

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

For the quarter and nine months ended September 30, 2008
All figures in US dollars

Management's Discussion and Analysis of Financial Conditions and Results of Operations (« MD & A ») should be read in conjunction with the unaudited interim consolidated financial statements for the nine months ended September 30, 2008 and the audited consolidated financial statements and MD & A for the year ended December 30, 2007. This MD & A is based on reported earnings in accordance with Canadian generally accepted accounting principles (GAAP).

The Company's interim consolidated financial statements have been prepared using the same accounting policies as described in Note 2 of the Company's audited consolidated financial statements for the year ended December 30, 2007, except for the new accounting standards noted below. The Company regularly monitors new accounting standards and reports on those adopted subsequent to the end of the most recently completed financial year. Please refer to Note 1 of the interim consolidated financial statements for the nine months ended September 30, 2008 for further information.

Quarterly reports, the annual report and supplementary information filed with the Canadian securities regulatory authorities can be found on-line at www.sedar.com, as well as on our corporate Web site at www.dorel.com.

Note that there have been no significant changes with regards to the "Corporate Overview", "Operating Segments", "Contractual Obligations", "Off-Balance Sheet Arrangements", "Derivative Financial Instruments", "Critical Accounting Estimates" or, "Market Risks and Uncertainties" to those outlined in the Company's 2007 annual MD & A. As such, they are not repeated herein. The information in this MD & A is current as of November 4, 2008.

SIGNIFICANT EVENTS IN 2008

On February 4, 2008, the Company acquired all the outstanding shares of the Cannondale Bicycle Corporation, a leading designer, developer and manufacturer of high-end bicycles. Headquartered in Bethel, Connecticut, with significant operations in the United States and Holland, as well as locations in Switzerland, Japan and Australia, Cannondale is widely regarded as the bike industry's leading innovator. Cannondale's handcrafted bicycles have won numerous design awards and are sold in over 70 countries. This acquisition expands Dorel's Recreational / Leisure segment to include a significant presence in the Independent Bike Dealer (IBD) network. Additionally, forming part of Cannondale is the SUGOI Performance Apparel division located in Canada. Sugo products are used worldwide by runners, cyclists, tri-athletes and fitness enthusiasts. Cannondale sales in 2007 were approximately \$200 million. The aggregate purchase price of \$ 203 million includes an additional payment of \$7.5 million based on the results of Cannondale for the year ended June 30, 2008.

In line with the Company's strategy to aggressively grow its bicycle and juvenile products businesses, on June 26, 2008 Dorel's Pacific Cycle division acquired the assets of PTI Sports, a leading U.S. designer, manufacturer and distributor of bicycle parts, helmets and other accessories. Immediately accretive to earnings with a purchase price of \$28.2 million, PTI recorded sales of \$65 million and an adjusted EBITDA of US\$ 5 million in the 2007 fiscal year. Established in 1991, PTI Sports has widespread distribution at the key mass and sporting goods retailers throughout North America, including Category Manager positions and 100% exclusive agreements with a number of its customers. With a dedication to product innovation, PTI's brand portfolio is the strongest in the industry, with such licenses as: Schwinn, Mongoose, Disney, Nickelodeon, Mattel, Master Lock, Thomas the Train and The Discovery Channel. PTI is the number two North American player in the bicycle helmet market.

RESULTS OF OPERATIONS

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

Overview

Net income for the third quarter ended September 30, 2008 was \$27.2 million or \$0.82 per diluted share compared to \$26.4 million or \$0.79 per diluted share for the corresponding quarter a year ago. Revenue for the period was \$552.2 million compared to \$440.1 million during the third quarter last year. For the nine months ended September 30, 2008 revenues increased by \$347.2 million, or 25.6%, to \$1.70 billion from \$1.35 billion the year before. Year-to-date after-tax earnings increased by 43.8% to \$93.7 million from \$65.1 million in 2007. Diluted earnings per share (EPS) were \$2.81 in 2008 compared to \$1.96 in 2007.

