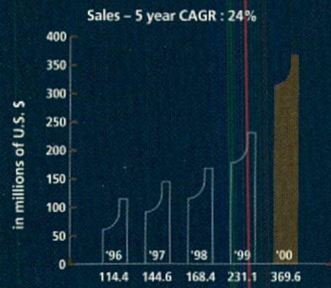
Annual Report 2000

Leading the Way



Safety 1st

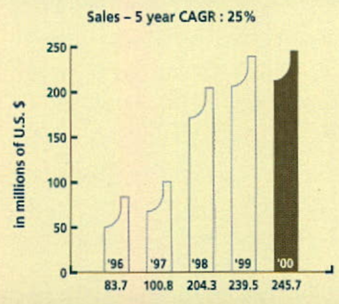
MAXI-COSI

COSCO

AMERIWOOD INDUSTRIES

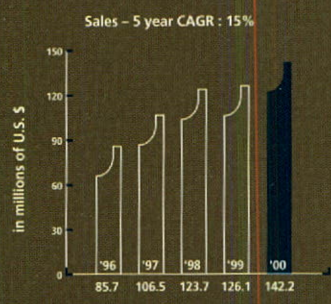
RIDGEWOOD

CHARLESWOOD



Ready-to-Assemble

Ameriwood is among the largest manufacturers in the North American RTA industry



COSCO

DOREL HOME PRODUCTS

Corporate Profile

DOREL is a rapidly growing, consumer products manufacturer specializing in three product areas: juvenile products, ready-to-assemble (RTA) furniture and home furnishings. Dorel's product offerings include a wide variety of RTA furniture for home and office use; juvenile products such as infant car seats, strollers, high chairs, toddler beds and cribs; and home furnishings such as metal folding chairs, tables, bunk beds, futons and step stools.

Dorel employs more than 3,800 people in nine countries. Major North American facilities are located in Montreal, Quebec; Cornwall, Ontario; Columbus, Indiana; Wright City, Missouri; Tiffin, Ohio; Dowagiac, Michigan; Cartersville, Georgia and Canton, Massachusetts. The Company's major divisions in the United States include Cosco, Ameriwood and Safety 1st. In Canada, Dorel operates Ridgewood and Dorel Home Products. European operations are carried out through Maxi-Miliaan B.V. in the Netherlands and Dorel U.K. Ltd. in the United Kingdom.

Juvenile

The Cosco/Safety 1st/Maxi combination has created one of the world's largest juvenile products companies

Home Furnishings

Cosco is the leading brand name in the growing folding furniture and step stool market

Financial Highlights

Operating Results (all figures in U.S. $) ($ in thousands except per share amounts)	**2000**	**1999**	**1998**	**1997**	**1996**
Sales	$ 757,540	$ 596,702	$ 492,554	$ 351,989	$ 283,913
Cost of sales	582,741	452,974	381,826	264,789	212,078
Gross profit	174,799	143,728	110,729	87,200	71,835
as percent of sales	23.1 %	24.1 %	22.5 %	24.8 %	25.3 %
General and administrative expenses	127,356	85,996	74,635	61,024	55,161
Restructuring costs and other one-time charges	12,037	-	10,066	-	-
Pre-tax earnings	35,406	57,732	26,027	26,176	16,674
as percent of sales	4.7 %	9.7 %	5.3 %	7.4 %	5.9 %
Income taxes	5,432	17,756	8,330	8,862	5,991
Net earnings from continuing operations	29,974	39,977	17,697	17,314	10,683
as percent of sales	4.0 %	6.7 %	3.6 %	4.9 %	3.8 %
Income (loss) from discontinued operations	(12,668)	(1,401)	1,000	225	85
Net earnings	$ 17,306	$ 38,576	$ 18,697	$ 17,539	$ 10,768
as percent of sales	2.3 %	6.5 %	3.8 %	5.0%	3.8 %
Earnings per share from continuing operations					
Basic *	1.07	1.43	0.65	0.69	0.45
Fully diluted *	1.03	1.37	0.63	0.67	0.43
Earnings per share					
Basic *	0.62	1.38	0.69	0.71	0.46
Fully diluted *	0.60	1.32	0.67	0.69	0.44
Book value per share at end of year **	6.75	6.55	5.63	4.26	5.77

* Adjusted to account for the weighted daily average number of shares outstanding.

** Based on the number of shares outstanding at year-end.

All per share amounts have been adjusted to give retroactive recognition to the two-for-one stock split that took place in 1998.

The World of Dorel

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The much anticipated Y2K bug did not bite companies in the year 2000. Instead, organizations were affected by something far more fundamental called earnings. Reality set in, and as such, the stock market was affected. After 24 consecutive quarters of growth, Dorel's second half was slower. Despite this, we accomplished a huge amount in a year that was characterized by both challenge and change. These changes will benefit Dorel as early as 2001 as we move forward with our strongest management team ever.

We have done many things well over the years, yet there was still ample room for improvement. This requirement was further underlined by a situation that saw retailers seriously lower inventories due to a general lacklustre retail environment which persisted from spring 2000 through the fall. This caught us off guard as the first half had been strong.

Products generally sold well through the year at the retail level. However, inventory reductions by retailers affected volumes in the second half. Shipments started to bounce back during the fourth quarter. We witnessed across the board increases in the retail sales of our products with many of our major customers.

The purchase of Safety 1st, our largest acquisition ever, created the catalyst to completely revamp our flagship Juvenile Segment. However, the timing proved to be less than ideal. It added debt at a time when the stock market was out of favor and coincided with a general retail slowdown. Nonetheless, we are convinced the move was the right one. Safety 1st has an established brand. We all know the famous *Baby on Board* signs they cleverly created for cars. Safety 1st has a reputation for unique, feature-rich, quality safety products which provide true value for consumers.

The acquisition is a key development in making us the largest Juvenile company in our categories with fiscal 2000 sales of $370 million. Between Cosco and Safety 1st, the Dorel Juvenile Group has several products which rank first in sales in the industry. In addition, our recognition is stronger than ever with not only Safety 1st and Cosco, but with Eddie Bauer, Playskool, Disney, and NASCAR licensing agreements. It is management's view that our Juvenile Segment will grow to a billion dollar business in the next three to four years.

WE ACCOMPLISHED A HUGE AMOUNT IN A YEAR THAT WAS CHARACTERIZED BY BOTH CHALLENGE AND CHANGE

A NEW STRUCTURE

To ensure that we benefit from these exciting developments, we have created the Dorel Juvenile Group (DJG) in North America and Europe. Cosco's CEO, Nick Costides has been named CEO of the DJG in North America and is overseeing the integration of Cosco and Safety 1st. We have identified the best talent from Cosco and Safety 1st and have filled senior positions with seasoned executives.

Abroad, the Dorel Juvenile Group Europe is being led by Kees Spreeuwenberg, our President of Maxi-Miliaan. Maxi and Safety 1st Europe are integrating their sales organizations, enabling Safety 1st to enter the European market through the established, Europe-wide Maxi-Miliaan sales network.

A great deal of energy has been spent looking at all of our Juvenile product lines and operations. We are not prepared to remain in areas that either do not fit our strategy or do not make money. In September, we sold the assets of Infantino Inc. to existing Infantino management. Under their guidance, Infantino will continue to make a name for itself.

MUCH HAS BEEN ACCOMPLISHED TO DATE, BUT WE REALIZE THERE IS MORE WE CAN DO

EXPLAINING THE WRITE-DOWN

Subsequent to year-end, we announced a one-time after tax charge of $20 million to cover a wide-ranging series of moves, all with a view to reinforcing the Juvenile Segment and removing superfluous costs from all operations. This was not a defensive move, rather it positions Dorel for an intensive growth phase.

A significant portion of the charge was for the discontinued operations of three units: Infantino, Dorel U.K. and Cosco's Fort Smith crib factory.

The merger of our two ready-to-assemble (RTA) furniture divisions under the banner of Ameriwood was yet another key initiative. Bob Klassen has assembled the best of all RTA units, moving key executives from our highly successful Ridgewood operation to St. Louis. Strong emphasis has been placed on marketing and product development. The results have been most satisfying. In a down year within the furniture industry which saw others lose money, Ameriwood made further gains, often at the expense of our competition. We estimate that RTA will double revenues within five years.

Dorel Home Products became a significant player in the North American futon market and Cosco's innovative line of step stools and ladders is making its mark. It is expected that this segment will double sales within three years.

New Areas of Growth

Dorel Asia, established in 1998, is increasingly becoming an important part of the Company. Dorel Asia not only imports furniture, but designs and specifies products as well. We see this as an important source of future growth.

An entirely new initiative in 2001 is the introduction of a new line of uniquely designed tricycles and small bicycles, to be marketed under the Safety 1st brand. This is an exciting project and is the first step in entering the $3 billion bicycle industry.

Chief Operating Officer, Pierre Dupuis details the highlights of our numerous initiatives in his report following my comments.

Predictions for the 2001 economy are less than rosy. Dorel must and will do better. Customers will be even more demanding. This does not intimidate us. Our success has always been to find better solutions for our retailers.

Each of our divisions has an opportunity to reinvent the way they do business. We must be more efficient, raise margins, cut operating expenses, lower purchase costs and become better than we are today. I am convinced our management is up to this challenge.

I thank our employees and suppliers for accepting this test and for preparing for it in a most earnest fashion. We greatly appreciate the confidence of our growing list of customers and pledge to serve them like never before. To our shareholders, one suggestion, "stay tuned". It is going to be a great year.

Martin Schwartz
President and Chief Executive Officer

Juvenile

JUVENILE

CAR SEATS • HIGH CHAIRS • STROLLERS • TODDLER BEDS • CHANGING TABLES • SWINGS • CRIBS AND MATTRESSES • DRESSERS • JUVENILE ACCESSORIES • INFANT HEALTH & SAFETY AIDS

The Dorel Juvenile Group, one of the world's top juvenile products companies, consisting of Cosco, Safety 1st and Maxi-Miliaan, is a market leader in several product categories. 45 million pieces are sold annually, or an average of 10 units per newborn per year in North America. Growth has been achieved through aggressive and innovative product development, a strategy of branding and the establishment of solid customer relationships. Consumers in North America and Europe turn to Dorel for exciting, innovative, quality products.

General Goals

- Grow sales to $1 billion in 3 to 5 years.
- Become the largest Juvenile company in our categories.
- Safety 1st to be developed as a major brand in Europe.

Juvenile will lead the way

The Year 2000 in Review

- Acquisition of brand leader Safety 1st.
- Dorel Juvenile Group created merging Safety 1st and Cosco.
- Infantino sold.
- Dorel's Canadian Juvenile operation merged with Safety 1st Canada.
- Unanticipated spring downturn resulting from retailers' overstock positions improves in Q4.

- Excellent response to new products launched at annual, major international trade shows in Dallas and Cologne.
- Eddie Bauer: excellent performance, now truly a full line supplier, able to command stronger margins.
- Alpha Omega: #1 North American car seat in the over $100 retail category.
- Major licensing agreements signed with Hasbro (Playskool); NASCAR and top U.S. race car drivers; Disney.
- Maxi successfully launched a new line of strollers.

