23 to the consolidated financial statements.

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

f) Financial Instruments

In the normal course of business, Dorel is subject to various risks relating to foreign exchange, interest rate, credit and liquidity. Dorel manages these risk exposures on an ongoing basis. In order to limit the effects of changes in foreign exchange rates on its revenues, expenses and cash flows, the Company can avail itself of various derivative financial instruments. Dorel's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing or anticipated risks, commitments or obligations based on its past experience.

Dorel is exposed to interest rate fluctuations, related to certain long-term debts, for which amounts borrowed bear interest at variable rates in effect at the time of borrowing, plus a margin. The Company's ABL facility and term loan facility bear interest at variable rates in effect at the time of borrowing plus a margin. As a result, the Company is exposed to interest rate cash flow risk due to fluctuations in variable rates. For long-term debt bearing interest at fixed rates, the Company is not exposed to interest rate risk on these instruments.

Dorel is subject to other various risks relating primarily to foreign exchange risk. In order to mitigate the effects of changes in foreign exchange rates on its revenue, its expenses and its cash flows, the Company uses various derivative financial instruments such as swaps, options, futures and forward contracts to hedge against adverse fluctuations in foreign currency rates. The Company's main source of foreign exchange rate risk resides in sales and purchases of goods denominated in currencies other than the functional currency of each of Dorel's affiliates. An equal proportion of short-term lines of credit, overdrafts and long-term debt used by the Company's affiliates are in the currency of the borrowing entity and therefore carry no foreign exchange rate risk as well as denominated in CAD, which creates a foreign currency risk. Inter-company loans/borrowings are economically hedged as appropriate, whenever they present a net exposure to foreign exchange rate risk and some are used to hedge net investments in their foreign subsidiaries. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of each of Dorel's affiliates at the rates of exchange at each financial position date, the impact of which is reported as a foreign exchange gain or loss in the consolidated income statements.

As such, derivative financial instruments are used as a method for meeting the risk reduction objectives of Dorel by generating offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted transactions. Dorel does not hold or use derivative financial instruments for trading or speculative purposes.

Further information on Dorel's financial instruments can be found in Note 18 of the consolidated financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Dorel's consolidated financial statements have been prepared in accordance with IFRS. The preparation of the consolidated financial statements requires using judgments, which includes making estimates and assumptions at the date of the consolidated financial statements that affect the reported amounts of assets and liabilities, related amounts of revenue and expenses, and disclosure of contingent assets and liabilities. A complete list of all material accounting policies is listed in Note 3 to the consolidated financial statements.

Dorel believes the following are the most critical accounting estimates that would have the most material effect on the consolidated financial statements should these accounting estimates change materially or should these accounting policies change or be applied in a different manner:

Basis of preparation of the consolidated financial statements

At each reporting period, management assesses the basis of preparation of the consolidated financial statements. Dorel's consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern, management must take into account all available information about the future, including estimated future cash flows, for a period of at least twelve months following the end of the reporting period.

The Company has incurred net losses for the years ended December 30, 2024 and 2023, and has negative working capital (current liabilities in excess of current assets) and an accumulated deficit as at December 30, 2024.

In addition, under both the ABL facility and term loan facility, the Company is subject to certain covenants, including maintaining minimum revolving excess availability. If this minimum excess availability is not met, then the Company must meet a minimum quarterly projected Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") target. The Company shall be in breach of this covenant if both its minimum revolving excess availability and its minimum quarterly projected EBITDA target are not met. This would be considered an event of default under the ABL facility and term loan, that would result in the outstanding balances borrowed under the Company's ABL facility and term loan coming due immediately. The Company did not meet its covenants as at December 30, 2024 and classified its bank loans under the ABL facility and term loan as current.

The Company's ability to fund its operations and meet its cash flow requirements is dependent upon the continued support of the lenders and the Company's ability to maintain minimum excess availability or a minimum quarterly projected EBITDA target if the minimum excess availability is not met. Management plans to adhere to the minimum excess availability requirements by actively managing liquidity through the management of both its working capital and discretionary spending, prioritizing capital expenditures and exploring strategic initiatives including the monetization of certain assets and additional sources of financing.

On January 30, 2025, the Company announced a major Home segment restructuring plan as part of its efforts to realign its business model to current and anticipated future industry dynamics and the reality that revenue expectations for the Home segment require a much smaller footprint than in the past. The Company will be focusing on the following initiatives as part of this expanded restructuring plan: (i) downsizing of the Company's non-manufacturing workforce; (ii) closure of the Company's manufacturing operations based in Montreal, Quebec; (iii) acceleration of a SKU reduction initiative; and (iv) reduction of the Company's distribution footprint across the segment. The Company believes that some of the benefits of the actions will be realized in 2025 while the full benefits of these actions will be realized in 2026.

On February 21, 2025, the Company further announced that it had entered into a sale-leaseback transaction for its factory and warehousing facility in Columbus, Indiana. The gross proceeds to Dorel from the sale was \$30.0 million, of which approximately \$8.0 million will be allocated to reduce existing debt, with the balance designated for funding the Company's ongoing operations.

In addition to the sale-leaseback transaction, the Company re-iterated that it is actively working on additional opportunities to further enhance its financial position.

In 2024, as part of the monetization of assets plan, management committed to a plan to sell certain facilities within the Dorel Home segment. These assets and related liabilities are presented as held for sale in the consolidated statements of financial position and are measured at the lower of carrying amount and fair value less costs to sell. Efforts to sell the assets held for sale have started and a sale is expected within the next twelve months.

Assessing the Company's estimated future cash flows and liquidity, including its future compliance with covenants under its ABL facility and term loan facility, requires significant judgment. As there is significant uncertainty surrounding the Company's cash flows projections, its minimum revolving excess availability and its projected EBITDA, management concluded that the Company may not be able to meet its quarterly financial covenants during the next twelve months. Management is closely monitoring its cash flows, its minimum revolving excess availability and its minimum quarterly projected EBITDA targets. However, there can be no assurance that the Company will be successful in obtaining a waiver if it is in default of its financial covenants in the future, that alternative financing will be available to the Company, or that the Company will generate sufficient cash flows to meet its obligations. Accordingly, these circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that might be necessary should the Company be unable to achieve its plan and continue in business. If the going concern assumption was not appropriate for the consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the classification of items in the consolidated statements of financial position classifications used. Such adjustments could be material.

Impairment testing of goodwill and intangible assets with indefinite useful lives

Significant management estimates are required to determine both fair value and value in use of a CGU to which goodwill and intangible assets with indefinite useful lives are allocated. Estimates of fair value, selling costs or the discounted future cash flows related to the CGUs are required. Differences in estimates could affect whether goodwill or intangible assets with indefinite useful lives are in fact impaired and the dollar amount of that impairment.

Provisions and contingent liabilities

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

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

Product liability

Dorel insures itself to mitigate its product liability exposure. The estimated product liability exposure requires the use of judgment and is discounted and calculated by an independent actuary based on historical sales volumes, past claims history and management and actuarial assumptions. The estimated exposure includes incidents that have occurred, as well as incidents anticipated to occur on products sold prior to the reporting date. Significant assumptions used in the actuarial model include management's estimates for pending claims, product life cycle, discount rates, and the frequency and severity of product incidents. Dorel reviews periodically its recorded product liability provisions and any adjustment is recorded in general and administrative expenses.

Income taxes

Dorel follows the liability method of accounting for income taxes. Under this method, deferred income taxes relate to the expected future tax consequences of differences between the carrying amount of assets and liabilities for financial reporting purposes in the consolidated statement of financial position and their corresponding tax values using the enacted or substantively enacted income tax rate, which are expected to be in effect for the year in which the differences are expected to reverse.

A deferred tax asset is recorded when it is probable that it will be realized in the future. The ultimate realization of deferred tax assets is based on management's estimates of the generation of future income and estimates of the impact of tax planning strategies. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing on the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company's income tax provision is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities from various jurisdictions. Management's estimates of income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as for changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final result of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the provision for income taxes and in valuing income tax assets and liabilities.

Revenue recognition - sales returns and other customer programs

At contract inception, Dorel estimates customer programs and incentive offerings that give rise to variable consideration. Estimated amounts of variable consideration are based on various assumptions including agreements with comparable customers, past experience with customers and/or products, and other relevant factors. The amount of revenue recognized is adjusted for expected returns, which are estimated by management based on the historical data for the related types of goods sold.

Impairment loss allowance for trade accounts receivable

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

Inventory valuation

Dorel regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, damaged, if they have become obsolete, or if their selling prices or estimated forecast of product demand declines. If actual market conditions are less favourable than previously projected, or if liquidation of the inventory no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.

Determining the lease term of contracts with extension options and termination options

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

6. ACCOUNTING CHANGES

New standards and amendments adopted during the period

The Company's audited consolidated financial statements for the year ended December 30, 2024 were prepared in accordance with IFRS, using the same accounting policies as those applied in the audited consolidated financial statements for the year ended December 30, 2023, except for the new or amended accounting standards that were adopted during the year, as described below.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The amendments apply for annual reporting periods beginning on or after January 1, 2024. The adoption of the amendments had no impact on the Company's consolidated financial statements.

New standards and amendments not yet adopted

The following new accounting standards and amendments are not effective for the year ended December 30, 2024 and have not been applied in preparing the audited annual consolidated financial statements.

Presentation and Disclosure in Financial Statements (IFRS 18)

On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027. Early adoption is permitted. The Company is currently evaluating the impact from the adoption of IFRS 18 on its consolidated financial statements.

7. MARKET RISKS AND UNCERTAINTIES

General Economic Conditions

Over the years, Dorel has experienced several economic downturns and the majority of its products have proven to be ones that consumers continue to purchase during those challenging economic conditions. In 2024, the retail environment could be characterized as challenging in most of the Company's markets, similar to last year. The dominant share of the market represented by Dorel's retail partners, together with changes in consumer shopping patterns, has contributed to dominant retailers and Internet companies that have strong negotiating power with suppliers. Other trends are for

retailers and Internet companies to import products directly from foreign sources and to source and sell products under their own private label brands, typically at lower prices, that compete with Dorel's products. As a result, the majority of the Company's retail chains, and Internet retailers continued to emphasize price competitiveness as their primary focus. To provide these retail partners with value over and above competitive pricing, Dorel continued to invest in new product development and various brand support initiatives. The combination of these market influences has created an intensely competitive environment resulting in downward pricing pressures, the need for powerful brands and the ongoing introduction of innovative new products.

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

In Dorel Home, Dorel concentrates exclusively on value priced items and sells the majority of its products through the Internet sales distribution and mass merchant channels. During difficult economic times, when shopping for furniture, consumers are more likely to shop at mass merchants, both brick-and-mortar and online, for reasonably priced items.

Should economic conditions worsen significantly, the competitive environment increase, unemployment rise dramatically, importing tariffs increase substantially or bad weather conditions occur, it could have a negative impact on Dorel as consumer spending would likely be curtailed. In addition, as customers are continuously changing their purchasing preferences and habits, the retail industry is experiencing an increase in the number of retailers filing for bankruptcy protection or announcing liquidation of their inventories in recent years. As customers are increasingly embracing shopping online, further investment in digital capabilities is necessary. However, there can be no assurance that these investments will result in increased sales by the Company through e-commerce. There can be no assurance that the economies in which Dorel operates, taken as a whole, will improve going forward and in the event of a substantial deterioration of these economies, Dorel could be adversely affected.

Product Costs and Supply

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

Raw material cost fluctuations during 2024 were highlighted by decreasing resin costs in the U.S., while increasing costs in Europe. Particle board prices decreased in 2024 and are expected to further decline in 2025. Crude oil prices are expected to decrease during 2025. U.S. resin prices are expected to remain stable on average during 2025.

Dorel's suppliers of components and finished goods experienced stable input material costs on average in 2024. The Chinese Renminbi ("RMB") depreciated slightly during 2024. Labor costs increased in both China and the U.S. in 2024.

In contrast with a downward correction in 2023, container freight costs increased for most of 2024 and current expectations are for container prices to remain volatile in 2025 due to ongoing elevated geopolitical risks including tariffs/protectionism impact on trade. International air freight and domestic trucking rates remained stable on average in 2024, but are expected to be volatile in 2025, with likely increases impacting the second half of the year.

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

Foreign Currency Fluctuations

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

Dorel's European, Latin American and Australian operations are negatively affected by a stronger US dollar as portions of their respective purchases are in that currency, while their revenues are not. Portions of Dorel Juvenile segment's purchases are in US dollars, while its revenues are not. Dorel's Canadian operations within Dorel Home benefit from a stronger US dollar as large portions of its revenue are generated in the United States and the majority of its costs are in Canadian dollars. This situation is mitigated somewhat by Dorel Juvenile Canada's operations that import US dollar denominated goods and sell to Canadian customers.

The Company uses derivatives to hedge against these adverse fluctuations in foreign currency rates. Further details on the Company's hedging strategy can be found in Note 18 of Dorel's consolidated financial statements for the years ended December 30, 2024 and 2023. Significant changes in the value of the US dollar can greatly affect Dorel's future earnings.

Concentration of Revenues

For the year ended December 30, 2024, two customers each accounted for more than 10% of the Company's revenue, representing an aggregate of 46.9% of Dorel's revenue. In 2023, two customers each accounted for more than 10% of the Company's revenue, at 42.2% of Dorel's revenue. Dorel does not have long-term contracts with its customers, and as such revenues are dependent upon Dorel's continued ability to deliver attractive products at a reasonable price, combined with high levels of service. There can be no assurance that Dorel will be able to sell to such customers on an economically advantageous basis in the future or that such customers will continue to buy from Dorel.

Customer and Credit Risk

The majority of the Company's revenue is derived from sales to major retail chains and Internet retailers. The remainder of Dorel's sales are made mostly to specialty juvenile stores. To minimize credit risk, the Company conducts ongoing credit reviews and maintains credit insurance on selected accounts. Should certain of these major retailers have financial difficulty and/or cease operations, there could be a material short-term adverse effect on the Company's consolidated results of operations. In the long term, the Company believes that should certain retailers cease to exist, consumers will shop at competitors at which Dorel's products will generally also be sold. However, in the event that some of the Company's major customers face financial difficulties and/or cease operations, this could adversely affect the Company's future earnings. As at December 30, 2024, two customers accounted for 44.8% of the Company's total trade accounts receivable balance, while in 2023, two customers accounted for 41.7%.

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

Product Liability

As with all manufacturers of products designed for use by consumers, Dorel is subject to numerous product liability claims, particularly in the United States. Dorel makes ongoing efforts to improve quality control and to ensure the safety of its products. The Company is insured to mitigate its product liability exposure, by the use of both traditional insurance and by the Company's wholly owned subsidiary, DICV, which functions as a captive insurance company, providing a self funded insurance program to mitigate its product liability exposure. No assurance can be given that a judgment will not be rendered against Dorel in an amount exceeding the amount of insurance coverage or in respect of a claim for which Dorel is not insured.

Income Taxes

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

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

Product and Brand Development

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

Regulatory Environment

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

International Conflicts

The Russia-Ukraine war and possible resumption of the Israeli-Hamas war have created and are expected to continue to create further global economic uncertainty. We will continue to monitor the situation closely, but to date we have not experienced any disruptions in our business operations as we do not have significant operations, customers or supplier relationships in Russia, Belarus, Ukraine, or Israel. However, it is difficult to predict the broader impact of the conflicts on global economies going forward and their impact on our business.

Public Health Crises

Dorel is exposed to risks related to pandemics or epidemics, such as the outbreak of COVID-19 that surfaced in December 2019 and which, on March 11, 2020, was declared to be a global pandemic by the World Health Organization. However, it is difficult to predict the broader impact of future public health crises on global economies and their impact on our business.

Tariffs

On February 1, 2025, the U.S. administration issued three executive orders directing the United States to impose new tariffs on imports from Canada, Mexico, and China, which took effect on March 4, 2025, with the exception of goods covered under the U.S. – Mexico – Canada agreement that will take effect on April 2, 2025. The tariffs are an additional 25% rate of duty on imports from Canada and Mexico and 10% on imports from China. The tariffs will apply to all imports except Canadian energy resources exports, which will face a 10% tariff instead. The international trade disputes sparked by the tariffs actually imposed or potential tariffs to be imposed by the U.S. and other countries in response, including a further escalation in tariffs, retaliatory tariffs, and/or the withdrawal from, or changes to, international trade agreements, are expected to have a negative impact on the global economies and other markets where the Company operates, and could adversely affect the Company's business operations and financial condition. Also, on February 10, 2025, the U.S. administration issued two executive orders directing the United States to raise tariffs on imports of steel and aluminium

products from all countries, except Canada, to a flat 25% from the previous 10%, to take effect on March 12, 2025, and eliminating all previous country exceptions and product exceptions. The tariffs on imports of steel and aluminium products from Canada will increase to 50%. In addition, the uncertainty as to whether additional tariffs or trade policies will be adopted internationally and the uncertainty of the impact of such tariffs and trade policies have and may continue to have a negative impact on the global economy and may adversely affect the Company's business operations and financial condition.

Liquidity and Access to Capital Resources

Dorel requires continued access to capital to support its activities. In addition, in order to satisfy its financing needs, Dorel relies on long-term and short-term debt, and on cash flows from operations.

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

Assessing the Company's estimated future cash flows and liquidity, including its future compliance with covenants under its ABL facility and term loan facility, requires significant judgment. As there is significant uncertainty surrounding the Company's cash flows projections, its minimum revolving excess availability and its projected EBITDA, management concluded that the Company may not be able to meet its quarterly financial covenants during the next twelve months. Management is closely monitoring its cash flows, its minimum revolving excess availability and its minimum quarterly projected EBITDA targets. However, there can be no assurance that the Company will be successful in obtaining a waiver if it is in default of its financial covenants in the future, that alternative financing will be available to the Company, or that the Company will generate sufficient cash flows to meet its obligations.

The Company's ability to fund its operations and meet its cash flow requirements is dependent upon the Company's ability to maintain minimum excess availability. Management plans to adhere to the minimum excess availability requirements by actively managing liquidity through the management of both its working capital and discretionary spending, prioritizing capital expenditures and exploring strategic initiatives including the monetization of certain assets and additional sources of financing.

Accordingly, these circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that might be necessary should the Company be unable to achieve its plan and continue in business. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the classification of items in the consolidated statements of financial position classifications used. Such adjustments could be material (refer to Note 1 of the annual consolidated financial statements).

Reliance on Information Technology Systems

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

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

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

also face risks of unauthorized access to their information technology systems which may contain Dorel's confidential information.

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

Remote Work

Dorel has, and will continue to have, a portion of its employee population that works from home full-time or under flexible work arrangements, which exposes the Company to additional cybersecurity risks. Dorel's employees working remotely may expose the Company to cybersecurity risks through: (i) unauthorized access to sensitive information as a result of increased remote access, including employees' use of Company-owned and personal devices and videoconferencing functions and applications to remotely handle, access, discuss, or transmit confidential information, (ii) increased exposure to phishing and other scams as cybercriminals may, among other things, install malicious software on the Company's systems and equipment and access sensitive information, and (iii) violation of international, federal, or state- or province-specific privacy laws. Dorel believes that the increased number of employees working remotely has incrementally increased its cyber risk profile, but is unable to predict the extent or impacts of those risks at this time. A significant disruption of the Company's information technology systems, unauthorized access to or loss of confidential information, or legal claims resulting from the Company's violation of privacy laws could each have a material adverse effect on its business.

Intellectual Property

The Company's success with its proprietary products depends, in part, on its ability to protect its current and future technologies and products and to defend its intellectual property rights, including its patent, trade secret and trademark rights. If the Company fails to adequately protect its intellectual property rights, competitors may manufacture and market the same or similar products.

The Company holds numerous design and utility patents covering a wide variety of products. The Company cannot be sure that it will receive patents for any of its innovations or that any existing or future patents that it receives or licenses will provide competitive advantages for its products. The Company also cannot be sure that competitors will not challenge and potentially invalidate any existing or future patents that the Company receives or licenses. In addition, patent rights may not prevent competitors from developing, using or selling products that are similar or functionally equivalent to the Company's products.

