A GLOBAL CONSUMER PRODUCTS COMPANY

THIRD QUARTERLY REPORT
for the nine months ended September 30, 2004

DOREL

Management's Discussion and Analysis
of financial conditions and results of operations

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2004
ALL FIGURES IN US DOLLARS

Management's Discussion and Analysis of Financial Conditions and Results of Operations («MD & A») should be read in conjunction with the unaudited interim consolidated financial statements for the nine months ended September 30, 2004 and the audited consolidated financial statements and MD & A for the year ended December 30, 2003.

Note that there have been no significant changes with regards to "Corporate Objectives, Core Businesses and Strategies", "Risks" and "Critical Accounting Policies and Estimates" to those outlined in the annual MD & A contained in the Company's 2003 Annual Report. As such, they are not repeated herein. The information in this MD & A is current as of November 2, 2004.

Significant Event in the First Quarter of 2004

In the first quarter of 2004, the Company acquired Wisconsin-based Pacific Cycle, LLC, a designer and supplier of bicycles and other recreational products. The total value of the all-cash transaction was $320.5 million, including an estimate of acquisition costs, and was financed through amended debt facilities. In 2003, Pacific Cycle's annual sales were in excess of $325 million. Founded in 1977, Pacific Cycle is a leader in the design, marketing and distribution of high quality, branded bicycles and other recreational products. Best known for its *Schwinn, Mongoose* and *GT* bicycle brands, the Company also markets products under the *Roadmaster, InStep, Pacific,* and *Murray* labels. Pacific Cycle combines these well-known brands with long-established, efficient Asian sourcing. It distributes its brands through its strong relationships with high volume retailers, particularly in the mass market channel as well as sporting goods chains and specialty independent dealers. This broad distribution has enabled Pacific Cycle to garner an industry-leading 27% share of total U.S. bicycle sales including 44% of the bicycle sales in the mass merchant sector. Pacific's brand portfolio enables it to serve virtually all consumer demographics, price categories and bicycling styles. Pacific is being run as a stand-alone Dorel division and is reported under the Recreational/Leisure Segment.

Results of Operations

Overview

Revenues for the third quarter ended September 30, 2004 were up 43.5% to $428.2 million, compared to the $298.5 million posted a year ago. Year-to-date revenues increased 45.6% to $1.22 billion, compared to the $840.1 million posted a year ago. Year-to-date organic revenue growth was approximately 7%. Newly acquired Pacific Cycle contributed $261.9 million of the revenue increase recorded in 2004 with the balance of the increase coming from the Ampafrance and Carina acquisitions in 2003.

Third quarter net income was up 50.5% to $28.2 million or $0.86 per share fully diluted compared to $18.8 million or $0.58 per share fully diluted a year ago. Year-to-date net income increased 21.5% to $66 million from $54.3 million. Year-to-date earnings per share were $2.00 compared to last year's $1.68 on a fully diluted basis.

An analysis of the variation of after-tax earnings from 2003 to 2004 is as follows:

Earnings from operations by Segment ('000):

	Third Quarter	Year-to-Date
Recreational/Leisure (Pacific Cycle)	$ 14,684	$ 33,781
Home Furnishings decrease	(3,022)	(17,069)
Juvenile increase	4,451	4,708
Product liability insurance dispute	0	(6,500)
Total earnings from operations increase	16,113	14,920
Higher interest costs	(5,549)	(12,530)
Impact of lower tax rate	1,620	11,291
Other	(2,707)	(2,007)
Total increase in net income	$ 9,477	$ 11,674

The causes of these variations over last year are discussed below.

