



3

Third Quarter Report 2000

A GLOBAL CONSUMER
PRODUCTS COMPANY



DOREL INDUSTRIES INC.
1255 Greene Avenue, suite 300
Westmount, Quebec H3Z 2A4
(514) 934-3034

Ameriwood • Ridgewood • Cosco • Dorel Home Products
Maxi-Miliana B.V. • Dorel (U.K.) • Safety 1st

Message to Shareholders

On behalf of the Board of Directors, I am pleased to report the results for the third quarter ended September 30, 2000. Results were in line with the Company's pre-announcement of October 2, 2000.

Net income for the third quarter was \$7.9 million, down 20% from \$9.9 million last year. On a fully diluted basis, earnings per share were \$0.27, compared to \$0.34 a year ago. Sales for the period rose 40% to \$218.6 million from \$156.2 million.

Net earnings for the nine months were up 5% to \$28.1 million from \$26.8 million last year. Earnings per share rose to \$0.96, fully diluted, from \$0.92 fully diluted a year ago. Year to date, sales climbed 23.5% to \$576 million from \$466.3 million last year.

Segmented Information

Juvenile sales were up 71.2% during the third quarter to \$121.6 million compared to \$71 million a year ago. This was the first full quarter of revenue from Safety 1st. Earnings from operations dropped 6.8% to \$5.4 million from \$5.8 million. During the nine months, sales rose 43.6% to \$299.2 million, while earnings from operations were up 27.3% to \$20.3 million.

RTA sales for the third period increased 7.9% to \$60.6 million from \$56.1 million a year ago. Earnings from operations were up 2.6% to \$9.4 million, from \$9.2 million during the third quarter last year. Year to date, RTA sales were \$177.9 million, compared to \$175.3 million. Earnings from operations rose 3.7% to \$28.1 million.

In Home Furnishings, sales were up 25.1% to \$36.4 million from \$29 million, while earnings from operations decreased 41.2% to \$1.2 million from \$2.1 million last year. For the nine months, sales rose 19.6% to \$98.8 million. Earnings from operations were down 17.4% to \$4.3 million.

Despite a general lacklustre retail market environment, sales growth came from all three segments, with the bulk of the top line growth a result of the first full quarter of Safety 1st revenue. In RTA, we are doing better than our competition.

Earnings, however, were affected by issues in the Juvenile segment, particularly the acquisition costs related to Safety 1st, which were in line with our expectations, as well as by higher overheads created by retailers' desire to limit their own inventories.

Juvenile and RTA continued to drive the Company. While the furniture industry in North America is under some pressure, Ameriwood increased its market share during the latest quarter and has resumed its top line growth. All divisions benefited from increased market share as the result of strong branding programs and new product development, which has been consistently feeding the pipeline.

A Fresh Look at Juvenile

Recently all juvenile operations were merged under the Dorel Juvenile Group to maximize the numerous benefits of our various juvenile operations. The acquisition of Safety 1st was a key development in reaching our goal of becoming the largest juvenile company in our categories. We are using the integration process to identify what is working well and how to make things even better. We are extremely excited about our future in juvenile. It is management's view that we are headed for a growth phase and want to be certain that we are in a position to accommodate this growth in the most efficient manner.

We are evaluating all of our product lines and operations with a completely open mind. We want to ensure that the focus remains growth-oriented and that all possible synergies are being identified. Over the years, Dorel has developed a wide breadth of products. We want to ensure that the fit is still right. We are not prepared to remain in areas that do not fit with our product lines, such as Infantino, or that do not make money, such as Dorel U.K. To this end, certain changes have already been made, such as the merger of Safety 1st Canada and Dorel Juvenile Canada operations. In the weeks ahead there will be additional such initiatives to improve profitability. These combined actions will result in a one-time charge in the fourth quarter of the current fiscal year.

Outlook

A continuing softness in retail sales during the fourth quarter will result in earnings of \$1.25 to \$1.30 for the year. However, the outlook for 2001 is most positive. While low retailer levels have had an effect on our operations, both from the stand point of our own inventory management and sales, there have been across the board increases in our point-of-sale numbers. Year over year, sales to all our major accounts, in all three of our segments are up. In recent weeks we have witnessed an increase in customer re-orders. Retailers have to re-fill their pipelines and this process is now underway. As well, raw material costs have started to decrease across the board and this augurs well for all our divisions.

The intensive juvenile integration program currently underway will prepare Dorel for an important chapter in our growth. The synergies being identified will remove a great deal of costs from our current operations. We have established strong market share with all major retailers who have rewarded our efforts with additional listings. Product development and branding initiatives will continue to consistently provide merchants with exciting, quality merchandise.

I wish to thank our employees for their keen efforts. We are convinced the results of our current initiatives will be most rewarding for our shareholders.

Martin Schwartz

Martin Schwartz
President and CEO

November 15, 2000.