Damage to the Company's Reputation

Maintaining the Company's strong reputation with consumers, customers and suppliers worldwide is critical to the Company's continued success. Adverse publicity about the Company, its brands, corporate practices, or any other issue that may be associated with the Company, whether or not deserved, could jeopardize that reputation. Such adverse publicity could come from traditional sources such as government investigations or public or private litigation, but may also arise from negative comments on social media regarding the Company or its brands.

Damage to the Company's reputation or a loss of consumer confidence in the Company's brands could adversely affect the Company's business, results of operations, cash flows and financial condition as well as require resources to repair the harm.

Climate change and focus on sustainability

Certain scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that could have significant physical effects, such as increased frequency and severity of storms, droughts, floods, wildfires and other climatic events. Increased frequency of extreme weather could cause increased incidence of disruption to the production and distribution of Dorel's products. Increasing natural disasters in connection with climate change could also be a direct threat to Dorel's third-party vendors, service providers or other

stakeholders, including disruptions of supply chains or information technology or other necessary services for the Company.

Federal, state, provincial and local governments, as well as some of Dorel's customers, are beginning to respond to climate change issues. This increased focus on sustainability is resulting in new legislation, regulations and customer requirements that could negatively affect Dorel, as it may incur additional costs or be required to make changes to its operations in order to comply with any new regulations or customer requirements. Legislation or regulations that potentially impose restrictions, caps, taxes, or other controls on emissions of greenhouse gases such as carbon dioxide, a by-product of burning fossil fuels such as those used in the Company's supply chain, could adversely affect the Company's operations and financial results.

8. OTHER INFORMATION

The designation, number and amount of each class and series of Dorel's shares outstanding as of March 10, 2025 are as follows:

- An unlimited number of preferred shares without nominal or par value, issuable in series and fully paid;
- An unlimited number of Class "A" Multiple Voting Shares without nominal or par value, convertible at any time at the option of the holder into Class "B" Subordinate Voting Shares on a one-for-one basis; and
- An unlimited number of Class "B" Subordinate Voting Shares without nominal or par value, convertible into Class "A" Multiple Voting Shares, under certain circumstances, if an offer is made to purchase the Class "A" shares.

Details of the issued and outstanding shares are as follows:

Class "A"		Class "B"		Total
Number	\$('000)	Number	\$('000)	\$('000)
4,136,553	1,742	28,524,113	206,807	208,549

Outstanding Deferred Share Units are disclosed in Note 21 of Dorel's consolidated financial statements. There were no significant changes to these values in the period between the quarter-end and the date of the preparation of this MD&A.

9. DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures ("DC&P")

National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators requires that the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") certify that they are responsible for establishing and maintaining DC&P for the Company, that DC&P have been designed and are effective in providing reasonable assurance that material information relating to the Company is made known to them, that they have evaluated the effectiveness of the Company's DC&P, and that their conclusions about the effectiveness of those DC&P at the end of the period covered by the relevant annual filings have been disclosed by the Company.

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Executive Vice-president, Chief Financial Officer and Secretary, management has evaluated the design and operating effectiveness of the Company's DC&P as at December 30, 2024 and have concluded that those DC&P were appropriately designed and operating effectively in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

Internal controls over financial reporting ("ICFR")

National Instrument 52-109 also requires the CEO and CFO to certify that they are responsible for establishing and maintaining ICFR for the Company, that the design and operation of the internal controls are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial

statements in accordance with IFRS, and that the Company has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its ICFR.

During 2024, management evaluated the Company's ICFR to ensure that their design and operation are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS. Management has used the Internal Control – Integrated Framework (2013) to evaluate the effectiveness of ICFR, which is a recognized and suitable framework developed by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Under the supervision of and with the participation of management, including the President and Chief Executive Officer and Executive Vice-president, Chief Financial Officer and Secretary, management has evaluated the ICFR as at December 30, 2024 and have concluded that those internal controls were appropriately designed and were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS.

Changes in DC&P and ICFR

During the fourth quarter ended December 30, 2024, the Company has made no change that has materially affected or is likely to materially affect the Company's internal controls over financial reporting.

10. CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements included in this MD&A may constitute "forward-looking statements" within the meaning of applicable Canadian securities legislation. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties, including statements regarding the impact of the macro-economic environment, including inflationary pressures, changes in consumer spending, exchange rate fluctuations, the possible imposition of tariffs, and increases in interest rates on the Company's business, financial position and operations, and are based on several assumptions which give rise to the possibility that actual results could differ materially from the Company's expectations expressed in or implied by such forward-looking statements and that the objectives, plans, strategic priorities and business outlook may not be achieved. As a result, the Company cannot guarantee that any forward-looking statement will materialize, or if any of them do, what benefits the Company will derive from them. Forward-looking statements are provided in this MD&A for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this MD&A are based on a number of assumptions that the Company believed were reasonable on the day it made the forward-looking statements. Factors that could cause actual results to differ materially from the Company's expectations expressed in or implied by the forward-looking statements include:

- general economic and financial conditions, including those resulting from the current high inflationary environment;
- changes in applicable laws or regulations;
- changes in product costs and supply channels, including disruption of the Company's supply chain resulting from the macro-economic environment;
- foreign currency fluctuations, including high levels of volatility in foreign currencies with respect to the US dollar reflecting uncertainties related to the macro-economic environment;
- possible imposition of tariffs on goods imported into the United States;
- customer and credit risk, including the concentration of revenues with a small number of customers;
- costs associated with product liability;
- changes in income tax legislation or the interpretation or application of those rules;
- the continued ability to develop products and support brand names;
- changes in the regulatory environment;
- outbreak of public health crises, such as the COVID-19 pandemic, that could adversely affect global economies and financial markets, resulting in an economic downturn which could be for a prolonged period of time and have a material adverse effect on the demand for the Company's products and on its business, financial condition and results of operations;

- the effect of international conflicts on the Company's sales, including the ongoing Russia-Ukraine war and a possible resumption of the Israeli-Hamas war;
- continued access to capital resources, including compliance by the Company with all of the covenants under its ABL facility and term loan facility, and the related costs of borrowing, all of which may be adversely impacted by the macro-economic environment;
- failures related to information technology systems;
- changes in assumptions in the valuation of goodwill and other intangible assets and any future decline in market capitalization;
- there being no certainty that the Company will declare any dividend in the future;
- increased exposure to cybersecurity risks as a result of remote work by the Company's employees;
- the Company's ability to protect its current and future technologies and products and to defend its intellectual property rights;
- potential damage to the Company's reputation; and
- the effect of climate change on the Company.

These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking statements are discussed in the Company's annual MD&A and Annual Information Form filed with the applicable Canadian securities regulatory authorities. The risk factors set out in the previously mentioned documents are expressly incorporated by reference herein in their entirety.

The Company cautions readers that the risks described above are not the only ones that could impact it. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial may also have a material adverse effect on the Company's business, financial condition, or results of operations. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

11. DEFINITION AND RECONCILIATION OF NON-GAAP FINANCIAL RATIOS AND MEASURES

Dorel presents in this MD&A certain non-GAAP financial ratios and measures, as described below. These non-GAAP financial ratios and measures do not have a standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. These non-GAAP financial ratios and measures should not be considered in isolation or as a substitute for a measure prepared in accordance with IFRS. Contained within this MD&A are reconciliations of the non-GAAP financial ratios and measures to the most directly comparable financial measures calculated in accordance with IFRS.

Dorel believes that the non-GAAP financial ratios and measures used in this MD&A provide investors with additional information to analyze its results and to measure its financial performance by excluding the variation caused by certain items that Dorel believes do not reflect its core business performance and provides better comparability between the periods presented. Excluding these items does not imply they are necessarily non-recurring. The non-GAAP financial measures are also used by management to assess Dorel's financial performance and to make operating and strategic decisions.

Adjustments to non-GAAP financial ratios and measures

As noted above, certain of our non-GAAP financial measures and ratios exclude the variation caused by certain adjustments that affect the comparability of Dorel's financial results and could potentially distort the analysis of trends in its business performance. Adjustments which impact more than one non-GAAP financial ratio and measure are explained below.

Restructuring costs

Restructuring costs are comprised of costs directly related to significant exit activities, including the sale of manufacturing facilities, closure of businesses, reorganization, optimization, transformation, and consolidation to improve the competitive position of the Company in the marketplace and to reduce costs and bring efficiencies, and acquisition-related costs in connection with business acquisitions. Restructuring costs are included as an adjustment of adjusted gross profit, adjusted gross margin, adjusted operating profit (loss), adjusted net income (loss) and adjusted diluted earnings (loss) per share. Restructuring costs were respectively \$14.1 million and \$17.4 million for the fourth quarter and year ended December 30, 2024 (2023 – \$4.5 million and \$4.5 million). Refer to the section "Impairment loss on goodwill and restructuring costs" in this MD&A for more details.

Impairment loss on goodwill

Impairment loss on goodwill is included as an adjustment of adjusted operating profit (loss), adjusted net income (loss) and adjusted diluted earnings (loss) per share. Impairment loss on goodwill was respectively nil and \$45.3 million for the fourth quarter and year ended December 30, 2024 (none in 2023). Refer to the section “Impairment loss on goodwill and restructuring costs” in this MD&A for more details.

Adjusted gross profit and adjusted gross margin

Adjusted gross profit is calculated as gross profit excluding the impact of restructuring costs. Adjusted gross margin is a non-GAAP ratio and is calculated as adjusted gross profit divided by revenue. Dorel uses adjusted gross profit and adjusted gross margin to measure its performance from one period to the next, without the variation caused by the impacts of the items described above. Dorel also uses adjusted gross profit and adjusted gross margin on a segment basis to measure its performance at the segment level. Dorel excludes this item because it affects the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Certain investors and analysts use the adjusted gross profit and adjusted gross margin to measure the business performance of the Company as a whole and at the segment level from one period to the next, without the variation caused by the impact of the restructuring costs. Excluding this item does not imply it is necessarily non-recurring. These ratios and measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to a similar measure presented by other companies.

	Fourth Quarters Ended		Years Ended	
	Dec 30, 2024	Dec 30, 2023	Dec 30, 2024	Dec 30, 2023
Gross profit	46,052	70,837	246,040	243,780
Adjustment for:				
Restructuring costs recorded within gross profit	10,589	-	11,327	-
Adjusted gross profit	56,641	70,837	257,367	243,780
Adjusted gross margin ⁽¹⁾	17.3%	20.2%	18.6%	17.6%

(1) This is a non-GAAP financial ratio and it is calculated as adjusted gross profit divided by revenue.

	Fourth Quarters Ended		Years Ended	
	Dec 30, 2024	Dec 30, 2023	Dec 30, 2024	Dec 30, 2023
Dorel Juvenile				
Gross profit	54,338	64,356	235,223	219,109
Adjustment for:				
Restructuring costs recorded within gross profit	465	-	465	-
Adjusted gross profit	54,803	64,356	235,688	219,109
Adjusted gross margin ⁽¹⁾	25.7%	30.4%	27.3%	26.4%

(1) This is a non-GAAP financial ratio and it is calculated as adjusted gross profit divided by revenue.

	Fourth Quarters Ended		Years Ended	
	Dec 30, 2024	Dec 30, 2023	Dec 30, 2024	Dec 30, 2023
Dorel Home				
Gross profit	(8,286)	6,481	10,817	24,671
Adjustment for:				
Restructuring costs recorded within gross profit	10,124	-	10,862	-
Adjusted gross profit	1,838	6,481	21,679	24,671
Adjusted gross margin ⁽¹⁾	1.6%	4.7%	4.2%	4.4%

(1) This is a non-GAAP financial ratio and it is calculated as adjusted gross profit divided by revenue.

Adjusted operating profit (loss)

Adjusted operating profit (loss) is calculated as operating profit (loss) excluding the impact of restructuring costs. Adjusted operating profit (loss) also excludes impairment loss on goodwill. Management uses adjusted operating profit (loss) to measure its performance from one period to the next, without the variation caused by the impact of the items described above. Dorel also uses adjusted operating profit (loss) on a segment basis to measure its performance at the segment level. Dorel excludes these items because they affect the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Certain investors and analysts use the adjusted operating profit (loss) to measure the business performance of the Company as a whole and at the segment level from one period to the next, without the variation caused by the impact of the restructuring costs and impairment loss on goodwill. Excluding these items does not imply they are necessarily non-recurring. This measure does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to a similar measure presented by other companies.

	Fourth Quarters Ended		Years Ended	
	Dec 30, 2024	Dec 30, 2023	Dec 30, 2024	Dec 30, 2023
Operating loss	(22,996)	(7,414)	(91,031)	(52,197)
Adjustment for:				
Total restructuring costs	14,122	4,532	17,370	4,532
Impairment loss on goodwill	-	-	45,302	-
Adjusted operating loss	(8,874)	(2,882)	(28,359)	(47,665)

	Fourth Quarters Ended		Years Ended	
	Dec 30, 2024	Dec 30, 2023	Dec 30, 2024	Dec 30, 2023
Dorel Juvenile				
Operating profit	1,616	11,299	15,628	6,411
Adjustment for:				
Restructuring costs	744	1,551	2,669	1,551
Adjusted operating profit	2,360	12,850	18,297	7,962

	Fourth Quarters Ended		Years Ended	
	Dec 30, 2024	Dec 30, 2023	Dec 30, 2024	Dec 30, 2023
Dorel Home				
Operating loss	(24,950)	(12,802)	(95,330)	(40,233)
Adjustment for:				
Restructuring costs	13,292	2,981	14,615	2,981
Impairment loss on goodwill	-	-	45,302	-
Adjusted operating loss	(11,658)	(9,821)	(35,413)	(37,252)

Adjusted net income (loss) and adjusted diluted earnings (loss) per share

Adjusted net income (loss) is calculated as net income (loss) excluding the impact of restructuring costs and impairment loss on goodwill, as well as income taxes expense (recovery) relating to the adjustments above. Adjusted diluted earnings (loss) per share is a non-GAAP ratio and is calculated as adjusted net income (loss) divided by the weighted average number of diluted shares. Management uses adjusted net income (loss) and adjusted diluted earnings (loss) per share to measure its performance from one period to the next, without the variation caused by the impacts of the items described above. Dorel excludes these items because they affect the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Certain investors and analysts use the adjusted net income (loss) and adjusted diluted earnings (loss) per share to measure the business performance of the Company from one period to the next. Excluding these items does not imply they are necessarily non-recurring. These measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to a similar measure presented by other companies.

	Fourth Quarters Ended		Years Ended	
	Dec 30, 2024	Dec 30, 2023	Dec 30, 2024	Dec 30, 2023
Net loss	(73,008)	(3,757)	(171,958)	(62,350)
Adjustment for:				
Total restructuring costs	14,122	4,532	17,370	4,532
Impairment loss on goodwill	-	-	45,302	-
Income taxes recovery relating to the above-noted adjustments	(285)	(586)	(543)	(586)
Adjusted net (loss) income	(59,171)	189	(109,829)	(58,404)
Basic loss per share	(2.24)	(0.12)	(5.28)	(1.92)
Diluted loss per share	(2.24)	(0.12)	(5.28)	(1.92)
Adjusted diluted (loss) earnings per share ⁽¹⁾	(1.82)	0.01	(3.37)	(1.79)

(1) This is a non-GAAP financial ratio and it is calculated as adjusted net income (loss) divided by weighted average number of diluted shares.

Organic revenue growth (decline) and adjusted organic revenue growth (decline)

Organic revenue growth (decline) is calculated as revenue growth (decline) compared to the previous period, excluding the impact of varying foreign exchange rates. Adjusted organic revenue growth (decline) is calculated as revenue growth (decline) compared to the previous period, excluding the impact of varying foreign exchange rates and the impact of the acquired businesses for the first year of operation and the sale of divisions. Management uses organic revenue growth (decline) and adjusted organic revenue growth (decline) to measure its performance from one period to the next, without the variation caused by the impacts of the items described above. Dorel excludes these items because they affect the comparability of its financial results and could potentially distort the analysis of trends in its business performance. Certain investors and analysts use organic revenue growth (decline) and adjusted organic revenue growth (decline) to measure the business performance of the Company as a whole and at the segment level from one period to the next. Excluding these items does not imply they are necessarily non-recurring. These measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to a similar measure presented by other companies.

Refer to the reconciliation of organic revenue growth (decline) and adjusted organic revenue growth (decline) in section 3.f) Consolidated operating review of this MD&A.

Total debt and debt-to-equity ratio

Total debt is defined as long-term debt (including any current portion) and bank indebtedness. Dorel uses total debt to calculate the debt-to-equity ratio. Management and certain investors and analysts use total debt and the debt-to-equity ratio to measure the financial leverage of Dorel. These measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to a similar measure presented by other companies.

Refer to the reconciliation of total debt and debt to equity ratio in section 4.b) Debt-to-equity ratio of this MD&A.

Free cash flow

Free cash flow is defined as cash provided by (used in) operating activities less dividends paid, shares repurchased, acquisition of businesses, additions to property, plant and equipment, additions to intangible assets, net proceeds on disposals of property, plant and equipment, net proceeds on sale of assets held for sale and gross proceeds on sale of subsidiaries. Dorel considers free cash flow to be an important indicator of the financial strength and performance of its business because it shows how much cash is available after capital expenditures to repay debt and to reinvest in its business, to pursue business acquisitions, and/or to redistribute to its shareholders. Certain investors and analysts use the free cash flow measure to value a business and its underlying assets. This measure does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to a similar measure presented by other companies.

Refer to the reconciliation of free cash flow in section 4.c) Cash flow of this MD&A.

DOREL INDUSTRIES INC.
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 30, 2024 AND 2023



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dorel Industries Inc.

Opinion

We have audited the consolidated financial statements of Dorel Industries Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 30, 2024 and 2023
- the consolidated statements of income and comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has incurred net losses for the years ended December 30, 2024 and 2023, and has negative working capital (current liabilities in excess of current assets) and an accumulated deficit as at December 30, 2024. In addition, the Company did not meet its covenants as at December 30, 2024 and classified its bank loans under the ABL facility and term loan as current. As a result, its operations are dependent upon the continued support of lenders and the Company's ability to maintain minimum excess availability levels or a minimum quarterly projected Earnings before interest, taxes, depreciation and amortization ("EBITDA") targets under its ABL facility and term loan facility. As there is significant uncertainty surrounding the Company's cash flows projections, its minimum revolving excess availability and its projected EBITDA, management concluded that the Company may not be able to meet its quarterly financial covenants during the next twelve months.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 30, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Material Uncertainty related to Going Concern" section of the auditor's report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Goodwill Impairment

Description of the matter

We draw attention to Note 3 (b) (j), Note 12 and Note 28 of the financial statements. The Company recorded an impairment loss on goodwill of \$45.3 million relating to the Dorel Home cash generating unit ("CGU"). The Company performs Goodwill asset impairment testing on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of the Dorel Home CGU likely exceeds its recoverable amount. The recoverable amount is the higher of the CGU's fair value less cost of disposal and its value in use. The Company's significant assumptions affecting the recoverable amount include discount rate, terminal growth rate, revenue growth rates and operating margins.



Why the matter is a key audit matter

We identified the evaluation of the goodwill impairment for the Dorel Home CGU as a key audit matter. This matter represented an area of significant risk of misstatement given the high degree of estimation uncertainty in determining the recoverable amount. Significant auditor judgment and the involvement of valuation professionals with specialized skills and knowledge were required in performing and evaluating the results of our audit procedures due to the sensitivity of the recoverable amount to minor changes in significant assumptions.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- Evaluated the Company's terminal and revenue growth rate assumptions for the Dorel Home CGU, by comparing those assumptions to the expected growth rates in its peer companies' analyst reports.
- Compared the Company's historical budgeted revenues and margins to actual results to assess the Company's ability to accurately predict revenue growth rates and operating margin assumptions.
- Involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the discount rate assumption used in the determination of the recoverable amount, by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

- The information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2024 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report. We have nothing to report in this regard.