Retailers can expect a continuing flow of new and exciting products from Dorel

2001 Initiatives

- Dorel Juvenile Group to maximize strengths of all brands and licenses throughout North America and Europe.
- Strong emphasis on product development, e.g., several new car seats being designed. New strollers to be introduced.
- New unique design Opus 35 car seat being introduced.
- New business: major push into $500-$600 million feeding and peg toy product market through Safety 1st and Playskool.
- Eddie Bauer update: 3rd year; second generation design, new high-tech look will see continued growth of car seats/stroller lines.
- Cosco's Fort Smith is to be closed or sold in 2001.
- Maxi targeting mass merchants in Europe with popular priced car seats and strollers.
- Safety 1st products to be distributed in Europe utilizing Maxi's distribution channels. The availability of the Safety 1st and Maxi-Cosi brands will offer better opportunities to penetrate various retail and geographic channels.
- Upmarket Safety 1st products being developed to be marketed in Europe under Maxi-Cosi's name, Europe's well-known name in children's car safety products.
- Entry into $3 billion U.S. bicycle industry with several tricycle and small bicycle models.

Ready-to-Assemble

READY-TO-ASSEMBLE

HOME AND BUSINESS OFFICE FURNITURE & WORK STATIONS • WALL UNITS • ENTERTAINMENT CENTERS • COMPUTER, TV AND STEREO STANDS • STORAGE UNITS • JUVENILE READY-TO-ASSEMBLE

RIDGEWOOD

CHARLESWOOD

AMERIWOOD™
INDUSTRIES

AMERIWOOD™ INDUSTRIES

RIDGEWOOD
CHARLESWOOD

The successful merger of Dorel's RTA Furniture divisions under the Ameriwood banner will help maintain this segment's position among the largest in North America. As a leading supplier to America's top retailers, Ameriwood is the dominant RTA manufacturer in the mass merchant promotional sector. In a weakened economy, Ameriwood's products appeal even more to value-conscious consumers.

General Goals

- Double sales in 5 years.
- Maintain position as dominant RTA manufacturer in mass merchant promotional segment.
- Continued development of Home Office and Entertainment products, the fastest growing segments of the RTA industry.
- Maximize reductions in raw material costs.
- Develop an export market starting with the U.K.

AMERIWOOD IS THE DOMINANT RTA MANUFACTURER IN THE MASS

The Year 2000 in Review

- Completed merger of Ridgewood and Ameriwood to form one united RTA company. Management is now located in Wright City, Mo.
- Product development, sales and marketing department bolstered.
- Despite general economic slowdown throughout the year, based on industry information, Ameriwood significantly outperformed competition. Market share was increased.
- Pressure on margins throughout the year were largely offset by plant efficiencies and lower raw material prices.
- Customer access facilitated to all four RTA plants, (Wright City, Tiffin, Dowagiac, Cornwall). Now more nimble. Ability to ship on time from multiple locations and better anticipate customer needs.
- Buying power increased through division and corporate-wide purchasing.
- Commenced exports to United Kingdom.

2001 Initiatives

- New design center in Wright City will accelerate and further enhance product development.
- Increasing product lines, with a particular emphasis on home office and entertainment products.
- New product lines, such as Storage Innovations, being developed to address do-it-yourself/hardware channels.
- Branching out into smaller chains of furniture stores with new line.
- New technology being introduced to manufacturing process will streamline operations and reduce costs. Bookcases are but one example.
- Focus in and dominance of promotional price points will maintain strong market share despite anticipated tight economy.
- Increased distribution channels opened with regional hardware and furniture store chains.

MERCHANT SECTOR

Home Furnishings

FOLDING TABLES AND CHAIRS • STEP STOOLS • BUNK BEDS AND FUTON BEDS • METAL AND WOOD HOME OFFICE FURNITURE

Branding is a key factor in Dorel's Home Furnishings segment, which includes Cosco in the U.S. and Dorel Home Products in Canada. Among many products, Cosco has an excellent reputation for step stools, five-piece bridge sets and a new line of innovative, multi-functional ladders. Dorel Home Products has developed a line of metal and wood home/office furniture. Its futon line, marketed under the Sealy name, has made the division a significant player in the North American futon market.

General Goals

- Double sales in 3 to 5 years.
- Develop further market penetration of Cosco ladder program through do-it-yourself channels.
- Triple Sealy futon business by 2003, creating dominant market position.

Additional opportunities to result in expansion of Cosco's business

The Year 2000 in Review

- Sales of folding metal furniture up, quality of bridge sets cited as key reason.
- Launched "The World's Greatest Ladder", creating new opportunities in hardware sector.
- Futons: the exclusivity with Sealy brand helped more than double futon business with growth in all key customer segments - mass merchants, sleep shop chains and furniture stores. However, margins remained under pressure from competitive pricing.

- Home Office: Introduced new products featuring "Euro-Tech" design into wood and metal products.
- Sold eight of the new designs to major retailer in the U.K., marking the first sale of Home Office products in Europe.

2001 Initiatives

- Expanding into banquet table business with four models.
- Cosco to aggressively market innovative products, including ladders, work platforms and step stools.
- Substantial growth potential remains in futons, both in terms of market share and growth of the futon category itself. Will drive the Sealy brand and unique products in mattresses and frames.
- Important new initiatives to improve profitability of futon line.

Cosco... DOMINANT BRAND IN THE FOLDING FURNITURE/ STEP STOOL MARKET

- Home Office sales expected to grow by 30%.
- Developed new relationship with one of the major U.S. retailers. Committed to two of new "Euro-Tech" home office designs in their basic furniture assortment.
- Dorel Asia to contribute to the bottom line through its provision of specialty product design and international sourcing of furniture.

Pierre Dupuis - Chief Operating Officer

Dorel's share price notwithstanding, my first full year as Chief Operating Officer was highly satisfying. The year was one of serious re-evaluation and improvement of what we do and how we do it. The acquisition of Safety 1st and the retail slowdown were powerful catalysts to initiate changes.

Wide-ranging changes were identified and addressed in the areas of organization, customer service, efficiency, product development and marketing.

The acquisition of Safety 1st gave us access to a pool of very talented individuals. By joining Cosco and Safety 1st under a single organization, we have formed a dynamic team, certainly the strongest in the juvenile industry. Similarly, the merger of our Canadian and American RTA Divisions brought together a new management group combining the best in marketing and operations expertise.

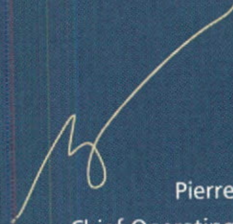
Our restructuring programs have paid off in terms of efficiency. Head count and overhead costs were reduced everywhere and, in particular, in Juvenile where annual payroll-related costs were significantly reduced. Other savings in information systems, logistics and purchasing have also been realized. Purchasing is an interesting case in point. First, we lowered purchasing costs by leveraging our larger buying power in Juvenile, and, in RTA we also embarked on a corporate-wide effort to combine the common procurement of all our divisions, again to obtain concessions from suppliers. For example, we were successful in pooling our ocean freight and realized substantial annual savings. Our Juvenile Group also totally revamped its warehousing system for better costs and enhanced service.

Customer service remains one of our top preoccupations. Large retailers demand excellent service and we were proud to receive many "Vendor of the Year" Awards from leading retailers in 2000. We can now ship RTA products from any of our four plants to improve delivery lead time and transportation costs.

The Juvenile Group recently recruited a Vice-President of Quality and Safety. This individual will be responsible for upgrading the quality of our products and will work closely with regulatory agencies to ensure harmonious and productive relationships.

Product development has always been one of Dorel's strengths. Again in 2000, there were a number of exciting achievements. A new design center for RTA furniture was established at Wright City, Mo., while Dorel Home Products introduced spectacular new products for Home Office and continued to improve the look and manufacturing cost of its successful line of futons. Juvenile introduced an infant car seat which allows children of up to 35 pounds to ride rear-facing for greater safety, an industry first.

Change does not always come easily. Having a plan is one thing, executing it is quite another. What needs to be done is being done. At Dorel, this is a team effort. Everyone from senior management through to factory personnel have accepted the challenges and cooperate fully in realizing them.



Pierre Dupuis
Chief Operating Officer

2000 COMPARED TO 1999

Overview

Dorel Industries Inc. continued its sales growth in 2000 with both internal growth from existing subsidiaries and with the acquisition of Safety 1st Inc., a major juvenile products company headquartered in the United States and with offices in Canada and the United Kingdom. This acquisition was financed entirely with debt and as a result, interest charges increased significantly over prior years. A large portion of the acquisition cost was associated with goodwill. As a result amortization also increased substantially in the year. With this large acquisition and integration, the Company incurred certain one-time charges in connection with the merging of the subsidiaries in the Juvenile segment. In addition, the Juvenile segment as a whole was re-examined to identify core product lines and a decision was made to eliminate certain elements of the segment. As such, three of the companies' operating units were discontinued. As detailed more fully below, the total of these charges was $20.2 million after-tax and appear on the financial statements on three separate lines as "Restructuring costs", "Excess insurance premium for product liability insurance" and "Loss from discontinued operations".

The Company also changed its reporting currency from Canadian dollars to U.S. dollars during the second quarter of fiscal 2000. This change, was made to more accurately reflect the fact that the majority of the Company's activities are carried out in U.S. dollars and that by using the U.S. dollar as the reporting currency, results more accurately reflect the true operating results and position of the Company.

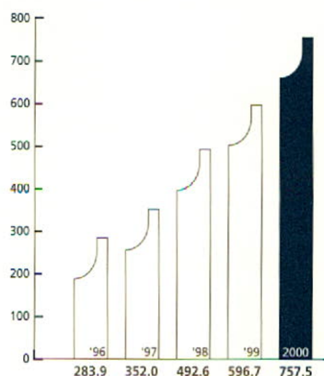
As a result, for the fiscal year ended December 30, 2000, sales from continuing operations were $757.5 million in 2000 compared to $596.7 million for the fiscal year ended December 30, 1999, representing an increase of 27.0%. Net income from continuing operations decreased to $30.0 million in 2000 from $40.0 million in 1999, a decrease of 25.0%. Net income net of discontinued operations decreased 55.1% to $17.3 million in 2000, from $38.6 million in 1999.

Sales

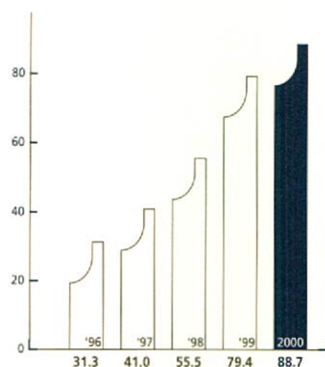
The 27.0% sales growth of $160.8 million over 1999 came from all three business segments of the Company. The Juvenile segment provided the most dramatic increase in sales with an increase of $138.5 million. However, the Ready-to-Assemble and Home Furnishings segments also contributed with increases of $6.2 million and $16.1 million respectively.