It should be noted that 2007 included a significant amount for restructuring costs, related to the closure of manufacturing operations in the United States and Europe. For the nine months ended September 30, 2007, these costs totaled \$16.7 million and had an after tax impact of \$11.0 million or \$0.33 per diluted share. In the third quarter of 2007 these costs were \$1.0 million and had an after tax impact of \$0.7 million or \$0.02 per diluted share. Note that these restructuring costs, pertaining mostly to the European closures, continued into 2008 and have totaled \$1.6 million year-to-date. The table below summarizes the restructuring charges incurred:

	<u>Third Quarter ended</u>		<u>Nine Months ended</u>	
	<u>Sept. 30,</u> <u>2008</u>	<u>Sept. 30,</u> <u>2007</u>	<u>Sept. 30,</u> <u>2008</u>	<u>Sept. 30,</u> <u>2007</u>
Juvenile segment restructuring costs (recovery) included in pre-tax income	\$ (138)	\$ 161	\$ 1,524	\$ 6,045
Less: Income taxes	49	(74)	(534)	(2,072)
After-tax amount of restructuring costs (recovery)	<u>(89)</u>	<u>87</u>	<u>990</u>	<u>3,973</u>
Home Furnishing segment restructuring costs (recovery) included in pre-tax income	(30)	\$ 886	83	\$ 10,633
Less: Income taxes	10	(312)	(29)	(3,653)
After-tax amount of restructuring costs (recovery)	<u>(20)</u>	<u>574</u>	<u>54</u>	<u>6,980</u>
After-tax amount of restructuring costs (recovery)	\$ (109)	\$ 661	\$ 1,044	\$ 10,953

Revenue growth occurred in all three operating segments with the greatest contribution coming from Recreational/Leisure which increased by 99.7% in the quarter and 69.6% year-to-date. Juvenile also showed strong revenue growth at 8.6% for the quarter and 16.0% year-to-date. Home Furnishing revenues grew 8.7% in the quarter and year-to-date revenues have shown an 8.0% increase. The Cannondale and PTI acquisitions and the stronger Euro versus the United States dollar were major contributors to the Company's revenue growth. Excluding these, as well as some other less significant items, organic revenue growth was strong at 9% for both the quarter and year-to-date.

In both the quarter and year-to-date, gross margins improved to 24.8%, as compared to the 24.2% recorded in the prior year. The majority of this improvement is due to higher margin sales by the newly acquired Cannondale Sports Group. Versus the prior year, the Company's selling, general and administrative costs increased by \$29.5 million in the quarter and \$65.7 million year-to-date. Two substantial causes of the higher costs are the acquisition of Cannondale and foreign exchange. For the quarter Cannondale accounted for \$15.3 million and year-to-date this amount was \$38.4 million. The higher rate of exchange of the Euro to the U.S. dollar accounted for \$1.4 million of the increase in the quarter and \$8.0 million year-to-date. Interest costs in 2008 remain below 2007 levels despite the Company's two acquisitions, benefitting from the current low interest rate borrowing environment. The tax rate in the quarter was 11.3% and year-to-date is 16.7%, which is in line with expectations for the full year tax rate.

The principal changes in earnings from 2007 to 2008 are summarized as follows:

<u>Earnings from operations by Segment:</u>	<u>Quarter</u>	<u>Year-to- Date</u>
Juvenile increase, excluding restructuring costs	\$ 4,183	\$ 10,522
Recreational/Leisure increase	1,414	12,866
Home Furnishings decrease, excluding restructuring costs	(5,379)	(3,155)
Decrease in restructuring costs	1,215	15,071
Total earnings from operations increase	1,433	35,304
Lower interest costs	88	2,327
Decrease (increase) in income taxes	1,791	(5,867)
Other	(2,464)	(3,220)
Total increase in after-tax earnings	<u>\$ 848</u>	<u>\$ 28,544</u>