The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2024 Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditor's report is Michael Baratta.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Montréal, Canada

March 11, 2025

*CPA auditor, public accountancy permit No. A120841

DOREL INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 30, 2024 and 2023
(All figures in thousands of US dollars)


	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents (Note 26)	\$ 41,273	\$ 24,089
Trade accounts receivable (Note 7)	143,432	199,718
Inventories (Note 8)	276,417	363,148
Income taxes receivable	4,334	3,925
Other assets (Note 13)	32,531	26,754
Funds held by ceding insurer (Note 17)	2,154	1,925
	<u>500,141</u>	<u>619,559</u>
Assets held for sale (Note 6)	63,365	—
	<u>563,506</u>	<u>619,559</u>
Non-current assets		
Property, plant and equipment (Note 9)	67,600	84,551
Right-of-use assets (Note 10 a))	91,821	128,456
Intangible assets (Note 11)	61,112	62,866
Goodwill (Notes 12 and 28)	—	45,417
Deferred tax assets (Note 24)	4,475	44,606
Other assets (Note 13)	14,281	15,472
	<u>239,289</u>	<u>381,368</u>
	<u>\$ 802,795</u>	<u>\$ 1,000,927</u>
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 14)	\$ 6,425	\$ 7,317
Trade and other payables (Note 15)	279,391	321,197
Lease liabilities (Note 10 b))	36,012	37,064
Income taxes payable	3,237	2,620
Long-term debt (Note 16)	215,827	20,318
Provisions (Note 17)	32,497	33,818
Other liabilities (Note 13)	6,367	7,248
	<u>579,756</u>	<u>429,582</u>
Liabilities directly associated with assets held for sale (Note 6)	56,980	—
	<u>636,736</u>	<u>429,582</u>
Non-current liabilities		
Lease liabilities (Note 10 b))	77,986	112,909
Long-term debt (Note 16)	30,542	215,347
Net pension and post-retirement defined benefit liabilities (Note 19)	3,480	6,414
Deferred tax liabilities (Note 24)	6,738	7,550
Provisions (Note 17)	2,101	2,253
Other liabilities (Note 13)	3,069	2,170
	<u>123,916</u>	<u>346,643</u>
EQUITY		
Share capital (Note 20)	207,827	205,962
Contributed surplus	33,939	36,009
Accumulated other comprehensive loss	(51,708)	(41,312)
Other equity	27,759	27,759
Deficit	(175,674)	(3,716)
	<u>42,143</u>	<u>224,702</u>
	<u>\$ 802,795</u>	<u>\$ 1,000,927</u>
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 23)		
SUBSEQUENT EVENTS (Note 29)		

See accompanying notes.

ON BEHALF OF THE BOARD



Martin Schwartz, Director



Jeffrey Schwartz, Director

DOREL INDUSTRIES INC.
CONSOLIDATED INCOME STATEMENTS
For the years ended December 30, 2024 and 2023
(All figures in thousands of US dollars, except per share amounts)

	2024	2023
REVENUE (Note 28)	\$ 1,380,215	\$ 1,388,748
Cost of sales (Note 8)	1,134,175	1,144,968
GROSS PROFIT	246,040	243,780
Selling expenses	126,162	126,096
General and administrative expenses	133,478	139,696
Research and development expenses	23,579	24,536
Impairment loss on trade accounts receivable (Note 7)	2,507	1,117
Restructuring costs (Note 5)	6,043	4,532
Impairment loss on goodwill (Notes 12 and 28)	45,302	—
OPERATING LOSS	(91,031)	(52,197)
Finance expenses (Note 27 a))	38,556	24,726
LOSS BEFORE INCOME TAXES	(129,587)	(76,923)
Income taxes expense (recovery) (Note 24)		
Current	4,986	1,722
Deferred	37,385	(16,295)
	42,371	(14,573)
NET LOSS	\$ (171,958)	\$ (62,350)
LOSS PER SHARE (Note 25)		
Basic	\$ (5.28)	\$ (1.92)
Diluted	\$ (5.28)	\$ (1.92)

See accompanying notes.

DOREL INDUSTRIES INC.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

For the years ended December 30, 2024 and 2023

(All figures in thousands of US dollars)

	2024	2023
NET LOSS	\$ (171,958)	\$ (62,350)
OTHER COMPREHENSIVE (LOSS) INCOME:		
Items that are or may be reclassified subsequently to net income (loss):		
<u>Cumulative translation account:</u>		
Net change in unrealized foreign currency (losses) gains on translation of net investments in foreign operations, net of tax of nil	(12,051)	5,963
Net losses on hedge of net investments in foreign operations, net of tax of nil	(311)	(728)
	<u>(12,362)</u>	<u>5,235</u>
<u>Net changes in cash flow hedges:</u>		
Net change in unrealized gains on derivatives designated as cash flow hedges	3,911	562
Reclassification to net loss	(404)	(1,396)
Reclassification to the related non-financial asset	(1,476)	(100)
Deferred income taxes (Note 24)	(429)	258
	<u>1,602</u>	<u>(676)</u>
Items that will not be reclassified to net income (loss):		
<u>Defined benefit plans:</u>		
Remeasurements of the net pension and post-retirement defined benefit liabilities (Note 19)	343	1,838
Deferred income taxes (Note 24)	21	(452)
	<u>364</u>	<u>1,386</u>
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME	<u>(10,396)</u>	<u>5,945</u>
TOTAL COMPREHENSIVE LOSS	<u>\$ (182,354)</u>	<u>\$ (56,405)</u>

See accompanying notes.

DOREL INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 30, 2024 and 2023
(All figures in thousands of US dollars)

	Attributable to equity holders of the Company							
	Accumulated other comprehensive loss							Total Equity
	Share Capital	Contributed surplus	Cumulative Translation Account	Cash Flow Hedges	Defined Benefit Plans	Other Equity	Retained Earnings (Deficit)	
Balance as at December 30, 2022	\$ 205,613	\$ 36,395	\$ (43,882)	\$ 665	\$ (4,040)	\$ 27,759	\$ 58,634	\$ 281,144
<u>Total comprehensive loss:</u>								
Net loss	–	–	–	–	–	–	(62,350)	(62,350)
Other comprehensive income	–	–	5,235	(676)	1,386	–	–	5,945
	–	–	5,235	(676)	1,386	–	(62,350)	(56,405)
Reclassification from contributed surplus due to settlement of deferred share units (Notes 20 and 21)	349	(386)	–	–	–	–	–	(37)
Balance as at December 30, 2023	\$ 205,962	\$ 36,009	\$ (38,647)	\$ (11)	\$ (2,654)	\$ 27,759	\$ (3,716)	\$ 224,702
<u>Total comprehensive loss:</u>								
Net loss	–	–	–	–	–	–	(171,958)	(171,958)
Other comprehensive loss	–	–	(12,362)	1,602	364	–	–	(10,396)
	–	–	(12,362)	1,602	364	–	(171,958)	(182,354)
Reclassification from contributed surplus due to settlement of deferred share units (Notes 20 and 21)	1,865	(2,070)	–	–	–	–	–	(205)
Balance as at December 30, 2024	\$ 207,827	\$ 33,939	\$ (51,009)	\$ 1,591	\$ (2,290)	\$ 27,759	\$ (175,674)	\$ 42,143

See accompanying notes.

DOREL INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 30, 2024 and 2023
(All figures in thousands of US dollars)

	2024	2023
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	\$ (171,958)	\$ (62,350)
Items not involving cash:		
Depreciation and amortization (Note 27 b))	67,629	69,504
Impairment loss on goodwill (Notes 12 and 28)	45,302	—
Unrealized (gains) losses arising on financial assets and financial liabilities classified at fair value through profit or loss	(72)	7
Change in funds held by ceding insurer	(229)	(1,925)
Defined benefit pension and post-retirement costs (Note 19)	1,593	1,876
Net loss (gain) on disposal of property, plant and equipment and on lease modifications	1,086	(970)
Restructuring costs (Note 5)	11,292	(53)
Finance expenses (Note 27 a))	38,556	24,726
Income taxes expense (recovery) (Note 24)	42,371	(14,573)
Net changes in balances related to operations (Note 26)	54,451	86,590
Income taxes paid	(5,508)	(3,327)
Income taxes received	691	2,758
Interest paid	(24,017)	(26,472)
Interest received	1,181	1,141
CASH PROVIDED BY OPERATING ACTIVITIES	62,368	76,932
FINANCING ACTIVITIES		
Net decrease of bank indebtedness (Note 26)	(374)	(4,669)
Proceeds net of repayments (repayments net of proceeds) of long-term debt (Notes 16 and 26)	19,932	(15,571)
Financing costs (Note 26)	(2,285)	(8,001)
Net proceeds from settlement of interest rate swaps (Note 26)	394	1,393
Payments of lease liabilities (Note 10 d))	(42,057)	(39,102)
CASH USED IN FINANCING ACTIVITIES	(24,390)	(65,950)
INVESTING ACTIVITIES		
Additions to property, plant and equipment (Notes 9 and 26)	(14,157)	(15,835)
Disposals of property, plant and equipment (Note 9)	5,997	50
Additions to intangible assets (Notes 11 and 26)	(9,439)	(7,716)
Net proceeds on sale of assets held for sale	—	2,962
CASH USED IN INVESTING ACTIVITIES	(17,599)	(20,539)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(3,195)	1,237
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,184	(8,320)
Cash and cash equivalents, beginning of year	24,089	32,409
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 26)	\$ 41,273	\$ 24,089

See accompanying notes.

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

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 through its Dorel Juvenile and Dorel Home segments. The principal geographic markets for the Company’s products are the United States, Europe, Latin America, Canada and Asia. The principal activities of the Company are described in Note 28. The Company, whose shares are traded on the Toronto Stock Exchange (“TSX”), is incorporated and domiciled in Canada. The registered office is in Westmount, Québec.

The Company’s reporting segments are based on two distinctive lines of activities which include:

Reporting segment	Principal revenue generating activities
Dorel Juvenile	From the sale of children’s accessories which include infant car seats, strollers, home equipment, developmental toys and infant health and safety aids.
Dorel Home	From the sale of ready-to-assemble furniture and home furnishings which include metal folding furniture, futons, children’s furniture, step stools, hand trucks, ladders, outdoor furniture and other imported furniture items.

Going concern

These consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern, management must take into account all available information about the future, including estimated future cash flows, for a period of at least twelve months following the end of the reporting period.

The Company has incurred net losses for the years ended December 30, 2024 and 2023, and has negative working capital (current liabilities in excess of current assets) and an accumulated deficit as at December 30, 2024.

In addition, under both the ABL facility and term loan facility, the Company is subject to certain covenants, including maintaining minimum revolving excess availability. If this minimum excess availability is not met, then the Company must meet a minimum quarterly projected Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) target. The Company shall be in breach of this covenant if both its minimum revolving excess availability and its minimum quarterly projected EBITDA target are not met. This would be considered an event of default under the ABL facility and term loan, that would result in the outstanding balances borrowed under the Company’s ABL facility and term loan coming due immediately. The Company did not meet its covenants as at December 30, 2024 and classified its bank loans under the ABL facility and term loan as current.

The Company’s ability to fund its operations and meet its cash flow requirements is dependent upon the continued support of the lenders and the Company’s ability to maintain minimum excess availability or a minimum quarterly projected EBITDA target if the minimum excess availability is not met. Management plans to adhere to the minimum excess availability requirements by actively managing liquidity through the management of both its working capital and discretionary spending, prioritizing capital expenditures and exploring strategic initiatives including the monetization of certain assets and additional sources of financing.

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN (continued)

On January 30, 2025, the Company announced a major Home segment restructuring plan as part of its efforts to realign its business model to current and anticipated future industry dynamics and the reality that revenue expectations for the Home segment require a much smaller footprint than in the past. The Company will be focusing on the following initiatives as part of this expanded restructuring plan: (i) downsizing of the Company's non-manufacturing workforce; (ii) closure of the Company's manufacturing operations based in Montreal, Quebec; (iii) acceleration of a SKU reduction initiative; and (iv) reduction of the Company's distribution footprint across the segment. The Company believes that some of the benefits of the actions will be realized in 2025 while the full benefits of these actions will be realized in 2026.

On February 21, 2025, the Company further announced that it had entered into a sale-leaseback transaction for its factory and warehousing facility in Columbus, Indiana. The gross proceeds to Dorel from the sale was \$30,000, of which approximately \$8,000 will be allocated to reduce existing debt, with the balance designated for funding the Company's ongoing operations.

In addition to the sale-leaseback transaction, the Company re-iterated that it is actively working on additional opportunities to further enhance its financial position.

In 2024, as part of the monetization of assets plan, management committed to a plan to sell certain facilities within the Dorel Home segment. These assets and related liabilities are presented as held for sale in the consolidated statements of financial position and are measured at the lower of carrying amount and fair value less costs to sell. Efforts to sell the assets held for sale have started and a sale is expected within the next twelve months.

Assessing the Company's estimated future cash flows and liquidity, including its future compliance with covenants under its ABL facility and term loan facility, requires significant judgment. As there is significant uncertainty surrounding the Company's cash flows projections, its minimum revolving excess availability and its projected EBITDA, management concluded that the Company may not be able to meet its quarterly financial covenants during the next twelve months. Management is closely monitoring its cash flows, its minimum revolving excess availability and its minimum quarterly projected EBITDA targets. However, there can be no assurance that the Company will be successful in obtaining a waiver if it is in default of its financial covenants in the future, that alternative financing will be available to the Company, or that the Company will generate sufficient cash flows to meet its obligations. Accordingly, these circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that might be necessary should the Company be unable to achieve its plan and continue in business. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the classification of items in the consolidated statements of financial position classifications used. Such adjustments could be material.

NOTE 2 – STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND MEASUREMENT

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") 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.

NOTE 2 – STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND MEASUREMENT (continued)

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

	Measurement basis
Derivative financial instruments	Fair value
Share-based payment arrangements	In accordance with IFRS 2, <i>Share-Based Payment</i>
Assets held for sale	At the lower of the carrying amount and fair value less costs to sell
Net pension and post-retirement defined benefit liabilities	Net total of plan assets measured at fair value less the discounted present value of the defined benefit obligations
Lease liabilities	Present value of future lease payments
Debt	Present value of future debt payments
Product liability	Present value of the outflow of resources required to settle the obligation

These consolidated financial statements were authorized by the Company's Board of Directors for issue on March 11, 2025.

NOTE 3 – MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements of all years presented and have been applied consistently by the Company's entities. Certain comparative amounts in the consolidated financial statements have been reclassified in order to conform to the 2024 consolidated financial statements presentation.

a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 30, 2024 and 2023. The Company consolidates a 100% interest in all its subsidiaries from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Company is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has power over the investee, exposure, or rights to, variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries are prepared with the same reporting period of the Company.

The accounting policies of subsidiaries are aligned with the policies of the Company. All significant inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated in preparing the consolidated financial statements.

b) Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenue and expenses, and disclosure of contingent assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary and in any future periods affected. Actual results could differ from those estimates and such differences could be material.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

While preparing these consolidated financial statements, management exercised judgment in connection with the uncertainty in the macro-economic environment, including continued inflationary pressures, changes in consumer spending habits, exchange rate fluctuations and high interest rates on the Company's reported assets, liabilities, revenue and expenses, and on the related disclosures, using estimates and assumptions which are subject to significant uncertainties. The extent to which the uncertainty in the macro-economic environment will impact the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted at this time. Accordingly, actual results could differ materially from the uncertainty in the macro-economic environment-related estimates and assumptions made by management in the preparation of these consolidated financial statements.

The most critical judgments and significant estimates and assumptions in applying the accounting policies are described below:

- *Basis of preparation of the consolidated financial statements:*

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

- *Impairment testing of goodwill and intangible assets with indefinite useful lives:*

Significant management estimates are required to determine both fair value and value in use of a cash generating unit (CGU) to which goodwill and intangible assets with indefinite useful lives are allocated. Estimates of fair value, selling costs or the discounted future cash flows related to the CGUs are required. Differences in estimates could affect whether goodwill or intangible assets with indefinite useful lives are in fact impaired and the dollar amount of that impairment.

- *Provisions and contingent liabilities:*

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

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

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

- *Income taxes:*

The Company's income tax provision is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities from various jurisdictions. Management's estimates of income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as for changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the provision for income taxes and in valuing income tax assets and liabilities. A deferred tax asset is recorded when it is probable that it will be realized in the future. The ultimate realization of deferred tax assets is based on management's estimates of the generation of future income and estimates of the impact of tax planning strategies.

- *Revenue recognition: sales returns and other customer programs:*

At contract inception, the Company estimates customer programs and incentive offerings that give rise to variable consideration. Estimated amounts of variable consideration are based on various assumptions including agreements with comparable customers, past experience with customers and/or products, and other relevant factors. The amount of revenue recognized is adjusted for expected returns, which are estimated by management based on the historical data for the related types of goods sold.

- *Impairment loss allowance for trade accounts receivable:*

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

- *Inventory valuation:*

The Company regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, damaged, they have become obsolete, or if their selling prices or estimated forecast of product demand declines. If actual market conditions are less favourable than previously projected, or if liquidation of the inventory no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.

- *Determining the lease term of contracts with extension options and termination options:*

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.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

c) Initial application of new or amended accounting standards

During the year ended December 30, 2024, the Company adopted the following new or amended accounting standards:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The amendments apply for annual reporting periods beginning on or after January 1, 2024. The adoption of the amendments had no impact on the Company's consolidated financial statements.

d) Revenue Recognition

The Company generally recognizes revenue at a point in time for all its reporting segments when control over a product is transferred to a customer. This usually occurs either upon shipment or delivery of the goods. The majority of the Company's contracts across all reporting segments are contracts with customers in which the sale of goods is the only performance obligation.

Customer Programs and Incentive Offerings

Some contracts with customers provide customer programs and incentive offerings, including special pricing agreements, promotions, advertising allowances and other volume-based incentives. These give rise to variable consideration and are required to be estimated at contract inception by using either the expected value or the most likely amount, depending on which method the Company expects to better predict the amount of consideration to which it will be entitled. The estimates are based on various assumptions including agreements with comparable customers, past experience with customers and/or products, and other relevant factors. Revenue is recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

e) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis and includes:

- the purchase price and other costs directly related to the acquisition of materials;
- the costs directly related to the conversion of materials to finished goods, such as direct labour and an allocation of fixed and variable production overheads, including manufacturing depreciation expense. The allocation of fixed production overheads to the cost of inventories is based on a normal range of capacity of the production facilities. Normal capacity is the average production expected to be achieved over a number of periods under normal circumstances; and
- transfers from other comprehensive income (loss) of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed, limited to the amount of the original write-down.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

f) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, such as the purchase price or manufacturing cost, capitalized borrowing costs, as well as other costs incurred in bringing the asset to its present location and condition. Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are recognized as an expense as incurred.

Property, plant and equipment are depreciated as follows:

	Method	Rates/useful lives
Buildings and improvements	Straight-line	20 to 40 years
Machinery and equipment	Declining balance	15%
Moulds	Straight-line	3 to 5 years
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%
Vehicles	Declining balance	30%
Leasehold improvements	Straight-line	Over the lesser of the useful life and the term of the lease

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of assets not yet in service, from the date they are ready for their intended use.

The property, plant and equipment's residual values, useful lives and methods of depreciation are reviewed at least at each financial year-end, and adjusted prospectively, if necessary.

g) 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.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (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. They 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 geographic location of the asset, the length of the lease and the currency of the lease contract. 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.

h) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Internally generated intangible assets, excluding capitalized development and patent costs, are not capitalized and the expenditure is recognized as an expense when incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which the expenditure relates. All other expenditures are recognized as an expense as incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The residual value, amortization period and amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end and adjusted prospectively, if applicable.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets with finite useful lives are amortized as follows:

	Method	Useful lives
Customer relationships	Straight-line	9 to 25 years
Supplier relationship	Straight-line	10 years
Patents	Straight-line	4 to 18 years
Software licenses	Straight-line	3 to 10 years
Deferred development costs	Straight-line	2 to 5 years

Trademarks

Trademarks acquired as part of business combinations and registered trademarks are considered to have an indefinite useful life. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, on October 31, or more frequently if an impairment indicator is identified, either individually or at the CGU level.

Research and Development Costs

The Company incurs costs on activities which relate to research and development of new products. Research costs are expensed as they are incurred. Development costs are also expensed as incurred, unless all of the following can be demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project.