Note that under Generally Accepted Accounting Principles (GAAP), the results of prior years for discontinued operations are reclassified as a one-line item on the income statement. The effect of the discontinuation of three of the Company's operations was to lower previously reported sales for 1999 by $41.0 million.

Total Sales
5 Year CAGR - 24%
(in U.S. millions)



EBITDA
(before one-time charges)
5 Year CAGR - 27%
(in U.S. millions)



Juvenile segment sales were $369.6 million in 2000 compared to $231.1 million in 1999, an increase of 59.9%. The bulk of this increase relates to the new Safety 1st acquisition in the year which added $113.4 million to sales. This accounted for 49.0% of the 59.9% increase. The remaining $25.1 million, or 10.9%, came from all of the other existing businesses. Cosco's sales growth accounted for the majority of the increase mainly due to sales of car seats. This increase in car seat sales was spurred by the continued success of augmenting the image of car seats through the use of licensing agreements, with names such as Eddie Bauer, NASCAR and Disney, and the increased sale of higher end models to consumers. Dorel's major European Juvenile operations, carried out though Maxi-Miliaan in the Netherlands continue to grow in importance. In local currency, sales were up 25.4%. However, due to foreign currency fluctuations, in U.S. dollars, sales only increased 5.3%. New product introductions in Europe continue to be well received resulting in this substantial sales growth.

The Ready-to-Assemble segment grew from sales of $239.5 million in 1999 to $245.7 million in 2000, an increase of $6.2 million, or 2.6%. This growth came from both existing and new customers. In 1999, the expansion of the Company's Cornwall, Ontario facility and the realignment of its U.S. facilities allowed for the segment to handle increased demand. The merger of the RTA plants under one administration and one overall director in 2000 should continue to provide growth opportunities going forward.

Sales of the Home Furnishings segment increased to $142.2 million in 2000 from $126.1 million in 1999, an increase of $16.1 million, or 12.8%. Both the Cosco and Dorel Home Products divisions fueled this increase. Sales of Cosco's product lines of folding furniture and step stools continue to increase and account for about one-fifth of the segment's growth. The balance of the growth came mainly from the Dorel Home Products' line of Sealy futons. These branded futons represented significant sales growth in 2000 and should provide Dorel with an advantage in capturing a significant portion of the growing futon market going forward.

Gross Profit

Gross profit was $174.8 million in 2000 compared to $143.7 million in 1999, an increase of 21.6%. As a percentage of sales, gross profit was 23.1% in 2000 as compared to 24.1% in 1999. Margins in both the RTA and Home Furnishings segments were down, offset by an increase in the Juvenile segment. The decrease in the RTA segment was mainly the result of higher board prices in the year. Home Furnishings segment margins were negatively impacted by an increase in futon sales at much lower margins than prior years. Despite aggressive cost cutting measures, extreme pricing pressure from competitors based in the Orient required that the Company lower prices to remain competitive. The Juvenile segment's margins were bolstered by the addition of the Safety 1st product line that carries higher margins than existing products. In addition, Cosco's

margins continued to improve with the sales of branded products sold under the Company's various licensing agreements. These increases were tempered somewhat by lower margins in Europe due to adverse currency fluctuations.

Operating Expenses, Amortization and Research and Development

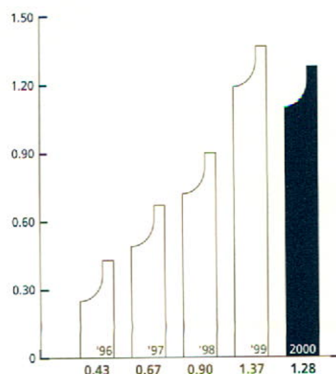
Operating expenses, consisting primarily of selling, general and administrative expenses were $83.2 million in fiscal 2000 compared to $63.1 million in 1999, an increase of 31.9%. Operating expenses as a percentage of sales were slightly higher in 2000 as compared to 1999 at 11.0% in 2000 compared to 10.6% in 1999. In dollar terms, the increase in operating expenses can by explained mainly by the addition of Safety 1st in the year and an increase in variable selling expenses, such as commissions and advertising, which are directly attributable to higher sales levels. Fixed costs were generally maintained at all divisions, however, Safety 1st carried higher operating expenses as a percentage of sales than Dorel's existing divisions and this increased the figures as a percentage of sales. Inherent duplication of functions at Cosco and Safety 1st increased this figure in 2000 versus 1999. These duplicate functions will be eliminated going forward and the Company expects operating costs as a percentage of sales to decrease from year 2000 levels.

Amortization, which includes depreciation, was $25.7 million in 2000 compared to $16.5 million in 1999, an increase of $9.2 million or 56.3%. This increase was a direct result of the addition of capital assets at Safety 1st and the amortization of the goodwill created upon the acquisition of the new subsidiary. This amortization of the new goodwill totaled $4.3 million and the amortization of the remaining assets totaled an additional $4.9 million. Amortization across the other divisions remained consistent.

Research and development costs increased by $1.7 million to $2.9 million in 2000 versus 1999. This increase was mainly due to additional spending at Safety 1st.

Earnings Per Share

(from continuing operations, before one-time charges)



Earnings from Operations and Net Income

Total earnings from operations, before one-time charges was $70.9 million in 2000 compared to $70.7 million in 1999, an increase of 0.3%. Included in this figure is goodwill amortization in connection with the acquisition of Safety 1st. If this figure is removed from expenses, earnings from operations become $75.2 million in 2000, representing an increase of 6.4%. The operating profit of the RTA segment was $40.4 million in 2000 compared to $41.3 million in 1999, a decrease of 2.0%. This decrease can be attributed to lower margins in the segment as a result of higher commodity prices. The operating profit of the Juvenile products segment was $28.7 million in 2000 compared to $21.8 million in 1999, representing an increase of 31.7%. This increase can be attributed mainly to increased sales volumes and improved performance at the Cosco division and by the addition of the Safety 1st

operation. The Home Furnishings segment experienced an operating loss of $2.6 million in 2000 compared to earnings of $2.4 million in 1999. This decrease in profitability is as a result of the continued pricing pressure on futons, the fastest growing product in the Home Furnishings segment, at the Dorel Home Products division.

Certain one-time charges were incurred in the Juvenile segment in connection with the integration of Safety 1st into the Dorel group of companies. These restructuring costs totaled $9.7 million and consisted of asset impairments of $4.4 million, severance and other employment related costs of $2.1 million, distribution consolidation costs of $2.8 million and other costs of $0.4 million. In addition, a one-time premium cost of $2.3 million was incurred for a self-insurance product liability program.

Total interest costs were $15.5 million in 2000 compared to $5.2 million in 1999, an increase of $10.3 million. This increase was mainly the result of higher debt levels that were required to acquire Safety 1st Inc. in June 2000. The acquisition was financed with long-term borrowings in the amount of $136.7 million.

Income taxes were $5.4 million or 15.3% of income in 2000 compared to $17.8 million or 30.7% of income in 1999. This decrease in the effective tax rate is attributable to the proportionate change in pre-tax profits in the different tax jurisdictions as well as the recovery of income taxes arising from the use of previously unrecorded tax benefits.

For the reasons set out above, income from continuing operations was $30.0 million in fiscal 2000 compared to $40.0 million in fiscal 1999, a decrease of $10.0 million or 25.0%.

Three of the Company's operations were discontinued in the year. It was decided to close the wood crib manufacturing operation in Fort Smith, Arkansas. In addition, the assets of Infantino, a soft goods importer based in California, were sold to the existing management and finally, the stroller importing program carried out through Dorel U.K. in Europe was shut down. The losses from these three discontinued operations totaled $12.7 million in 2000 versus $1.4 million in 1999, a difference of $11.3 million. Of the $12.7 million loss in 2000, $8.0 million came from operations and $4.7 million pertained to the anticipated loss on disposal. As a result, net income, net of discontinued operations was $17.3 million in 2000 versus $38.6 million in 1999, a decrease of $21.3 million or 55.1%.

Liquidity and Capital Resources

During 2000, cash flow from continuing operations before changes in non-cash working capital was $56.1 million, as compared to $56.6 million in 1999. This represented a decrease of $0.5 million. After funding non-cash working capital, operating activities provided cash of $49.3 million in 2000 versus $32.0 million in 1999, an improvement of $17.3 million or 54.0%. The Company reinvested $22.6 million in various capital projects, principally capital assets and other deferred charges. This compares to $20.0 million in 1999.

Discontinued operations consumed cash in the amount of $10.6 million in 2000 versus $2.6 million in 1999. The majority of the remaining $16.1 million generated in 2000 was used to reduce outstanding bank borrowings. Working capital at the end of 2000 was $189.7 million compared to $158.6 million in 1999.

Risks and Uncertainties

As with all manufacturers of products designed for use by consumers, Dorel is subject to numerous product liability claims, particularly in the United States. Although Dorel maintains product liability insurance in an amount it considers sufficient, no assurance can be given that a judgement will not be rendered against it in an amount exceeding the amount of insurance

coverage or in respect of a claim for which Dorel is not insured. Furthermore, Dorel's product liability insurance includes a per claim deductible, payment of which with respect to a large number of judgements or settlements could also have a material adverse effect on Dorel's financial condition. At Dorel, there is an ongoing effort to improve quality control and to ensure the safety of its products. In this regard, Cosco is the only North-American manufacturer of juvenile products with its own in house sled test for children's car restraints.

Most of Dorel's sales are to major retail chains. In recent years, the retail environment has been highly competitive. If major retailers cease operations, there could be a material adverse effect on the Company's consolidated results of operations. In addition, several major retailers in the United States and Canada have filed for protection from creditors and are reorganizing their affairs under relevant bankruptcy and insolvency legislation. The continuation of this trend could increase Dorel's bad debt expense. The Company conducts ongoing credit reviews and maintains credit insurance on selected accounts to minimize these risks.

For the year ended December 30, 2000, approximately 55% of Dorel's sales were made to Wal-Mart and K-Mart, its two major customers. This compares to 53% in 1999. Dorel does not have long-term contracts with its customers, and as such sales are dependent upon Dorel's continuing ability to deliver attractive products at a reasonable price, combined with high levels of service. There can be no assurance that Dorel will be able to sell to such customers on an economically advantageous basis in the future or that such customers will continue to buy from Dorel.

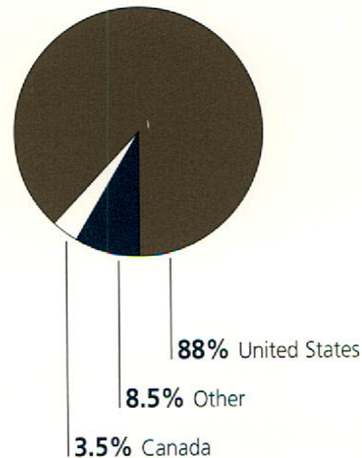
Currency Exposure

Dorel's North American operations generate revenues and incur expenses in both Canadian and U.S. dollars. Materials and equipment are purchased in various currencies depending on competitive factors, including relative currency values. Dorel's European businesses generate revenues and incur labour and material costs in a variety of currencies. In an effort to manage foreign exchange exposure, Dorel employs hedging programs primarily through the use of foreign exchange forward contracts. Dorel does not speculate in currencies. The amount and timing of the forward contracts are dependent on a number of factors, such as anticipated production delivery schedules and anticipated production costs, which may be paid in the foreign currency.