Segmented Results

The segmented results of the Company are presented in Note 9 to these interim financial statements. Presented herein are the segmented results in percentage terms for the third quarter and year-to-date:

Juvenile	Third quarter ended September 30		Nine months ended September 30	
	2004	**2003**	**2004**	**2003**
Revenues	**100.0%**	100.0%	**100.0%**	100.0%
Cost of Sales	**69.7%**	70.9%	**69.9%**	69.7%
Gross Profit	**30.3%**	29.1%	**30.1%**	30.3%
Operating Expenses	**16.6%**	15.9%	**17.6%**	15.9%
Research and Development	**0.4%**	1.4%	**0.6%**	1.1%
Amortization	**3.2%**	3.5%	**3.4%**	3.3%
Earnings from operations	**10.1%**	8.3%	**8.5%**	10.0%

Third quarter sales in the Juvenile segment rose 8.7% to $179.6 million from $165.2 million a year ago. Earnings from operations rose 32.6% to $18.1 million, compared to $13.6 million. Nine month sales reached $565.3 million, a 13.3% increase from last year's $499.1 million. Earnings from operations for the nine months were $48.3 million, down 3.6% year-over-year.

Both North America and Europe experienced third quarter sales and earnings advances. In North America, increased earnings were driven principally by higher sales volumes in the U.S. and earnings in Canada, as the Canadian dollar continued to strengthen. The North American Juvenile segment year-to-date sales increase was due strictly to organic sales growth. These sales increases are a direct result of improved new product development.

In Europe, earnings also rose, mainly as a result of improvements at Dorel Europe's Northern operations and the strength of the euro. Many of the changes implemented in Northern Europe since the beginning of the year have begun to take effect, translating into improved earnings. New product introductions, notably the "Loola", the "Buzz" and "Zap" strollers are behind schedule and this has had a negative impact. Expectations are that the fourth quarter will include significant sales of these items.

In 2004 gross margins for the quarter and year to date are consistent with the prior year, despite higher raw material costs. In North America, a positive mix of product sales and the strength of the Canadian dollar versus its U.S. counterpart helped maintain margins. Margins in Europe also remained consistent with last year as raw material cost increases were offset by improvements at the Company's operations in Holland and the United Kingdom as well as the strength of the euro on U.S. dollar purchases.

Year-to-date, operating costs are higher than last year at 17.6% of sales versus 15.9%. Included in the 2004 figures is a $6.5 million charge in connection with a dispute with one of the Company's insurance carriers. If this amount is excluded, the 2004 year-to-date expense is 16.5% of sales, which is more consistent with the prior year. The remaining increase over 2003 is attributable to higher costs associated with product liability.

Home Furnishings	Third quarter ended September 30		Nine months ended September 30	
	2004	**2003**	**2004**	**2003**
Revenues	**100.0%**	100.0%	**100.0%**	100.0%
Cost of Sales	**83.2%**	80.0%	**84.7%**	78.2%
Gross Profit	**16.8%**	20.0%	**15.3%**	21.8%
Operating Expenses	**5.5%**	5.8%	**6.3%**	6.5%
Research and Development	**0.3%**	0.4%	**0.3%**	0.4%
Amortization	**1.1%**	1.0%	**1.3%**	1.3%
Earnings from operations	**9.9%**	12.8%	**7.4%**	13.6%

Home Furnishings revenues for the third quarter gained 7.1% to reach $142.7 million compared to $133.2 million a year ago. Earnings from operations declined 17.7% to $14.1 million from $17.1 million last year. For the nine months, revenues were up 16.0% to $395.7 million from $341.0 million, while earnings from operations were down 36.7% to $29.4 million from $46.5 million last year.

As compared to the second quarter, earnings from operations more than doubled with improved sales and higher margins. While board prices continue to remain high and reduce the segment's ready-to-assemble (RTA) operations earnings, some price increases to the Company's RTA customers have been instituted and this also helped improve margins. Going forward, board availability appears to be improving with some lower pricing becoming evident. In addition, the elimination of unprofitable sku's continues with 40 being eliminated in the quarter. Productivity and scrap also improved over the past quarter at three of the four RTA plants. However despite these positives, productivity remains below last year's levels and materials other than board continue to experience cost increases.

In addition, the segment's futon business, Dorel Asia and Cosco Home & Office all posted significant gains over both last year and the second quarter of 2004. The new mattress manufacturing equipment installed during the year at the Montreal futon plant also contributed to the segment's earnings. In addition, Dorel Asia had its most profitable quarter and for the year is on track for a 50% increase in earnings over last year. For the segment as a whole, year-to-date operating costs remain in line at 6.3% of sales as opposed to 6.5% of sales in 2003.