Following initial recognition of the deferred development costs as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Deferred development costs are expensed immediately if capitalized projects are not completed.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

i) Business Combinations and Related Goodwill

Business Combinations and Related Goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, when control is transferred. The consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any liability (including any contingent consideration) and equity interests issued by the Company on the date control of the acquired company is obtained. The contingent consideration is required to be remeasured at fair value at each reporting date and subsequent changes to the fair value will be recognized in the consolidated income statements at that time. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date. The Company measures goodwill as the fair value for the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized immediately in the consolidated income statement as a gain from a bargain purchase. The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Restructuring, transaction costs other than those associated with the issue of debt or equity securities, and other direct costs of a business combination are not considered part of the business acquisition transaction and are expensed as incurred.

Subsequent Recognition of Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs or group of CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is not amortized but tested for impairment at least annually, on October 31, and upon the occurrence of an indication of impairment.

Where goodwill forms part of a CGU and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the CGU retained.

j) Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication of impairment exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or CGU's fair value less costs of disposal and its value in use.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. The Company defines its CGUs based on the way it internally monitors and derives economic benefits from the acquired goodwill.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount immediately. Impairment losses are recognized in the consolidated income statements. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis but no lower than the individual assets' fair value.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The cash flows are derived from long-term plans generally for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The Company assesses the uncertainty of these estimates by making sensitivity analyses.

In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Company assesses the uncertainty of these estimates by making sensitivity analyses.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the asset or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. An impairment loss in respect of goodwill is not reversed in future periods.

k) Assets Held for Sale

Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell and are not depreciated while classified as held for sale. Assets held for sale are classified within this category if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets.

l) Foreign Currency

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company's subsidiaries at the average exchange rates for the period. The monetary items denominated in currencies other than the functional currency of a subsidiary are translated at the exchange rates prevailing at the statement of financial position date, and translation gains and losses are included in the consolidated income statement. Non-monetary items denominated in foreign currencies other than the functional currency are translated at historical rates.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

Foreign Currency Translation

The assets and liabilities of foreign operations, whose functional currency is not the US dollar, are translated into US dollars at the exchange rates in effect at the statement of financial position date. Revenue and expenses are translated at average exchange rates for the period. Differences arising from the exchange rate changes are included in other comprehensive income (loss) in the cumulative translation account.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and monetary items for which the settlement of which is planned but that have been designated as a hedge of the net investment in a foreign operation and to the extent the hedge is effective, are recognized in other comprehensive income (loss) in the cumulative translation account and reclassified from equity to the consolidated income statement on the disposal of the net investment.

m) Financial Instruments

All financial instruments, including derivatives, are recognized in the consolidated statement of financial position initially at fair value when the Company becomes a party to the contractual obligations of the instrument. Transaction costs that are directly attributable to the acquisition or issuance of financial instruments that are not subsequently recognized at fair value are added/deducted from the financial asset/liability and are amortized using the effective interest rate method over the expected life of the related asset/liability.

Financial Assets

On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A financial asset is subsequently measured at amortized cost using the effective interest method and net of any impairment loss.

The financial assets of the Company that are measured at amortized cost consist of cash and cash equivalents, trade accounts receivable, other receivables, costs relating to revolving bank loans and other financial assets (excluding derivative financial assets). Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated income statement.

Impairment of Financial Assets

The Company has elected to measure loss allowances for trade accounts receivable at an amount equal to lifetime 'expected credit losses' ("ECLs").

The Company measures loss allowances for other receivables in accordance with the following model:

- When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, including forward-looking information. The Company assumes that the credit risk on a financial asset has increased if it is more than 30 days past due.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

The Company considers a financial asset to be in default when either:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company of actions such as recovering inventory or the Company's credit insurance (if any); or
- the financial asset is more than 90 days past due;

as the Company's historical experience indicates that financial assets that meet either of the above criteria generally have a higher risk of not being recoverable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

i. Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). The Company establishes an impairment loss allowance on a collective and individual assessment basis, by considering past events, current conditions and forecasts of future economic conditions. Collective assessment is carried out by grouping together trade accounts receivable with similar characteristics, mainly by geographic area, customer credit rating and number of days past due. ECLs are discounted at the effective interest rate of the financial asset.

ii. Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Examples of events that could occur are:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

It may not be possible to identify a single discrete event; instead, the combined effect of several events may cause financial assets to become credit-impaired.

iii. Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade accounts receivable are presented separately in the consolidated income statements.

iv. Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of Financial Assets

Financial assets are derecognized when the Company's contractual rights to the cash flows from the respective assets have expired or the Company has transferred its rights to the cash flows from the respective assets and either (i) the Company has transferred substantially all of the risks and rewards of the assets or (ii) the Company has neither exposure to the risks inherent in those assets nor entitlement to rewards from them. Any gain or loss on derecognition is recognized in the consolidated income statement.

Financial Liabilities and Equity Instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the Company classifies its financial liabilities as subsequently measured at either amortized cost or fair value. A financial liability is subsequently measured at amortized cost, using the effective interest method. The Company currently classifies bank indebtedness, trade and other payables, long-term debt and other financial liabilities (excluding its derivative financial liabilities) as financial liabilities measured at amortized cost. Interest expense and foreign exchange gains and losses are recognized in the consolidated income statement.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs and applicable income taxes.

Repurchases of the Company's own equity instruments are recognized and deducted directly in equity. No gain or loss is recognized in the consolidated income statement on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

Derecognition of Financial Liabilities

Financial liabilities are derecognized when the obligations under the liabilities are discharged, cancelled, expired or are replaced by a new liability with substantially modified terms. Any gain or loss on derecognition is recognized in the consolidated income statement when incurred.

n) Derivative Financial Instruments and Hedge Accounting

Derivative Financial Instruments

The Company uses forward exchange contracts to hedge its foreign currency exposure. The Company classifies foreign exchange contracts used for hedging as fair value-hedging instruments, and other foreign exchange contracts as fair value through profit or loss. The Company designates certain foreign exchange contracts as hedging instruments to hedge the variability in cash flows associated with highly probable forecasted transactions arising from changes in foreign exchange rates. The Company also uses non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation. Any derivative instrument that does not qualify for hedge accounting is measured at fair value at each reporting date and the changes in fair value are included in net income (loss).

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

Cash Flow Hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (loss) and accumulated in the cash flow hedges reserve in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income (loss) is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net income (loss) in the same consolidated income statement caption as the hedged item when realized.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for a cash flow hedge is discontinued, the amount that has been accumulated in the cash flow hedges reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to net income (loss) in the same period or periods as the hedged expected future cash flows affect net income (loss).

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the cash flow hedges reserve are immediately reclassified to net income (loss).

Net Investment Hedges

When a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of foreign exchange gains and losses is recognized in other comprehensive income (loss) and presented in the cumulative translation account within equity. Any ineffective portion of the foreign exchange gains and losses is recognized immediately in the consolidated income statement. The amount recognized in other comprehensive income (loss) is reclassified to net income (loss) as a reclassification adjustment on disposal of the foreign operation.

o) Employee Benefits

Short-Term Employee Benefits

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. Short-term employee benefit obligations are measured on an undiscounted basis and are recognized in operating income as the related service is provided or capitalized if the service rendered is in connection with the creation of an asset. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Pension Plans

The Company provides defined benefit and defined contribution plans to certain employees. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Defined Contribution Plans

Certain benefits are given to employees through defined contribution plans administered by governments. The Company's contributions to these plans are recognized on an accrual basis and expensed as the related service is provided.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

Defined Benefit Plans

The Company has a number of contributory defined benefit pension plans providing pension benefits to eligible employees. These plans provide a pension based on length of service and eligible pay. The Company's net liability in respect of defined benefits is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Defined benefit obligations are calculated annually by qualified actuaries as at the statement of financial position year-end date. The actuarial valuations are determined based on management's best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates, mortality rates and expected growth rate of health care costs. The discount rate used to value the net defined benefit obligation for accounting purposes is based on the yield on a portfolio of corporate bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit plan obligations.

The fair value of plan assets is deducted from the defined benefit obligation to arrive at the net liability. Plan assets are measured at fair value as at the statement of financial position date. Past service costs arising from plan amendments are recognized in operating income in the year that they arise. Remeasurements of the net defined benefit liability, which comprise actuarial gains or losses, the return on plan assets, excluding interest, and any changes in the effect of the asset ceiling, if any, are recognized in other comprehensive income (loss) in the period in which they arise.

Pension expense consists of the following:

- the cost of pension benefits provided in exchange for employees' services rendered in the period;
- net interest expense (income) on the net defined benefit liability (asset) for the period determined by applying the discount rate used to measure the net defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments;
- past service costs; and
- gains or losses on settlements.

Post-Retirement Benefits Other Than Pensions

The Company sponsors post-retirement benefits other than pensions that are classified as a long-term defined benefit arrangement and they include health care and life insurance benefits for retired employees. When the amount of the long-term post-retirement benefits does not depend on length of service, the obligation is recognized when an event occurs that gives rise to an obligation to make payments. When the amount depends on length of service, the cost of providing these benefits is accrued over the working lives of employees in a manner similar to defined benefit pension costs.

The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income (loss) in the period in which they arise.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

Significant elements requiring the use of judgment in determining the assets or liabilities and related income or expense for these plans are the discount rate used to value future payment streams, expected trends in health care costs and other actuarial assumptions. Annually, the Company evaluates the significant assumptions to be used to value its pension and post-retirement plan assets and liabilities based on current market conditions and expectations of future costs.

p) Share-Based Payments

Directors' Deferred Share Units (equity-settled)

For the Directors' Deferred Share Unit Plan ("DDSU Plan") offered to its external directors, the Company records an expense within general and administrative expenses with a corresponding increase to contributed surplus when the units are granted which is the date the remuneration is to be paid. The amount corresponds to its directors' fees.

Executive Deferred Share Units (equity-settled)

For the Executive Deferred Share Unit Plan ("EDSU Plan") offered to its executive officers, the Company records an expense within general and administrative expenses with a corresponding increase to contributed surplus when the units are granted which is on the last business day of each month of the Company's fiscal year in the case of salary and on the date on which the bonus is, or would otherwise be, paid to the participant in the case of bonus. The amount corresponds to the portion of salary or bonus elected to be paid in the form of deferred share units.

The discretionary deferred share units ("DSUs") issued under the EDSU Plan are accounted for as equity-settled share-based payment transactions and are measured at fair value at the grant date based on the share price of the Company's Class "B" Subordinate Voting Shares. An expense is recognized over the vesting period as employee benefits expense within general and administrative expenses, with a corresponding amount recognized in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of units for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the units of awards that do meet the related service and non-market performance conditions at the vesting date.

As the Company has the option and intent to settle all the DSUs issued under the DDSU and EDSU Plans in Class "B" Subordinate Voting Shares upon termination of a director or an executive officer, the contributed surplus account is affected on the recognition of the expenses.

q) Income Taxes

Income taxes expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in the consolidated income statements except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income (loss).

Current Income Taxes

Current income taxes are the expected tax payable or receivable on the taxable income or loss for the year using enacted or substantively enacted income tax rates at the reporting date and any adjustment to tax payable or receivable of previous years.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

Deferred Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes relate to the expected future tax consequences of differences between the carrying amount of assets and liabilities for financial reporting purposes in the consolidated statement of financial position and their corresponding tax values using the enacted or substantively enacted income tax rate, which are expected to be in effect for the year in which the differences are expected to reverse.

A deferred tax asset is recorded when it is probable that it will be realized in the future. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and tax planning strategies. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing on the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets and deferred tax liabilities are recognized on the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of realization or settlement.

r) Provisions

Provisions are recognized when:

- the Company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, current market assessments of the time value of money and the risks specific to the liability. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

Product Liability

The Company insures itself to mitigate its product liability exposure. The estimated product liability exposure requires the use of judgment and is discounted and calculated by an independent actuary based on historical sales volumes, past claims history and management and actuarial assumptions. The estimated exposure includes incidents that have occurred, as well as incidents anticipated to occur on products sold prior to the reporting date.

Significant assumptions used in the actuarial model include management's estimates for pending claims, product life cycle, discount rates, and the frequency and severity of product incidents.

The recorded liability represents the Company's total estimated exposure related to current and future product liability incidents. The Company reviews periodically its recorded product liability provisions and any adjustment is recorded in general and administrative expenses at that time.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

Warranty Provisions

A provision for warranty cost is recorded in cost of sales when the revenue for the related product is recognized. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of the warranty coverage, the nature of the product sold and in service, counter-warranty coverage available from the Company's suppliers and product recalls.

The Company reviews periodically its recorded product warranty provisions and any adjustment is recorded in cost of sales at that time.

Employee Compensation

Employee compensation consists of bonuses based on length of service and profit sharing offered by certain of the Company's subsidiaries.

Restructuring Provision

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Other Provisions

Other provisions are mainly composed of litigation provisions and various damage claims having occurred during the period but not covered by insurance companies.

Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions concern numerous cases not material individually. Reversal of such provisions refers to cases resolved in favour of the Company. The timing of cash outflows of litigation provisions is uncertain as it depends upon the outcome of the proceedings. These provisions are therefore not discounted because their present value would not represent meaningful information.

s) Earnings Per Share ("EPS")

Basic EPS is computed based on net income (loss) attributable to equity holders of the Company divided by the weighted daily average number of Class "A" Multiple and Class "B" Subordinate Voting Shares outstanding during the year. Diluted EPS is determined by adjusting the net income (loss) attributable to equity holders of the Company and the weighted daily average number of Class "A" Multiple and Class "B" Subordinate Voting Shares outstanding during the year for the effects of the exercise of all dilutive elements of share-based options and deferred share units.

NOTE 3 – MATERIAL ACCOUNTING POLICIES (continued)

t) Fair Value Determination

Certain of the Company's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities for both measurement and disclosure purposes. In establishing fair value, the Company uses a fair value hierarchy depending on the observability of the inputs used in the measurement.

- Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.
- Level 2: This level includes valuations determined using directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.
- Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

NOTE 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 year ended December 30, 2024. The new standards and amendments have not been applied in preparing these consolidated financial statements.

Presentation and Disclosure in Financial Statements (IFRS 18)

On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027. Early adoption is permitted. The Company is currently evaluating the impact from the adoption of IFRS 18 on its consolidated financial statements.

NOTE 5 – RESTRUCTURING COSTS

The expenses recorded in the consolidated income statements related to the restructuring costs consist of the following:

	Total		Dorel Juvenile		Dorel Home		Corporate	
	2024	2023	2024	2023	2024	2023	2024	2023
Inventory markdowns (Note 8)	\$ 5,078	\$ –	\$ 465	\$ –	\$ 4,613	\$ –	\$ –	–
Impairment on property, plant and equipment (Note 9)	1,990	–	–	–	1,990	–	–	–
Impairment on right-of-use assets (Note 10 a))	4,259	–	–	–	4,259	–	–	–
Recorded within gross profit	11,327	–	465	–	10,862	–	–	–
Employee severance and termination benefits	5,432	4,585	1,637	1,604	3,709	2,981	86	–
Curtailment gain on net pension defined benefit liabilities (Note 19)	(35)	(53)	(35)	(53)	–	–	–	–
Other associated costs	646	–	602	–	44	–	–	–
Recorded within a separate line in the consolidated income statements	6,043	4,532	2,204	1,551	3,753	2,981	86	–
Total restructuring costs	\$ 17,370	\$ 4,532	\$ 2,669	\$ 1,551	\$ 14,615	\$ 2,981	\$ 86	\$ –

NOTE 5 – RESTRUCTURING COSTS (continued)

2023 Restructuring Plan

In light of the continued uncertainty in the macro-economic environment, including the current high inflation and high interest rate environment, the Company initiated a new restructuring plan in the fourth quarter of 2023. The current environment has limited consumers' purchasing power and forced them to balance household needs and prioritize daily purchases over larger consumer goods items. This is particularly the case in Dorel Home where the furniture industry overall is lower in terms of overall sales.

These restructuring initiatives that were initiated in the fourth quarter of 2023 have continued in 2024 and will carry on in 2025 as the Company continues to make additional operational improvements and evaluate its cost structure.

Dorel Juvenile

Dorel Juvenile identified opportunities to reduce redundancy and improve efficiencies and also initiated headcount reductions in several divisions. For the year ended December 30, 2024, Dorel Juvenile incurred \$2,669 of restructuring costs consisting mainly of employee severance and termination benefits, and other associated costs.

Dorel Home

Dorel Home's restructuring plan is to simplify its management reporting structure by combining several key management positions leading to the elimination of certain redundant roles. This resulted in the reduction of Dorel Home's overall North American headcount during the fourth quarter of 2023.

For the year ended December 30, 2024, Dorel Home incurred \$14,615 of restructuring costs consisting mainly of employee severance and termination benefits, inventory markdowns and impairment on property, plant and equipment, and on right-of-use assets. These property, plant and equipment and right-of-use assets will be discontinued and therefore a full impairment was taken.

On July 8, 2024, in light of challenging economic conditions and the industry's market trends, Dorel Home halted production at the Tiffin, Ohio facility and issued a 60-day notice to the affected employees. The Tiffin site was repurposed into a distribution center for Dorel Home, allowing the Company to retain some of its employees for these operations, while the Cornwall, Ontario facility is assuming all ready-to-assemble manufacturing duties.

On January 30, 2025, as part of an expanded restructuring plan, Dorel Home announced the following initiatives: downsizing of non-manufacturing workforce, closure of manufacturing operations based in Montreal, Quebec, which triggered the recording of impairment on property, plant and equipment, and on right-of-use assets, acceleration of a SKU reduction initiative and distribution footprint reduction. The workforce reduction related to this initiative was completed in the fourth quarter of 2024. Production at the Montreal manufacturing facility is expected to cease before the end of the first quarter of the 2025 fiscal year.

DOREL INDUSTRIES INC.
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NOTE 6 – ASSETS HELD FOR SALE

In 2024, management committed to a plan to sell certain facilities within the Dorel Home segment. Accordingly, these assets and related liabilities are presented as held for sale in the consolidated statements of financial position and are measured at the lower of carrying amount and fair value less costs to sell. Efforts to sell the assets held for sale have started and a sale is expected within the next twelve months.

Assets held for sale	Total
Balance, December 30, 2023	\$ –
Additions:	
Trade accounts receivable	39,165
Inventories	21,332
Property, plant and equipment	2,868
Balance, December 30, 2024	<u>\$ 63,365</u>

Liabilities directly associated with the assets held for sale	Total
Balance, December 30, 2023	\$ –
Additions:	
Trade and other payables	56,980
Balance, December 30, 2024	<u>\$ 56,980</u>

There are no cumulative income or expenses included in OCI relating to the net assets held for sale.