Raw Materials

Dorel's main commodities are steel, plastic resin, particleboard and paperboard. 2000 saw generally higher costs in these commodities with the exception of steel, which dropped in price. These increases are reflected in a slightly lower gross margin for the year versus 1999.

Geographic Distribution of Sales



Corporate Information

Directors

Martin Schwartz
President,
Chief Executive Officer,
Dorel Industries Inc.

Jeff Segel
Vice-President,
Sales and Marketing,
Dorel Industries Inc.

Alan Schwartz
Vice-President,
Operations,
Dorel Industries Inc.

Jeffrey Schwartz
Vice-President, Finance
and Secretary,
Dorel Industries Inc.

Dr. Laurent Picard *
C.C.

Bruce Kaufman *

Maurice Tousson *

*Members of the Audit Committee

Officers

Martin Schwartz
President,
Chief Executive Officer

Jeff Segel
Vice-President,
Sales and Marketing

Jeffrey Schwartz
Vice-President, Finance
and Secretary

Alan Schwartz
Vice-President,
Operations

Pierre Dupuis
Chief Operating Officer

Frank Rana
Treasurer

Head Office

Dorel Industries Inc.
1255 Greene Avenue
Suite 300
Westmount, Quebec
Canada H3Z 2A4

Lawyers

Heenan Blaikie
1250 René-Lévesque Blvd. W.
Suite 2500
Montreal, Quebec
Canada H3B 4Y1

Auditors

Canada:
Goldsmith Miller Hersh
1411 Fort Street, Suite 200
Montreal, Quebec
Canada H3H 2N6

U.S.A.:
Deloitte & Touche LLP
10 West Market Street
Suite 3000
Indianapolis, Indiana
U.S.A. 46204-2985

Netherlands:
Moret Ernst & Young
Prof. Dr. Dorgelolaan 12
5613 AM Eindhoven
P.O. Box 455
The Netherlands

Transfer Agent & Registrar

Computershare Investor Services

Investor Relations

Maison Brison
Rick Leckner
3201 Graham Blvd.
T.M.R., Quebec
Canada H3R 1K1
Tel.: (514) 731-0000
Fax: (514) 731-4525
email: brison1@maisonbrison.com

Stock Exchange Listing

Share Symbols:
TSE - DII.A; DII.B
NASDAQ - DIIBF

Annual Meeting of Shareholders

Thursday, May 31, 2001
at 11:00 A.M.
Mount Royal Centre,
Salon Cartier I & II
2200 Mansfield
Montreal, Quebec, Canada

Operating Locations

Dorel Juvenile Group (N.A.)

Nick Costides

Cosco, Inc.
2525 State Street
Columbus, Indiana
U.S.A. 47201

220 River Drive
Cartersville, Georgia
U.S.A. 30120

Safety 1st, Inc.
Canton Commerce Center
45 Dan Road
Canton, Massachusetts
U.S.A. 02021

Dorel Juvenile Group Canada
804 Deslauriers
St. Laurent, Quebec
Canada H4N 1X1

Dorel Juvenile Group (Europe)

Kees Spreeuwenberg

Maxi-Miliaan B.V.
Grasbeemd 28
5705 DG Helmond, Holland

Dorel (U.K.) Limited
Isopad House, Shenley Road
Borehamwood, Hertfordshire
United Kingdom
WD6 1TE

Home Furnishings Group

Cosco, Inc.
Nick Costides
2525 State Street
Columbus, Indiana
U.S.A. 47201

Dorel Home Products
12345 Albert Hudon, #100
Montreal, Quebec
Canada H1G 3L1

Dorel Asia Ltd.
16/F, Tal Building
49 Austin Road
Kowloon, Hong Kong

Ready-to-Assemble Group

Robert Klassen

Ameriwood Industries
305 East South First Street
Wright City, Missouri
U.S.A. 63390

202 Spaulding Street
Dowagiac, Michigan
U.S.A. 49047

458 Second Avenue
Tiffin, Ohio
U.S.A. 44883

Ridgewood Industries
3305 Loyalist Street
Cornwall, Ontario
Canada K6H 6W6

Showrooms

1365 Midway Boulevard, Unit 27
Suite 100
Mississauga, Ontario
Canada L5T 2J5

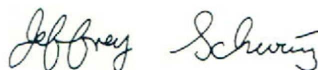
Commerce and Design Building
201 West Commerce Street
9th Floor
Highpoint, North Carolina
U.S.A. 27261

Management's Report

Dorel Industries Inc.'s Annual Report for the year ended December 30, 2000, and the financial statements included herein, were prepared by the Company's management and approved by the Board of Directors. The Audit Committee of the Board is responsible for reviewing the financial statements in detail and for ensuring that the Company's internal control systems, management policies and accounting practices are adhered to.

The financial statements contained in this Annual Report have been prepared in accordance with the accounting policies which are enunciated in said report and which management believes to be appropriate for the activities of the Company. The external auditors appointed by the Company's shareholders, Goldsmith Miller Hersh, have audited these financial statements and their report appears below. All information given in this Annual Report is consistent with the financial statements included herein.

Martin Schwartz
President and Chief Executive Officer



Jeffrey Schwartz
Vice-President, Finance

Auditors' Report

To the Shareholders of DOREL INDUSTRIES INC.

We have audited the consolidated balance sheets of DOREL INDUSTRIES INC. as at December 30, 2000 and 1999 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three year period ended December 30, 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 30, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the three-year period ended December 30, 2000, in accordance with generally accepted accounting principles.

Goldsmith Miller Hersh
Chartered Accountants

Montreal, Quebec
February 9, 2001

Consolidated Balance Sheet

As at December 30, 2000 (In thousands of U.S. dollars)

	2000	1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 6,670	$ 6,083
Accounts receivable (Note 5)	126,133	104,802
Inventories (Note 6)	141,141	102,045
Prepaid expenses	16,074	10,582
Deferred income taxes	15,890	7,383
	305,908	230,895
CAPITAL ASSETS (Note 7)	106,015	94,837
DEFERRED CHARGES (Note 8)	8,969	3,630
INTANGIBLE ASSETS (Note 9)	152,094	14,175
DEFERRED INCOME TAXES	1,938	-
OTHER ASSETS	1,120	-
	$ 576,044	$ 343,537
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 10)	$ 4,759	$ 1,111
Accounts payable and accrued liabilities	101,209	52,760
Salaries payable	7,137	10,112
Income taxes payable	519	2,917
Current portion of long-term debt	2,537	5,354
	116,161	72,254
LONG-TERM DEBT (Note 11)	254,750	74,120
POST-RETIREMENT BENEFIT OBLIGATION (Note 13)	12,619	-
DEFERRED INCOME TAXES	2,710	12,816
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 14)	62,495	62,580
RETAINED EARNINGS	127,719	119,345
CUMULATIVE TRANSLATION ADJUSTMENT (Note 16)	(410)	2,422
	189,804	184,347
	$ 576,044	$ 343,537

COMMITMENTS (Note 17)
PRODUCT LIABILITY (Note 18)
CONTINGENT LIABILITIES (Note 19)

See accompanying notes.

Approved on behalf of the board

Martin Schwartz
Director

Jeffrey Schwartz
Director

Consolidated Statement of Retained Earnings

For the year ended December 30, 2000 (In thousands of U.S. dollars)

	2000	1999	1998
Balance, beginning of year	$ 119,345	$ 80,917	$ 63,076
Adoption of new accounting recommendations (Note 2)	(8,233)	-	-
	111,112	80,917	63,076
Net income	17,306	38,575	18,697
Premium paid on repurchase of shares (Note 14)	(699)	(147)	-
Share issue expenses (net of income taxes, 1998 - $425)	-	-	(856)
BALANCE, END OF YEAR	$ 127,719	$ 119,345	$ 80,917

See accompanying notes.

Consolidated Statement of Income

For the year ended December 30, 2000 (In thousands of U.S. dollars, except per share amounts)

	2000	1999	1998
SALES	$ 757,540	$ 596,702	$ 492,554
EXPENSES			
Cost of sales	582,741	452,974	381,826
Operating	83,189	63,088	54,193
Amortization	25,749	16,470	13,689
Research and development costs	2,876	1,219	1,076
Restructuring costs (Note 20)	9,737	-	10,067
Excess insurance premium for product liability insurance	2,300	-	-
Interest on long-term debt	14,968	5,031	5,225
Other interest	574	188	451
	722,134	538,970	466,527
INCOME FROM OPERATIONS BEFORE INCOME TAXES	35,406	57,732	26,027
Income taxes (Note 21)			
Current	9,389	17,400	8,414
Deferred	(3,957)	356	(84)
	5,432	17,756	8,330
INCOME FROM CONTINUING OPERATIONS	29,974	39,976	17,697
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 4)	(12,668)	(1,401)	1,000
NET INCOME	$ 17,306	$ 38,575	$ 18,697
EARNINGS (LOSS) PER SHARE (Note 22)			
BASIC			
Income from continuing operations	$ 1.07	$ 1.43	$ 0.65
Income (loss) from discontinued operations	(0.45)	(0.05)	0.04
NET INCOME	$ 0.62	$ 1.38	$ 0.69
FULLY DILUTED			
Income from continuing operations	$ 1.03	$ 1.37	$ 0.63
Income (loss) from discontinued operations	(0.43)	(0.05)	0.04
NET INCOME	$ 0.60	$ 1.32	$ 0.67

See accompanying notes.

Consolidated Statement of Cash Flows

For the year ended December 30, 2000 (In thousands of U.S. dollars)

	2000	1999	1998
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Income from continuing operations	$ 29,974	$ 39,976	$ 17,697
Adjustments for:			
Amortization	25,749	16,470	13,689
Write down of assets in restructuring	4,354	-	-
(Gain) loss on disposal of capital assets	(25)	(156)	162
Deferred income taxes	(3,957)	356	(84)
	56,095	55,646	31,464
Changes in non-cash working capital (Note 23)	(6,782)	(24,665)	3,005
CASH PROVIDED BY OPERATING ACTIVITIES	49,313	31,981	34,469
FINANCING ACTIVITIES			
Increase (decrease) in bank indebtedness	4,016	(7,811)	2,074
Decrease in long-term debt	(18,401)	(4,183)	(15,252)
Issuance of capital stock	32	1,620	15,503
Repurchase of capital stock	(816)	(175)	-
Share issue expenses	-	-	(1,281)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(15,169)	(10,549)	1,044
INVESTING ACTIVITIES			
Acquisition of subsidiary companies	(143,541)	-	(51,916)
Cash acquired	6,861	-	86
	(136,680)	-	(51,830)
Financed by long-term debt	136,680	-	37,017
	-	-	(14,813)
Additions to capital assets	(15,119)	(17,982)	(19,216)
Deferred charges	(7,003)	(1,560)	(2,241)
Intangible assets	(571)	(413)	(268)
Other assets	(1,120)	-	-
Proceeds from sale of discontinued operations (Note 4)	1,187	-	-
CASH USED IN INVESTING ACTIVITIES	(22,626)	(19,955)	(36,538)
NET CASH USED IN DISCONTINUED OPERATIONS	(10,557)	(2,565)	(1,624)
OTHER			
Effect of exchange rate changes on cash	(374)	346	(2,517)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	587	(742)	(5,166)
Cash and cash equivalents, beginning of year	6,083	6,825	11,991
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,670	$ 6,083	$ 6,825

See accompanying notes.

