

Management's Discussion and Analysis of Financial Conditions and Results of Operations

For the quarter ended September 30, 2006
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, 2006 and the audited consolidated financial statements and MD & A for the year ended December 30, 2005. This MD & A is based on reported earnings in accordance with Canadian generally accepted accounting principles (GAAP).

The Company's interim consolidated financial statements have been prepared using the same accounting policies as described in Note 2 of the Company's audited consolidated financial statements for the year ended December 30, 2005. The Company regularly monitors new accounting policies and reports on those adopted subsequent to the end of the most recently completed financial year. Please refer to Note 1 of the interim consolidated financial statements for the nine months ended September 30, 2006 for further information.

Quarterly reports, the annual report and supplementary information filed with the Canadian securities regulatory authorities and with the U.S. Securities and Exchange Commission, including the annual report on form 40F, can be found on-line at www.sedar.com and www.sec.gov respectively, as well as on our corporate Web site at www.dorel.com.

Note that there have been no significant changes with regards to the "Corporate Overview", "Operating Segments", "Derivative Financial Instruments", "Critical Accounting Policies and Estimates" or, "Market Risks and Uncertainties" to those outlined in the annual MD & A contained in the Company's 2005 Annual Report. As such, they are not repeated herein. The information in this MD & A is current as of November 3, 2006.

RESULTS OF OPERATIONS

(All tabular figures are in thousands except per share amounts)

Overview

Revenue for the quarter increased by 3.1% to \$436.3 million compared to \$423.3 million during the third quarter last year. Net earnings for the quarter were \$25.1 million or \$0.76 per diluted share compared to adjusted net earnings of \$25.6 million or \$0.78 per diluted share in the prior year. Year-to-date revenue was \$1.32 billion, basically unchanged from 2005 nine month revenue of \$1.33 billion. Fiscal 2006 nine month net earnings were \$67.2 million or \$2.04 per diluted share, compared to adjusted net earnings of \$74.6 million or \$2.27 per diluted share the year before.

The prior year comparative figures are adjusted to exclude restructuring costs recorded in connection with the closure of an Ameriwood ready-to-assemble (RTA) furniture plant that was announced at that time. The Company is including "adjusted" earnings in this MD & A, a non-GAAP financial measure, as it believes this permits more meaningful comparisons of its core business performance between the periods presented. As a result, this MD & A contains certain non-GAAP financial measures which do not have a standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other issuers. Restructuring costs incurred in 2006 have not been excluded above as these amounts are considered insignificant. A reconciliation of these non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with GAAP is included

at the end of this MD & A. Including those restructuring costs, net earnings for last year's third quarter and year-to-date, were \$19.8 million or \$0.60 per diluted share and \$68.8 million or \$2.09 per diluted share respectively.

The revenue increase of \$13.0 million in the quarter was in the Juvenile and Recreational / Leisure segments as Home Furnishing segment sales were relatively flat with the prior year. The organic revenue increase in the quarter was 2.0%, excluding the positive impact of currency variations of the Euro and Canadian dollar against the U.S. dollar in 2006 versus 2005. The year-to-date revenue decline of \$7.4 million consists of declines of \$23.9 million in Home Furnishings and \$11.2 million in Recreational / Leisure segments, offset by an increase of \$27.7 million in Juvenile. The year-to-date organic revenue decline was 0.3% as opposed to 0.6% as reported.

Included in the current quarter is a pre-tax recovery of \$5 million, or \$0.10 per diluted share after tax, in connection with a business interruption insurance claim made following a major fire at one of the Company's primary suppliers of particle board in April 2006. The claim was made as a result of incurring increased costs of production, principally paying higher board prices. Approximately 50% of the amount recovered relates to additional costs incurred during the second quarter of the year. The Company continues to incur additional costs which could result in additional recoveries that would be recorded in the fourth quarter.

Unadjusted margins for the quarter and year-to-date have increased by 150 and 10 basis points respectively. For the quarter, Home Furnishings margin improvements is the principal reason for the increase, offsetting slight declines in Juvenile and Recreational / Leisure. The relatively flat year-to-date margins also consist of improvements in Home Furnishings which are offsetting declines in Recreational / Leisure. A summary of the margin variation year-over-year is as follows:

	Third Quarter	Year-to-Date
<u>Gross Margin Percentage Analysis:</u>		
Gross Margin percentage in prior year	22.7%	22.7%
Restructuring costs of \$2.5 million included in prior year	0.6%	0.2%
Insurance proceeds pertaining to second quarter of 2006	0.6%	n/a
Inventory reserve on Sting Ray inventory recorded in the second quarter of 2006	n/a	(0.3%)
Other	0.3%	0.2%
Gross margin percentage in current year	24.2%	22.8%

Selling, general and administrative costs within the Company have increased in 2006 for both the quarter and year-to-date, mostly due to higher product liability costs in the Juvenile segment which increased by \$3.3 million and \$9.5 million respectively. Excluding those increases, selling, general and administrative costs have increased by \$4.8 million in the quarter and \$0.9 million year-to-date and are in line with Company expectations.