Recreational / Leisure

This is the second full quarter to include Pacific Cycle results, whereas the year-to-date figures include the results for eight months. Results as a percentage of sales are as follows:

	Third quarter ended Sept. 30, 2004	Nine months ended Sept. 30, 2004
Revenues	**100.0%**	100.0%
Cost of Sales	**77.4%**	77.9%
Gross Profit	**22.6%**	22.1%
Operating Expenses	**8.6%**	9.1%
Amortization	**0.1%**	0.1%
Earnings from operations	**13.9%**	12.9%

Third quarter revenues reached $105.8 million while earnings from operations were $14.7 million. Year-to-date revenues were $261.9 million with earnings from operations of $33.8 million. The Sting-Ray bicycle is on track to be the most successful model of 2004 as all retailers continue to report strong weekly sales. The success of the Sting Ray bicycle seen in the second quarter continued into the third quarter. As expected, the supply issues that hindered sales in the first half of the year were mostly resolved, thereby increasing sales.

Other Expenses

Interest expense in 2004 was higher than 2003, due to the higher borrowings associated with the acquisition of Pacific Cycle. Overall the Company's average interest rate in 2004 is below 5%. Corporate expenses are slightly higher than the prior year, consistent with the Company's continued growth. The Company's year-to-date income tax rate has decreased from 26.6% in 2003 to 11.2% in 2004. It should be noted the Company's tax rate is based on the expected results for the year and not the results in a given quarter. In accordance with Generally Accepted Accounting Principles, interim period income tax expense is calculated by applying to an interim period's pre-tax income the tax rate that is applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate. Should all assumptions and expected results remain the same, the tax rate for the balance of the year should remain in the 11% to 12% range. However a change in the Company's expected earnings, or the jurisdiction in which those earnings are earned, can have a significant impact on the rate.

Liquidity and Capital Resources

Cash Flow

During the first nine months of 2004, cash flow from operating activities was $80.7 million compared to $68.4 million in 2003, an improvement of $12.3 million, mainly as a result of higher earnings. In totality, changes in non-cash working capital balances for the two years were consistent. Year-to-date financing activities have provided $274.7 million, detailed as follows:

	('000)
Borrowed for acquisition of Pacific Cycle	$ 288,789
Balance of sale incurred on acquisition of Pacific Cycle	20,980
Debt repaid in the period	(38,641)
Proceeds from issuance of capital stock	3,694
Increase in bank indebtedness and other	(106)
	$ 274,716

Pacific Cycle was acquired in the year at a total cost of $320.5 million, including an estimate of related acquisition costs. Excluding the Pacific acquisition, the Company's net disbursements on various investing activities in 2004 were $37.4 million, versus $25.6 million in the prior year, an increase of $11.8 million. Most of the increase was due to the factory expansion at DJG USA in Columbus, Indiana, as well as increased capital spending on new product development, specifically in the Juvenile segment.

Balance Sheet

The Company's balance sheet changed significantly from year-end due to the Pacific Cycle acquisition. Details of the assets and liabilities acquired can be found in Note 2 to the September 30, 2004 interim financial statements. As can be seen, major assets acquired were accounts receivable and inventories, offset by current accounts payable. If these acquired assets and liabilities are removed from the September 30, 2004 balance sheet, the balance sheet is consistent with the year-end as all significant working capital ratios remained constant.

Goodwill acquired with Pacific Cycle was recorded at $285.6 million. However, the allocation of the purchase price in a major business acquisition necessarily involves a number of estimates as well as gathering information over a number of months following the date of acquisition. The Company has performed only a preliminary evaluation of Pacific Cycle's assets and liabilities. The Company will be continuing to evaluate the value of these assets and liabilities and accordingly there will be changes to the assigned values. In particular, several of Pacific Cycle's trademarks are being revalued at their fair market value. As a result, the goodwill amount above will be reduced for these trademarks' value before the end of the fiscal year.

Debt levels at September 30, 2004, excluding cash on hand, were $541.1 million compared to $290.9 million at December 30, 2003, an increase of $250.2 million. Details of the change are provided above in the cash flow analysis.

Other Information

As of September 30, 2004 the following is the designation, number and principal amount of each class and series of shares outstanding. 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.