Note 1 - Nature of Operations

Dorel Industries Inc. is a consumer products manufacturer and importer of juvenile products and home furnishings. The Company's principal business segments consist of ready-to-assemble (RTA) furniture, juvenile furniture and accessories, and home furnishings. The principal markets for the Company's products are Canada, United States and Europe.

Note 2 - Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) using the U.S. dollar as the reporting currency.

The Company has historically presented its financial statements in Canadian dollars. Effective January 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 currency. The comparative financial information presented here has been restated using the translation of convenience method. For periods up to and including December 30, 1999, the Canadian dollar financial statements of the Company have been restated in U.S. dollars using the December 30, 1999 closing exchange rate.

With respect to the financial statements of the Company and its subsidiaries, the material differences between Canadian and United States GAAP are described and reconciled in Note 26.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries from the date of their acquisition. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Inventories

Raw material inventories are valued at the lower of cost and replacement cost. Finished goods inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in; first-out basis, and on a last-in; first-out basis for one of the Company's subsidiaries.

Amortization

Capital assets are amortized as follows:	Method	Rate
Buildings and improvements	Straight-line	40 years
Machinery and equipment	Declining balance	15 %
Moulds	Straight-line	5 years
Furniture and fixtures	Declining balance	20 %
Vehicles	Declining balance	30 %
Computer equipment	Declining balance	30 %
Leasehold improvements	Straight-line	5 years

Deferred charges

Deferred charges are carried at cost less accumulated amortization.

- Research and Development Costs:

  The Company incurred costs on activities which relate to research and development of new products. Research costs are expensed as they are incurred. Development costs are also expensed unless they meet specific criteria related to technical, market and financial feasibility. Certain of the Company's juvenile and houseware product development costs in the amount of $4,027 (1999 - $1,501, 1998 - $1,538) were deferred and are being amortized to operations on a straight-line basis over a period of two years.

Note 2 - Accounting Policies (cont'd)

Deferred charges (cont'd)

- Financing Costs:
  The Company incurred certain costs related to the issue of long-term debt. These amounts are amortized to operations on a straight-line basis over the terms of the related long-term debt.

Intangible Assets

- Goodwill:
  Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets acquired of subsidiary companies. The amortization expense is computed by the straight-line method over periods not to exceed 40 years.

  The Company evaluates the carrying value of goodwill for potential impairment on an ongoing basis. Such evaluations compare operating income before amortization of goodwill to the amortization recorded for the operations to which the goodwill relates. The Company also considers projected future operating results, trends and other circumstances in making such evaluations.

- Patents:
  Patents are amortized by the straight-line method over their expected useful lives.

Foreign Currency Translation

Assets and liabilities of the self-sustaining operations are translated at the rates in effect at the balance sheet date. Income and expenses are translated at average rates of exchange for the year. The resulting gains or losses are accumulated as a separate component of shareholders' equity.

Derivative Financial Instruments

The Company uses derivative financial instruments to reduce its exposure to fluctuation in foreign currency exchange rates. Derivatives are used as part of the Company's risk management strategy, are designated at inception as a hedge, and are measured for effectiveness on an ongoing basis. The Company does not use derivative financial instruments for speculative or trading purposes.

Gains and losses, that are designated and effective as hedges of anticipated transactions, are deferred and recognized in income in the same period that the underlying transaction is settled.

Pension Plans

The Company's subsidiaries maintain defined benefit plans and defined contribution plans for their employees. Pension benefit obligations under the defined benefit plans are determined annually by independent actuaries using management's assumptions and the accrued benefit method. The plans provide benefits based on a defined benefit amount and length of service.

Pension expense consists of the following:

- the cost of pension benefits provided in exchange for employees' services rendered in the period;
- interest on the actuarial present value of accrued pension benefits less earnings on pension fund assets;
- amounts which represent the amortization of the unrecognized net pension assets that arose when accounting policies were first applied and subsequent gains or losses arising from changes in actuarial assumptions, and experience gains or losses related to return on assets on the straight-line basis, over the expected average remaining service life of the employee group.

Post-Retirement Benefits Other Than Pensions

Post-retirement benefits other than pensions, include health care and life insurance benefits for retired employees. The costs of providing these benefits are accrued over the working lives of employees in a manner similar to pension costs.

Environmental Liabilities

Liabilities are recorded when environmental claims or remedial efforts are probable, and the costs can be reasonably estimated. Environmental expenditures related to current operations are generally expensed as incurred.

Reclassifications

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

Note 2 - Accounting Policies (cont'd)

Change in Accounting Principles

Effective January 1, 2000, the Company adopted the recommendation of the Canadian Institute of Chartered Accountants (CICA) Section 3461 "Employee Future Benefits" which has been applied retroactively without restating prior years. This section requires an entity to recognize the cost of retirement benefits and post-employment benefits in the reporting period in which an employee has provided the service that gives rise to the benefits. The cumulative effect of adopting the new recommendations at January 1, 2000, was to decrease retained earnings by $6,105, increase deferred income tax assets by $4,788, and increase the accumulated post retirement benefit obligation by $11,971.

The effect of applying this recommendation on the current year is a reduction in net income of $438.

Effective January 1, 2000, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Section 3465, "Income Taxes" which has been applied retroactively without restating prior years. This section requires future income tax assets and liabilities to be computed based on differences between the carrying amount of balance sheet items and their corresponding tax values using the enacted income tax rate in effect at the balance sheet date. The cumulative effect of adopting the new recommendations at January 1, 2000 was to decrease retained earnings and to increase deferred income tax liabilities by $2,128.

The effect of applying this recommendation on the current year is an increase in net income of $314.

Note 3 - Business Acquisition

On June 6, 2000, the Company acquired all the outstanding common shares of Safety 1st, Inc., a developer, marketer and distributor of juvenile products including child safety and childcare, convenience, activity, and home security products, mainly based in the U.S.A., for a total consideration of $150,488, which was financed through long-term debt in the amount of $136,680.

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	$ 6,861
Accounts receivable	24,187
Inventories	25,071
Capital assets	18,817
Goodwill	141,083
Deferred income taxes	15,510
Other assets	5,259
	236,788
Liabilities	
Accounts payable and accrued liabilities	25,227
Long-term debt	61,073
	86,300
Total purchase price	$ 150,488

The following unaudited pro-forma financial information assumes the acquisition had occurred on January 1 of each year.

	2000	1999
Net sales	$ 828,824	$ 748,981
Income from continuing operations	$ 26,555	$ 35,413

Note 4 - Discontinued Operations

In December 2000, the Company adopted a plan to discontinue the operations of the Fort Smith, Arkansas wooden crib manufacturing facility and sell the existing assets. The disposal is to be completed by June 30, 2001. Accordingly, the operating results of the Fort Smith, Arkansas facility have been classified as discontinued operations in the accompanying consolidated statement of income.

In December 2000, the Company adopted a plan to discontinue the import and sale of strollers through its subsidiary company Dorel (U.K.) Limited. Accordingly, the operating results have been classified as discontinued operations in the accompanying consolidated statement of income.

On September 30, 2000, the Company sold capital assets and certain prepaid expenses of Infantino, Inc. in the amount of $1,187. In addition, the purchaser was obliged to acquire the inventory on a consignment basis at book value with all amounts due and payable by May 1, 2002. Accordingly, the results of Infantino, Inc. have been classified as discontinued operations in the accompanying consolidated statement of income.

Operating results from discontinued operations are as follows:

	2000	1999	1998
Sales	$ 36,311	$ 40,985	$ 32,815
Operating income (loss)	(10,489)	(2,331)	1,679
Income tax benefit (expense)	2,534	930	(679)
Income (loss) from discontinued operations	(7,955)	(1,401)	1,000
Pre-tax loss on disposal of discontinued operations	(7,650)	-	-
Income tax benefit	2,937	-	-
Loss on disposal of discontinued operations	(4,713)	-	-
Discontinued operations - net of tax	$ (12,668)	$ (1,401)	$ 1,000

Net assets of discontinued operations are as follows:

	2000
Current assets	$ 13,887
Capital assets	2,188
Total assets of discontinued operations	$ 16,075

Note 5 - Accounts Receivable

Accounts receivable consists of the following:

	2000	1999
Total accounts receivable	$ 164,641	$ 125,507
Allowance for anticipated credits	(36,074)	(18,870)
Allowance for doubtful accounts	(2,434)	(1,835)
	$ 126,133	$ 104,802

Note 6 - Inventories

Inventories consist of the following:

	2000	1999
Raw materials	$ 35,262	$ 36,108
Work in process	10,036	8,722
Finished goods	95,843	57,215
	$ 141,141	$ 102,045

Note 7 - Capital Assets

	Cost	Accumulated Amortization	Net 2000	Net 1999
Land	$ 1,848	$ -	$ 1,848	$ 1,856
Buildings and improvements	44,913	9,270	35,643	35,751
Machinery and equipment	77,392	40,667	36,725	39,123
Moulds	58,407	39,528	18,879	10,364
Furniture and fixtures	5,713	3,095	2,618	1,484
Vehicles	665	442	223	258
Computer equipment	10,255	6,601	3,654	2,342
Leasehold improvements	1,527	926	601	892
Construction in progress - equipment	4,380	-	4,380	2,767
Equipment under capital lease	1,892	448	1,444	-
	$ 206,992	$ 100,977	$ 106,015	$ 94,837

Note 8 - Deferred Charges

	2000	1999
Development costs	$ 4,584	$ 2,410
Financing costs	2,759	617
Other	1,626	603
	$ 8,969	$ 3,630

Amortization of deferred development costs and all other deferred charges amounted to $1,745 (1999 - $1,002, 1998 - $981) and $722 (1999 - $414, 1998 - $656), respectively.

Note 9 - Intangible Assets

	Cost	Accumulated Amortization	Net 2000	Net 1999
Goodwill	$ 154,757	$ 5,861	$ 148,896	$ 12,911
Patents	3,918	720	3,198	1,264
	$ 158,675	$ 6,581	$ 152,094	$ 14,175

Note 10 - Bank Indebtedness

The average interest rates on the outstanding borrowings for 2000 and 1999 was 6.3% and 5.9%, respectively.