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

Selected Financial Information

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

Operating Results for the Quarters Ended				
	Dec. 30, 2007	Mar. 31, 2008	June 30, 2008	Sept. 30, 2008
Revenues	\$458,853	\$556,034	\$ 593,724	\$ 552,242
Net income	\$22,348	\$35,133	\$ 31,347	\$ 27,208
Earnings per share				
Basic	\$0.67	\$1.05	\$ 0.94	\$ 0.82
Diluted	\$0.67	\$1.05	\$ 0.94	\$ 0.82
Amount of restructuring costs included in the quarter based on diluted earnings per share	\$0.05	\$0.02	\$0.02	\$ 0.00

Operating Results for the Quarters Ended				
	Dec. 30, 2006	Mar. 31, 2007	June 30, 2007	Sept. 30, 2007
Revenues	\$447,930	\$455,669	\$459,035	\$440,115
Net income	\$21,675	\$27,939	\$10,845	\$26,360
Earnings per share				
Basic	\$0.66	\$0.85	\$0.32	\$0.79
Diluted	\$0.66	\$0.85	\$0.32	\$0.79
Amount of restructuring costs included in the quarter based on diluted earnings per share	\$0.08	\$0.04	\$0.27	\$0.02

Segmented Results

Effective January 2008, the Company has re-classified certain figures from the Home Furnishings segment to the Juvenile segment. This change, based principally on product type and customers served, was made to more accurately reflect the way in which this division's results are reported internally. To allow for better year-over-year comparability, prior year comparative segmented figures have been re-stated. For the quarter revenues of \$11.0 million and earnings from operations of \$1.9 million have been reclassified. Year-to-date these figures were \$38.1 million and \$6.6 million respectively.

Segmented figures are presented in Note 11 of the interim financial statements. Further industry segment detail is presented below:

Juvenile

Expenses as a percentage of revenues	Third Quarter Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of Sales	68.7%	69.6%	70.3%	69.2%
Gross Margin	31.3%	30.4%	29.7%	30.8%
Selling, general and administrative expenses	14.3%	14.5%	14.3%	14.9%
Depreciation and amortization	3.2%	3.1%	2.9%	3.1%
Research and development costs	0.9%	0.5%	0.7%	0.6%
Restructuring costs	0.0%	0.1%	0.2%	0.8%
Earnings from operations	12.9%	12.2%	11.6%	11.4%

Third quarter Juvenile revenue was up 8.6%, or \$21.6 million, to \$271.4 million compared to \$249.8 million during the same period a year ago. Earnings from operations in 2008 were \$34.9 million, an increase of 14.7% from \$30.4 million in 2007. Year-to-date revenues have increased by \$121.4 million, or 16.0%, reaching \$880.5 million. Earnings from operations for the first nine months of the year were \$102.0 million in 2008 versus \$86.9 million in 2007. However, of this increase of \$15.1 million, \$4.5 million was due to a decline in restructuring costs. Therefore excluding this variation, earnings from operations increased by \$10.5 million or 11.3%.

Revenue increases in the quarter were in both North America and Europe with each accounting for approximately one half of the improvement. Organic sales growth in Europe in the quarter was 4% and is 10% year-to-date. The stronger Euro was also a contributor to revenue growth, increasing the European growth percentage to 11% for the quarter and 22% year-to-date. These gains came in virtually all of the Company's European markets, and were particularly strong in Germany, France, the United Kingdom and various Eastern European countries. In North America, sales also improved over last year, increasing over 6% for the quarter and 9% year-to-date. This growth was driven by DJG USA where sales increases were driven by successes in car seats and strollers. In addition, last year's results only included seven months of Dorel's Australian operation. The extra two months of results in 2008 therefore also contributed additional revenues.

The gross margin improvement of 90 basis points in the quarter was achieved as a result of improved margins in Europe. However, this improvement was due to the recognition of unrealized gains recognized on foreign exchange hedging instruments. For the quarter this increased margins for the segment, more than offsetting declines caused by a less profitable product mix and higher input costs at the majority of the segment's divisions. Selling, general and administrative (SG & A) costs have decreased as a percentage of revenues, benefitting from higher sales volumes. In dollar terms these costs have increased year-to-date, but the majority of the increase is due to the higher rate of exchange on Euro denominated expenses. Note that total product liability costs in the quarter were \$1.5 million in 2008 as compared to \$3.6 million in the prior year. Year-to-date these costs are \$14.1 million in 2008 as compared to \$14.7 million in 2007.