The capital stock of the Company is as follows:

- 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)
	4,718,094	$ 2,065	28,056,098	$ 157,928	$ 159,993

Outlook

The Company is maintaining its currently issued guidance for fiscal 2004 which is for earnings of between $3.00 to $3.15 per share, an approximate 30% to 35% increase over the $2.32 per share earned in 2003.

Forward looking statements

Certain sections of this Management's Discussion and Analysis may contain forward looking statements. Such statements, based on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown. Actual future results may differ. The risks, uncertainties and other factors that could influence actual results are described in the "Risks and Uncertainties" section of the Management's Discussion and Analysis contained in the Company's annual report for 2003 and in the Corporation's Annual Information Form.

CONSOLIDATED BALANCE SHEET

ALL FIGURES IN THOUSANDS OF US $

	As at Sept. 30, 2004 (unaudited)	As at Dec. 30, 2003 (audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 17,800**	$ 13,877
Funds held by ceding insurer	**9,755**	6,803
Accounts receivable	**265,538**	210,905
Inventories	**291,716**	207,371
Prepaid expenses	**11,831**	10,719
Future income taxes	**5,541**	9,184
	602,181	458,859
CAPITAL ASSETS	**157,525**	147,837
GOODWILL	**658,791**	380,535
DEFERRED CHARGES	**19,682**	18,501
INTANGIBLE ASSETS	**86,292**	85,448
FUTURE INCOME TAXES	**8,151**	8,382
OTHER ASSETS	**10,270**	10,995
	$ 1,542,892	$ 1,110,557
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	**$ 796**	$ 764
Accounts payable and accrued liabilities	**351,129**	253,145
Income taxes payable	**5,263**	2,037
Balance of sale payable	**7,590**	—
Current portion of long-term debt	**7,552**	7,758
	372,330	263,704
LONG-TERM DEBT (Note 3)	**532,706**	282,421
PENSION OBLIGATION	**14,095**	13,818
BALANCE OF SALE	**15,635**	2,314
FUTURE INCOME TAXES	**42,211**	45,148
OTHER LONG-TERM LIABILITIES	**7,305**	8,266
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	**159,993**	156,274
RETAINED EARNINGS	**353,534**	287,583
CUMULATIVE TRANSLATION ADJUSTMENT	**45,083**	51,029
	558,610	494,886
	$ 1,542,892	$ 1,110,557

(See accompanying notes)

CONSOLIDATED STATEMENT OF INCOME

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

	Third quarter ended Sept. 30, 2004 (unaudited)	Third quarter ended Sept. 30, 2003 (unaudited)	Nine months ended Sept. 30, 2004 (unaudited)	Nine months ended Sept. 30, 2003 (unaudited)
Sales	**$ 422,737**	$ 296,835	**$ 1,209,370**	$ 836,579
Licensing and commission income	**5,417**	1,629	**13,542**	3,510
TOTAL REVENUE	**428,154**	298,464	**1,222,912**	840,089
EXPENSES				
Cost of sales	**325,794**	223,656	**934,247**	614,589
Operating	**51,751**	36,456	**159,592**	111,170
Amortization	**8,142**	7,459	**25,562**	21,761
Research and development costs	**1,015**	2,846	**4,691**	6,662
Interest on long-term debt	**7,472**	4,159	**21,512**	11,472
Other interest	**2,473**	238	**2,988**	498
	396,647	274,814	**1,148,592**	766,152
Income before income taxes	**31,507**	23,650	**74,320**	73,937
Income taxes (Note 7)	**3,263**	4,883	**8,369**	19,660
NET INCOME	**$ 28,244**	$ 18,767	**$ 65,951**	$ 54,277
EARNINGS PER SHARE: (Note 8)				
Basic	**$ 0.86**	$ 0.59	**$ 2.02**	$ 1.72
Diluted	**$ 0.86**	$ 0.58	**$ 2.00**	$ 1.68
SHARES OUTSTANDING:				
Basic - weighted average	**32,770,265**	31,743,931	**32,709,782**	31,636,085
Diluted - weighted average	**32,893,018**	32,367,940	**32,913,019**	32,329,837