An analysis of the increase in after tax earnings from 2005 to 2006 is as follows:

	Third Quarter	Year-to-Date
<u>Earnings from operations by Segment:</u>		
Home Furnishings increase (decrease) excluding restructuring costs	\$ 5,006	\$ (2,045)
Restructuring costs decrease	8,890	8,208
Recreational/Leisure decrease	(273)	(9,672)
Juvenile decrease	(4,578)	(1,587)
Total earnings from operations increase (decrease)	9,045	(5,096)
Lower interest costs	713	1,393
Decrease (increase) in taxes	(3,527)	1,702
Other	(984)	415
Total increase (decrease) in after-tax earnings	<u>\$5,247</u>	<u>\$ (1,586)</u>

The causes of these variations versus last year are discussed in more detail below.

Selected Financial Information

The tables below show selected financial information for the eight most recently completed quarters.

Operating Results for the Quarters Ended				
	Dec. 30, 2005	Mar. 31, 2006	Jun. 30, 2006	Sept. 30, 2006
Revenues	\$ 430,258	\$ 451,024	\$ 435,914	\$ 436,300
Net income	\$ 22,546	\$ 24,181	\$ 17,936	\$ 25,073
Earnings per share				
Basic	\$ 0.69	\$ 0.74	\$ 0.55	\$ 0.76
Diluted	\$ 0.69	\$ 0.74	\$ 0.55	\$ 0.76

Operating Results for the Quarters Ended				
	Dec. 30, 2004	Mar. 31, 2005	Jun. 30, 2005	Sept. 30, 2005
Revenues	\$ 469,072	\$ 471,903	\$ 435,375	\$ 423,329
Net income	\$ 34,722	\$ 27,205	\$ 21,745	\$ 19,826
Earnings per share				
Basic	\$ 1.06	\$ 0.83	\$ 0.66	\$ 0.60
Diluted	\$ 1.05	\$ 0.83	\$ 0.66	\$ 0.60

Segmented Results

Significant segmented figures are presented in Note 12 to the interim financial statements. Further industry segment detail is presented below:

Juvenile

(Expenses as a percentage of sales)

	Third Quarter Ended Sept. 30		Nine Months Ended Sept. 30	
	2006	2005	2006	2005
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of Sales	69.8%	68.6%	70.9%	70.5%
Gross Profit	30.2%	31.4%	29.1%	29.5%
Selling, general and administrative	15.3%	13.6%	14.2%	13.6%
Depreciation and amortization	3.2%	3.8%	3.2%	3.5%
Research and Development	0.7%	0.5%	0.7%	0.7%
Earnings from operations	11.0%	13.5%	11.0%	11.7%

Third quarter Juvenile revenue was up 3.7% to \$217.0 million from \$209.3 million during the same period a year ago. Earnings from operations decreased 16.2% to \$23.8 million compared to \$28.4 million last year. Of the decline of \$4.6 million, \$3.3 million was attributable to higher product liability costs with the remainder of the decline due principally to lower gross margins in the U.S. For the nine months, revenue increased 4.3% to \$673.4 million from \$645.6 million a year ago, while earnings from operations dipped 2.1% to \$74.1 million from \$75.7 million. As in the quarter, product liability costs continued to run higher than 2005 levels, with an increase of \$9.5 million year-to-date.

In North America, revenues for the quarter declined slightly from \$126.7 million in 2005 to \$123.5 million in the current year. Year-to-date revenues in North America were up 4.4% over the prior year, totaling \$389.1 million. Organic sales growth in Europe for the quarter was 8.5% and was 6.1% year-to-date. In U.S. dollars these increases were 13.2% and 4.1% respectively increasing to \$93.6 million for the quarter and \$284.3 million year-to-date. These increases were principally in Northern Europe and in the United Kingdom.