Recreational / Leisure

Expenses as a percentage of revenues (includes inter-segment sales)	Third Quarter Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of Sales	76.7%	80.7%	76.0%	80.1%
Gross Margin	23.3%	19.3%	24.0%	19.9%
Selling, general and administrative expenses	18.2%	11.3%	15.0%	10.0%
Depreciation and amortization	0.5%	0.6%	0.9%	0.5%
Earnings from operations	4.6%	7.4%	8.1%	9.4%

Third quarter Recreational / Leisure revenue increased by \$81.0 million, or 99.7%, to \$162.3 million compared to last year's \$81.3 million. Year-to-date the increase is \$201.2 million or 69.6%. The majority of the increase is due the acquisitions of Cannondale / Sugoi and PTI Sports in February and in June of this year respectively. Organic sales growth also occurred at the segment's mass merchant customers both in the quarter and year to date. Earnings from operations for the quarter increased to \$7.4 million from \$6.0 million the year before. Year-to-date these earnings figures are \$40.0 million and \$27.1 million respectively. Cannondale's business model is impacted more by seasonality and new model introduction timing than Dorel's Recreational / Leisure mass merchant business and the third quarter can be the weakest. This was the case in 2008 and as such for the quarter, as a percentage of revenue, the segment's earnings from operations declined to 4.6% from 7.4% a year ago. Despite these results, orders were up for Cannondale year-over-year. However supply issues for some of Cannondale's carbon models created delays which are now in the process of being resolved.

Gross margins increased principally due to the contribution of higher margins on Cannondale bicycles and SUGOI clothing. The selling costs required to support the Cannondale Sports Group's higher margins had the impact of increasing selling, general and administrative (SG & A) costs as a percentage of revenue to 18.2% as compared to 11.3% in 2007. Year to date the increase was from 10.0% to 15.0%.

Home Furnishings

Expenses as a percentage of revenues (includes inter-segment sales)	Third Quarter Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of Sales	88.3%	86.6%	87.6%	88.4%
Gross Margin	11.7%	13.4%	12.4%	11.6%
Selling, general and administrative expenses	8.1%	5.2%	8.0%	7.3%
Depreciation and amortization	1.2%	1.2%	1.4%	1.4%
Research and development costs	0.7%	0.5%	0.7%	0.6%
Restructuring costs	0.0%	0.6%	0.0%	2.2%
Earnings from operations	1.7%	5.9%	2.3%	0.1%

For the quarter, Home Furnishings revenues increased by 8.7%, reaching \$118.5 million up from \$109.0 million in the prior year. For the nine months, revenues are up 8.0% to \$331.4 million, an increase from \$306.8 million the year before. Sales of wooden furniture, both domestic and imported, have increased over last year, while futon sales are flat with the prior year. The downward trend in the sale of metal folding furniture that was experienced in the first half of 2008 continued into the third quarter, partially offsetting the other divisions' sales gains. Earnings for the quarter were \$2.1 million a decrease of \$4.5 million. The majority of this decline was due to lower earnings on the segment's metal furniture and ladder business, operating as Cosco Home & Office. Year-to-date earnings were \$7.7 as compared to \$0.3 million in the prior year. However the 2007 figures include \$10.6 million of restructuring costs. Offsetting this was an insurance recovery relating to prior periods of \$2.2 million recorded in 2007. Excluding these

two amounts from prior year earnings, the variation in earnings from operations year-over-year was a decline in earnings of \$1.0 million. This decline consists of a decrease in earnings of \$3.9 million at Cosco, offsetting total improvements of \$2.9 million elsewhere.

