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Second Quarter Report 2000

A GLOBAL CONSUMER PRODUCTS COMPANY



DOREL INDUSTRIES INC.
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Ameriwood • Ridgewood • Cosco • Infantino • Dorel Home Products
Maxi-Mililaan B.V. • Dorel (U.K.) • Safety 1st

Message to Shareholders

FOR THE SIX MONTHS ENDED JUNE 30, 2000

I am pleased to report that increases to both the top and bottom lines during the second quarter ended June 30, 2000 marked our 24th consecutive quarter of growth. I also wish to point out that for the first time, we are reporting all figures in U.S.

Net income for the second quarter increased 13.5% to \$9.5 million from \$8.3 million last year. On a fully diluted basis, earnings per share were \$0.33, up from \$0.29 a year ago. Sales for the period rose 20% to \$169.2 million from \$141.4 million.

Net earnings for the first half of the year were up almost 20% to \$20.2 million from \$16.8 million last year. Earnings per share rose to \$0.69 per share, fully diluted, from \$0.58 per share, fully diluted for the six months a year ago. Sales climbed just over 15% to \$357.4 million from \$310 million last year.

Juvenile sales for the quarter rose 32.7% to \$86.2 million, while earnings from operations jumped 53.4% to \$7.2 million. During the first half, sales were up 29.4% to \$177.6 million while earnings from operations grew 46.7% to \$14.9 million.

While the performance of Safety 1st only impacted Dorel for the last month of the quarter, as its acquisition was completed on June 5, 2000, results were excellent and the outlook is highly positive. In recent weeks we have met with several major mass merchants to preview the 2001 product lines. Reaction has been enthusiastic to our wide range of new introductions. As we expected, the Safety 1st brand carries a great deal of weight in the market.

At Cosco, licensing agreements with Eddie Bauer and NASCAR continued to propel sales. The third quarter will also see the introduction of Disney character juvenile products.

New products also spurred growth at Europe's Maxi Mililaan. Sales of Maxi-Cosi Rodi, a booster seat for children introduced in June 1999, exceeded expectations during the quarter. The Maxi-Cosi Mico, a car seat for infants in the 0-15 month category, brought to market just this past June, drew excellent reaction with promising initial sales.

The product categories of Cosco and Safety 1st completely complement one another. While each company will continue to market its full product line without competing against one another, we will also draw upon our collective resources to best serve our customers. This will help maintain and enhance the strong brand identities of both Cosco and Safety 1st and accelerate the development of new products. These new products as well as new listings will maintain growth, particularly through the latter portion of the current year.

RTA sales and earnings were basically flat during the most recent quarter. Revenues were \$52.2 million, while earnings from operations were \$8.6 million. For the six month period, sales were \$117.3 million while earnings from operations were \$18.7 million.

Early in the year it was determined that certain improvements were required to strengthen RTA. Recently, Bob Klassen, former COO of Ridgewood Industries was named President of the RTA Division, to be merged under the Ameriwood name. Along with others in design and product development, he has relocated from Cornwall to St. Louis. Bob has demonstrated solid abilities in both product development and marketing. This is the kick-start we require. Coupled with Ridgewood's consistently successful formula, we are highly confident of improvement throughout the RTA Division.

The sales and marketing department is also being bolstered in preparation for an aggressive push for new customers and new products during the current quarter. Increased distribution channels are also being opened up with regional hardware and furniture store chains. In addition, export opportunities are being developed. During the quarter an agreement was signed with a U.K. distributor for sales to parts of Europe and Australia.

In Home Furnishings, sales increased 29.1% to \$30.8 million, while earnings from operations grew 53.8% to \$1.4 million. For the six months ended June 30, 2000, sales were up 16.7% to \$62.5 million while earnings from operations decreased 1.9% to \$3.1 million.

Sales of Cosco's expanded selection of metal folding furniture were 10% above the corresponding period last year and significantly ahead of plan. The quality orientation of the bridge sets was cited as a key reason for this success. The "World's Greatest Work Platform Step Stool" is expected to perform well in the second half of the current year.

Futon sales for the first six months were 100% over last year's first half, however margins remained under pressure. A cost savings program has been established to address the situation. A portion of the plan is now in place and the remainder will come into effect through the third quarter. Improvement is anticipated through the balance of the year.