In the quarter, margins declined by 120 basis points versus the prior year. For the nine month period ending September, gross margins decreased by 40 basis points to 29.1% from 29.5% in 2005. The quarter-over-quarter decline is mostly due to lower margins in the U.S. where a less favourable product mix and decreased production levels lowered margins. In Europe, higher raw material costs had the effect of lowering margins slightly. The lower year-to-date margins are also due to the impact of higher raw material costs being experienced in Europe. Selling, general and administrative expenses increased by \$4.7 million in the quarter and \$8.6 million year-to-date. As a percentage of revenue, this represents an increase of 170 basis points and 60 basis points respectively. The principal reason for this increase is an increase in product liability costs in 2006. Excluding these extra costs, as a percentage of revenues, selling, general and administrative costs increased by 10 basis points in the quarter and declined by 70 basis points year-to-date.

Home Furnishings

(Expenses as a percentage of sales)

As reported	Third Quarter Ended Sept. 30		Nine Months Ended Sept. 30	
	2006	2005	2006	2005
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of Sales	82.5%	88.8%	85.5%	86.7%
Gross Profit	17.5%	11.2%	14.5%	13.3%
Selling, general and administrative	6.7%	5.8%	7.1%	6.2%
Depreciation and amortization	1.2%	1.2%	1.3%	1.3%
Research and Development	0.5%	0.4%	0.5%	0.4%
Restructuring	0.0%	4.4%	0.0%	1.6%
Earnings from operations	9.1%	(0.6%)	5.6%	3.8%

Adjusted for restructuring costs	Third Quarter Ended Sept. 30		Nine Months Ended Sept. 30	
	2006	2005	2006	2005
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of Sales (adjusted)	82.5%	87.0%	85.3%	86.1%
Gross Profit (adjusted)	17.5%	13.0%	14.7%	13.9%
Selling, general and administrative	6.7%	5.8%	7.1%	6.2%
Depreciation and amortization	1.2%	1.2%	1.3%	1.3%
Research and Development	0.5%	0.4%	0.5%	0.4%
Earnings from operations (adjusted)	9.1%	5.6%	5.8%	6.0%

Home Furnishings revenue for the quarter was flat year-over-year at \$142.8 million compared to \$143.2 million a year ago. Earnings from operations for the quarter rose 62.5% to \$13.0 million versus adjusted earnings of \$8.0 million last year. For the nine months, revenue was down 5.7% to \$396.7 million from \$420.5 million. Year-to-date, adjusted earnings from operations were down 8.0%, to \$23.0 million from adjusted earnings of \$25.0 million last year. Excluded from these figures are all restructuring costs. In 2005 these restructuring costs were \$8.9 million for the quarter and year-to-date. For 2006 these costs were only \$35,000 in the third quarter and \$717,000 year-to-date recorded through cost of sales. Unadjusted earnings from operations in 2006 for the quarter and year-to-date were \$13.0 million and \$22.3 million respectively. Unadjusted earnings/loss from operations in 2005 for the quarter and year-to-date were a loss of \$0.9 million and earnings of \$16.1 million respectively.

For the segment as a whole, third quarter adjusted gross margins improved from 2005 levels reaching 17.5% in 2006 versus 13.0% in 2005. Unadjusted margins in the third quarter of 2005 were 11.2%, including restructuring costs of \$2.5 million recorded through cost of sales. This margin improvement was principally achieved through improvements at Ameriwood's RTA division. Excluding the portion of the \$5.0 million pre-tax insurance recovery recorded in the third quarter of 2006 that pertains to prior periods, margins in the quarter were 15.7% as opposed to the 17.5% reported.

Sales of ready-to-assemble (RTA) furniture declined by \$4.2 million from the third quarter of 2005, or 7.6%, due principally to lower sales to the mass merchant channel. Versus the second quarter of 2006, RTA sales increased by 11.9%. Ameriwood's futon sales rebounded during the third quarter, with a strong back-to-college showing.

During the third quarter revenues at Dorel Asia increased by 16% over 2005. Dorel Asia was successful with new juvenile groupings and is continuing to make headway in this category at the mass merchant level. The division is also widening its product assortment with existing customers. Cosco Home & Office sales declined by 7.3% where ladders and step stools performed well and there was clear retail traction in healthcare products with a chain wide shipment to a national drug store chain. However these positive performances were offset by declines in sales of folding furniture.

