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First Quarter Report 2000

A GLOBAL CONSUMER PRODUCTS COMPANY



## Message to Shareholders

FOR THE THREE MONTHS ENDED MARCH 31, 2000

I am pleased to report the results for the first quarter, ended March 31, 2000. Once again, the period was another record one, representing our 23<sup>rd</sup> consecutive period of growth.

Sales increased 11.6% to \$271.5 million. Net income grew 26% to \$15.4 million or \$0.52 per share fully diluted, up from \$12.3 million or \$0.42 per share a year ago.

Sales in the Juvenile segment were up 26% to \$131.9 million, while earnings from operations increased 41% to \$11 million from the first quarter a year ago. Sales of Cosco car seats rose significantly with new introductions making excellent progress. Maxi-Miliaan also contributed to the record quarter.

Cosco's licensing agreements with Eddie Bauer and the National Association for Stock Car Racing (NASCAR) were important factors in the growth of Juvenile during the quarter, once again proving the value of this marketing strategy. We are currently finalizing yet another major license with a highly recognizable brand.

RTA sales were down 2.3% to \$93.9 million while earnings from operations rose 7.7% to \$14.6 million. Three key factors affected the top line. In U.S. dollars, RTA sales actually increased 1.8%. However, since we report in Canadian dollars, the strengthened Canadian dollar contributed to the slight decrease. Ameriwood discontinued certain items, which for the corresponding period last year, added over \$4 million in sales. As well, several large customers changed planned product roll-outs to the second quarter from the first.

We are confident of a strong year in RTA. The merger of Ameriwood with Ridgewood is proceeding very well. A number of Ridgewood executives will be moving to the Wright City offices to ensure the joint operation of all product development, marketing, sales and manufacturing functions. As well, we are seeing continuous improvements in efficiencies resulting from the Ridgewood expansion and the realignments at Ameriwood, particularly the Tiffin plant. We have expanded business with existing clients and are making good progress with the development of new accounts.

Home Furnishings sales rose almost 7% to \$45.7 million while earnings from operations were down 25% to \$2.4 million. Margins on futons manufactured by Dorel Home Products were affected by the market's competitive pricing environment. An aggressive cost cutting program has been instituted to resolve this situation. Cosco's housewares performed well with the new line of "The World's Greatest Step Stool" running at maximum capacity.

We are very excited about the prospects of our latest acquisition, Safety 1<sup>st</sup>. We are obtaining a first rate operation with products which have tremendous brand awareness. One could not ask for a better fit. Safety 1<sup>st</sup> is a market leader in products such as booster seats, bathtubs and child safety devices, where we currently have little or no presence. Add this to Cosco's strong position in car seats, high chairs and strollers, and I truly believe we will be a force to be reckoned with in the juvenile industry. The addition will be neutral to earnings in the second half this year, but will add to profits commencing next year.

We are optimistic that fiscal 2000 will be another record year for Dorel. We are simultaneously making inroads in various areas, which will maintain the uninterrupted growth we have experienced during the past 23 quarters. The addition of Safety 1<sup>st</sup> to the Dorel family will serve to solidify our position in the market and further enhance shareholder value.

On behalf of the Board, I thank all employees for another fine performance and thank our shareholders, customers and suppliers for their support.

Martin Schwartz  
President and Chief Executive Officer  
May 2, 2000.

## Consolidated Statement of Income

FOR THE THREE MONTHS ENDED MARCH 31, 2000 (unaudited)

	2000	1999
<b>SALES</b>	\$ 271,535,232	\$ 243,342,285
<b>EXPENSES</b>		
Cost of sales	211,793,564	189,227,359
Operating	28,295,981	26,294,848
Amortization	6,219,279	6,831,334
Research and development costs	882,297	666,660
Interest on long-term debt	2,021,591	2,578,065
Other interest	72,758	37,429
	249,285,470	225,635,695
<b>INCOME BEFORE INCOME TAXES</b>	<b>22,249,762</b>	<b>17,706,590</b>
Income taxes	6,804,946	5,422,725
<b>NET INCOME</b>	<b>\$ 15,444,816</b>	<b>\$ 12,283,865</b>
<b>EARNINGS PER SHARE</b>		
Basic	\$ 0.55	\$ 0.45
Fully Diluted	\$ 0.52	\$ 0.42

## Consolidated Statement of Retained Earnings

FOR THE THREE MONTHS ENDED MARCH 31, 2000 (unaudited)

	2000	1999
<b>BALANCE, BEGINNING OF PERIOD</b>	<b>\$ 172,250,054</b>	<b>\$ 116,786,868</b>
Accounting change (Note 1)	(12,154,986)	-
Net income	15,444,816	12,283,865
Premium paid on repurchase of shares	(826,917)	-
<b>BALANCE, END OF PERIOD</b>	<b>\$ 174,712,967</b>	<b>\$ 129,070,733</b>

## Consolidated Balance Sheet

AS AT MARCH 31, 2000 (unaudited)