Gross margins in the third quarter of 2008 were 11.7% versus 13.4% recorded in the prior year. Year-to-date these figures are 12.4% and 11.6% respectively. Of the year-to-date 2007 restructuring charge of \$10.6 million, \$3.9 million was grouped in cost of sales. If this amount and the 2007 insurance recovery of \$2.2 million are removed from cost of sales, the comparative year-to-date gross margin is 12.2% as opposed to the 11.6% reported. Therefore year-to-date margins are consistent year-over-year. Selling, general and administrative (SG & A) costs have increased from 2007 levels both in dollar and percentage terms. The increase in year-to-date costs are moderate, but for the quarter appear quite high relative to the revenue levels. This is due to the prior year's quarter including certain one time cost recoveries that pertained to prior periods, thereby distorting the 5.2% of revenues reported.

Other Expenses

Interest on long term debt in the third quarter of 2008 was \$5.4 million, compared to \$6.1 million in 2007. Year-to-date these figures were \$15.4 and \$18.7 million respectively. The Company's year-to-date interest rate was approximately 4.6% as compared to 6.5% incurred in 2007, accounting for the 2008 decrease in interest expense. The reduced expense was achieved despite the higher average borrowings required to acquire Cannondale and PTI in 2008. The Company's tax rate is governed by current domestic tax laws in which the Company operates and by the application of income tax treaties between various countries. The Company's tax rate can vary widely from quarter to quarter given its multi-jurisdictional nature and the impact of changes within certain jurisdictions in a particular period. As a result of lower earnings in higher tax rate jurisdictions, the tax rate in the quarter was 11.3%, lower than is typical. The year-to-date rate is 16.7%, which is in line with expectations. For the full year, the Company's tax rate is expected to be near the lower end of the previously issued range of 15% to 20%.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

On February 4, 2008, the Company acquired all the outstanding shares of the Cannondale Bicycle Corporation, a leading designer, developer and manufacturer of high-end bicycles. The aggregate purchase price of \$203 million includes a preliminary estimated amount of goodwill recorded in the Company's Recreational/Leisure segment of \$30.8 million. A balance of sale of \$7.5 million remains to be paid and is included within accounts payable and accrued liabilities on the consolidated balance sheet. On June 26, 2008, the Company acquired the assets of PTI Sports, a leading U.S. designer, manufacturer and distributor of bicycle parts, helmets and other accessories. The purchase price was \$28.2 million and the preliminary amount of goodwill recorded in the Company's Recreational/Leisure segment is \$18.5 million. The net assets acquired are subject to a purchase price adjustment based on final working capital amounts at closing date.

Both acquisitions have been recorded under the purchase method of accounting with the results of operations of the acquired businesses being included in the accompanying consolidated financial statements since the date of acquisition. The Company is presently in the process of allocating the cost of these purchases to the net assets acquired. The significant elements for which the fair values could be modified include property, plant and equipment, intangible assets, goodwill, deferred income taxes and other liabilities. The Company expects to finalize the purchase price allocations by the end of fiscal 2008.

During the first nine months of 2008, cash flow from operating activities before changes in non-cash balances related to operations was \$131.5 million, a \$22.2 million, or 20.4%, increase from the \$109.3 million recorded in 2007. After changes in non-cash balances related to operations, cash flow provided by operations was \$72.4 million compared to \$94.9 million in 2007. The main reason for cash flow from operations not improving in line with the increase of \$22.2 million before changes in non-cash balances was the fact that inventories were a use of cash of \$61.9 million in the first nine months of the year. This increase was due to a combination of certain divisions building inventory for the fourth quarter due to the cyclical nature of their business while at certain other divisions inventories rose as there was a slow down in customer orders near the end of the quarter. As a result inventory that was expected to ship in the third quarter will now be shipped in the last quarter of the year.

Financing activities for the nine months ended September 30, 2008 include an increase in long-term debt and bank indebtedness, net of cash, of \$190.8 million. Excluding the Cannondale and PTI acquisitions, the Company's net debt

position has declined by \$27.8 million since December 30, 2007. Note that during the first quarter of 2008 the Company repaid its \$55 million Series "A" Senior Guaranteed Notes that became due. This repayment was funded with existing revolving bank loan facilities. Investing activities in 2008 includes \$218.5 million disbursed in connection with the acquisitions of Cannondale and PTI. In 2008, the Company has spent \$32.1 million on capital additions, comprising property, plant and equipment, deferred development costs and intangible assets. This compares to \$25.3 million in 2007, an increase of \$6.8 million. This increased spending was principally on new product development initiatives in the Juvenile segment.