Recreational / Leisure

(Expenses as a percentage of sales)

	Third Quarter Ended Sept. 30		Nine Months Ended Sept. 30	
	2006	2005	2006	2005
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of Sales	<u>80.0%</u>	<u>79.4%</u>	<u>81.4%</u>	<u>78.6%</u>
Gross Profit	20.0%	20.6%	18.6%	21.4%
Selling, general and administrative Expenses	11.8%	11.3%	10.9%	10.5%
Amortization	<u>0.4%</u>	<u>0.5%</u>	<u>0.3%</u>	<u>0.2%</u>
Earnings from operations	<u><u>7.8%</u></u>	<u><u>8.8%</u></u>	<u><u>7.4%</u></u>	<u><u>10.7%</u></u>

Third quarter Recreational/Leisure revenue increased 7.9% to \$76.4 million from \$70.8 million last year. The revenue increase in the quarter was prompted by a combination of growing sales of Schwinn gas-powered motor scooters, new customers in the Independent Bicycle Dealer (IBD) chain as well as sales of other recreational products. Earnings from operations were down 4.8% to \$6.0 million from \$6.3 million. Gross margins in the third quarter of 2006 were 20.0%, consistent with the 20.6% recorded in 2005. As a result, gross margin dollars earned in the quarter increased by \$0.7 million over last year. However, offsetting this were higher selling, general and administration costs in the amount of \$9.0 million in 2006 versus \$8.0 million in 2005. Additional selling costs to develop the scooter program and higher legal costs were the principal reasons for the increase.

For the nine months, revenue has dropped 4.3% to \$253.2 million from \$264.5 million. As a result of these decreased revenues, a second quarter inventory reserve and lower gross margins, year-to-date earnings from operations have decreased 34.2% to \$18.7 million from \$28.4 million. Year-to-date margins were 18.6% in 2006 as compared to 21.5% in 2005. Excluding the second quarter inventory reserve, 2006 year-to-date gross margins would have been 20.0%. The decline over 2005 levels is due to a less favourable product mix. Year-to-date selling, general and administration costs were virtually unchanged year-over-year at \$27.6 million versus \$27.7 million in 2005.

Other Expenses

Interest on long term debt in the third quarter of 2006 was \$7.6 million, slightly lower than the \$7.8 million incurred in 2005. This is the result of lower average borrowings offset by higher average interest rates incurred. Overall the Company's year-to-date average interest rate was approximately 6.5% compared to 5.9% in 2005. Corporate expenses in the third quarter of 2006 are net of a foreign exchange gain of \$1.2 million. This gain arose on the reduction of certain investments in the Company's subsidiary companies. This non-cash income amount represents an amount of \$0.04 per diluted share.

The Company's tax rate in the quarter was 19.0%, as compared to 10.6% in the third quarter of 2005. The majority of the increase was due to higher earnings in higher tax rate jurisdictions. In addition, following a change in the tax rate in one of the Company's taxation jurisdictions, deferred tax liabilities were increased raising the Company's tax rate in the quarter by several points. The Company's year-to-date tax rate is currently 13.9% compared to 15.4% in 2005. Expectations continue to be that the Company's annual tax rate will be in the range of 15.0% to 20.0%.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Cash flow from operations in 2006 for the nine months ended September 30 was \$67.3 million compared to \$42.0 million in 2005. Year-to-date free cash flow was \$49.1 million as compared to \$20.1 million in 2005, an improvement of \$29.0 million. This improvement was due principally to the timing of accounts payable disbursements that offset slightly lower earnings and an increase in inventory levels. Free cash flow, a non-GAAP financial measure is defined as cash provided by operating activities less capital expenditures and variations in funds held by ceding insurer. Excluding disbursements related to business acquisitions, the Company has spent \$21.8 million on capital additions, comprising capital assets, deferred charges and intangible assets. This is a decline of \$4.4 million from \$26.2 million recorded in the first nine months of 2005.

Balance Sheet

At the end of the period, there were some significant changes to the financial position of the Company as at December 30, 2005. Inventory levels have risen by \$36.1 million from year-end levels, excluding the impact of foreign exchange. The majority of this increase was expected as it is to service fourth quarter shipping needs. Therefore, year-end inventory levels for 2006 are expected to decline from the current \$320.3 million.

As the Company's revolving credit facilities are coming due within one year, an amount of \$233.5 million has been classified as current as opposed to long-term. The Company has commenced discussions with its lenders and expects to enter a new agreement by year end. Once this has been finalized, this debt will be classified as long-term. Finally, as at September 30, 2006 the value of the Euro as compared to the U.S. dollar was significantly higher than as at December 30, 2005. As such, certain asset and liability balances increased accordingly. This increase in net asset value is reflected in the increase in the value of the Cumulative Translation Adjustment account which was \$28.1 million as of December 30, 2005 and is \$50.4 million as of September 30, 2006.