Juvenile has again been a solid performer and the addition of Safety 1st will further enhance performance. Our focus is on RTA and Home Furnishings where certain issues have been identified and are being aggressively addressed. We have created a very strong RTA team that has a clear mandate to deliver major product upgrades and new customers. This process is currently underway. Sales in Home Furnishings are markedly up and cost controls are improving. We anticipate a solid second half.

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
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President and Chief Executive Officer
August 14, 2000.

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Consolidated Statement of Income

FOR THE SECOND QUARTER AND SIX MONTHS ENDED JUNE 30, 2000 (unaudited)

ALL FIGURES IN US \$

	Second quarter ended		Six months ended	
	June 30, 2000	June 30, 1999	June 30, 2000	June 30, 1999
SALES	\$ 169,233,568	\$ 141,425,016	\$ 357,368,559	\$ 310,026,335
EXPENSES				
Cost of sales	127,959,617	108,514,796	274,702,196	239,622,231
Operating	19,304,159	14,735,598	38,909,221	32,954,162
Amortization	5,507,105	4,358,539	9,816,174	9,091,673
Research and development costs	747,999	440,585	1,359,305	902,485
Interest on long-term debt	2,858,254	1,478,853	4,273,344	3,265,082
Other interest	388,771	58,711	424,764	84,644
	156,765,905	129,587,082	329,485,004	285,920,277
INCOME BEFORE INCOME TAXES	12,467,663	11,837,934	27,883,555	24,106,058
Income taxes	3,011,546	3,505,654	7,726,398	7,262,825
NET INCOME	\$ 9,456,117	\$ 8,332,280	\$ 20,157,157	\$ 16,843,233
EARNINGS PER SHARE				
Basic	\$ 0.34	\$ 0.29	\$ 0.72	\$ 0.60
Fully Diluted	\$ 0.33	\$ 0.29	\$ 0.69	\$ 0.58

Consolidated Statement of Retained Earnings

FOR THE SIX MONTHS ENDED JUNE 30, 2000 (unaudited)

ALL FIGURES IN US \$

	2000	1999
BALANCE, BEGINNING OF PERIOD	\$ 119,344,595	\$ 80,917,440
Accounting change (Note 2)	(8,418,112)	-
Net income	20,157,157	16,843,233
Premium paid on repurchase of shares	(716,659)	-
BALANCE, END OF PERIOD	\$ 130,366,981	\$ 97,760,673

Notes to Consolidated Financial Statements

As at June 30, 2000 (unaudited)
All figures in US \$

1. CHANGE IN FUNCTIONAL AND REPORTING CURRENCY

The Company has historically presented its financial statements in Canadian dollars. Effective April 1, 2000 as a result of the Company's increasing economic activity in the United States, the U.S. dollar has been adopted as the Company's reporting and functional currency.

The comparative financial information presented here has been restated using the translation of convenience method in accordance with Generally Accepted Accounting Principles in Canada. For periods up to and including March 31, 2000 the Canadian dollar financial statements of the Company have been restated into U.S. dollars using the December 30, 1999 closing exchange rate of CDN \$1.4433 per US \$1.00.

2. 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 \$6.3 million, Deferred Tax Assets were increased by \$4.8 million, Prepaid Expenses were increased by \$0.3 million, Deferred Tax Liabilities were increased by \$0.2 million, Pension Obligation was increased by \$11.8 million and Cumulative Translation Adjustment was decreased by \$0.6 million at January 1, 2000. The impact of the new recommendations on the first quarter of 2000 was to increase cost of sales by \$324,000 and decrease net earnings after taxes by \$194,000.