Balance Sheet

Due to the Cannondale and PTI acquisitions, the balance sheet at the end of the third quarter of 2008 has changed significantly from that at year end, with increases in several categories. This, coupled with the fluctuation in foreign exchange rates relative to the United States dollar, has the impact of making a comparison of the Company's financial position as at December 30, 2007 more difficult. For a more complete interpretation of these changes, readers are asked to consult the Consolidated Statement of Cash Flow which does not include these two sources of variation when comparing the opening and closing periods.

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

	As at:	
	Sept. 30, 2008	Dec. 30, 2007
Quick ratio	0.89	0.74
Current ratio	2.15	1.63
# of days in receivables	63.4	57.9
# of days in inventory	97.8	85.0

The increase in the quick and current ratios are due principally to the reclassification of debt from current to long-term as at September 30, 2008. The increase in days in receivables and inventory ratios can be explained by several factors. Note that the balance sheet values used in the days in receivables and inventory ratios are done using two most recent quarters, but the related revenues and cost of sales are done using roll twelve month figures. Therefore, the recent acquisitions as well as the rapid rise in the value of the Euro have the effect of overstating these ratios. If these elements are excluded from the calculation the values become:

# of days in receivables	56.1	57.9
# of days in inventory	86.3	85.0

Therefore, the number of days in receivables and inventory figures are consistent with the prior year. As of September 30, 2008, Dorel was compliant with all covenant requirements and expects to be so going forward. The Company continuously reviews its cash management and financing strategy to optimize the use of funds and minimize its cost of borrowing.

NEW ACCOUNTING STANDARDS

In the first quarter of 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, "Capital Disclosures", CICA Handbook Section 3862, "Financial Instruments – Disclosure", and CICA Handbook Section 3863, "Financial Instruments – Presentation". These new accounting standards apply to fiscal years beginning on or after October 1, 2007.

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with external capital requirements to which it is subject, and, if it has not complied, the consequences of such non-compliance.

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861 "Financial Instruments – Disclosure and Presentation". Section 3862 requires entities to provide disclosures that enable users to evaluate: (1) the significance of financial instruments for the Company's financial position and performance

and (2) the nature and extent of risk arising from financial instruments to which the Company is exposed and how it manages those risks. Section 3863 carries forward the presentation requirement of the old Section 3861 which remains unchanged. Certain information related to the comparative years is not required by these standards and accordingly has not been presented.

The adoption of these standards did not have any impact on the financial results of the Company. The additional disclosures related to these standards have been presented in Note 4 of the Company's second quarter Consolidated Financial Statements.

FUTURE ACCOUNTING CHANGES

Inventories

In June 2007, the CICA issued Section 3031 "Inventories" which replaces Section 3030 "Inventories" and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards ("IFRS"). This Section provides changes to the measurement and more extensive guidance on the determination of the cost, including allocation of overheads and other costs to inventories; prohibits the use of the last-in, first-out (LIFO) method; requires the reversal of previous write-downs when there is a subsequent increase in the value of inventories; and expands the disclosure requirements regarding inventories and cost of sales to increase transparency. This Section applies to interim and annual financial statements beginning on or after January 1, 2008. The Company will apply these new standards in the first quarter of 2009. The Company has not yet determined what the impact of adopting this standard will have on its consolidated financial statements.

Goodwill and Intangible Assets

The CICA issued Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Other Intangible Assets" and Section 3450 "Research and development costs". The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. For the Company, this Section is effective in the first quarter of 2009. The Company does not expect this standard to have a significant effect on its consolidated financial statements.

International Financial Reporting Standards

The Accounting Standards Board of Canada ("AcSB") announced that accounting standards in Canada are to converge with IFRS. The changeover date from current Canadian GAAP to IFRS has been established as January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures which must be addressed. As a result, the Company is currently developing its IFRS conversion plan and evaluating the effect of these new standards on its consolidated financial statements. Determination of the key differences between IFRS and the Company's accounting policies is in progress with an evaluation of the main potential impact on its business practices, systems and internal controls over financial reporting. Training and additional resources will be engaged to ensure the timely conversion to IFRS.