Certain of the Company's working capital ratios are as follows:

	Sep. 30, 2006	As at: Dec. 30, 2005	Sep. 30, 2005
Quick ratio	0.52	0.88	0.93
Current ratio	1.18	1.85	2.05
# of days in receivables	58.6	57.4	56.1
# of days in inventory	80.2	80.6	80.1

The Company's quick and current ratios decreased from prior period levels as a result of the classification of certain bank debt as current as opposed to long-term. The days in receivables and days in inventory ratios are relatively consistent over these same periods. It should be noted that these two calculations are done using average accounts receivable and inventory balances as well as a rolling twelve month period for sales and cost of sales so as to minimize the impact of seasonal fluctuations.

As of September 30, 2006, Dorel was compliant with all covenant requirements and expects to be so going forward. The Company continuously reviews its cash management and financing strategy to optimize the use of funds and minimize its cost of borrowing.

Commitments

During the second quarter of 2006, the Company entered into a new contract to purchase raw materials. The contract requires minimum payments that must be made should raw material purchase quantities fall below specified minimum levels. Under this agreement as at September 30, 2006, the Company is subject to minimum purchase commitments of approximately \$4.7 million in the remainder of 2006, \$18.8 million in 2007, \$14.4 million in 2008 and \$5.1 million in 2009. Other than this new commitment, there have been no significant changes with regards to commitments to those outlined in the annual MD & A contained in the Company's 2005 Annual Report and in Note 19 to the Company's year-end consolidated financial statements dated December 30, 2005.

There have been no significant changes with regards to derivative financial instruments to those outlined in the annual MD & A contained in the Company's 2005 Annual Report and in Note 14 to the Company's year-end consolidated financial statements.

OTHER INFORMATION

The designation, number and amount of each class and series of its shares outstanding as of October 31, 2006 are 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)
4,440,544	\$1,921	28,420,398	\$160,624	\$162,545

Outstanding stock options and Deferred Share Units values are disclosed in Note 5 to the 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.

OUTLOOK

Third quarter results were in line with Company expectations but the challenges at Ameriwood's RTA operations continue to negatively impact the Company's overall earnings. These include board supply and pricing issues, the continued strength of the Canadian dollar and decreased sales to mass merchants. These challenges continue to exist as the Company begins the fourth quarter. However price increases have been implemented and are expected to increase earnings accordingly.

The Company's other divisions are performing well, but the retail sales environment remains uncertain as consumer confidence has shown signs of declining. Despite this, the Company expects revenues in the fourth quarter should exceed prior year levels. As explained, the Company still expects its tax rate for the year to be in the range of 15% to 20%.

NON-GAAP FINANCIAL MEASURE RECONCILIATIONS

Overall Results

DOREL INDUSTRIES INC.						
CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)						
ALL FIGURES IN THOUSANDS OF US \$, EXCEPT PER SHARE AMOUNTS						
	Third quarter ended September 30, 2005			Nine months ended September 30, 2005		
	As reported	Charges	Adjusted	As reported	Charges	Adjusted
TOTAL REVENUE	<u>\$ 423,329</u>	<u>\$ -</u>	<u>\$ 423,329</u>	<u>\$ 1,330,607</u>	<u>\$ -</u>	<u>\$ 1,330,607</u>
EXPENSES						
Cost of sales	327,029	(2,493)	324,536	1,027,930	(2,493)	1,025,437
Selling, general and administrative	47,930	-	47,930	155,722	-	155,722
Depreciation and amortization	9,905	-	9,905	28,552	-	28,552
Research and development costs	1,560	-	1,560	6,212	-	6,212
Restructuring costs	6,432	(6,432)	-	6,432	(6,432)	-
Interest on long-term debt	7,829	-	7,829	23,378	-	23,378
Other interest	<u>478</u>	<u>-</u>	<u>478</u>	<u>1,072</u>	<u>-</u>	<u>1,072</u>
	<u>401,163</u>	<u>(8,925)</u>	<u>392,238</u>	<u>1,249,298</u>	<u>(8,925)</u>	<u>1,240,373</u>
Income before income taxes	22,166	8,925	31,091	81,309	8,925	90,234
Income taxes	<u>2,340</u>	<u>3,142</u>	<u>5,482</u>	<u>12,533</u>	<u>3,142</u>	<u>15,675</u>
NET INCOME	<u>\$ 19,826</u>	<u>\$ 5,783</u>	<u>\$ 25,609</u>	<u>\$ 68,776</u>	<u>\$ 5,783</u>	<u>\$ 74,559</u>
EARNINGS PER SHARE						
Basic	<u>\$0.60</u>	<u>\$0.18</u>	<u>\$0.78</u>	<u>\$2.09</u>	<u>\$0.18</u>	<u>\$2.27</u>
Diluted	<u>\$0.60</u>	<u>\$0.18</u>	<u>\$0.78</u>	<u>\$2.09</u>	<u>\$0.18</u>	<u>\$2.27</u>
SHARES OUTSTANDING						
Basic - weighted average	32,858,942	32,858,942	32,858,942	32,829,357	32,829,357	32,829,357
Diluted - weighted average	32,923,907	32,923,907	32,923,907	32,946,621	32,946,621	32,946,621