NOTE 7 – TRADE ACCOUNTS RECEIVABLE

	2024	2023
Trade accounts receivable – gross	\$ 150,470	\$ 208,019
Impairment loss allowance (Note 18)	<u>(7,038)</u>	<u>(8,301)</u>
	<u>\$ 143,432</u>	<u>\$ 199,718</u>

The movement in the impairment loss allowance with respect to trade accounts receivable was as follows:

	2024	2023
Balance, beginning of year	\$ 8,301	\$ 7,800
Net remeasurement of impairment loss allowance	2,507	1,117
Uncollectible accounts written-off	(2,329)	(608)
Reclassified to assets held for sale	(1,048)	–
Effect of foreign currency exchange rate changes	<u>(393)</u>	<u>(8)</u>
Balance, end of year	<u>\$ 7,038</u>	<u>\$ 8,301</u>

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NOTE 8 – INVENTORIES

	2024	2023
Raw materials	\$ 47,692	\$ 61,680
Work in process	2,703	2,932
Finished goods	226,022	298,536
	<u>\$ 276,417</u>	<u>\$ 363,148</u>

Amounts recognized as cost of sales in the consolidated income statements include mainly the Company's cost of inventories recognized as an expense. Cost of sales also includes the following inventory related expenses:

	2024	2023
Write-downs of inventories as a result of net realizable value being lower than cost (including amounts presented in Note 5)	\$ 14,441	\$ 8,342
Reversal of inventory write-downs recognized in previous years	<u>\$ (4,814)</u>	<u>\$ (5,459)</u>

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

Cost											
		Land	Buildings and improvements	Machinery and equipment	Moulds	Furniture and fixtures	Computer equipment	Leasehold improvements	Assets not yet in service (1)	Vehicles	Total
Balance as at December 30, 2022 – recast (2)	\$	1,843	\$ 58,543	\$ 94,085	\$ 149,675	\$ 10,170	\$ 48,124	\$ 15,280	\$ 13,199	\$ 811	\$ 391,730
Additions		–	316	903	906	3,393	1,193	695	6,541	–	13,947
Disposals		–	(2)	(572)	(5,474)	(183)	(2,353)	(105)	(2)	(23)	(8,714)
Transfer from assets not yet in service		–	–	2,469	9,484	98	1,008	1,149	(14,208)	–	–
Reclassified from assets held for sale		–	667	–	–	–	–	–	–	–	667
Effect of foreign currency exchange rate changes		15	286	418	1,934	237	283	374	(14)	(27)	3,506
Balance as at December 30, 2023	\$	1,858	\$ 59,810	\$ 97,303	\$ 156,525	\$ 13,715	\$ 48,255	\$ 17,393	\$ 5,516	\$ 761	\$ 401,136
Additions		–	10	826	1,406	2,745	521	927	7,282	26	13,743
Disposals		(213)	(9,401)	(18,897)	(2,454)	(199)	(5,391)	(932)	–	–	(37,487)
Transfer from assets not yet in service		–	330	1,204	3,089	540	1,363	302	(6,890)	62	–
Reclassified to assets held for sale		(228)	(6,357)	–	–	–	–	–	–	–	(6,585)
Effect of foreign currency exchange rate changes		(17)	(281)	(1,007)	(4,269)	(642)	(950)	(758)	(127)	(13)	(8,064)
Balance as at December 30, 2024	\$	1,400	\$ 44,111	\$ 79,429	\$ 154,297	\$ 16,159	\$ 43,798	\$ 16,932	\$ 5,781	\$ 836	\$ 362,743

- (1) Assets not yet in service relate mainly to machinery, equipment, moulds and computer equipment.
- (2) During the year ended December 30, 2023, the Company recast cost and accumulated depreciation of certain property, plant and equipment categories. This change was applied retroactively and the comparative figures for the year ended December 30, 2022 were adjusted to reflect this change, which had no impact on the net book value of property, plant and equipment on the consolidated statements of financial position.

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NOTE 9 – PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation and impairment losses										
	Land	Buildings and improvements	Machinery and equipment	Moulds	Furniture and fixtures	Computer equipment	Leasehold improvements	Assets not yet in service	Vehicles	Total
Balance as at December 30, 2022 – recast (2)	\$ –	\$ 32,266	\$ 70,732	\$ 137,084	\$ 7,772	\$ 42,542	\$ 13,354	\$ –	\$ 630	\$ 304,380
Depreciation for the year (Note 27 b))	–	1,398	3,822	8,300	1,429	2,163	727	–	45	17,884
Disposals	–	–	(485)	(5,464)	(167)	(2,213)	(105)	–	(23)	(8,457)
Effect of foreign currency exchange rate changes	–	102	291	1,741	155	227	294	–	(32)	2,778
Balance as at December 30, 2023	\$ –	\$ 33,766	\$ 74,360	\$ 141,661	\$ 9,189	\$ 42,719	\$ 14,270	\$ –	\$ 620	\$ 316,585
Depreciation for the year (Note 27 b))	–	1,300	3,819	6,360	2,137	2,404	958	–	69	17,047
Disposals	–	(4,259)	(17,587)	(2,057)	(73)	(5,367)	(884)	–	–	(30,227)
Impairment (Note 5)	–	–	1,715	–	36	171	68	–	–	1,990
Reclassified to assets held for sale	–	(3,717)	–	–	–	–	–	–	–	(3,717)
Effect of foreign currency exchange rate changes	–	(48)	(684)	(3,998)	(246)	(934)	(618)	–	(7)	(6,535)
Balance as at December 30, 2024	\$ –	\$ 27,042	\$ 61,623	\$ 141,966	\$ 11,043	\$ 38,993	\$ 13,794	\$ –	\$ 682	\$ 295,143

- (2) During the year ended December 30, 2023, the Company recast cost and accumulated depreciation of certain property, plant and equipment categories. This change was applied retroactively and the comparative figures for the year ended December 30, 2022 were adjusted to reflect this change, which had no impact on the net book value of property, plant and equipment on the consolidated statements of financial position.

Net book value										
	Land	Buildings and improvements	Machinery and equipment	Moulds	Furniture and fixtures	Computer equipment	Leasehold improvements	Assets not yet in service	Vehicles	Total
Balance as at December 30, 2023	\$ 1,858	\$ 26,044	\$ 22,943	\$ 14,864	\$ 4,526	\$ 5,536	\$ 3,123	\$ 5,516	\$ 141	\$ 84,551
Balance as at December 30, 2024	\$ 1,400	\$ 17,069	\$ 17,806	\$ 12,331	\$ 5,116	\$ 4,805	\$ 3,138	\$ 5,781	\$ 154	\$ 67,600

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NOTE 10 – LEASES

The Company has entered into lease contracts mainly for buildings and machinery and equipment, which expire at various dates until 2034. 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 and buildings	Machinery and equipment	Other	Total
Balance as at December 30, 2022	\$ 139,180	\$ 1,802	\$ 1,445	\$ 142,427
Additions, reassessment of lease liabilities and lease modifications	19,784	3,497	1,068	24,349
Depreciation for the year (Note 27 b))	(37,059)	(1,472)	(895)	(39,426)
Effect of foreign currency exchange rate changes	1,038	21	47	1,106
Balance as at December 30, 2023	\$ 122,943	\$ 3,848	\$ 1,665	\$ 128,456
Additions, reassessment of lease liabilities and lease modifications	6,225	1,057	2,796	10,078
Depreciation for the year (Note 27 b))	(36,718)	(1,576)	(1,164)	(39,458)
Impairment on right-of-use assets (Note 5)	(4,252)	–	(7)	(4,259)
Effect of foreign currency exchange rate changes	(2,803)	(72)	(121)	(2,996)
Balance as at December 30, 2024	\$ 85,395	\$ 3,257	\$ 3,169	\$ 91,821

b) Lease liabilities

The following table summarizes the lease liabilities amounts recognized in the consolidated statement of financial position:

	2024	2023
Current	\$ 36,012	\$ 37,064
Non-current	77,986	112,909
Total	\$ 113,998	\$ 149,973

The reconciliation of movements of lease liabilities to cash flows arising from financing activities is as follows:

	Balance, beginning of the year	Cash used in financing activities Payments	Cash used in operating activities Interest paid	Additions, reassessment of lease liabilities and lease modifications	Interest expense	Non-cash changes Effect of foreign currency exchange rate changes	Balance, end of year
Balance as at December 30, 2023	\$ 162,894	\$ (39,102)	\$ (6,655)	\$ 24,025	\$ 6,655	\$ 2,156	\$ 149,973
Balance as at December 30, 2024	\$ 149,973	\$ (42,057)	\$ (6,054)	\$ 11,319	\$ 6,054	\$ (5,237)	\$ 113,998

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NOTE 10 – LEASES (continued)

c) Amounts recognized in the consolidated income statement

	2024	2023
Depreciation of right-of-use assets (Note 27 b))	\$ 39,458	\$ 39,426
Interest expense on lease liabilities (Note 27 a))	\$ 6,054	\$ 6,655
Expense related to variable lease payments not included in the measurement of lease liabilities	\$ 8,355	\$ 6,623
Gain related to lease modifications	\$ (12)	\$ (130)
Foreign exchange (gain) loss on lease liabilities – lease contracts denominated in a currency different from the functional currency of the lessee	\$ (1,469)	\$ 685

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

	2024	2023
Operating activities:		
Cash outflow for variable lease payments not included in the measurement of lease liabilities – included within net loss	\$ 8,355	\$ 6,623
Cash outflow for interest portion of lease liabilities – included within interest paid	6,054	6,655
	\$ 14,409	\$ 13,278
Financing activities:		
Cash outflow for principal portion of lease liabilities	\$ 42,057	\$ 39,102
Total cash outflow for leases	\$ 56,466	\$ 52,380

e) Maturity analysis – contractual undiscounted cash flows of lease liabilities

	2024	2023
Less than 1 year	\$ 40,235	\$ 42,533
Between 1 and 5 years	69,079	106,155
More than 5 years	16,646	18,321
Total contractual undiscounted cash flows of lease liabilities	\$ 125,960	\$ 167,009

As at December 30, 2024, the Company had undiscounted future lease payments of \$746 (2023 – \$5,927) related to leases not yet commenced to which it was committed, which are not reflected in the measurement of lease liabilities.

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NOTE 10 – LEASES (continued)

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 December 30, 2024 and 2023 as it was not reasonably certain that the leases would be extended or not be terminated.

	2024	2023
Extension options	\$ 122,354	\$ 101,972
Termination options (net of payments for penalties for terminating the leases)	\$ 58	\$ 6

NOTE 11 – INTANGIBLE ASSETS

Cost							
	Trademarks	Customer relationships	Patents	Software licenses	Deferred development costs	Total	
Balance as at December 30, 2022	\$ 105,640	\$ 89,262	\$ 20,234	\$ 19,393	\$ 107,885	\$ 342,414	
Additions – internally developed	–	–	174	1,740	5,309	7,223	
Additions – externally acquired	–	–	5	–	35	40	
Disposals	–	–	(863)	(8,507)	–	(9,370)	
Effect of foreign currency exchange rate changes	1,944	1,225	170	337	2,715	6,391	
Balance as at December 30, 2023	\$ 107,584	\$ 90,487	\$ 19,720	\$ 12,963	\$ 115,944	\$ 346,698	
Additions – internally developed	–	–	293	1,827	8,165	10,285	
Additions – externally acquired	–	–	–	212	–	212	
Disposals	–	–	(1,192)	–	(127)	(1,319)	
Effect of foreign currency exchange rate changes	(5,443)	(3,292)	(404)	(796)	(5,850)	(15,785)	
Balance as at December 30, 2024	\$ 102,141	\$ 87,195	\$ 18,417	\$ 14,206	\$ 118,132	\$ 340,091	

Accumulated amortization and impairment losses							
	Trademarks	Customer relationships	Patents	Software licenses	Deferred development costs	Total	
Balance as at December 30, 2022	\$ 81,319	\$ 71,620	\$ 16,765	\$ 14,424	\$ 91,199	\$ 275,327	
Amortization for the year (Note 27 b))	–	2,462	402	2,125	7,205	12,194	
Disposals	–	–	(863)	(8,507)	–	(9,370)	
Effect of foreign currency exchange rate changes	1,866	1,003	152	196	2,464	5,681	
Balance as at December 30, 2023	\$ 83,185	\$ 75,085	\$ 16,456	\$ 8,238	\$ 100,868	\$ 283,832	
Amortization for the year (Note 27 b))	–	2,223	487	2,543	5,871	11,124	
Disposals	–	–	(1,192)	–	(127)	(1,319)	
Effect of foreign currency exchange rate changes	(5,239)	(2,886)	(366)	(526)	(5,641)	(14,658)	
Balance as at December 30, 2024	\$ 77,946	\$ 74,422	\$ 15,385	\$ 10,255	\$ 100,971	\$ 278,979	

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NOTE 11 – INTANGIBLE ASSETS (continued)

Net book value								
	Trademarks	Customer relationships	Patents	Software licenses	Deferred development costs			Total
Balance as at December 30, 2023	\$ 24,399	\$ 15,402	\$ 3,264	\$ 4,725	\$ 15,076	\$		62,866
Balance as at December 30, 2024	\$ 24,195	\$ 12,773	\$ 3,032	\$ 3,951	\$ 17,161	\$		61,112

NOTE 12 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill and intangible assets with indefinite useful lives (trademarks) acquired through business combinations are allocated to CGUs or to groups of CGUs.

The aggregate carrying amount of goodwill and intangible assets with indefinite useful lives allocated to each CGU is as follows:

	Goodwill		Trademarks	
	2024	2023	2024	2023
Dorel Juvenile – Europe	\$ –	\$ –	\$ 23,450	\$ 23,450
Dorel Juvenile – Brazil	–	–	745	949
Dorel Home	–	45,417	–	–
Total	\$ –	\$ 45,417	\$ 24,195	\$ 24,399

The continuity of goodwill by segment is presented in Note 28.

The Company performs goodwill and indefinite life intangible asset impairment testing on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of the CGU or group of CGUs likely exceeds its recoverable amount. Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs to which goodwill or trademarks are allocated and comparing it to the CGUs' carrying amount.

The recoverable amount has been defined as the higher of the value in use and the fair value less costs of disposal.

Value in use

The income approach was used and was based upon the future cash flows that the CGU or group of CGUs will generate going forward. The discounted cash flow method was used which involves projecting cash flows and converting them into a present value equivalent through the use of discounting. The discounting process uses a rate of return that represents the risk associated with the business or asset and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates, terminal growth rates and discount rates.

The value in use was determined by using discounted cash flow projections from financial budgets approved by senior management. The Company projected revenue growth rates, operating margins, capital expenditures and working capital for a period of five years and applied a terminal long-term growth rate thereafter. In arriving at its forecasts, the Company considered past experience, economic trends such as GDP growth and inflation, as well as industry and market trends. The projections also took into account the expected impact from new product initiatives, customer retention and the maturity of the market in which each CGU operates.

NOTE 12 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (continued)

The Company assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented a weighted average cost of capital (WACC) for comparable companies operating in similar industries as the applicable CGU, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of each CGU.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, cash flow projections and the long-term growth rate used for extrapolation purposes.

Fair value less costs of disposal

The market approach was used which assumes that companies operating in the same industry will share similar characteristics and that company fair values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies whose financial information is publicly available may provide a reasonable basis to estimate fair value. Under the market approach, fair value is calculated based on EBITDA multiples, earnings before finance expenses and income taxes ("EBIT") multiples and sales multiples of benchmark companies comparable to the businesses in each CGU. Data for the benchmark companies was obtained from publicly available information. If there is no binding sales agreement or active market for the asset or CGU, the fair value is assessed by using appropriate valuation models dependent on the nature of the asset or CGU. The market approach is most sensitive to the selection of multiples of benchmark companies used and applied premiums or discounts to derive the multiple used in the determination of the fair value.

During the second quarter of 2024, the general economic and financial conditions globally from the ongoing high inflationary environment and the sustained high interest and mortgage rates continued to have a negative impact on the furniture industry, resulting in a significant decrease in consumer demand. The Company's Home segment earnings were markedly impacted during the second quarter of 2024, creating difficult market conditions and reduced demand. Accordingly, management concluded that these factors were indicators of impairment.

As such, management performed an impairment test for its Dorel Home CGU, for which it revised its assumptions on projected earnings and cash flows growth, as well as its assumptions on discount rates used to apply to the forecasted cash flows, using its best estimate of the conditions existing at June 30, 2024. As there was significant uncertainty surrounding the extent of the impact of the changes in the general economic and financial conditions globally on the Company's business, management incorporated weighted-probability scenarios in its assessment of forecasted cash flows. Although management used its best estimate to assess the potential impact on the Company's business, management exercised significant judgment to estimate forecasted cash flows and discount rate, using assumptions which are subject to significant uncertainties. Accordingly, differences in estimates could affect whether a CGU is impaired and the dollar amount of that impairment, which could be material.

As a result of the impairment test performed, management concluded that the recoverable amount of the Dorel Home CGU was less than its carrying amount, resulting in an impairment loss on goodwill of \$45,302 recorded during the second quarter of 2024. The recoverable amount is based on the higher of the value in use and fair value less costs to sell. The impairment loss reflects reduced earnings and cash flows projections in light of the general economic and financial conditions globally.

NOTE 12 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (continued)

Key assumptions used in the June 30, 2024 value in use calculations:

The recoverable amount is most sensitive to the discount rate used for the discounted cash flows model and the long-term growth rate used for extrapolation purposes. The following table presents the basis used as the recoverable amount and the key assumptions used in calculating the recoverable amount:

June 30, 2024			
	Basis used as recoverable amount	Pre-tax Discount Rate	Terminal Growth Rate
Dorel Home	Value in use	13.07%	2.4%

On October 31, 2024, the Company performed its annual impairment testing of trademarks. As the recoverable amounts of the CGUs were higher than their carrying amount, no impairment was recorded.

The valuation techniques, significant assumptions and sensitivity analysis applied in the annual goodwill and trademarks impairment tests are described below:

Key assumptions used in the December 30 calculations

The following table presents the basis used as the recoverable amount and the key assumptions used in calculating the recoverable amount:

December 30, 2024			
	Basis used as recoverable amount	Pre-tax Discount Rate	Terminal Growth Rate
Dorel Juvenile – Europe	Value in use	15.30%	2.00%

December 30, 2023			
	Basis used as recoverable amount	Pre-tax Discount Rate	Terminal Growth Rate
Dorel Juvenile – Europe	Value in use	16.15%	2.00%
Dorel Home	Value in use	14.54%	2.40%

The Company performed the below sensitivity analysis to changes in assumptions for the basis used in the calculations of the recoverable amount of each CGU.

NOTE 12 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (continued)

Sensitivity to changes in assumptions for the basis of the calculation of recoverable amounts

Two key assumptions were identified that if changed, could cause the carrying amount to exceed its recoverable amount. Varying the assumptions in the recoverable amount calculation would have the following effects for the year ended December 30, 2024, assuming that all other variables remained constant:

	Increase in basis points of pre-tax discount rate that would result in carrying value equal to recoverable amount	Decrease in basis points of terminal long-term growth rate that would result in carrying value equal to recoverable amount
Dorel Juvenile – Europe	720	1,850

Two key assumptions were identified that if changed, could cause the carrying amount to exceed its recoverable amount. Varying the assumptions in the recoverable amount calculation would have had the following effects for the year ended December 30, 2023, assuming that all other variables remained constant:

	Increase in basis points of pre-tax discount rate that would result in carrying value equal to recoverable amount	Decrease in basis points of terminal long-term growth rate that would result in carrying value equal to recoverable amount
Dorel Juvenile – Europe	625	1,410
Dorel Home	288	650

NOTE 13 – OTHER ASSETS AND OTHER LIABILITIES

Other assets consist of the following:

	2024	2023
Prepaid expenses	\$ 30,118	\$ 31,194
Sales tax receivable	3,113	5,000
Other receivables	10,930	4,985
Other financial assets	2,215	579
Other	436	468
	<u>\$ 46,812</u>	<u>\$ 42,226</u>
Current	\$ 32,531	\$ 26,754
Non-current	<u>\$ 14,281</u>	<u>\$ 15,472</u>

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NOTE 13 – OTHER ASSETS AND OTHER LIABILITIES (continued)

Other liabilities consist of the following:

	2024		2023	
Sales tax payable	\$	5,681	\$	6,350
Contract liabilities		586		295
Other financial liabilities		807		1,683
Other		2,362		1,090
	\$	<u>9,436</u>	\$	<u>9,418</u>
Current	\$	<u>6,367</u>	\$	<u>7,248</u>
Non-current	\$	<u>3,069</u>	\$	<u>2,170</u>

NOTE 14 – BANK INDEBTEDNESS

	2024			2023		
	Available	Used (1)	Average Interest Rates	Available	Used (2)	Average Interest Rates
Bank lines of credit	\$ 9,612	\$ 6,425	6.57%	\$ 17,528	\$ 7,317	8.27%

(1) \$4,392 are secured by trade accounts receivable representing a carrying value of \$3,959.

(2) \$3,264 are secured by trade accounts receivable representing a carrying value of \$2,444.

The availability of these funds is dependent on the Company continuing to meet the financial covenants of its credit related agreements. Financial covenants have been met as at December 30, 2024 and 2023.