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

ALL FIGURES IN THOUSANDS OF US $

	Nine months ended Sept. 30, 2004 (unaudited)	Nine months ended Sept. 30, 2003 (unaudited)
BALANCE, BEGINNING OF PERIOD	**$ 287,583**	$ 212,660
Net income	**65,951**	54,277
Premium paid on repurchase of shares	**—**	(105)
BALANCE, END OF PERIOD	**$ 353,534**	$ 266,832

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

ALL FIGURES IN THOUSANDS OF US $

	Third quarter ended Sept. 30, 2004 (unaudited)	Third quarter ended Sept. 30, 2003 (unaudited)	Nine months ended Sept. 30, 2004 (unaudited)	Nine months ended Sept. 30, 2003 (unaudited)
CASH PROVIDED BY:				
OPERATING ACTIVITIES				
Net income	**$ 28,244**	$ 18,767	**$ 65,951**	$ 54,277
Adjustments for:				
Amortization	**8,142**	7,459	**25,562**	21,761
Future income taxes	**(526)**	262	**(1,759)**	240
Funds held by ceding insurer	**(34)**	5,472	**(2,952)**	4,523
Loss (gain) on disposal of capital assets	**81**	11	**410**	(453)
	35,907	31,971	**87,212**	80,348
Changes in non-cash working capital:				
Accounts receivable	**(46,683)**	(13,308)	**(24,069)**	(4,276)
Inventories	**(23,718)**	3,526	**(34,275)**	(6,289)
Prepaid expenses and other assets	**562**	286	**2,303**	(1,078)
Accounts payable and accrued liabilities	**18,399**	11,648	**46,545**	8,808
Income taxes payable	**5,657**	165	**6,331**	(9,129)
	(45,783)	2,317	**(3,165)**	(11,964)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(9,876)**	34,288	**84,047**	68,384
FINANCING ACTIVITIES				
Increase in long-term debt	**12,333**	40,212	**250,079**	225,386
Balance of sale and other amounts payable	**(69)**	2,216	**20,911**	3,852
Issuance of capital stock	**515**	359	**3,694**	7,874
Repurchase of capital stock	**—**	—	**—**	(129)
Increase (decrease) in bank indebtedness	**(1,228)**	(4,042)	**32**	(11,572)
CASH PROVIDED BY FINANCING ACTIVITIES	**11,551**	38,745	**274,716**	225,411
INVESTING ACTIVITIES				
Acquisition of subsidiary companies	**—**	(39,721)	**(320,530)**	(286,919)
Cash on hand	**—**	—	**3,734**	7,207
	—	(39,721)	**(316,796)**	(279,712)
Re-acquisition of accounts receivable	**—**	(27,750)	**—**	(27,750)
Additions to capital assets - net	**(8,238)**	(9,482)	**(24,928)**	(19,328)
Deferred charges	**(2,850)**	(1,251)	**(9,727)**	(5,496)
Intangible assets	**(190)**	(561)	**(2,790)**	(806)
CASH USED IN INVESTING ACTIVITIES	**(11,278)**	(78,765)	**(354,241)**	(333,092)
Effect of exchange rate changes on cash	**328**	280	**(599)**	(789)
NET INCREASE (DECREASE) IN CASH	**(9,275)**	(5,452)	**3,923**	(40,086)
Cash, beginning of period	**27,075**	19,816	**13,877**	54,450
CASH, END OF PERIOD	**$ 17,800**	$ 14,364	**$ 17,800**	$ 14,364

(See accompanying notes)

Notes to the Consolidated Financial Statements

AS AT SEPTEMBER 30, 2004
ALL FIGURES IN THOUSANDS OF US$, EXCEPT PER SHARE AMOUNTS (UNAUDITED)

1. Accounting Policies

Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) using the U.S. dollar as the reporting currency. They have been prepared on a basis consistent with those followed in the most recent audited financial statements with the exception of the changes in accounting policies as indicated below. These interim consolidated financial statements do not include all of the information and notes required by GAAP for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Company's audited financial statements for the year ended December 30, 2003.