As at December 30, 2000, the Company had unused and available bank lines of credit amounting to approximately $19,726 (1999 - $20,769), subject to margin calculations, renegotiated annually.

Note 11 - Long-Term Debt

	2000	1999
Revolving Bank Loans		
Bearing interest at various rates ranging between 7.81% to 10.0% per annum based on LIBOR or U.S. bank rates, total availability of $275,000, with principal repayments as follows: • $75,000 due in May 2002 • $142,500 due in May 2003	$ 217,500	$ -
Bearing interest at various rates averaging 7.8% per annum based on LIBOR or U.S. bank rates	-	24,250
Term Notes		
Bearing interest at 7.50% per annum with principal repayments as follows: • 3 annual instalments of $1,500 ending in April 2003 • 5 annual instalments of $4,800 ending in April 2008	28,500	30,000
Bearing interest at 7.63% per annum with principal repayments as follows: • 3 annual instalments of $500 ending in June 2003 • 5 annual instalments of $1,600 ending in June 2008	9,500	10,000
Term Bank Loans		
Repayable by monthly instalments of $0.63 (1.5 NLG) plus interest of 7.8% per annum ending in 2000 (1999 - 47 NLG)	12	21
Bearing interest at 7.8% per annum (1999 - 450 NLG)	-	206
Bearing interest at 9.07% per annum	-	10,208
Obligations under capital lease	817	-
Other	958	4,789
	257,287	79,474
Current portion	2,537	5,354
	$ 254,750	$ 74,120

The aggregate repayments in subsequent years of existing long-term debt will be:

Fiscal Year Ending	Amount
2001	$ 2,537
2002	77,292
2003	144,500
2004	6,400
2005	6,400
	$ 237,129

Note 12 - Financial Instruments

In the normal course of business, the Company uses various financial instruments, including derivative financial instruments, for purposes other than trading. The Company uses derivative financial instruments as outlined in Note 2, to reduce exposures to fluctuations in foreign exchange rates. The Company's derivative financial instruments include foreign exchange contracts. The Company's non-derivative financial instruments include those as outlined below. By their nature, all such instruments involve risk, including market risk and the credit risk of non performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

Fair Value of Recognized Financial Instruments

Following is a table which sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below:

	December 30, 2000		December 30, 1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	$ 6,670	$ 6,670	$ 6,083	$ 6,083
Accounts receivable	126,133	126,133	104,802	104,802
Deferred charges - other	1,072	(666)	-	-
Financial Liabilities				
Bank indebtedness	4,759	4,759	1,111	1,111
Accounts payable and accrued liabilities	101,209	101,209	52,760	52,760
Salaries payable	7,137	7,137	10,112	10,112
Long-term debt	257,287	255,047	79,474	78,075

The carrying amounts shown in the table above are those which are included in the balance sheet and/or notes to the financial statements.

Determination of Fair Value

The following methods and assumptions were used to estimate the fair values of each class of financial instruments:

Cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, salaries payable - The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Deferred charges - other - Included in deferred charges is an interest rate swap agreement whose fair value is computed based on the difference between mid-market levels and the fixed swap rate as at December 30, 2000.

Long-term debt - The fair value is estimated based on discounting expected future cash flows at the discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturity.

Letters of credit - As described in Note 17, the Company has certain letter of credit facilities of which management does not expect any material losses to result from these instruments.

Note 12 - Financial Instruments (cont'd)

Foreign Exchange Risk Management

The Company enters into various types of foreign exchange contracts to manage its exposure to foreign currency risk as indicated in the following table:

	December 30, 2000		December 30, 1999		December 30, 1998	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Future contracts	$ 69,684	$ 69,823	$ 41,420	$ 42,373	$ 13,857	$ 13,957
Forward exchange contracts	8,000	7,924	-	-	-	-
Options	5,500	5,533	-	-	4,732	4,732

The Company enters into foreign exchange contracts to hedge particular anticipated but not yet committed sales and purchases expected to be denominated in those currencies when such transactions are probable and the significant characteristics and expected terms are identified. The term of the currency derivatives ranges from three to twelve months. The Company's market risk with respect to foreign exchange contracts is limited to the exchange rate differential.

Deferred unrealized gains (losses) on these contracts are presented in the following table, showing the periods in which they are expected to be recognized in income.

	2000	1999	1998
To be recognized within			
Three months	$ (9)	$ 480	$ 50
Six months	38	259	50
Nine months	52	142	-
Twelve months	15	72	-
	$ 96	$ 953	$ 100

Concentrations of Credit Risk

Substantially all accounts receivable arise from sales to the retail industry. Sales to major customers represented 55.1% (1999 - 53.1%, 1998 - 50.9%) of total sales. Accounts receivable from these customers comprised 51.6% and 65.5% of the total at December 30, 2000 and 1999, respectively.

Note 13 - Benefit Plans

Pension Benefits

The Company's subsidiaries maintain defined benefit pension plans for specific employees. Obligations under the defined benefit plans are determined annually by independent actuaries using management's assumptions and the accrued benefits method. The plans provide benefits based on a defined benefit amount and length of service.

Note 13 - Benefit Plans (cont'd)

Pension Benefits (cont'd)

Information regarding the Company's defined benefit plans is as follows:

	2000	1999
Accrued benefit obligation:		
Balance, beginning of year	$ 13,299	$ 16,494
Current service cost	317	375
Interest cost	1,151	1,133
Benefits paid	(792)	(1,042)
Actuarial (gains)/losses	906	(3,661)
Balance, end of year	14,881	13,299
Plan assets:		
Fair value, beginning of year	17,342	14,173
Actual return on plan assets	(109)	2,868
Employer contributions	1,138	1,343
Benefits paid	(792)	(1,042)
Fair value, end of year	17,579	17,342
Funded status-plan surplus	2,698	4,043
Unamortized actuarial (gain)/loss	277	(2,400)
Unamortized prior service cost	1,212	1,323
Unamortized transition obligation	(87)	(150)
Accrued benefit asset	$ 4,100	$ 2,816

Net pension costs for the defined benefit plan comprise the following:

	2000	1999	1998
Current service cost, net of employee contributions	$ 317	$ 386	$ 338
Interest cost	1,151	1,166	1,090
Expected return on assets	(1,662)	(1,408)	(1,205)
Amortization of prior service costs	110	113	74
Amortization of net actuarial gain/loss	-	69	80
Amortization of transition obligation	(63)	(65)	(65)
Pension expense (benefit):	$ (147)	$ 261	$ 312

Total expense under the defined contribution plans was $1,491 (1999 - $2,066, 1998 - $1,461).

Note 13 - Benefit Plans (cont'd)

Post-Retirement Benefits

The Company's subsidiary maintains a defined benefit post-retirement benefit plan for substantially all its employees.

Information regarding the Company's post-retirement benefit plan is as follows:

Accrued benefit obligation:		
Balance, beginning of year	$	10,151
Current service cost		296
Interest cost		792
Benefits paid		(508)
Actuarial losses		838
Balance, end of year		11,569
Plan assets:		
Employer contributions		508
Benefits paid		(508)
Fair value at end of year		-
Funded status-plan deficit		(11,569)
Unamortized actuarial gain		(1,050)
Accrued benefit liability	$	(12,619)

Net costs for the post-retirement benefit plan comprise the following:

Current service cost net of employee contributions	$	296
Interest cost		792
Amortization of net actuarial gain/loss		(55)
Net benefit plan expense	$	1,033

Weighted average assumptions as at December 30, 2000:

	Pension Benefits			Post-Retirement Benefits
	2000	**1999**	**1998**	**2000**
Discount rate	8.00%	8.00%	7.00%	8.00%
Expected long-term return on plan assets	9.50%	9.50%	9.50%	-

The Company's health benefit costs were estimated to increase with an annual rate of 8% during 2000, decreasing to an annual growth rate of 5% in 2005 and thereafter.

Certain of the Company's subsidiaries have elected to act as self-insurer for certain costs related to all active employee health and accident programs. The expense for the year ended December 30, 2000 was $8,494 (1999 - $8,165, 1998 - $6,084) under this self-insured benefit program.

Note 14 - Capital Stock

The capital stock of the Company is as follows:

Authorized

An unlimited number of preferred shares without nominal or par value, issuable in series.

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.

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:

	2000		1999	
	Number	Amount	Number	Amount
Class "A" Multiple Voting Shares				
Balance, beginning of year	5,191,060	$ 2,273	5,245,360	$ 2,297
Converted from Class "A" to Class "B" (1)	(155,800)	(66)	(54,300)	(24)
Balance, end of year	5,035,260	2,207	5,191,060	2,273
Class "B" Subordinate Voting Shares				
Balance, beginning of year	22,970,032	60,307	22,266,482	58,691
Converted from Class "A" to Class "B" (1)	155,800	66	54,300	24
Issued under stock option plan	10,000	32	660,250	1,620
Repurchase of capital stock (2)	(45,600)	(117)	(11,000)	(28)
Balance, end of year	23,090,232	60,288	22,970,032	60,307
TOTAL CAPITAL STOCK		$ 62,495		$ 62,580

(1) During the year, the Company converted 155,800 (1999 - 54,300) Class "A" Multiple Voting Shares into Class "B" Subordinate Voting Shares at an average rate of $0.43 per share (1999 - $0.44) per share.

(2) Under a Normal Course Issuer Bid effective December 9, 1999, the Company indicated its intention to purchase up to 260,143 Class "A" Multiple Voting Shares and 2,013,729 Class "B" Subordinate Voting Shares at the prevailing market price. The program expired December 8, 2000. During the year, the Company purchased for cancellation by way of a Normal Course Issuer Bid on the Toronto Stock Exchange 45,600 (1999 - 11,000) Class "B" Subordinate Voting Shares for $816 (1999 - $175).

(3) On September 21, 2000, the Company granted to Hasbro, Inc. as partial consideration for the licence agreement entered into, as outlined in Note 17, 200,000 share purchase warrants to purchase 200,000 Class "B" Subordinate Voting Shares at an exercise price of $20.20 expiring no later than September 21, 2005.

Note 15 - Stock Options

Under various plans, 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, less any discounts permitted by law and by regulations of the securities authorities to which the Company is then subject. 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, and will expire no later than the year 2005.