NOTE 15 – TRADE AND OTHER PAYABLES

	2024		2023	
Trade creditors and accruals	\$	249,878	\$	287,607
Salaries payable		24,765		26,411
Other accrued liabilities		4,748		7,179
	\$	<u>279,391</u>	\$	<u>321,197</u>

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NOTE 16 – LONG-TERM DEBT

				2024		2023	
	Currency	Nominal interest rate	Maturity date	Face value	Carrying amount	Face value	Carrying amount
Senior secured asset based revolving credit facility bearing interest at various rates, averaging 8.05% (2023 – 7.26%)	USD/ EUR/ CAD	Variable rates plus a variable margin	June 11, 2026	\$ 128,200	\$ 126,835	\$ 110,100	\$ 108,248
Term loan facility bearing interest at prime rate, averaging 14.11% (2023 – 14.33%)	USD	Prime rate plus a margin	June 11, 2026	81,400	75,655	88,000	80,644
Debt financing repayable on a monthly basis	CAD	2.75%	October 31, 2037	28,818	28,818	32,877	32,877
Balance of sale on acquisition of Notio Living, bearing no interest	USD	n/a	February 2024	–	–	2,833	2,833
Other				15,061	15,061	11,063	11,063
Total outstanding loans				\$ 253,479	\$ 246,369	\$ 244,873	\$ 235,665
Current portion					(215,827)		(20,318)
					<u>\$ 30,542</u>		<u>\$ 215,347</u>

Senior secured asset based revolving credit facility (“ABL facility”)

On June 11, 2021, the Company entered into an ABL facility with institutional lenders led by Bank of Montreal as lead arranger, administrative agent and sole bookrunner with a total availability of \$300,000. On October 11, 2022, the Company amended its ABL facility agreement to increase the total availability to \$325,909. On December 8, 2023, the Company entered into a new senior secured term loan agreement in the amount of \$88,000 (see below), and as a result also amended its ABL facility agreement to decrease the total availability to \$275,000. The ABL facility has a maturity date of June 11, 2026 and is guaranteed by certain of Dorel’s subsidiaries. On March 28, 2024, the Company amended its ABL facility agreement whereby the minimum revolving excess availability requirement was decreased. On November 1, 2024, the Company further amended its ABL facility agreement to decrease the total availability to \$235,000 and to amend certain covenants.

The total amount accessible to the company is dependent upon the calculation of the borrowing base, which is based on accounts receivable and inventories. The amounts borrowed bear interest at variable rates based on the Eurodollar rate, the bankers’ acceptance rate, the prime rate, the Federal funds effective rate, the US base rate, the Canadian prime rate, the Dutch tranche Euro offered rate and the Dutch tranche USD offered rate, plus a variable margin.

Term loan facility

On December 8, 2023, the Company entered into a new \$88,000 senior secured term loan credit agreement with a group of lenders led by First Eagle Investments, as lead arranger, sole bookrunner, and administrative agent. The term loan, which is guaranteed by certain of Dorel’s subsidiaries, will mature on the earlier of December 8, 2026 and the date on which Dorel’s ABL facility matures (scheduled for June 11, 2026 unless extended in accordance with the terms of the related credit agreement). On March 28, 2024, the Company amended its \$88,000 senior secured term loan credit agreement whereby the minimum revolving excess availability requirement was decreased. On November 1, 2024, the Company further amended its senior secured term loan credit agreement to amend certain covenants.

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NOTE 16 – LONG-TERM DEBT (continued)

The amount borrowed bears interest at a variable rate based on the prime rate, plus a margin. Principal is repayable on the last calendar day of each March, June, September and December prior to the maturity date, in an amount equal to 2.50% of the aggregate original principal amount of the loan.

Covenants

Under both the ABL facility and term loan facility, the Company is subject to certain covenants, including maintaining minimum revolving excess availability. If this minimum excess availability is not met, then the Company must meet a minimum quarterly projected EBITDA target. The Company did not meet its covenants as at December 30, 2024 and classified its bank loans under the ABL facility and term loan as current.

NOTE 17 – PROVISIONS

	Product liability (1)	Warranty (2)	Employee compensa- tion (3)	Restructu- ring (Note 5)	Other	Total
Balance as at December 30, 2023	\$ 23,706	\$ 2,084	\$ 919	\$ 4,733	\$ 4,629	\$ 36,071
Arising during the year	5,668	783	123	6,479	1,309	14,362
Utilized	(2,478)	(603)	(97)	(6,798)	(370)	(10,346)
Unused amounts reversed	(1,833)	(85)	(8)	(401)	(2,253)	(4,580)
Effect of foreign currency exchange rate changes	—	(30)	(32)	(81)	(766)	(909)
Balance as at December 30, 2024	\$ 25,063	\$ 2,149	\$ 905	\$ 3,932	\$ 2,549	\$ 34,598
Current as at December 30, 2024	\$ 25,063	\$ 2,149	\$ —	\$ 3,932	\$ 1,353	\$ 32,497
Non-current as at December 30, 2024	—	—	905	—	1,196	2,101
	\$ 25,063	\$ 2,149	\$ 905	\$ 3,932	\$ 2,549	\$ 34,598
Current as at December 30, 2023	\$ 23,706	\$ 2,084	\$ —	\$ 4,733	\$ 3,295	\$ 33,818
Non-current as at December 30, 2023	—	—	919	—	1,334	2,253
	\$ 23,706	\$ 2,084	\$ 919	\$ 4,733	\$ 4,629	\$ 36,071

- (1) Given the nature of the risks, it is not possible to estimate when any liabilities may have to be settled, thus product liability provisions have been presented as current.
- (2) It is expected that most of these costs will be incurred in the next financial year, thus warranty provision has been presented as current.
- (3) It is expected that most of these costs will be incurred in future years, thus employee compensation provision has been presented as non-current.

NOTE 17 – PROVISIONS (continued)

The Company is insured for product liability, by the use of both traditional insurance and self-funded insurance to mitigate its product liability exposure. The Company is insured for product liability by a third-party insurer which is fully reinsured by the Company's wholly owned subsidiary, DICV, which functions as a captive insurance company. The third-party insurance company's coverage is limited to the fair value of the assets held by the captive insurance company.

Funds Held by Ceding Insurer

DICV, the captive insurance company, has entered into a reinsurance agreement whereby funds are withheld by the ceding insurer for the purpose of payment of net losses related to product liability claims.

NOTE 18 – FINANCIAL INSTRUMENTS

Financial instruments – carrying values and fair values

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 reporting dates because of their short-term nature. 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 maturities. The fair value of long-term debt bearing interest at fixed rates approximates its carrying value as at December 30, 2024 and 2023.

Fair value measurement

Where the fair value of financial assets and financial liabilities recorded in the consolidated statements 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. As at December 30, 2024, the Company has derivative financial assets of \$2,215 (2023 – \$579). The Company's derivative financial liabilities are not significant as at December 30, 2024 and 2023.

Management of risks arising from financial instruments

In the normal course of business, the Company is subject to various risks relating to foreign exchange, interest rate, credit and liquidity. The Company manages these risk exposures on an ongoing basis. In order to limit the effects of changes in foreign exchange rates on its revenues, expenses and cash flows, the Company can avail itself of various derivative financial instruments. The Company's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing or anticipated risks, commitments or obligations based on its past experience. The following analysis provides a measurement of risks arising from financial instruments.

NOTE 18 – FINANCIAL INSTRUMENTS (continued)

Foreign Exchange Rate Risk

The Company's main source of foreign exchange rate risk is due to sales and purchases of goods denominated in currencies other than the functional currency of each of the Company's affiliates. Fluctuations in the respective foreign exchange rates relative to the functional currency of each of the Company's affiliates will create volatility in the Company's cash flows and in the reported amounts in its consolidated income statements.

An equal proportion of short-term lines of credit, overdrafts and long-term debt used by the Company's affiliates are in the currency of the borrowing entity and therefore carry no foreign exchange rate risk as well as denominated in CAD, which creates a foreign currency risk. Inter-company loans/borrowings are economically hedged as appropriate, whenever they present a net exposure to foreign exchange rate risk and some are used to hedge net investments in their foreign subsidiaries. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of each of the Company's affiliates at the rates of exchange at each financial position date, the impact of which is reported as a foreign exchange gain or loss in the consolidated income statements. In order to mitigate the foreign exchange rate risk, from time to time, the Company uses various derivative financial instruments such as swaps, options, futures and forward contracts to hedge against adverse fluctuations in foreign currency rates.

Derivative financial instruments are used as a method for meeting the risk reduction objectives of the Company by generating offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted transactions. The terms of the derivatives range, in general, from one to twelve months. The Company does not hold or use derivative financial instruments for trading or speculative purposes.

The following tables provide an indication of the Company's significant foreign currency exposures of financial assets and liabilities denominated in currencies other than the functional currency of each of the Company's affiliates, as well as the amount of revenue and expenses that were denominated in foreign currencies other than the functional currency of each of the Company's affiliates. The tables below do not consider the effect of foreign exchange contracts. Amounts are presented in the equivalent US \$.

	2024			2023		
	USD	CAD	EUR	USD	CAD	EUR
Cash and cash equivalents	\$ 3,201	\$ 653	\$ 635	\$ 2,249	\$ 340	\$ 260
Trade and other receivables	8,028	6,239	2,866	6,309	5,067	3,623
Trade and other payables	(31,712)	(7,521)	(169)	(42,631)	(9,155)	(88)
Long-term debt	(19,062)	(85,646)	–	(11,100)	(74,239)	–
Inter-company loans	(15,071)	–	5,407	(30,174)	–	7,338
Consolidated statement of financial position net exposure excluding derivatives	\$ (54,616)	\$ (86,275)	\$ 8,739	\$ (75,347)	\$ (77,987)	\$ 11,133

	2024			2023		
	USD	CAD	EUR	USD	CAD	EUR
Revenue	\$ 33,549	\$ 34,366	\$ 21,338	\$ 33,704	\$ 36,034	\$ 22,264
Expenses	118,761	81,178	19,990	113,624	84,528	29,091
Net exposure	\$ (85,212)	\$ (46,812)	\$ 1,348	\$ (79,920)	\$ (48,494)	\$ (6,827)

Net foreign exchange gain amounting to \$3,040 (2023 – net foreign exchange loss of \$1,196) was recognized in the consolidated income statement during 2024.

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NOTE 18 – FINANCIAL INSTRUMENTS (continued)

The following outlines the main foreign exchange rates applied in the preparation of the consolidated financial statements:

	2024		2023	
	Year-to-date average rate	Reporting date rate	Year-to-date average rate	Reporting date rate
CAD to USD	0.7299	0.6957	0.7410	0.7548
EUR to USD	1.0818	1.0359	1.0817	1.1042
BRL to USD	0.1856	0.1617	0.2002	0.2061
GBP to USD	1.2780	1.2523	1.2436	1.2750

Based on the Company's foreign currency exposures noted above and the foreign exchange contracts in effect in 2024 and 2023, varying the above foreign exchange rates to reflect a 5 percent weakening of the currencies, other than the functional currency of each of the Company's affiliates, would have the following effects, assuming that all other variables remained constant:

	2024			2023		
Source of variability from changes in foreign exchange rates	USD	CAD	EUR	USD	CAD	EUR
Financial instruments, including foreign exchange contracts for which the Company does not apply hedge accounting	\$ 2,177	\$ 4,314	\$ (346)	\$ 3,196	\$ 3,899	\$ (462)
Revenue and expenses	4,261	2,340	(80)	3,996	2,425	320
Increase (decrease) on pre-tax income	\$ 6,438	\$ 6,654	\$ (426)	\$ 7,192	\$ 6,324	\$ (142)
Decrease on other comprehensive (loss) income	\$ (1,156)	\$ –	\$ –	\$ (1,277)	\$ –	\$ –

An assumed 5 percent strengthening of the currencies, other than the functional currency of each of the Company's affiliates, would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Cash flow hedges – Foreign exchange contracts

The Company enters into foreign exchange contracts to manage its foreign currency exposure associated with forecasted inventory purchases or other types of expenses. Most of the Company's foreign exchange contracts are designated as hedging instruments in cash flow hedges of forecast inventory purchases or other types of expenses.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange contracts match the terms of the expected highly probable forecasted transactions, i.e. notional amount and expected payment date. The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts is identical to the hedged risk components. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

NOTE 18 – FINANCIAL INSTRUMENTS (continued)

The main source of ineffectiveness in the hedge relationships are the:

- effect of the counterparty's and the Company's own credit risk on the fair value of the foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates;
- difference in the timing of cash flows of the hedged items and hedging instruments; and
- changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The total notional amount of the Company's outstanding foreign exchange contracts was \$31,494 (2023 – \$40,252). As at December 30, 2024, the fair value of the Company's derivative financial instruments relating to commitments to buy and sell foreign currencies through foreign exchange contracts is \$2,153 (2023 – \$(246)).

Net investment hedges

A foreign currency exposure also arises from the net investment in foreign subsidiaries, as a result of the translation of the net investment into the functional currency of their parent entity. One of the Company's subsidiaries (having a EUR functional currency) has designated a portion of its ABL facility as the hedging instrument in the hedge of its foreign net investment (having a US dollar functional currency), in order to mitigate its exposure to the US dollar foreign exchange rate risk on this net investment. Gains or losses on the retranslation of this hedging instrument is transferred to other comprehensive income (loss) to offset any gains or losses on translation of the net investment in the subsidiary.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange rate risk on the portion of the ABL facility (the "hedging instrument"). The Company has established a hedge ratio of 1:1 for the hedging relationship as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the net investment in the foreign subsidiary becomes lower than the amount of the related hedging instrument.

As at December 30, 2024, the carrying amount of the ABL facility designated as a hedging instrument was \$5,000 (2023 – \$5,000). The impact of this hedging instrument and the hedged item on the consolidated statements of financial position was not material as at December 30, 2024 and 2023.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's ABL facility and term loan facility bear interest at variable rates in effect at the time of borrowing plus a margin. As a result, the Company is exposed to interest rate cash flow risk due to fluctuations in variable rates. For long-term debt bearing interest at fixed rates, the Company is not exposed to interest rate risk on these instruments.

An increase or decrease of 100 basis points in the market interest rate would not have a significant impact on the Company's net loss.

NOTE 18 – FINANCIAL INSTRUMENTS (continued)

Credit Risk

Credit risk stems primarily from the potential inability of clients or counterparties to discharge their obligations and arises primarily from the Company's trade accounts receivable. The Company may also have credit risk relating to cash and cash equivalents, foreign exchange contracts and interest rate swap agreements resulting from defaults by counterparties, which it manages by entering into financial instruments with a variety of creditworthy parties. When entering into foreign exchange contracts and interest rate swap agreements, the counterparties are large Canadian and International banks.

The credit risk to which the Company is exposed arises principally from the Company's trade accounts receivable. Substantially all trade accounts receivable arise from the sale to the retail industry. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. In addition, a portion of the total trade accounts receivable is insured against possible losses. The carrying amount of the Company's financial assets represents the maximum exposure to credit risk.

In 2024, sales to two major customers accounted for respectively 28.6% and 18.3%, for an aggregate of 46.9% of the Company's total revenue (2023 – two customers accounted for 25.7% and 16.5%, for an aggregate of 42.2%). As at December 30, 2024, two customers accounted for respectively 27.7% and 17.1%, for an aggregate of 44.8% of the Company's total trade accounts receivable balance (2023 – two customers accounted for respectively 22.0% and 19.7%, for an aggregate of 41.7% of the Company's total trade accounts receivable balance).

The Company's exposure to credit risk for trade accounts receivable by geographic area, based on the location of the selling entity, was as follows:

	2024	2023
Canada	\$ 10,258	\$ 9,434
United States	61,045	104,129
Europe	44,197	40,101
Latin America	22,286	40,370
Asia	645	480
Other countries	5,001	5,204
	<u>\$ 143,432</u>	<u>\$ 199,718</u>

The Company's exposure to credit risk for trade accounts receivable by type of customer was as follows:

	2024	2023
Mass-market retailers	\$ 98,033	\$ 155,466
Specialty/independent stores	45,399	44,252
	<u>\$ 143,432</u>	<u>\$ 199,718</u>

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NOTE 18 – FINANCIAL INSTRUMENTS (continued)

The Company recognizes an impairment loss allowance for expected credit losses (“ECLs”) on trade accounts receivable, using a probability-weighted estimate of credit losses. The Company establishes an impairment loss allowance on a collective and individual assessment basis, by considering past events, current conditions and forecasts of future economic conditions. Collective assessment is carried out by grouping together trade accounts receivable with similar characteristics, mainly by geographic area, customer credit rating and number of days past due. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected. In its assessment of the impairment loss allowance as at December 30, 2024, the Company considered the uncertainty in the macro-economic environment on its ECL assessment, including the risk of default of its customers given the economic uncertainty caused by inflationary pressures.

The following table provides information about the exposure to credit risk and ECLs for trade accounts receivable. The ECLs were calculated based on actual credit loss experience and informed credit assessment, including forward-looking information.

				2024
	Weighted- average loss rate	Trade accounts receivable - gross	Impairment loss allowance	Trade accounts receivable - net
Current (not past due)	1.7%	\$ 118,888	\$ (1,982)	\$ 116,906
Past due 0-30 days	3.7%	18,381	(671)	17,710
Past due 31-60 days	4.3%	4,468	(193)	4,275
Past due 61-90 days	7.9%	1,499	(119)	1,380
Past due over 90 days	56.3%	7,234	(4,073)	3,161
		\$ 150,470	\$ (7,038)	\$ 143,432

				2023
	Weighted- average loss rate	Trade accounts receivable - gross	Impairment loss allowance	Trade accounts receivable - net
Current (not past due)	0.7%	\$ 166,244	\$ (1,091)	\$ 165,153
Past due 0-30 days	2.1%	22,394	(462)	21,932
Past due 31-60 days	4.2%	5,761	(243)	5,518
Past due 61-90 days	10.8%	1,158	(125)	1,033
Past due over 90 days	51.2%	12,462	(6,380)	6,082
		\$ 208,019	\$ (8,301)	\$ 199,718

NOTE 18 – FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity risk is the risk of being unable to honor financial commitments by the deadlines set out under the terms of such commitments. The Company manages liquidity risk through the management of its capital structure and operating requirements. It also manages liquidity risk by continuously monitoring actual and projected cash flows matching the maturity profile of financial assets and liabilities. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions not in the ordinary course of business, including acquisitions or other major investments or divestitures.

Assessing the Company's estimated future cash flows and liquidity, including its future compliance with covenants under its ABL facility and term loan facility, requires significant judgment. As there is significant uncertainty surrounding the Company's cash flows projections, its minimum revolving excess availability and its projected EBITDA, management concluded that the Company may not be able to meet its quarterly financial covenants during the next twelve months. Management is closely monitoring its cash flows, its minimum revolving excess availability and its minimum quarterly projected EBITDA targets. However, there can be no assurance that the Company will be successful in obtaining a waiver if it is in default of its financial covenants in the future, that alternative financing will be available to the Company, or that the Company will generate sufficient cash flows to meet its obligations.

The Company's ability to fund its operations and meet its cash flow requirements is dependent upon the Company's ability to maintain minimum excess availability. Management plans to adhere to the minimum excess availability requirements by actively managing liquidity through the management of both its working capital and discretionary spending, prioritizing capital expenditures and exploring strategic initiatives including the monetization of certain assets and additional sources of financing.

Accordingly, these circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that might be necessary should the Company be unable to achieve its plan and continue in business. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the classification of items in the consolidated statements of financial position classifications used. Such adjustments could be material (refer to Note 1).

NOTE 18 – FINANCIAL INSTRUMENTS (continued)

Capital management

The Company's objectives in managing capital are to provide sufficient liquidity to support its operations while generating a reasonable return to shareholders, give it the flexibility to take advantage of growth and development opportunities of the business, while at the same time taking a conservative approach towards financial leverage and management of financial risk.

The Company's capital structure is composed of net debt and equity. Net debt consists of interest-bearing debt less cash and cash equivalents. The Company's use of capital is to finance working capital requirements, capital expenditures, payment of dividends, as well as share repurchases. The Company currently funds these requirements out of its internally generated cash flows and with funds drawn from its ABL facility and from its term loan facility.

The Company manages its capital structure in light of changes in economic conditions and following the covenants of its ABL facility and its term loan facility. In order to maintain or adjust the capital structure, the Company may elect to adjust the amounts of dividends paid to shareholders, return capital to its shareholders, issue new shares, repurchase its shares or increase/decrease net debt.

The following table summarizes the contractual maturities of financial liabilities of the Company as at December 30, 2024, excluding future interest payments but including accrued interest:

	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Bank indebtedness	\$ 6,425	\$ 6,425	\$ –	\$ –	\$ –
Trade and other payables	279,391	279,391	–	–	–
Long-term debt:					
ABL facility	128,200	128,200	–	–	–
Term loan	81,400	81,400	–	–	–
Debt financing	28,818	1,519	3,227	4,087	19,985
Other long-term debt	15,061	11,818	3,123	120	–
Other liabilities:					
Other financial liabilities	807	71	689	47	–
Total	\$ 540,102	\$ 508,824	\$ 7,039	\$ 4,254	\$ 19,985

For the contractual undiscounted cash flows of lease liabilities, refer to Note 10 e).