Change in Accounting Policies

Stock Based Compensation

In 2003, the Canadian Institute of Chartered Accountants (CICA) modified Section 3870 "Stock Based Compensation and other Stock Based Payments", which the Company has adopted on a prospective basis. As a result, effective for the fiscal year beginning before January 1, 2004, the Company is required to recognize as an expense to income, all stock options granted, modified or settled using the fair value based method. As the Company has elected for prospective treatment of this section, only option grants issued in fiscal 2004 or later have an impact on operating results.

In addition, pro-forma disclosure is required for all options granted between January 1, 2002, the Company's original adoption date of CICA Section 3870, and the year ended December 30, 2003. The Company's year-to-date net income and earnings per share would be reduced by these option grants to the following pro-forma amounts:

		2004	2003
Net income	As reported	**$ 65,951**	$ 54,277
	Pro forma	**$ 64,634**	$ 53,220
Basic Earnings per share	As reported	**$ 2.02**	$ 1.72
	Pro forma	**$ 1.98**	$ 1.69
Fully diluted earnings per share	As reported	**$ 2.00**	$ 1.68
	Pro forma	**$ 1.96**	$ 1.65

Pro-forma figures were computed using assumptions consistent with those followed in the Company's most recent audited financial statements.

Hedging Relationships

Effective January 1, 2004, the Company has adopted the recommendations of the Canadian Institute of Chartered Accountants Accounting Guideline 13 "Hedging Relationships", which establishes certain conditions for when hedge accounting may be applied. Any derivative instrument that does not qualify for hedge accounting will be reported on a mark-to-market basis in income. The Company's interest rate swap instrument is not considered as a hedge for accounting purposes and is therefore recognized at fair value and the resulting gain or loss is recorded in earnings. This change in accounting treatment did not have a material impact on the Company's results.

Segmented Information

During the first quarter of 2004 the Company acquired Pacific Cycle, LLC. In accordance with Canadian Generally Accepted Accounting Principles (GAAP), the operations of Pacific Cycle are reported as a separate reporting segment referred to as "Recreational/Leisure". Segmented results can be found in Note 9 to these financial statements.

Reclassifications

Certain of the prior year's accounts have been reclassified to conform to the 2004 financial statement presentation.

2. Business Acquisition

On February 3, 2004, the Company acquired all the outstanding shares of Pacific Cycle, LLC, a designer and supplier of bicycles and other recreational products for a total consideration of $320.5 million, including an estimate of all related acquisition costs. The majority of the acquisition cost was financed through long-term debt with the balance being paid with cash on hand. In addition, a balance of sale of $20.9 million remains to be paid and is included in liabilities.

The combination has been recorded under the purchase method of accounting with the results of operations of the acquired business being included in the accompanying consolidated financial statements since the date of acquisition.

The assets acquired and liabilities assumed consist of the following:

Assets		
Cash	$	3,734
Accounts receivable		31,588
Inventories		50,953
Capital assets		1,590
Other		2,391
Goodwill		285,589
		375,845
Liabilities		
Accounts payable and other current liabilities		55,315
Total purchase price	**$**	**320,530**

Allocation of the purchase price in a major business acquisition necessarily involves a number of estimates as well as gathering information over a number of months following the date of acquisition. Given the timing of the acquisition, the Company has performed only a preliminary evaluation of Pacific Cycle's assets and liabilities. The Company will be continuing to evaluate the value of these assets and liabilities and accordingly there will be changes to the assigned values. In particular, several of Pacific Cycle's trademarks are being revalued at their fair market value. As a result, the goodwill amount above will be reduced for these trademarks' value.

3. Long-term Debt

Effective January 29, 2004 the Company amended its unsecured credit facility, increasing availability to $470 million. This increased availability replaced the Company's previous limit of $245 million as disclosed in the Company's year-end financial statements dated December 30, 2003. As at September 30, 2004, an amount of $354.8 million relating to this facility is included in long-term debt.