Home Furnishings Segment

Home Furnishings Segment Reconciliation of non-GAAP financial measures						
	Third quarter ended September 30, 2006			Nine months ended September 30, 2006		
	As reported	Charges	Adjusted	As reported	Charges	Adjusted
Revenue	\$142,845	\$ -	\$142,845	\$396,651	\$ -	\$396,651
Cost of sales	<u>117,813</u>	<u>(35)</u>	<u>117,778</u>	<u>338,947</u>	<u>(717)</u>	<u>338,230</u>
Gross Margin	<u>25,032</u>	<u>35</u>	<u>25,067</u>	<u>57,704</u>	<u>717</u>	<u>58,421</u>
Gross Margin %	17.5%		17.5%	14.5%		14.7%
Selling, general & administrative	9,667		9,667	28,329		28,329
Depreciation and amortization	1,677	-	1,677	4,982	-	4,982
Research and development costs	<u>687</u>	<u>-</u>	<u>687</u>	<u>2,129</u>	<u>-</u>	<u>2,129</u>
Earnings from operations	<u>\$ 13,001</u>	<u>\$ 35</u>	<u>\$ 13,036</u>	<u>\$ 22,264</u>	<u>\$ 717</u>	<u>\$ 22,981</u>

Home Furnishings Segment Reconciliation of non-GAAP financial measures						
	Third quarter ended September 30, 2005			Nine months ended September 30, 2005		
	As reported	Charges	Adjusted	As reported	Charges	Adjusted
Revenue	\$143,207	\$ -	\$143,207	\$420,500	\$ -	\$420,500
Cost of sales	<u>127,119</u>	<u>(2,493)</u>	<u>124,626</u>	<u>364,749</u>	<u>(2,493)</u>	<u>362,256</u>
Gross Margin	<u>16,088</u>	<u>2,493</u>	<u>18,581</u>	<u>55,751</u>	<u>2,493</u>	<u>58,244</u>
Gross Margin %	11.2%		13.0%	13.3%		13.9%
Selling, general & administrative	8,256		8,256	25,999		25,999
Depreciation and amortization	1,718	-	1,718	5,396	-	5,396
Research and development costs	<u>577</u>	<u>-</u>	<u>577</u>	<u>1,823</u>	<u>-</u>	<u>1,823</u>
Restructuring charges	<u>6,432</u>	<u>(6,432)</u>	<u>-</u>	<u>6,432</u>	<u>(6,432)</u>	<u>-</u>
Earnings from operations	<u>\$ (895)</u>	<u>\$ 8,925</u>	<u>\$ 8,030</u>	<u>\$ 16,101</u>	<u>\$ 8,925</u>	<u>\$ 25,026</u>

Forward Looking Information

Certain statements included in this interim MD&A may constitute “forward looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward looking statements generally can be identified by the use of forward looking terminology such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “plan”, “foresee”, “believe” or “continue” or the negatives of these terms or variations of them or similar terminology. We refer you to the Company’s filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission for a discussion of the various factors that may affect the Company’s future results.

Readers are cautioned, however, not to place undue reliance on forward looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward looking statements will not occur. This may cause the Company’s actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward looking statements.

We believe that the expectations represented by such forward looking statements are reasonable, yet there can be no assurance that such expectations will prove to be correct. Furthermore, the forward looking statements contained in this report are made as of the date of this report, and we do not undertake any obligation to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise. The forward looking statements contained in this report are expressly qualified by this cautionary statement.