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NOTE 19 – PENSION AND POST-RETIREMENT BENEFIT PLANS

Certain of the Company's subsidiaries maintain defined benefit plans and defined contribution plans for their employees.

The plans provide benefits based on a defined benefit amount and length of service. Pension benefit obligations under the defined benefit plans are determined annually by independent actuaries using management's assumptions and the accumulated benefit method for the plans where future salary levels do not affect the amount of employee future benefits and the projected benefit method for the plans where future salaries or cost escalation affect the amount of employee future benefits.

The changes in net liability arising from defined benefit obligations are as follows:

	2024		2023	
	Pension benefits	Post- retirement benefits	Pension benefits	Post- retirement benefits
Present value of the defined benefit obligations under wholly or partially funded plans:				
Balance, beginning of year	\$ 48,658	\$ 311	\$ 48,638	\$ 3,539
Current service cost	1,103	—	1,198	—
Interest cost	2,016	8	2,029	129
Participant contributions	629	—	628	—
Benefits paid	(2,053)	(336)	(2,112)	(376)
Effect of foreign currency exchange rate changes	(1,018)	—	427	—
Remeasurement (gains) losses recognized in other comprehensive income	(1,694)	17	(2,097)	(135)
Curtailment gains (2)	(35)	—	(53)	(2,846)
Balance, end of year	\$ 47,606	\$ —	\$ 48,658	\$ 311
Plan assets:				
Fair value, beginning of year	\$ 42,807	\$ —	\$ 41,544	\$ —
Interest income on plan assets	1,841	—	1,800	—
Remeasurement losses recognized in other comprehensive income	(888)	—	(638)	—
Employer contributions	3,009	336	1,586	376
Participant contributions	629	—	628	—
Benefits paid	(2,053)	(336)	(2,112)	(376)
Effect of foreign currency exchange rate changes	(706)	—	319	—
Additional charges	(307)	—	(320)	—
Fair value, end of year	\$ 44,332	\$ —	\$ 42,807	\$ —
Effect of asset ceiling (1)	\$ (206)	\$ —	\$ (252)	\$ —
Net liability arising from defined benefit obligations	\$ (3,480)	\$ —	\$ (6,103)	\$ (311)

(1) Includes effect of foreign currency exchange rate changes.

(2) Curtailment gains for pension benefits are due to restructuring and as such, are presented in Note 5.

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NOTE 19 – PENSION AND POST-RETIREMENT BENEFIT PLANS (continued)

Remeasurements of the net defined benefit liabilities recorded during the years ended:

	2024		2023	
	Pension benefits	Post- retirement benefits	Pension benefits	Post- retirement benefits
Remeasurement gains (losses) recognized in other comprehensive (loss) income:				
Return on plan assets (excluding amounts included in net interest expense)	\$ (888)	\$ –	\$ (638)	\$ –
Actuarial gains arising from changes in demographic assumptions	9	–	–	–
Actuarial gains arising from changes in financial assumptions	2,106	–	1,365	170
Actuarial (losses) gains arising from experience adjustments	(421)	(17)	732	(35)
Change in the effect of asset ceiling	30	–	(11)	–
	<u>\$ 836</u>	<u>\$ (17)</u>	<u>\$ 1,448</u>	<u>\$ 135</u>

	2024		2023	
	Pension benefits	Post- retirement benefits	Pension benefits	Post- retirement benefits
Remeasurement gains (losses) accumulated in other comprehensive loss:				
Balance, beginning of year	\$ 3,800	\$ (6,348)	\$ 2,097	\$ (6,483)
Recognized during the year in other comprehensive (loss) income	836	(17)	1,448	135
Effect of foreign currency exchange rate changes	(476)	–	255	–
Balance, end of year	<u>\$ 4,160</u>	<u>\$ (6,365)</u>	<u>\$ 3,800</u>	<u>\$ (6,348)</u>

	2024		2023	
	Pension benefits	Post- retirement benefits	Pension benefits	Post- retirement benefits
Changes in the asset ceiling:				
Balance, beginning of year	\$ (252)	\$ –	\$ (233)	\$ –
Change in the effect of asset ceiling	30	–	(11)	–
Effect of foreign currency exchange rate changes	16	–	(8)	–
Balance, end of year	<u>\$ (206)</u>	<u>\$ –</u>	<u>\$ (252)</u>	<u>\$ –</u>

The Company's asset ceiling represents the present value of future economic benefits available in the form of reductions in future contributions.

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NOTE 19 – PENSION AND POST-RETIREMENT BENEFIT PLANS (continued)

Net retirement costs for the defined benefit plans included in the consolidated income statements comprise the following:

	2024		2023	
	Pension benefits	Post-retirement benefits	Pension benefits	Post-retirement benefits
Current service cost	\$ 1,103	\$ –	\$ 1,198	\$ –
Net interest expense	175	8	229	129
Additional charges	307	–	320	–
Effect of curtailments (1)	(35)	–	(53)	(2,846)
Net retirement expense (gain) for the year	<u>\$ 1,550</u>	<u>\$ 8</u>	<u>\$ 1,694</u>	<u>\$ (2,717)</u>
Actual return on plan assets	<u>\$ 953</u>	<u>\$ –</u>	<u>\$ 1,162</u>	<u>\$ –</u>

(1) Curtailment gains for pension benefits are due to restructuring and as such, are presented in Note 5.

Other than the curtailment gain presented within restructuring and other costs (Note 5), the pension and post-retirement expense is recognized within general and administrative expenses and cost of sales.

Under the Company's defined contribution plans, total expense was \$3,160 (2023 – \$3,030) and is recorded within the appropriate headings of expenses by function. Total cash payments for employee future benefits for 2024, consisting of cash contributed by the Company to its funded plans, cash contributed to its defined contribution plans and benefits paid directly to beneficiaries for unfunded plans, was \$6,505 (2023 – \$4,981).

Actuarial assumptions and sensitivity analysis

Weighted-average assumptions used to determine benefit obligations:

	Pension benefits		Post-retirement benefits	
	2024	2023	2024	2023
Discount rate	4.60%	4.23%	n/a	5.28%
Rate of compensation increase	2.99%	2.99%	n/a	n/a

NOTE 19 – PENSION AND POST-RETIREMENT BENEFIT PLANS (continued)

Weighted-average assumptions used to determine net periodic cost:

	Pension benefits		Post-retirement benefits	
	2024	2023	2024	2023
Discount rate	4.23%	4.24%	n/a	5.04%
Rate of compensation increase	2.99%	2.99%	n/a	n/a
Post-retirement mortality at age 65 for current pensioners (male)	21.0 years	20.4 years	n/a	19.6 years
Post-retirement mortality at age 65 for current pensioners (female)	24.0 years	23.0 years	n/a	21.6 years
Post-retirement mortality at age 65 for current pensioners aged 45 (male)	22.3 years	21.8 years	n/a	20.8 years
Post-retirement mortality at age 65 for current pensioners aged 45 (female)	25.4 years	24.3 years	n/a	22.8 years

At December 30, 2024, the weighted-average duration of the defined benefit obligations was 14.8 years for the pension benefits (2023 – 14.4 years) and nil for the post-retirement benefits (2023 – 0.5 years).

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

	Pension benefits 2024		Pension benefits 2023	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	\$ (1,637)	\$ 1,740	\$ (1,691)	\$ 1,798
Rate of compensation increase (0.5% movement)	\$ 332	\$ (318)	\$ 295	\$ (271)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the net periodic cost by the amounts shown below.

	Pension benefits 2024		Pension benefits 2023	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	\$ (103)	\$ 159	\$ (130)	\$ 133
Rate of compensation increase (0.5% movement)	\$ 72	\$ (26)	\$ 58	\$ (34)

NOTE 19 – PENSION AND POST-RETIREMENT BENEFIT PLANS (continued)

The measurement date used for plan assets, pension benefits and post-retirement benefits was December 30. The most recent actuarial valuations for the pension plans and post-retirement benefit plans are dated January 1, 2024. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1, 2024, and the next required valuation will be as of January 1, 2025.

Plan assets are held in trust and their weighted average allocations were as follows as at the reporting date:

	2024		2023	
Debt securities				
Mutual funds - fixed income securities				
Canada	\$ 234	1%	\$ –	–%
United States	21,937	49	20,875	49
Europe	1,012	2	–	–
Total debt securities	<u>\$ 23,183</u>	<u>52%</u>	<u>\$ 20,875</u>	<u>49%</u>
Other				
Insurance contracts	\$ 11,755	27%	\$ 10,405	24%
Mutual funds - specialty	–	–	833	2
Total other	<u>\$ 11,755</u>	<u>27%</u>	<u>\$ 11,238</u>	<u>26%</u>
Equity securities				
Canada	\$ 83	–%	\$ 114	–%
United States	4,319	10	6,661	16
Europe	823	2	1,770	4
International	1,417	3	1,591	4
Total equity securities	<u>\$ 6,642</u>	<u>15%</u>	<u>\$ 10,136</u>	<u>24%</u>
Cash and cash equivalents	\$ 2,752	6%	\$ 558	1%
Total	<u>\$ 44,332</u>	<u>100%</u>	<u>\$ 42,807</u>	<u>100%</u>

All debt securities, equity securities and other mutual funds - specialty are valued based on quoted prices (unadjusted) for identical assets and liabilities in active markets. All insurance contracts do not have a quoted market price.

The Company expects \$2,090 in contributions to be paid to the funded defined benefit plans and \$28 in benefits to be paid for the unfunded plans in 2025.

Other

Certain of the Company's subsidiaries have elected to act as a self-insurer for certain costs related to all active employee health and accident programs. The expense for the year ended December 30, 2024 was \$5,515 (2023 – \$5,332) under this self-insured benefit program.

NOTE 20 – SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

The share capital of the Company is as follows:

Authorized

- An unlimited number of preferred shares without nominal or par value, issuable in series and fully paid.
- An unlimited number of Class "A" Multiple Voting Shares without nominal or par value, convertible at any time at the option of the holder into Class "B" Subordinate Voting Shares on a one-for-one basis.
- An unlimited number of Class "B" Subordinate Voting Shares without nominal or par value, convertible into Class "A" Multiple Voting Shares, under certain circumstances, if an offer is made to purchase the Class "A" shares.

Details of the issued and outstanding shares are as follows:

	2024		2023	
	Number	Amount	Number	Amount
Class "A" Multiple Voting Shares				
Balance, beginning of year	4,136,753	\$ 1,742	4,149,085	\$ 1,748
Converted from Class "A" to Class "B" (1)	–	–	(12,332)	(6)
Balance, end of year	4,136,753	\$ 1,742	4,136,753	\$ 1,742
Class "B" Subordinate Voting Shares				
Balance, beginning of year	28,415,677	\$ 204,220	28,388,532	\$ 203,865
Converted from Class "A" to Class "B" (1)	–	–	12,332	6
Reclassification from contributed surplus due to settlement of deferred share units (Note 21)	74,130	1,865	14,813	349
Balance, end of year	28,489,807	\$ 206,085	28,415,677	\$ 204,220
TOTAL SHARE CAPITAL		\$ 207,827		\$ 205,962

(1) During the year ended December 30, 2023, the Company converted 12,332 Class "A" Multiple Voting Shares into Class "B" Subordinate Voting Shares at an average rate of \$0.63 per share.

Nature and purpose of other components of equity

Contributed Surplus

The contributed surplus account is used to recognize the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration.

Other Comprehensive Income (Loss)

Cumulative Translation Account

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of monetary assets or liabilities that hedge the Company's net investment in foreign operations.

NOTE 20 – SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

Cash Flow Hedges

The cash flow hedges account comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Defined Benefit Plans

The defined benefit plans account comprises the remeasurement of the net pension and post-retirement defined benefit liabilities.

Other Equity

The other equity account comprises the previously recognized remeasurement of the present value of the written put option liabilities.

Dividends on Common Shares

No dividend was declared and paid by the Company on the outstanding Class “A” Multiple Voting Shares or Class “B” Subordinate Voting Shares in 2024 and 2023.

NOTE 21 – SHARE-BASED PAYMENTS

No share-based payments expense was recognized in the consolidated income statements and no liabilities are recorded in the consolidated statements of financial position related to the Company’s RSU and PSU plans (cash-settled) for the years ended December 30, 2024 and 2023.

Directors’ Deferred Share Unit Plan

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

The number of DSUs received by a director is determined by dividing the amount of the remuneration to be paid in the form of DSUs on that date or dividends to be paid on payment date (the “Award Date”) by the fair value of the Company’s Class “B” Subordinate Voting Shares on the Award Date. The Award Date is the last day of each quarter of the Company’s fiscal year in the case of director’s fees forfeited and the date on which the dividends are payable in the case of dividends. The fair value of the Company’s Class “B” Subordinate Voting Shares is equal to their average closing trading price during the five trading days preceding the Award Date. Upon termination of a director’s service, a director may receive, at the discretion of the Board of Directors, either:

- (a) cash equal to the number of DSUs credited to the director’s account multiplied by the fair value of the Class “B” Subordinate Voting Shares on the date a notice of redemption is filed by the director; or
- (b) the number of Class “B” Subordinate Voting Shares equal to the number of DSUs in the director’s account;
or
- (c) a combination of cash and Class “B” Subordinate Voting Shares.

Of the 750,000 DSUs authorized for issuance under the plan, 490,367 were available for issuance under the DDSU Plan as at December 30, 2024.

NOTE 21 – SHARE-BASED PAYMENTS (continued)

The changes in outstanding number of Directors' DSUs are as follows:

	2024	2023
DSUs outstanding, beginning of year	340,235	340,235
Settlement of deferred share units ⁽¹⁾	(80,602)	–
DSUs outstanding, end of year	259,633	340,235
Total vested, end of year	259,633	340,235

(1) During the year ended December 30, 2024, 80,602 DSUs (2023 – none) were settled for which \$1,179 (2023 – nil) was debited to contributed surplus and \$1,067 (2023 – nil) credited to share capital; the difference representing the withholding taxes the Company was required by law to withhold upon settlement.

Executive Deferred Share Unit Plan

The Company has an Executive Deferred Share Unit Plan (the “EDSU 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 EDSU Plan assists the executive officers in attaining prescribed levels of ownership of the Company's shares. A plan participant may also receive dividend equivalents paid in the form of DSUs. The number of DSUs received by an executive officer is determined by dividing the amount of the salary and bonus to be paid in the form of DSUs on that date or dividends to be paid on payment date (the “Award Dates”) by the fair value of the Company's Class “B” Subordinate Voting Shares on the Award Date. The Award Date is the last business day of each month of the Company's fiscal year in the case of salary, the date on which the bonus is, or would otherwise be, paid to the participant in the case of bonus and the date on which the dividends are payable in the case of dividends. The fair value of the Company's Class “B” Subordinate Voting Shares is equal to their weighted average trading price during the five trading days preceding the Award Date.

The Board of Directors may also grant discretionary DSUs with vesting conditions, such as service and non-market performance conditions. The holders of the discretionary DSUs are entitled to dividends declared by the Company which are recognized in the form of additional DSUs awards equivalent in value to the dividends paid on the Company's Class “B” Subordinate Voting Shares. The vesting conditions of these additional DSUs awards are subject to the same performance vesting conditions as the underlying discretionary DSUs.

Upon termination of an executive officer's service, an executive officer may receive, at the discretion of the Board of Directors, either:

- (a) cash equal to the number of DSUs credited to the executive officer's account multiplied by the fair market value of the Class “B” Subordinate Voting Shares on the date a notice of redemption is filed by the executive officer; or
- (b) the number of Class “B” Subordinate Voting Shares equal to the number of DSUs in the executive officer's account; or
- (c) a combination of cash and Class “B” Subordinate Voting Shares.

Of the 1,750,000 DSUs authorized for issuance under the plan, 1,063,219 were available for issuance under the EDSU Plan as at December 30, 2024.

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NOTE 21 – SHARE-BASED PAYMENTS (continued)

The changes in outstanding number of Executives' DSUs are as follows:

	2024	2023
DSUs outstanding, beginning of year	747,524	773,840
Settlement of deferred share units ⁽¹⁾	(60,743)	(26,316)
DSUs outstanding, end of year	686,781	747,524
Total vested, end of year	686,781	747,524

(1) During the year ended December 30, 2024, 60,743 DSUs (2023 – 26,316 DSUs) were settled for which \$891 (2023 – \$386) was debited to contributed surplus and \$798 (2023 – \$349) credited to share capital; the difference representing the withholding taxes the Company was required by law to withhold upon settlement.

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.
- 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 are no outstanding RSUs and PSUs for the years ended December 30, 2024 and 2023.

NOTE 22 – COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel include the Company's senior management and members of its Board of Directors. The following table summarizes the amounts recognized as an expense related to the Company's key management personnel:

	2024	2023
Wages, salaries and other short-term employee benefits	\$ 4,378	\$ 4,848
Social security costs	187	147
Contributions to defined contribution plans	8	8
Share-based payments	(685)	—
	<u>\$ 3,888</u>	<u>\$ 5,003</u>

NOTE 23 – COMMITMENTS, GUARANTEES AND CONTINGENCIES

a) Commitments

As at December 30, 2024, the Company has capital expenditure commitments of approximately \$1,896 and licensing commitments of approximately \$1,720.

b) Guarantees

In the normal course of business, the Company granted irrevocable standby letters of credit issued by highly rated financial institutions and other guarantees to various third parties to indemnify them in the event the Company does not perform its contractual obligations, such as payment of product liability claims, lease and licensing agreements, duties and workers compensation claims. As at December 30, 2024, standby letters of credit and other guarantees outstanding totalled \$16,139. As many of these guarantees will not be drawn upon, these amounts are not indicative of future cash requirements. No material loss is anticipated by reason of such agreements and guarantees, and no amounts have been accrued in the Company's consolidated financial statements with respect to these guarantees.

c) Contingencies

The Company is currently a party to various claims and legal proceedings. If management believes that a loss arising from these matters is probable and can reasonably be estimated, that amount of the loss is recorded, or the middle of the range estimated liability when the loss is estimated using a range and no point within the range is more probable than another. When a loss arising from such matters is probable, legal proceedings against third parties or counterclaims are recorded only if management, after consultation with outside legal counsels, believes such recoveries are virtually certain to be realized. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in aggregate, will not have a material adverse effect on the Company's financial position or overall trends in results of operations.