4. Stock Options

The Company may grant stock options on the Class "B" Subordinate Voting Shares, at the discretion of the board of directors, to senior executives and certain key employees. The exercise price is the market price of the securities at the date the options may be granted. No option may be exercised during the first year following its granting and is exercisable, on a cumulative basis, at the rate of 25% in each of the following four years. The options currently outstanding will expire no later than the year 2009.
The Company's stock option plan is as follows:

	Nine months ended Sept. 30, 2004		Year ended Dec. 30, 2003	
	Options	**Weighted Average Exercise Price**	**Options**	**Weighted Average Exercise Price**
Options outstanding, beginning of period	**1,099,750**	**$ 21.52**	2,079,000	$ 16.55
Granted	**730,500**	**32.88**	151,000	24.67
Exercised	**(155,250)**	**20.00**	(1,118,250)	12.39
Cancelled	**(55,250)**	**26.76**	(12,000)	21.75
Options outstanding, end of period	**1,619,750**	**$ 26.76**	1,099,750	$ 21.52

A summary of options outstanding as of September 30, 2004 is as follows:

Total Outstanding			Total exercisable	
Options	**Range of Exercise Prices**	**Weighted Average Exercise Price**	**Options**	**Weighted Average Exercise Price**
660,250	$16.25 - $20.41	$20.31	296,750	$20.41
251,000	$25.15 - $27.47	26.49	87,750	26.77
708,500	$29.51 - $33.74	32.86	—	—
1,619,750		$26.76	384,500	$21.86

5. Benefit Plans

Expenses incurred under certain of the Company's subsidiaries benefit plans were as follows:

	Third quarter ended Sept. 30		Nine months ended Sept. 30	
	2004	**2003**	**2004**	**2003**
Defined contribution plans	**$ 381**	$ 731	**$ 1,648**	$ 1,743
Defined benefit plan	**$ 227**	$ 226	**$ 681**	$ 602
Post-retirement benefit plan	**$ 310**	$ 406	**$ 815**	$ 1,078

6. Product Liability

As detailed in the Company's year-end consolidated financial statements, the Company is insured for product liability, by the use of both traditional insurance and by the Company's wholly owned subsidiary, Dorel Insurance Corporation, which functions as a captive insurance company, providing a self-funded insurance program to mitigate its product liability exposure.

The estimated product liability exposure was 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. 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.

In the current year, the Company has recorded an additional provision in the amount of $6,500 in connection with a dispute with one of its insurers over the aggregate amount of insurance available to the Company, including one claim that came due in the first quarter. The Company disagrees with the position being asserted by the insurer and has engaged in legal proceedings with the insurance company. Should a decision be made in the Company's favour, the recovery will be included in net income in future periods.

7. Income taxes

The following table provides the reconciliation between the Canadian statutory federal and provincial income taxes and the effective consolidated income tax rate:

	Third quarter ended Sept. 30		Nine months ended Sept. 30	
	2004	**2003**	**2004**	**2003**
Provision for income taxes at statutory rate	**$10,397**	$ 8,277	**$ 24,525**	$ 25,878
Difference in effective tax rates of foreign subsidiaries	**(4,404)**	(2,862)	**(11,062)**	(5,259)
Recovery of income taxes arising from the use of unrecorded tax benefits	**(1,849)**	(760)	**(4,168)**	(2,411)
Other	**(881)**	228	**(926)**	1,452
Actual provision for income taxes	**$ 3,263**	$ 4,883	**$ 8,369**	$ 19,660

8. Earnings per Share

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

	Third quarter ended Sept. 30		Nine months ended Sept. 30	
	2004	**2003**	**2004**	**2003**
Weighted daily average number of Class "A" Multiple and Class "B" Subordinate Voting Shares	**32,770,265**	31,743,931	**32,709,782**	31,636,085
Dilutive effect of stock options and share purchase warrants	**122,752**	624,009	**203,237**	693,752
Weighted average number of diluted shares	**32,893,018**	32,367,940	**32,913,019**	32,329,837
Number of anti-dilutive stock options excluded from fully diluted earnings per share calculation	**844,500**	136,000	**608,500**	—