OTHER INFORMATION

On April 1, 2008 the Company announced that it was voluntarily filing a Form 15F with the U.S. Securities and Exchange Commission (SEC) to terminate the registration of its Class B Subordinate Voting Shares under the Securities Exchange Act of 1934, as amended. As a result of this filing, Dorel's obligation to file certain reports with the SEC, including an annual report on Form 20-F and reports on Form 6-K, has been suspended. As a Toronto Stock Exchange (TSX) listed reporting issuer, Dorel will continue to meet its Canadian continuous disclosure obligations by filing with the Canadian securities commissions. This deregistration will not affect the listing and trading of the Class B Shares on the TSX.

The designation, number and amount of each class and series of its shares outstanding as of November 3, 2008 are as follows:

- An unlimited number of Class "A" Multiple Voting Shares without nominal or par value, convertible at any time at the option of the holder into Class "B" Subordinate Voting Shares on a one-for-one basis, and;
- An unlimited number of Class "B" Subordinate Voting Shares without nominal or par value, convertible into Class "A" Multiple Voting Shares, under certain circumstances, if an offer is made to purchase the Class "A" shares.

Details of the issued and outstanding shares are as follows:

Class A		Class B		Total
Number	\$('000)	Number	\$('000)	\$('000)
4,235,110	\$1,796	29,167,082	\$175,626	\$177,422

Outstanding stock options and Deferred Share Units values are disclosed in Note 6 to the financial statements. There were no significant changes to these values in the period between the quarter end and the date of the preparation of this MD & A.

OUTLOOK

Despite serious challenges affecting all companies since the outset of the current year, including rising commodity prices, higher costs for finished goods sourced in China and the weakening economy, Dorel significantly increased its profitability during the first nine months of the year. Recent economic events have been particularly volatile. As such, going forward, it is difficult to provide clarity as to how consumers, retailers and suppliers are going to react. Dorel is not immune to the current situation and some retailers have started to reduce inventories in some of the Company's product lines. Therefore, an impact is anticipated on the fourth quarter results.

The fundamentals of the business remain solid and Dorel's products have traditionally done well in recessionary times. Over the years Dorel has seen that despite difficult economic situations, consumers continue to purchase juvenile items and the Company's diverse product line should match up well to their needs. In Recreational / Leisure, the Company sells bicycles across all price points and the bicycle/fitness industry as a whole is benefitting from recent attitudes towards the environment and personal health. In addition, Dorel has always operated in the value priced home furnishings market and as consumers look toward less expensive furniture purchases, the Company should be well represented. Strong brands, value priced products and excellent positioning at the mass merchants leave Dorel optimistic that consumers will continue to choose its products. The Company continues to be supplied by financially strong, quality vendors with which Dorel has long-standing relationships. Our banking relationships are strong and our credit facilities are secured into 2010. Looking towards the longer term, recent declines in commodity prices and fuel costs, should help to mitigate some of the economic uncertainties over the next few quarters.

Fluctuations in currency values against the U.S. dollar also have an impact on Dorel's results and recently the majority of these currencies have declined in value. There are hedging contracts in place for 2009. At today's exchange rates, the impact of these contracts would be positive in the fourth quarter of 2008, but the volatility in these rates makes it difficult to quantify this impact. For the full year, 2008 expected results remain on track to improve over fiscal 2007's net income, excluding restructuring charges.

Forward Looking Information

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

Readers are cautioned, however, not to place undue reliance on forward looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward

looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward looking statements will not occur. This may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward looking statements.

We believe that the expectations represented by such forward looking statements are reasonable, yet there can be no assurance that such expectations will prove to be correct. The forward looking statements contained in this report reflect the Company's expectations as at the date of this MD & A and are subject to change after such date. Unless otherwise required by applicable securities laws, the Company expressly disclaims any intention, and assumes no obligation to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise. The forward looking statements contained in this report are expressly qualified by this cautionary statement.