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NOTE 24 – INCOME TAXES

Variations of income taxes recovery from the basic Canadian federal and provincial combined tax rates applicable to loss before income taxes are as follows:

	2024		2023	
	\$	%	\$	%
Loss before income taxes	(129,587)	–	(76,923)	–
Recovery of income taxes (1)	(33,952)	26.2	(20,154)	26.2
Add (deduct) effect of:				
Difference in statutory tax rates of foreign subsidiaries	1,587	(1.2)	1,936	(2.5)
Non-recognition of tax benefits related to tax losses and temporary differences	29,903	(23.1)	14,714	(19.1)
Benefit arising from previously unrecognized tax losses and temporary differences of a prior period	(1,049)	0.8	(303)	0.4
Write-down of deferred tax assets	36,520	(28.2)	–	–
Reversal of previous write-down of a deferred tax asset	–	–	(7,935)	10.3
Tax incentives	(785)	0.6	(550)	0.7
Permanent differences	509	(0.4)	(3,024)	3.9
Non-deductible impairment loss on goodwill	9,340	(7.2)	–	–
Tax rates changes	14	–	–	–
Foreign exchange and other - net	284	(0.2)	743	(1.0)
	<u>42,371</u>	<u>(32.7)</u>	<u>(14,573)</u>	<u>18.9</u>

(1) The applicable statutory tax rates are 26.2% and 26.2%, respectively for the years ended December 30, 2024 and 2023. The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

The details of income tax recovery are as follows:

	2024	2023
Current income tax expense, includes a recovery of \$631 (2023 – a recovery of \$743) relating to prior taxation years	\$ 4,986	\$ 1,722
Deferred income tax recovery:		
Origination and reversal of temporary differences	(28,003)	(22,771)
Benefit arising from previously unrecognized tax losses and temporary differences of a prior period	(1,049)	(303)
Reversal of previous write-down of a deferred tax asset	–	(7,935)
Write-down of deferred tax assets	36,520	–
Non-recognition of tax benefits related to tax losses and temporary differences	29,903	14,714
Effect of tax rates changes	14	–
	<u>37,385</u>	<u>(16,295)</u>
	<u>\$ 42,371</u>	<u>\$ (14,573)</u>

The deferred tax assets and liabilities in the consolidated statements of financial position are as follows:

	2024	2023
Deferred tax assets	\$ 4,475	\$ 44,606
Deferred tax liabilities	(6,738)	(7,550)
	<u>\$ (2,263)</u>	<u>\$ 37,056</u>

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NOTE 24 – INCOME TAXES (continued)

The details of changes in deferred tax assets and deferred tax liabilities are as follows:

	Balance as at December 30, 2023	Recognized in net loss	Recognized in other comprehensive (loss) income	Others (1)	Balance as at December 30, 2024
Capital and operating tax losses carried forward	\$ 16,029	\$ (6,364)	\$ 94	\$ (773)	\$ 8,986
Net pension and post-retirement benefit obligations	1,250	(486)	21	(207)	578
Other liabilities	109	(58)	60	1	112
Long-term debt	(62)	8	—	4	(50)
Trade accounts receivable	4,958	(1,297)	—	(155)	3,506
Inventories	9,460	(8,876)	—	(109)	475
Trade and other payables	6,096	(4,657)	—	(404)	1,035
Provisions	5,753	(5,660)	—	(1)	92
Assets held for sale	—	—	—	(22)	(22)
Property, plant and equipment	(7,290)	2,057	—	115	(5,118)
Right-of-use assets	(31,416)	8,320	—	527	(22,569)
Lease liabilities	34,165	(10,548)	—	(581)	23,036
Intangible assets	(11,688)	93	—	134	(11,461)
Goodwill	217	—	—	(69)	148
Other assets	—	—	(583)	—	(583)
Other	9,475	(9,917)	—	14	(428)
	\$ 37,056	\$ (37,385)	\$ (408)	\$ (1,526)	\$ (2,263)

(1) Others comprise foreign currency exchange rate changes.

	Balance as at December 30, 2022	Recognized in net loss	Recognized in other comprehensive income	Others (1)	Balance as at December 30, 2023
Capital and operating tax losses carried forward	\$ 5,976	\$ 9,716	\$ 297	\$ 40	\$ 16,029
Net pension and post-retirement benefit obligations	3,300	(1,742)	(452)	144	1,250
Other liabilities	131	20	(39)	(3)	109
Long-term debt	(46)	(14)	—	(2)	(62)
Trade accounts receivable	4,283	598	—	77	4,958
Inventories	8,686	754	—	20	9,460
Trade and other payables	2,775	3,328	—	(7)	6,096
Provisions	7,003	(1,275)	—	25	5,753
Assets held for sale	(575)	598	—	(23)	—
Property, plant and equipment	(6,217)	(1,064)	—	(9)	(7,290)
Right-of-use assets (2)	(35,415)	4,196	—	(197)	(31,416)
Lease liabilities (2)	37,789	(3,831)	—	207	34,165
Intangible assets	(13,297)	1,755	—	(146)	(11,688)
Goodwill	46	168	—	3	217
Other	6,324	3,088	—	63	9,475
	\$ 20,763	\$ 16,295	\$ (194)	\$ 192	\$ 37,056

(1) Others comprise foreign currency exchange rate changes.

(2) The adoption of the amendments to IAS 12 on Deferred Tax related to Assets and Liabilities arising from a Single Transaction resulted in a \$35,415 gross-up presentation of the lease liability deferred tax asset and right-of-use deferred tax liability as at December 30, 2022, with no impact on the net amount of deferred tax asset recognized.

NOTE 24 – INCOME TAXES (continued)

Net deferred tax assets of \$1,350 were recognized as at December 30, 2024 (2023 – \$37,790) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical income or projections for future income, management believes it is probable that the Company will realize the benefits of these deductible differences and operating tax losses carry forward.

As at December 30, 2024, the net operating losses carried forward, tax credits and deductible temporary differences for which deferred tax assets have not been recognized amounted to \$741,296 (2023 – \$518,175). The portion pertaining to net operating losses carried forward amounts to \$486,456, of which \$240,856 expire between 2025 and 2044 and the remainder of which having no expiry (2023 – \$191,048 and \$233,468, respectively). The portion pertaining to temporary differences amounts to \$250,431 (2023 – \$93,659) and has no expiry. Additionally, the unrecognized tax credits amounts to \$4,410 (2023 – nil), of which \$4,102 expires between 2025 and 2044 and the remainder of which having no expiry. The unrecognized deferred tax assets related to operating tax losses carried forward amounted to \$129,059 as at December 30, 2024 (2023 – \$110,095).

The Company has not recognized deferred tax liabilities for the undistributed earnings of its subsidiaries in the current or prior years since the Company does not expect to sell or repatriate funds from those investments, in which case the undistributed earnings may become taxable. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to income and/or withholding taxes. Taxable temporary differences for which deferred tax liabilities were not recognized amount to approximately \$109,839 (2023 – \$143,119).

The Company is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in Canada and was also enacted or substantively enacted in certain jurisdictions in which subsidiaries of the Company operate. The legislation came into effect for the Company's fiscal year commencing on December 31, 2023.

The Company has performed an assessment of the exposure to Pillar Two income taxes. The assessment is based on the most recent information available regarding the financial performance of the constituent entities in the Company. Based on this assessment, there are a limited number of jurisdictions where the transitional safe harbours do not apply. However, as the Pillar Two effective tax rate is close to 15% for these jurisdictions, the Company and its subsidiaries did not have to recognize current income tax expense with respect to the implementation of the Pillar Two legislation for the year ended December 30, 2024. The Company applies the temporary mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two incomes taxes, as provided in the amendments to IAS 12 issued in May 2023.

The breadth of the Company's operations and the global complexity of tax regulations require assessments of uncertainties and judgments in estimating the ultimate taxes the Company will pay. The final taxes paid are dependent upon many factors, including negotiations with taxation authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, provincial, state and local tax audits. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Company's tax assets and tax liabilities.

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NOTE 25 – LOSS PER SHARE

The following table provides a reconciliation between the number of basic and fully diluted shares outstanding that were used in the computation of the basic and diluted loss per share:

	2024	2023
Net loss	\$ (171,958)	\$ (62,350)
Weighted daily average number of Class “A” multiple and Class “B” Subordinate Voting Shares	32,571,973	32,541,953
Dilutive effect of deferred share units	—	—
Weighted average number of diluted shares	32,571,973	32,541,953
Loss per share (in dollars)		
Total basic	\$ (5.28)	\$ (1.92)
Total diluted	\$ (5.28)	\$ (1.92)

Excluded from the above calculation of the loss per share for the year ended December 30, 2024 are 946,414 DSUs (2023 – 1,087,759 DSUs) which were deemed to be anti-dilutive.

NOTE 26 – SUPPLEMENTAL CASH FLOW INFORMATION

Net changes in balances related to operations are as follows:

	2024	2023
Trade accounts receivable	\$ 7,725	\$ (2,995)
Inventories	53,953	62,502
Other assets	(8,339)	(6,328)
Trade and other payables	2,429	40,165
Net pension and post-retirement defined benefit liabilities	(3,390)	(4,787)
Provisions	(547)	(3,257)
Other liabilities	2,620	1,290
	\$ 54,451	\$ 86,590

The components of cash and cash equivalents are:

	2024	2023
Cash	\$ 41,183	\$ 23,019
Short-term investments	90	1,070
Cash and cash equivalents	\$ 41,273	\$ 24,089

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NOTE 26 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)

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

	2024	2023
Acquisition of property, plant and equipment financed by trade and other payables	\$ 1,948	\$ 1,487
Additions, lease modifications and lease reassessments of right-of-use assets financed by lease liabilities	\$ 11,319	\$ 24,025
Acquisition of intangible assets financed by trade and other payables	\$ 653	\$ 411

The reconciliation of movements of liabilities, except of lease liabilities (for which the information is presented in Note 10 b)), to cash flows arising from financing activities is as follows:

	Balance as at December 30, 2023	Cash provided by (used in) financing activities				Non-cash changes		Balance as at December 30, 2024
		Proceeds	Repayments	Financing costs	Effect of foreign currency exchange rate changes	Accretion of interest	Changes in fair value	
Bank indebtedness	\$ 7,317	\$ –	\$ (374)	\$ –	\$ (518)	\$ –	\$ –	\$ 6,425
ABL facility	\$ 108,248	\$ 25,057	\$ –	\$ (311)	\$ (6,956)	\$ 797	\$ –	\$ 126,835
Term loan facility	80,644	–	(6,600)	(1,974)	–	3,585	–	75,655
Debt financing	32,877	–	(1,525)	–	(2,534)	–	–	28,818
Balance of sale	2,833	–	(2,833)	–	–	–	–	–
Other	11,063	9,065	(3,232)	–	(1,835)	–	–	15,061
Total long-term debt	\$ 235,665	\$ 34,122	\$ (14,190)	\$ (2,285)	\$ (11,325)	\$ 4,382	\$ –	\$ 246,369
Interest rate swaps asset	\$ (412)	\$ 394	\$ –	\$ –	\$ –	\$ –	\$ 18	\$ –

	Balance as at December 30, 2022	Cash provided by (used in) financing activities				Non-cash changes		Balance as at December 30, 2023
		Proceeds	Repayments	Financing costs	Effect of foreign currency exchange rate changes	Accretion of interest	Changes in fair value	
Bank indebtedness	\$ 11,946	\$ –	\$ (4,669)	\$ –	\$ 40	\$ –	\$ –	\$ 7,317
ABL facility	\$ 208,420	\$ –	\$ (101,813)	\$ (393)	\$ 1,370	\$ 664	\$ –	\$ 108,248
Term loan facility	–	88,000	–	(7,608)	–	252	–	80,644
Debt financing	33,703	–	(1,485)	–	659	–	–	32,877
Balance of sale	5,666	–	(2,833)	–	–	–	–	2,833
Other	8,941	3,902	(1,342)	–	(438)	–	–	11,063
Total long-term debt	\$ 256,730	\$ 91,902	\$ (107,473)	\$ (8,001)	\$ 1,591	\$ 916	\$ –	\$ 235,665
Interest rate swaps asset	\$ (1,493)	\$ 1,393	\$ –	\$ –	\$ –	\$ –	\$ (312)	\$ (412)

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NOTE 27 – FINANCE EXPENSES, DEPRECIATION AND AMORTIZATION, AND OTHER INFORMATION

a) Finance expenses

	2024	2023
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	\$ 28,714	\$ 15,751
Interest on lease liabilities (Note 10 c))	6,054	6,655
Other interest	3,788	2,320
	<u>\$ 38,556</u>	<u>\$ 24,726</u>

b) Depreciation and amortization

Depreciation of property, plant and equipment and right-of-use assets, and amortization of intangible assets are included in the following consolidated income statements captions:

	2024				2023			
	Property, plant and equipment (Note 9)	Right-of-use assets (Note 10 a))	Intangible assets (Note 11)	Total	Property, plant and equipment (Note 9)	Right-of-use assets (Note 10 a))	Intangible assets (Note 11)	Total
Included in cost of sales	\$ 11,256	\$ 29,978	\$ –	\$ 41,234	\$ 13,659	\$ 29,561	\$ –	\$ 43,220
Included in selling expenses	2,062	7,225	2,749	12,036	139	7,557	2,864	10,560
Included in general and administrative expenses	3,729	2,248	2,504	8,481	4,086	2,290	2,125	8,501
Included in research and development expenses	–	7	5,871	5,878	–	18	7,205	7,223
	<u>\$ 17,047</u>	<u>\$ 39,458</u>	<u>\$ 11,124</u>	<u>\$ 67,629</u>	<u>\$ 17,884</u>	<u>\$ 39,426</u>	<u>\$ 12,194</u>	<u>\$ 69,504</u>

c) Employee benefits expense

	2024	2023
Wages, salaries and other short-term employee benefits	\$ 194,129	\$ 199,060
Social security costs	46,427	46,112
Employee severance and termination benefits (Note 5)	5,432	4,585
Contributions to defined contribution plans (Note 19)	3,160	3,030
Expenses related to defined benefit plans (Note 19)	1,550	1,694
Expenses (gains) related to post-retirement benefits plan (Note 19)	8	(2,717)
	<u>\$ 250,706</u>	<u>\$ 251,764</u>

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NOTE 28 – SEGMENTED INFORMATION

The Company's significant business segments are based on two distinctive lines of activities which include:

- **Dorel Juvenile segment:** Engaged in the design, sourcing, manufacturing, distribution and retail of children's accessories which include infant car seats, strollers, home equipment, developmental toys and infant health and safety aids.
- **Dorel Home segment:** Engaged in the design, sourcing, manufacturing and distribution of ready-to-assemble furniture and home furnishings which include metal folding furniture, futons, children's furniture, step stools, hand trucks, ladders, outdoor furniture and other imported furniture items.

The accounting policies used to prepare the information by business segment are the same as those used to prepare the consolidated financial statements of the Company as described in Note 3.

The above reportable segments are the Company's strategic business units which are based on their products and are managed separately. The Company evaluates financial performance based on measures of income from segmented operations before finance expenses and income taxes.

Reporting Segments

	Total		Dorel Juvenile		Dorel Home	
	2024	2023	2024	2023	2024	2023
Revenue	\$ 1,380,215	\$ 1,388,748	\$ 864,065	\$ 829,778	\$ 516,150	\$ 558,970
Cost of sales (Note 8)	1,134,175	1,144,968	628,842	610,669	505,333	534,299
Gross profit	246,040	243,780	235,223	219,109	10,817	24,671
Selling expenses	126,162	126,096	104,585	101,185	21,577	24,911
General and administrative expenses	122,235	121,321	93,466	89,751	28,769	31,570
Research and development expenses	23,579	24,536	18,702	19,345	4,877	5,191
Impairment loss on trade accounts receivable	2,507	1,117	638	866	1,869	251
Restructuring costs (Note 5)	5,957	4,532	2,204	1,551	3,753	2,981
Impairment loss on goodwill (Note 12)	45,302	–	–	–	45,302	–
Operating (loss) profit	(79,702)	(33,822)	15,628	6,411	(95,330)	(40,233)
Finance expenses	38,556	24,726				
Corporate expenses	11,329	18,375				
Income taxes expense (recovery)	42,371	(14,573)				
Net loss	\$ (171,958)	\$ (62,350)				
Total assets	\$ 757,634	\$ 971,678	\$ 519,402	\$ 578,988	\$ 238,232	\$ 392,690
Total liabilities	\$ 499,743	\$ 525,794	\$ 337,590	\$ 322,302	\$ 162,153	\$ 203,492
Additions to property, plant and equipment	\$ 13,738	\$ 13,919	\$ 13,275	\$ 13,134	\$ 463	\$ 785
Additions to intangible assets	\$ 10,497	\$ 7,263	\$ 10,497	\$ 7,263	\$ –	\$ –
Depreciation and amortization included in operating (loss) profit	\$ 67,105	\$ 68,926	\$ 47,887	\$ 49,110	\$ 19,218	\$ 19,816
Impairment on property, plant and equipment included in operating (loss) profit (Notes 5 and 9)	\$ 1,990	\$ –	\$ –	\$ –	\$ 1,990	\$ –

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NOTE 28 – SEGMENTED INFORMATION (continued)

Disaggregation of Revenue

Revenue is composed mainly from revenue generated from sales of goods. 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:

	Total		Dorel Juvenile		Dorel Home	
	2024	2023	2024	2023	2024	2023
Geographic area						
Canada	\$ 82,044	\$ 89,981	\$ 24,343	\$ 24,546	\$ 57,701	\$ 65,435
United States	803,304	821,777	371,231	357,536	432,073	464,241
Europe	319,651	303,812	293,275	274,518	26,376	29,294
Latin America	128,264	130,810	128,264	130,810	—	—
Asia	6,944	6,223	6,944	6,223	—	—
Other countries	40,008	36,145	40,008	36,145	—	—
Total	\$ 1,380,215	\$ 1,388,748	\$ 864,065	\$ 829,778	\$ 516,150	\$ 558,970
Channels of distribution						
Brick and mortar retailers	\$ 843,132	\$ 780,435	\$ 571,875	\$ 536,691	\$ 271,257	\$ 243,744
Internet retailers	527,282	600,583	282,389	285,357	244,893	315,226
Other	9,801	7,730	9,801	7,730	—	—
Total	\$ 1,380,215	\$ 1,388,748	\$ 864,065	\$ 829,778	\$ 516,150	\$ 558,970

Total Assets and Total Liabilities

	2024	2023
Total Assets		
Total assets for reportable segments	\$ 757,634	\$ 971,678
Corporate assets	45,161	29,249
Total	<u>\$ 802,795</u>	<u>\$ 1,000,927</u>
Total Liabilities		
Total liabilities for reportable segments	\$ 499,743	\$ 525,794
Corporate liabilities	260,909	250,431
Total	<u>\$ 760,652</u>	<u>\$ 776,225</u>

DOREL INDUSTRIES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 30, 2024 and 2023
(All figures in thousands of US dollars)

NOTE 28 – SEGMENTED INFORMATION (continued)

Non-Current Assets Geographic Information

In presenting the geographic information for the Company's non-current assets, segment assets were based on the geographic location of the assets.

Property, plant and equipment, right-of-use assets, intangible assets and goodwill	2024	2023
Canada	\$ 12,437	\$ 71,202
United States	92,750	124,530
Europe	66,017	74,697
Latin America	12,732	15,064
Asia	30,319	31,816
Other countries	6,278	3,981
	<u>\$ 220,533</u>	<u>\$ 321,290</u>

Goodwill

The continuity of goodwill by reporting segment is presented in the table below. There is no remaining goodwill in the Dorel Juvenile segment.

	Dorel Home
Balance as at December 30, 2022	<u>\$ 45,205</u>
Effect of foreign currency exchange rate changes	212
Balance as at December 30, 2023	<u>\$ 45,417</u>
Impairment loss (Note 12)	(45,302)
Effect of foreign currency exchange rate changes	(115)
Balance as at December 30, 2024	<u>\$ –</u>

Concentration of Credit Risk

Sales to the Company's major customer as described in Note 18 were concentrated as follows:

	Total		Canada		United States		Other	
	2024	2023	2024	2023	2024	2023	2024	2023
Dorel Juvenile	27.2%	25.3%	0.8%	0.8%	20.1%	18.0%	6.3%	6.5%
Dorel Home	19.7%	16.9%	1.7%	1.4%	17.9%	15.5%	0.1%	–%
Total	<u>46.9%</u>	<u>42.2%</u>	<u>2.5%</u>	<u>2.2%</u>	<u>38.0%</u>	<u>33.5%</u>	<u>6.4%</u>	<u>6.5%</u>

NOTE 29 – SUBSEQUENT EVENTS

Financing Transaction

On February 21, 2025, the Company entered into a sale-leaseback transaction with a related party (or which each of Martin Schwartz, Jeffrey Schwartz and Jeff Segel, directors and executive officers of the Company's and Alan Schwartz, an executive officer of Dorel, has an ownership interest) for its factory and warehousing facility in Columbus, Indiana. The gross proceeds to the Company from the sale will be \$30,000, of which approximately \$8,000 will be allocated to reduce existing debt, with the balance designated for funding the Company's ongoing operations. The lease has an initial term of ten years and may be renewed at the Company's option for two renewal terms of five years each. The initial annual rent is approximately \$2,900, subject to annual increases. The obligations of the lessee Dorel Juvenile Group, Inc. are not guaranteed by the Company, its parent company.

Tariffs

On February 1, 2025, the President of the United States issued three executive orders directing the United States to impose new tariffs on imports originating from Canada, Mexico and China. These orders call for additional 25% duty on imports into the United States of Canadian-origin and Mexican-origin products and 10% duty on Chinese origin products, except for Canadian energy resources that are subject to an additional 10% duty.

The Company is assessing the direct and indirect impacts to its business of such tariffs, retaliatory tariffs or other trade protectionist measures implemented as this situation develops, and such impacts could be material.