9. Segmented Information

Industry Segments

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30

	Total		Juvenile		Home Furnishings		Recreational/Leisure	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
Total Revenues	**$ 1,222,912**	$ 840,089	**$ 565,265**	$ 499,095	**$ 395,709**	$ 340,994	**$ 261,938**	$ —
Cost of sales	**934,247**	614,589	**395,074**	348,015	**335,128**	266,574	**204,045**	—
Operating expenses	**148,101**	101,330	**99,594**	79,155	**24,757**	22,175	**23,750**	—
Research and development	**4,691**	6,662	**3,441**	5,367	**1,250**	1,295	**—**	—
Amortization	**24,349**	20,904	**18,848**	16,458	**5,139**	4,446	**362**	—
Earnings from Operations	**111,524**	96,604	**$ 48,308**	$ 50,100	**$ 29,435**	$ 46,504	**$ 33,781**	$ —
Interest	**24,500**	11,970						
Corporate expenses	**12,704**	10,697						
Income taxes	**8,369**	19,660						
Net income	**$ 65,951**	$ 54,277						

FOR THE QUARTER ENDED SEPTEMBER 30

	Total		Juvenile		Home Furnishings		Recreational/Leisure	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
Total Revenues	**$ 428,154**	$ 298,464	**$ 179,623**	$ 165,235	**$ 142,718**	$ 133,229	**$ 105,813**	$ —
Cost of sales	**325,794**	223,656	**125,142**	117,088	**118,782**	106,568	**81,870**	—
Operating expenses	**46,844**	33,949	**29,884**	26,230	**7,834**	7,719	**9,126**	—
Research and development	**1,015**	2,846	**647**	2,350	**368**	496	**—**	—
Amortization	**7,669**	7,293	**5,867**	5,934	**1,669**	1,359	**133**	—
Earnings from Operations	**46,832**	30,720	**$ 18,083**	$ 13,633	**$ 14,065**	$ 17,087	**$ 14,684**	$ —
Interest	**9,945**	4,397						
Corporate expenses	**5,380**	2,673						
Income taxes	**3,263**	4,883						
Net income	**$ 28,244**	$ 18,767						

	Total		Juvenile		Home Furnishings		Recreational/Leisure	
	30-Sep-04	**30-Dec-03**	**30-Sep-04**	**30-Dec-03**	**30-Sep-04**	**30-Dec-03**	**30-Sep-04**	**30-Dec-03**
Total Assets for reportable segments	**$ 1,519,224**	$ 1,087,714	**$ 853,251**	$ 876,164	**$ 240,899**	$ 211,550	**$ 425,074**	$ —
Corporate Assets	**23,668**	22,843						
Total Assets	**$ 1,542,892**	$ 1,110,557						

The continuity of goodwill by business is as follows:

	Total		Juvenile		Home Furnishings		Recreational/Leisure	
	2004 (nine months)	**2003 (full year)**	**2004 (nine months)**	**2003 (full year)**	**2004 (nine months)**	**2003 (full year)**	**2004 (nine months)**	**2003 (full year)**
Balance, beginning of year	**$ 380,535**	$ 155,669	**$ 341,485**	$ 151,247	**$ 39,050**	$ 4,422	**$ —**	$ —
Additions	**285,589**	195,087	**—**	160,459	**—**	34,628	**285,589**	—
Foreign exchange and other	**(7,333)**	29,779	**(3,940)**	29,779	**(3,393)**	—	—	—
Balance, end of period	**$ 658,791**	$ 380,535	**$ 337,545**	$ 341,485	**$ 35,657**	$ 39,050	**$ 285,589**	$ —

Geographic Segments - Origin of Revenues

	For the nine month period ended Sept. 30				For the third quarter ended Sept. 30			
	2004		**2003**		**2004**		**2003**	
	$	%	$	%	$	%	$	%
Canada	**$ 131,930**	**10.8%**	$ 119,567	14.2%	**$ 42,776**	**10.0%**	$ 46,355	15.5%
United States	**805,388**	**65.9%**	484,215	57.7%	**289,355**	**67.5%**	167,729	56.2%
Europe	**227,639**	**18.6%**	196,022	23.3%	**70,470**	**16.5%**	66,485	22.3%
Other foreign countries	**57,955**	**4.7%**	40,285	4.8%	**25,553**	**6.0%**	17,895	6.0%
Total	**$ 1,222,912**	**100.0%**	$ 840,089	100.0%	**$ 428,154**	**100.0%**	$ 298,464	100.0%