The Company's stock option plan is as follows:

	2000		1999	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of year	1,498,000	$ 13.55	1,865,750	$ 8.83
Granted	55,000	18.00	300,000	18.21
Exercised	(10,000)	3.25	(660,250)	2.45
Expired	-	-	(7,500)	2.69
Cancelled	(40,000)	16.11	-	-
Options outstanding, end of year	1,503,000	$ 13.72	1,498,000	$ 13.55

A summary of options outstanding at December 30, 2000 is as follows:

Total Outstanding				Total Exercisable	
Options	Exercise Price	Weighted Average Exercise Price	Weighted Average Contractual Remaining Life	Options	Weighted Average Exercise Price
1,503,000	$ 12.47 - $ 18.53	$ 13.72	3.04	655,000	$ 13.58

Note 16 - Cumulative Translation Adjustment

An analysis of the cumulative translation adjustment included in shareholders' equity is as follows:

	2000	1999	1998
Balance, beginning of year	$ 2,422	$ 13,006	$ 4,478
Translation of self-sustaining foreign operations	(3,668)	(10,098)	8,887
Translation of foreign loans hedging net investment in foreign operations	836	(486)	(359)
Balance, end of year	$ (410)	$ 2,422	$ 13,006

Note 17 - Commitments

a) The Company has entered into long-term lease agreements bearing various expiry dates to the year 2008. The minimum annual rentals exclusive of additional charges will be as follows:

Fiscal Year Ending	Amount
2001	$ 4,368
2002	5,416
2003	4,712
2004	3,921
2005	3,102

Note 17 - Commitments (cont'd)

b) The Company has letter of credit facilities totalling $18,001 of which unaccepted letters of credit outstanding as at December 30, 2000 and 1999 amount to $5,306 and $3,349, respectively.

c) The Company has an exclusive licence agreement for three years, with The Ohio Mattress Company Licensing and Components Group ("Sealy"), expiring in 2001, to manufacture and distribute futons in the United States, Canada and the Territory of Puerto Rico under the Sealy name. Sealy shall have the option to terminate this agreement prior to its expiration in the event that specified minimum sales levels are not achieved in a given year. The Company is required to pay a royalty to Sealy as a percentage of sales with a minimum royalty payment of $1,250 for the licence year 2001.

d) The Company has entered into a three-year licencing agreement with Hasbro, Inc. and Hasbro International, Inc. expiring June 15, 2003 to manufacture, market and distribute the Playskool brand of products in the United States, Canada and Puerto Rico. The Company is required to pay a royalty to Hasbro, Inc. and Hasbro International, Inc. as a percentage of sales with minimum royalty payments as follows:

Licence Year	Minimum Royalty
2001	$ 300
2003	$ 900

In addition, as partial consideration for the licence agreement, the Company has agreed to issue to Hasbro, Inc. 200,000 share purchase warrants to purchase 200,000 Class "B" Subordinate Voting Shares as outlined in Note 14.

Note 18 - Product Liability

The Company is fully insured for general product liability. In particular, the Company's North American Juvenile segment currently provides coverage of $2,000 per occurrence with a $6,000 overall policy aggregate. The policy, which is reinsured by a subsidiary of the Company, became effective November 1, 2000, and covers all claims reserved as well as all occurrences before or after February 10, 2000. The cost of the policy exceeded the Company's recorded reserve by $2,300 and is reported as excess insurance premium in the consolidated statement of income. The Company paid $6,130 (1999 - $3,547, 1998 - $2,087) in settlement of product liability claims.

Note 19 - Contingent Liabilities

The Company is involved in various legal actions and party to a number of other claims or potential claims that have arisen in the normal course of business, the outcome of which is not yet determinable. In the opinion of management, based on information presently available, any monetary liability or financial impact of such lawsuits, claims or potential claims to which the Company might be subject would not be material to the consolidated financial position of the Company and the consolidated results of operations.

Upon the acquisition of Ameriwood Industries International Corporation, the Company assumed certain environmental liabilities and contingencies associated with the facility in Michigan, U.S.A. The contamination was discovered in 1989 and reported to the appropriate state environmental agency. The Company has included approximately $958 (1999 - $1,475) in long-term debt related to the environmental liabilities. Based on the opinion of an independent engineering firm, the Company believes that any ultimate loss which may be realized beyond the amounts recorded will not result in a material adverse effect to the consolidated financial position of the Company and the consolidated results of operations.

Note 20 - Restructuring Costs

During the year, the Company recorded a pretax charge of $9,737, associated with the merger and integration of Safety 1st, Inc.'s operations and plant facilities. Included in this total are asset impairments of $4,354, severance and other employment related costs of $2,067, distribution consolidation costs of $2,852 and other costs of $464. At December 30, 2000, approximately $4,365 of restructuring costs are recorded in accounts payable and accrued liabilities. The restructuring program related to this provision is expected to be completed during fiscal 2001.

Note 20 - Restructuring Costs (cont'd)

The effect on net income from continuing operations and the earnings per share of this charge is set out below:

Restructuring costs	$	9,737
Taxes recoverable		(3,477)
Net restructuring costs	$	6,260

Earnings per share:

		Basic		Fully Diluted
Income from continuing operations	$	1.07	$	1.03
Restructuring costs		0.22		0.21
Adjusted income from continuing operations	$	1.29	$	1.24

Note 21 - Income Taxes

Variations of income tax expense from the basic Canadian Federal and Provincial combined tax rates applicable to income from operations before income taxes are as follows:

	2000		1999		1998	
PROVISION FOR INCOME TAXES	$ 14,162	40.0%	$ 23,093	40.0%	$ 10,411	40.0%
ADD (DEDUCT) EFFECT OF:						
Non-allowable amortization	1,597	4.5	188	0.3	191	0.7
Difference in effective tax rates of foreign subsidiaries	(2,070)	(5.9)	(2,149)	(3.7)	(1,907)	(7.3)
Recovery of income taxes arising from the use of unrecorded tax benefits	(8,571)	(24.2)	(2,657)	(4.6)	(1,521)	(5.8)
Other - net	314	0.9	(719)	(1.2)	1,156	4.4
ACTUAL PROVISION FOR INCOME TAXES	$ 5,432	15.3%	$ 17,756	30.8%	$ 8,330	32.0%

The following presents the Canadian and foreign components of income from operations before income taxes and income tax expense for the years ended December 30:

		2000		1999		1998
Income (loss) from operations before income taxes:						
Domestic	$	(8,653)	$	8,161	$	(1,929)
Foreign		44,059		49,571		27,956
	$	35,406	$	57,732	$	26,027

Note 21 - Income Taxes (cont'd)

Details of income tax expense:

	2000	1999	1998
Current			
Domestic	$ (314)	$ 2,661	$ (404)
Foreign	9,703	14,739	8,818
	9,389	17,400	8,414
Deferred			
Domestic	58	370	272
Foreign	(4,015)	(14)	(356)
	(3,957)	356	(84)
Total Income Taxes	$ 5,432	$ 17,756	$ 8,330

Note 22 - Earnings Per Share

Basic earnings per share are calculated using the weighted daily average number of Class "A" Multiple Voting and Class "B" Subordinate Voting Shares outstanding of 28,124,956 (1999 - 27,957,502, 1998 - 27,149,614).

Fully diluted earnings per share are calculated after allowing for the exercise of stock options and stock purchase warrants on the Class "B" Subordinate Voting Shares. The number of shares used for the fully diluted earnings per share calculation was 29,671,227 (1999 - 29,474,508, 1998 - 28,082,196). Net income used in determining fully diluted earnings per share has been increased by $623 to give effect to an imputed after tax return of 3% on funds which would have been available on the exercise of stock options and stock purchase warrants.

Note 23 - Statement of Cash Flows

Net changes in non-cash working capital balances relating to continuing operations are as follows:

	2000	1999	1998
Accounts receivable	$ 1,613	$ (25,479)	$ (4,095)
Inventories	(20,104)	(5,881)	80
Prepaid expenses	(4,541)	(3,110)	(1,071)
Accounts payable, accrued liabilities and salaries payable	17,310	7,227	4,383
Income taxes payable	(1,060)	2,578	3,708
Total	$ (6,782)	$ (24,665)	$ 3,005

Supplementary disclosure:

	2000	1999	1998
Interest paid	$ 14,525	$ 4,661	$ 6,113
Income taxes paid	$ 7,782	$ 15,033	$ 11,049

Note 24 - Related Party Transactions

The expenses include in 1998 rent of $1,400, charged by a shareholder of the company. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Note 25 - Segmented Information

Management of the Company has determined that the following segments are the principal business of the Company:

Juvenile - Design, manufacture and distribution of children's furniture and accessories.
Ready-to-Assemble - Design, manufacture and distribution of ready-to-assemble furniture.
Home Furnishings - Design, manufacture and distribution of home furnishings.

Industry Segments

	Juvenile			Ready-to-Assemble			Home Furnishings			Eliminations			Consolidated		
	2000	**1999**	**1998**	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**
Sales to customers	$ 369,582	$ 231,094	$ 166,298	$ 245,745	$ 239,544	$ 204,324	$ 142,213	$ 126,064	$ 121,932	$ -	$ -	$ -	$ 757,540	$ 596,702	$ 492,554
Inter-segment sales	87	101	90	878	390	3,552	-	-	2,636	(965)	(491)	(6,278)	-	-	-
TOTAL OPERATING REVENUE	369,669	231,195	166,388	246,623	239,934	207,876	142,213	126,064	124,568	(965)	(491)	(6,278)	757,540	596,702	492,554
* OPERATING PROFIT	$ 16,678	$ 21,801	$ 17,359	$ 40,438	$ 41,257	$ 20,971	$ 1,708	$ 7,603	$ 137				58,824	70,661	37,086
Corporate expenses													7,876	7,710	5,383
Interest													15,542	5,219	5,676
Income taxes													5,432	17,756	8,330
INCOME FROM CONTINUING OPERATIONS													29,974	39,976	17,697
Discontinued operations													(12,668)	(1,401)	1,000
NET INCOME													$ 17,306	$ 38,575	$ 18,697
IDENTIFIABLE ASSETS	$ 382,529	$ 151,013	$ 126,573	$ 121,848	$ 128,291	$ 127,302	$ 60,265	$ 55,976	$ 58,756				$ 564,642	$ 335,280	$ 312,632
Corporate assets													11,402	8,257	9,121
TOTAL ASSETS													$ 576,044	$ 343,537	$ 321,753
CAPITAL EXPENDITURES	$ 9,647	$ 6,504	$ 6,216	$ 3,006	$ 9,666	$ 9,398	$ 2,411	$ 2,104	$ 3,464						
AMORTIZATION	$ 15,058	$ 5,835	$ 5,444	$ 6,849	$ 7,256	$ 4,702	$ 2,874	$ 2,981	$ 3,404						

* Included in operating profit are restructuring costs as follows: 2000 - Juvenile $9,737; 1998 - Ready-to-Assemble $6,983, Home Furnishings $3,083.