Consolidated Statement of Income

FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2000 (unaudited)

ALL FIGURES IN US \$

	Third quarter ended		Nine months ended	
	September 30, 2000	September 30, 1999	September 30, 2000	September 30, 1999
SALES	\$ 218,591,786	\$ 156,240,216	\$ 575,960,345	\$ 466,266,551
EXPENSES				
Cost of sales	170,293,695	119,604,063	444,995,892	359,226,294
Operating	24,086,692	16,514,160	62,995,913	49,468,322
Amortization	8,370,250	3,911,026	18,186,424	13,002,700
Research and development costs	1,135,204	411,081	2,494,508	1,313,566
Interest on long-term debt	6,369,002	1,556,036	10,642,346	4,821,118
Other interest	76,660	21,819	501,424	106,462
	210,331,503	142,018,185	539,816,507	427,938,462
INCOME BEFORE INCOME TAXES	\$ 8,260,283	\$ 14,222,031	\$ 36,143,838	\$ 38,328,089
Income taxes	329,970	4,312,235	8,056,368	11,575,061
NET INCOME	\$ 7,930,313	\$ 9,909,796	\$ 28,087,470	\$ 26,753,028
EARNINGS PER SHARE				
Basic	\$ 0.28	\$ 0.35	\$ 1.00	\$ 0.96
Fully Diluted	\$ 0.27	\$ 0.34	\$ 0.96	\$ 0.92

Consolidated Statement of Retained Earnings

FOR THE NINE MONTHS ENDED SEPTEMBER 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	28,087,470	26,753,028
Premium paid on repurchase of shares	(704,012)	-
BALANCE, END OF PERIOD	\$ 138,309,941	\$ 107,670,468

Notes to Consolidated Financial Statements

As at September 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 nine months of 2000 was to increase cost of sales by \$487,000 and decrease net earnings after taxes by \$293,000.

Consolidated Balance Sheet

AS AT SEPTEMBER 30, 2000 (unaudited)

ALL FIGURES IN US \$

	2000	1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,198,786	\$ 4,712,366
Accounts receivable	131,353,471	92,941,089
Inventories	160,333,482	116,102,910
Prepaid expenses	15,491,857	11,464,679
Deferred income taxes	23,702,970	4,310,671
	336,080,566	229,531,715
CAPITAL ASSETS	110,259,080	95,793,975
DEFERRED CHARGES	7,705,052	3,129,225
INTANGIBLE ASSETS	157,017,378	14,866,313
	\$ 611,062,076	\$ 343,321,228
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	\$ 1,467,035	\$ 1,094,583
Accounts payable and accrued liabilities	104,365,972	51,203,056
Salaries payable	3,869,728	7,620,658
Income taxes payable	8,883,594	6,275,442
Current portion of long-term debt	2,448,998	1,575,561
	121,035,327	67,769,300
LONG-TERM DEBT	266,366,776	92,107,689
PENSION OBLIGATION	12,281,630	-
DEFERRED INCOME TAXES	12,432,520	7,395,305
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	62,494,340	62,608,745
RETAINED EARNINGS	138,309,941	107,670,468
CUMULATIVE TRANSLATION ADJUSTMENT	(1,858,458)	5,769,721
	198,945,823	176,048,934
	\$ 611,062,076	\$ 343,321,228

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 nine months of 2000 was to decrease income tax expense by \$193,000 and increase net earnings by \$193,000.

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 THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2000 (unaudited)

ALL FIGURES IN US \$

	Third quarter ended		Nine months ended	
	September 30, 2000	September 30, 1999	September 30, 2000	September 30, 1999
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net income	\$ 7,930,313	\$ 9,909,796	\$ 28,087,470	\$ 26,753,028
Adjustments for:				
Amortization	8,370,250	3,911,026	18,186,424	13,002,700
Deferred income taxes	(2,452,378)	17,459	(2,717,444)	42,158
Gain on disposal of capital assets	(19,900)	-	(22,730)	-
Changes in non-cash working capital:				
Decrease (increase) in accounts receivable	(5,372,745)	2,037,430	2,525,715	(12,753,706)
Decrease (increase) in inventories	11,815,598	(3,333,737)	(34,951,955)	(21,227,321)
Decrease (increase) in prepaid expenses	769,282	(2,555,034)	(3,046,930)	(3,836,289)
Increase (decrease) in accounts payable and accrued liabilities	(7,771,380)	(5,741,176)	15,468,233	4,772,902
Increase (decrease) in income taxes payable	(542,488)	(294,506)	2,497,078	3,783,203
Increase (decrease) in salaries payable	146,205	1,119,158	(2,936,228)	(276,623)
	(955,528)	(8,767,866)	(20,444,087)	(29,537,834)
CASH PROVIDED BY OPERATING ACTIVITIES	12,872,757	5,070,418	23,089,633	10,260,054
FINANCING ACTIVITIES				
Increase (decrease) in long-term debt	(16,128,722)	291,243	(7,996,643)	9,006,871
Issuance of capital stock	31,861	-	31,861	1,619,583
Repurchase of capital stock	2,860	-	(821,823)	-
Increase (decrease) in bank indebtedness	1,574,042	(373,222)	488,707	(7,844,551)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(14,519,959)	(81,979)	(8,297,898)	2,781,903
INVESTING ACTIVITIES				
Acquisition of subsidiary company	-	-	(143,540,499)	-
Cash on hand	-	-	6,860,721	-
	-	-	(136,679,778)	-
Financed by long-term debt	-	-	136,679,778	-
	-	-	-	-
Additions to capital assets - net	(5,831,116)	(5,209,940)	(11,345,293)	(14,650,570)
Deferred charges	(1,031,289)	(382,424)	(4,700,038)	(684,268)
Intangible assets	(210,515)	(55,837)	(324,220)	(193,831)
CASH USED IN INVESTING ACTIVITIES	(7,072,920)	(5,648,201)	(16,369,551)	(15,528,669)
OTHER				
Effect of exchange rate changes on cash	(91,864)	659,225	693,793	373,548
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,811,981)	(536)	(884,023)	(2,113,164)
Cash and cash equivalents, beginning of period	14,010,767	4,712,902	6,082,809	6,825,530
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 5,198,786	\$ 4,712,366	\$ 5,198,786	\$ 4,712,366