	2000	1999
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,522,631	\$ 8,266,802
Accounts receivable	183,339,715	174,502,048
Inventories	154,073,408	140,247,524
Prepaid expenses	19,521,637	8,814,500
Deferred income taxes	17,708,949	6,396,698
	380,166,340	338,227,572
<b>CAPITAL ASSETS</b>	<b>134,988,562</b>	<b>136,610,106</b>
DEFERRED CHARGES	5,220,002	4,854,577
INTANGIBLE ASSETS	19,690,878	22,379,391
	\$ 540,065,782	\$ 502,071,646
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness	\$ 2,671,646	\$ 10,356,522
Accounts payable and accrued liabilities	84,431,942	83,863,717
Salaries payable	10,495,584	10,932,505
Income taxes payable	9,168,015	7,188,762
Current portion of long-term debt	8,906,503	2,345,253
	115,673,690	114,686,759
<b>LONG-TERM DEBT</b>	<b>118,399,287</b>	<b>145,454,466</b>
<b>PENSION OBLIGATION</b>	<b>17,308,048</b>	<b>-</b>
<b>DEFERRED INCOME TAXES</b>	<b>21,805,493</b>	<b>10,962,461</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b>	<b>90,185,862</b>	<b>88,210,689</b>
<b>RETAINED EARNINGS</b>	<b>174,712,967</b>	<b>129,070,733</b>
<b>CUMULATIVE TRANSLATION ADJUSTMENT</b>	<b>1,980,435</b>	<b>13,686,538</b>
	266,879,264	230,967,960
	\$ 540,065,782	\$ 502,071,646

## Consolidated Statement of Cash Flows

FOR THE THREE MONTHS ENDED MARCH 31, 2000 (unaudited)

	2000	1999
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 15,444,816	\$ 12,283,865
Adjustments for:		
Amortization	6,219,279	6,831,334
Deferred income taxes	(62,366)	47,248
Gain on disposal of capital assets	(4,113)	-
	21,597,616	19,162,447
Changes in non-cash working capital:		
Increase in accounts receivable	(32,225,724)	(56,344,401)
Decrease (increase) in inventories	(6,784,666)	388,106
Decrease (increase) in prepaid expenses	(3,858,723)	2,570,477
Increase in accounts payable and accrued liabilities	8,950,231	10,214,321
Increase in income taxes payable	5,111,737	2,334,250
Decrease in salaries payable	(4,106,035)	(313,108)
	(32,913,180)	(41,150,355)
<b>CASH USED IN OPERATING ACTIVITIES</b>	<b>(11,315,564)</b>	<b>(21,987,908)</b>
<b>FINANCING ACTIVITIES</b>		
Increase in long-term debt	11,348,238	30,292,050
Issuance of capital stock	-	185,031
Repurchase of capital stock	(962,575)	-
Increase (decrease) in bank indebtedness	1,110,904	(2,549,524)
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>11,496,567</b>	<b>27,927,557</b>
<b>INVESTING ACTIVITIES</b>		
Additions to capital assets - net	(3,390,252)	(5,504,263)
Deferred charges	(666,520)	(499,832)
Intangible assets	-	194,953
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(4,056,772)</b>	<b>(5,809,142)</b>
<b>OTHER</b>		
Effect of exchange rate changes on cash	619,082	(1,714,993)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,256,687)</b>	<b>(1,584,486)</b>
Cash and cash equivalents, beginning of period	8,779,318	9,851,288
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 5,522,631</b>	<b>\$ 8,266,802</b>

## Notes to Consolidated Financial Statements

AS AT MARCH 31, 2000 (unaudited)

### 1. ADOPTION OF NEW ACCOUNTING STANDARDS

#### a) Employee future benefits

Effective January 1, 2000, the company adopted new recommendations issued by the Accounting Standards Board of the Canadian Institute of Chartered Accountants for the recognition, measurement and disclosure of the cost of employee future benefits. Under this standard, a liability and an expense is recognized for all employee future benefits in the reporting period in which an employee has provided the service that give rise to the benefits. The recommendations were adopted in a manner that produces recognized and unrecognized amounts for all of its benefit plans the same as those determined by application of accounting principles generally accepted in the United States.

The new recommendations, which will not affect the company's cash flows or liquidity, have been adopted retroactively without restating prior periods. As a result, Retained Earnings were decreased by \$9.1 million, Deferred Tax Assets were increased by \$6.9, Prepaid Expenses were increased by \$0.4 million, Deferred Tax Liabilities were increased by \$0.3 million, Pension Obligation was increased by \$17.0 million and Cumulative Translation Adjustment was decreased by \$0.9 million at January 1, 2000. The impact of the new recommendations on the first quarter of 2000, was to increase cost of sales by \$235,000 and decrease net earnings after taxes by \$141,000.

#### b) Income taxes

Effective January 1, 2000, the company adopted new recommendations issued by the Accounting Standards Board of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. This standard requires the use of liability method for computing future income taxes. Under this method, future tax assets and liabilities are determined based on reporting differences between the bases of assets and liabilities used for financial statement and income statement purposes. Such differences are then measured using substantially enacted tax rates and laws that will be in effect when these differences are expected to reverse. Prior to the adoption of this standard, income tax expense was determined using the deferral method of tax allocation.

The new recommendations, which will not affect the company's cash flows or liquidity, have been adopted retroactively without restating prior periods. As a result, retained earnings were decreased by \$3.1 million and deferred tax liabilities were increased by \$3.1 million at January 1, 2000. The impact of the new recommendations on the first quarter of 2000, was to decrease income tax expense by \$95,000 and increase net earnings by \$95,000.

### 2. COMPARATIVE FIGURES

Certain of the prior year's accounts have been reclassified to conform to the 2000 financial statement presentation.



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- Dorel
- Ridgewood
- Cosco
- Infantino
- Dorel (U.K.)
- Maxi-Miliaan B.V.
- Ameriwood