Note 25 - Segmented Information (con'td)
Geographic Segments

	Canada			United States			Foreign			Eliminations			Consolidated		
	2000	**1999**	**1998**	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**
Sales to customers	$ 141,409	$ 117,397	$ 97,471	$ 553,491	$ 427,473	$ 354,973	$ 62,640	$ 51,833	$ 40,110	$ -	$ -	$ -	$ 757,540	$ 643,721	$ 531,148
Sales between geographic segments	2,570	1,662	9,453	16,810	5,687	5,077	3,541	185	-	(22,921)	(7,534)	(14,530)	-	-	-
TOTAL OPERATING REVENUE	143,979	119,059	106,924	570,301	433,160	360,050	66,181	52,018	40,110	(22,921)	(7,534)	(14,530)	757,540	643,721	531,148
* OPERATING PROFIT	$ 18,185	$ 21,747	$ 8,542	$ 32,113	$ 42,534	$ 21,659	$ 8,526	$ 6,380	$ 6,884				58,824	70,661	37,086
Corporate expenses													7,876	7,710	5,383
Interest													15,542	5,219	5,676
Income taxes													5,432	17,756	8,330
INCOME FROM CONTINUING OPERATIONS													29,974	39,976	17,697
Discontinued operations													(12,668)	(1,401)	1,000
NET INCOME													$ 17,306	$ 38,575	$ 18,697
IDENTIFIABLE ASSETS	$ 62,801	$ 53,254	$ 42,435	$ 465,649	$ 252,435	$ 245,205	$ 36,192	$ 29,591	$ 24,992				$ 564,642	$ 335,280	$ 312,632
Corporate assets													11,402	8,257	9,121
TOTAL ASSETS													$ 576,044	$ 343,537	$ 321,753

Transfers between geographic segments are accounted for at prices comparable to open market prices for similar products.

Canadian operations include export sales of $113,902 (1999 - $102,779, 1998 - $80,825) primarily to customers in the United States.

* Included in operating profit are restructuring costs as follows: 2000 - Canada $362, United States $9,375; 1998 - Canada $3,083, United States $6,983.

Note 26 - United States Accounting Principles

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP) which, in the case of the Company, conform in all material respects with those in the United States (U.S. GAAP) and with the requirements of the Securities and Exchange Commission (SEC), except as follows:

Deferred Charges

Canadian GAAP allows for the deferral and amortization of development costs if specific criteria are met. Under U.S. GAAP all costs classified as development costs are expensed as incurred.

Deferred Income Taxes

Effective January 1, 2000, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Section 3465, "Income Taxes" which has been applied retroactively without restating prior years. These new standards substantially conform to those in the United States as contained in SFAS No. 109, "Accounting for Income Taxes". Prior to 2000, under Canadian GAAP, income taxes were recorded under the deferred method which provided for tax allocation on differences between accounting income and taxable income for the period using the tax rates and regulations existing for that year.

Note 26 - United States Accounting Principles (cont'd)

Pension Plans and Post Retirement Benefits Other than Pensions

Effective January 1, 2000, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Section 3461, "Employee Future Benefits" which have been applied retroactively without restating prior years. These standards substantially conform to those in the United States. Prior to 2000, Canadian GAAP did not require the recognition of an additional minimum pension liability for pension plans which were underfunded. In addition, post-retirement benefits other than pensions were generally charged to operations as incurred.

Foreign Currency Translation

Under Canadian GAAP, unrealized and realized gains and losses on foreign currency transactions identified as hedges may be deferred as long as there is reasonable assurance that the hedge will be effective. Under U.S. GAAP, deferral is allowed only on foreign currency transactions intended to hedge firm foreign currency commitments.

Restructuring Costs

Under Canadian GAAP, certain incremental costs incurred in connection with an acquisition may be included in the allocation of the purchase price to the acquired assets and liabilities, or may be included in the results of current operations. U.S. GAAP requires that certain incremental costs be included as part of the purchase price allocation and resulting goodwill.

Stock Options

The United States Financial Accounting Standards Board has issued standard SFAS No. 123 for accounting for stock based compensation. The Company has elected to continue to account for its stock-based compensation plan under the guidelines of Accounting Principles Board Opinion No. 25 for purposes of reconciliation to U.S. GAAP; however, additional disclosure as required by the guidelines of SFAS No. 123 is included below.

In accordance with Company policy, the exercise price of the Company's employee stock option equals the market price of the underlying stock on the date of grant. Accordingly, under the rules of APB 25, no related compensation expense was recorded in the Company's results of operations for U.S. GAAP purposes.

If the Company had elected to recognize compensation costs based on the fair value at the date of grant, consistent with the provisions of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the following pro-forma amounts:

	2000	1999	1998
Pro-forma income from continuing operations for U.S. GAAP	$ 25,696	$ 38,705	$ 21,089
Income (loss) from discontinued operations	(12,668)	(1,401)	1,000
Pro-forma net income for U.S. GAAP	$ 13,028	$ 37,304	$ 22,089
Pro-forma earnings (loss) per share:			
Basic			
Pro-forma income from continuing operations	$ 0.91	$ 1.38	$ 0.78
Income (loss) from discontinued operations	(0.45)	(0.05)	0.04
Pro-forma net income	$ 0.46	$ 1.33	$ 0.82
Fully Diluted			
Pro-forma income from continuing operations	$ 0.90	$ 1.36	$ 0.78
Income (loss) from discontinued operations	(0.44)	(0.05)	0.04
Pro-forma net income	$ 0.46	$ 1.31	$ 0.82

The above pro-forma net income and earnings per share were computed using the fair value of granted options as at the date of grant as calculated by the Black-Scholes option method. In order to perform the calculation the following weighted average assumptions were made for fiscal years 2000, 1999 and 1998:

Note 26 - United States Accounting Principles (cont'd)

	2000	1999	1998
Risk-free interest rate	7.27%	6.44%	6.65%
Dividend yield	Nil	Nil	Nil
Volatility factor of the expected market price of the Company's common stock	0.348	0.303	0.299
Term to maturity	2.80	3.74	4.76

Retained Earnings

Under Canadian GAAP, stock issue costs are shown as an adjustment to retained earnings. Under U.S. GAAP, the carrying amount of capital stock is shown net of issue costs.

The following table reconciles the net income as reported on the consolidated statement of income to the net income that would have been reported had the financial statements been prepared in accordance with the United States Accounting Principles and the requirements of the SEC:

	2000	1999	1998
Income from continuing operations in accordance with Canadian GAAP	$ 29,974	$ 39,976	$ 17,697
Adjustments to reconcile financial statements to U.S. GAAP:			
Deferred product development costs	(2,275)	(557)	(489)
Accounting for pensions	-	118	215
Post-retirement benefits	-	(692)	(556)
Foreign exchange contracts	(366)	342	573
Restructuring costs	-	-	4,984
Goodwill amortization	(123)	(208)	(138)
Income taxes	(420)	549	(991)
	(3,184)	(448)	3,598
Income from continuing operations in accordance with U.S. GAAP	26,790	39,528	21,295
Income (loss) from discontinued operations	(12,668)	(1,401)	1,000
Net income in accordance with U.S. GAAP	$ 14,122	$ 38,127	$ 22,295
Earnings (loss) per share:			
Basic			
Income from continuing operations	$ 0.95	$ 1.41	$ 0.78
Income (loss) from discontinued operations	(0.45)	(0.05)	0.04
Net income	$ 0.50	$ 1.36	$ 0.82
Fully Diluted			
Income from continuing operations	$ 0.94	$ 1.39	$ 0.78
Income (loss) from discontinued operations	(0.44)	(0.05)	0.04
Net income	$ 0.50	$ 1.34	$ 0.82

Note 26 - United States Accounting Principles (cont'd)

Earnings Per Share

The United States Financial Accounting Standards Board has a standard, SFAS No. 128, regarding the calculation of earnings per share and the Company has computed earnings per share based on this methodology. Basic earnings per share is calculated on the basis of the weighted average shares outstanding for 2000 - 28,124,956, 1999 - 27,957,502 and 1998 - 27,149,614. Fully diluted earnings per share is calculated on the basis of weighted average shares outstanding for 2000 - 28,507,065, 1999 - 28,373,890 and 1998 - 27,185,243 as computed under the treasury stock method.

New Accounting Pronouncements

Accounting for Derivative Instruments and Hedging Activities

The United States Financial Accounting Standards Board has issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which will be effective for the Company's December 30, 2001 year-end. The standard requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in fair value of derivatives are recorded each period in current earnings or other comprehensive income depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company has not determined the impact, if any, of this pronouncement on its consolidated financial statements for U.S. GAAP purposes.

Accounting for Certain Transactions Involving Stock Compensation

The United States Financial Accounting Standards Board has issued FASB Interpretation No. 44 of APB Opinion No. 25, "Accounting for Certain Transactions Involving Stock Compensation". The Company does not anticipate that this interpretation will have any material impact on its consolidated financial statements for U.S. GAAP purposes.

The following summarizes the balance sheet amounts in accordance with U.S. GAAP where different from the amounts reported under Canadian GAAP:

	2000	1999
Deferred charges	$ 4,385	$ 1,220
Intangible assets	154,243	17,872
Deferred income tax asset	347	-
Accounts payable and accrued liabilities	101,151	51,831
Post-retirement benefit obligation	12,619	11,971
Deferred income tax liability	-	10,028
Capital stock	60,706	60,791
Retained earnings	128,158	114,095
Cumulative translation adjustment	(319)	2,494

The components of deferred taxes are as follows:

	2000	1999
Current deferred income tax assets:		
Reserves and allowances	$ 15,555	$ 7,246
Other	335	326
Total current deferred income tax assets	15,890	7,572
Current deferred income tax liabilities	-	189
Net Current Deferred Income Tax Assets	$ 15,890	$ 7,383

Note 26 - United States Accounting Principles (cont'd)

The components of deferred taxes are as follows (cont'd):

	2000	1999
Long-term deferred income tax assets:		
Post-retirement benefits	$ -	$ 4,908
Employee pension benefits	2,842	-
Share issue costs	250	440
Development costs	590	444
Operating loss carry forwards	7,720	-
Other	82	-
Total long-term deferred income tax assets	11,484	5,792
Long-term deferred income tax liabilities:		
Reserves and allowances	-	4,139
Employee pension benefits	162	171
Foreign exchange contracts	19	112
Capital assets	10,555	11,360
Other	401	38
Total long-term deferred income tax liabilities	11,137	15,820
Net Long-Term Deferred Income Tax Assets (Liabilities)	$ 347	$ (10,028)

The Company's Statement of Cash Flows determined in accordance with U.S. GAAP would be as follows:

	2000	1999	1998
Operating activities	$ 45,287	$ 30,344	$ 36,751
Financing activities	(15,169)	(10,550)	(1,579)
Investing activities	(18,600)	(18,317)	(35,067)
Net cash used in discontinued operations	(10,557)	(2,565)	(1,624)
Effect of exchange rates on cash	(374)	346	(3,647)
Increase (decrease) in cash and cash equivalents	$ 587	$ (742)	$ (5,166)

Comprehensive Income

The United States Financial Accounting Standards Board has issued, SFAS No. 130, "Reporting Comprehensive Income". For the Company, the principal difference between net income, as historically reported in the consolidated statement of income and comprehensive income, is foreign currency translation recorded in shareholders' equity and minimum pension liability not yet recognized as a net periodic pension cost. Comprehensive income is as follows:

	2000	1999	1998
Net income in accordance with U.S. GAAP	$ 14,122	$ 38,127	$ 22,295
Foreign currency translation adjustments	(1,893)	(7,074)	5,710
Minimum pension liability adjustments	-	1,667	(185)
Comprehensive income	$ 12,229	$ 32,720	$ 27,820

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