Consolidated Balance Sheet

AS AT JUNE 30, 2000 (unaudited)

ALL FIGURES IN US \$

	2000	1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 14,010,767	\$ 4,712,902
Accounts receivable	126,973,239	94,160,243
Inventories	172,841,536	112,600,122
Prepaid expenses	16,346,624	8,808,648
Deferred income taxes	23,664,289	4,297,745
	353,836,455	224,579,660
CAPITAL ASSETS	110,670,079	93,635,542
DEFERRED CHARGES	7,349,288	3,080,508
INTANGIBLE ASSETS	159,515,599	14,714,053
	\$ 631,371,421	\$ 336,009,763
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	\$ -	\$ 1,470,710
Accounts payable and accrued liabilities	108,802,551	55,747,765
Salaries payable	7,901,292	6,494,878
Income taxes payable	9,522,817	7,230,179
Current portion of long-term debt	2,571,228	1,563,687
	128,797,888	72,507,219
LONG-TERM DEBT	282,590,844	90,736,222
PENSION OBLIGATION	12,103,325	-
DEFERRED INCOME TAXES	14,904,079	7,347,451
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	62,462,071	62,608,745
RETAINED EARNINGS	130,366,981	97,760,673
CUMULATIVE TRANSLATION ADJUSTMENT	146,233	5,049,453
	192,975,285	165,418,871
	\$ 631,371,421	\$ 336,009,763

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 \$2.1 million and deferred tax liabilities were increased by \$2.1 million at January 1, 2000. The impact of the new recommendations on the first quarter of 2000 was to decrease income tax expense by \$129,000 and increase net earnings by \$129,000.

3. COMPARATIVE FIGURES

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

Consolidated Statement of Cash Flows

FOR THE SECOND QUARTER AND SIX MONTHS ENDED JUNE 30, 2000 (unaudited)

ALL FIGURES IN US \$

	Second quarter ended		Six months ended	
	June 30, 2000	June 30, 1999	June 30, 2000	June 30, 1999
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net income	\$ 9,456,117	\$ 8,332,280	\$ 20,157,157	\$ 16,843,233
Adjustments for:				
Amortization	5,507,105	4,358,539	9,816,174	9,091,673
Deferred income taxes	(221,855)	(8,039)	(265,066)	24,698
Gain on disposal of capital assets	20	-	(2,830)	-
	14,741,387	12,682,780	29,705,435	25,959,604
Changes in non-cash working capital:				
Decrease (increase) in accounts receivable	30,226,257	24,247,453	7,898,455	(14,791,136)
Increase in inventories	(42,066,752)	(18,162,486)	(46,767,553)	(17,893,584)
Increase in prepaid expenses	(1,142,670)	(3,062,227)	(3,816,212)	(1,281,255)
Increase in accounts payable and accrued liabilities	17,038,386	3,437,019	23,239,613	10,514,079
Increase (decrease) in income taxes payable	(502,135)	2,460,408	3,039,566	4,077,709
Decrease in salaries payable	(237,539)	(1,178,842)	(3,082,433)	(1,395,781)
	3,315,547	7,741,325	(19,488,564)	(20,769,969)
CASH PROVIDED BY OPERATING ACTIVITIES	18,056,934	20,424,105	10,216,871	5,189,635
FINANCING ACTIVITIES				
Increase (decrease) in long-term debt	269,377	(12,272,420)	8,132,079	8,715,627
Issuance of capital stock	-	1,491,383	-	1,619,583
Repurchase of capital stock	(157,757)	-	(824,683)	-
Decrease in bank indebtedness	(1,855,032)	(5,704,875)	(1,085,335)	(7,471,330)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(1,743,412)	(16,485,912)	6,222,061	2,863,880
INVESTING ACTIVITIES				
Acquisition of subsidiary company	(143,540,499)	-	(143,540,499)	-
Cash on hand	6,860,721	-	6,860,721	-
	(136,679,778)	-	(136,679,778)	-
Financed by long-term debt	136,679,778	-	136,679,778	-
	-	-	-	-
Additions to capital assets - net	(3,165,218)	(5,626,965)	(5,514,177)	(9,440,630)
Deferred charges	(3,206,946)	44,468	(3,668,749)	(301,844)
Intangible assets	(113,705)	(273,068)	(113,705)	(137,993)
CASH USED IN INVESTING ACTIVITIES	(6,485,869)	(5,855,565)	(9,296,631)	(9,880,468)
OTHER				
Effect of exchange rate changes on cash	356,722	902,565	785,657	(285,677)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,184,375	(1,014,807)	7,927,958	(2,112,628)
Cash and cash equivalents, beginning of period	3,826,392	5,727,709	6,082,809	6,825,530
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 14,010,767	\$ 4,712,902	\$ 14,010,767	\$ 4,712,902