

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

For the quarter ended March 31, 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 three months ended March 31, 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 three months ended March 31, 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 April 30, 2008.

SIGNIFICANT EVENT IN THE FIRST QUARTER OF 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 total value of the all-cash transaction will be \$195 to \$205 million, subject to Cannondale's earnings results for the year ending June 30, 2008.

RESULTS OF OPERATIONS

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

Overview

Revenues for the first quarter ended March 31, 2008 increased by \$100.3 million, or 22.0%, to \$556.0 million. This compares to \$455.7 million posted a year ago. After-tax earnings increased by 25.7% to \$35.1 million from \$27.9 million in 2007. Diluted earnings per share (EPS) were \$1.05 in 2008 compared to \$0.85 in 2007. Increases in revenues in the Juvenile and Recreational / Leisure segments were 20.1% and 54.9% respectively. Home Furnishing revenues were consistent with prior year levels. In the quarter, the Cannondale acquisition and the stronger Euro versus the United States dollar contributed to the Company's revenue growth. Excluding these two major items, as well as some less material items, organic revenues actually increased by \$33.6 million or 7.4%.

In the quarter, gross margins increased by 120 basis points, from 24.4% to 25.6%. The improvement was in the Recreational / Leisure and Home Furnishing segments, offsetting a decline in Juvenile. Cannondale's products carry higher margins when compared to Dorel's other Recreational / Leisure businesses and it accounted for 70 basis points of the total gross margin increase. The balance of the increase was generated by improvements at Dorel's other divisions.

Versus the prior year, the Company's selling, general and administrative costs increased by \$19.6 million in the first quarter of 2008. Cannondale accounted for \$8.6 million and product liability costs in the juvenile segment increased by \$5.2 million over 2007. The higher rate of exchange of the Euro to the U.S. dollar accounted for \$2.7 million of the increase with the remaining increase of \$3.1 million coming across several divisions. As in the first quarter of 2007, 2008 results include certain restructuring costs. These costs totalled \$0.9 million in the quarter as compared to \$2.1 million in 2007.

The Company's debt levels in the first quarter of 2008 were in line with 2007 levels. Therefore the interest on long-term debt expense reduction of \$1.8 million was due principally to a lower average interest rate in 2008. The tax rate in the quarter was 17.3%, in line with expectations. The 2007 first quarter tax rate was 5.4% as it included a non-cash income tax recovery of \$2.7 million recorded in that quarter.

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

Earnings from operations by Segment:

Recreational/Leisure increase	\$ 7,682
Juvenile increase	2,906
Home Furnishings increase	<u>1,608</u>
Total increase in earnings from operations	12,196
Lower interest costs	1,940
Increase in income taxes	(5,746)
Other	<u>(1,196)</u>
Total increase in after-tax earnings	<u>\$ 7,194</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				
	Jun. 30, 2007	Sept. 30, 2007	Dec. 30, 2007	Mar. 31, 2008
Revenues	\$459,035	\$440,115	\$458,853	\$556,034
Net income	\$10,845	\$26,360	\$22,348	\$35,133
Earnings per share				
Basic	\$0.32	\$0.79	\$0.67	\$1.05
Diluted	\$0.32	\$0.79	\$0.67	\$1.05
Amount of restructuring costs included in the quarter based on diluted earnings per share	\$0.27	\$0.02	\$0.05	\$0.02

Operating Results for the Quarters Ended				
	Jun. 30, 2006	Sept. 30, 2006	Dec. 30, 2006	Mar. 31, 2007
Revenues	\$435,914	\$436,300	\$447,930	\$455,669
Net income	\$17,936	\$25,073	\$21,675	\$27,939
Earnings per share				
Basic	\$0.55	\$0.76	\$0.66	\$0.85
Diluted	\$0.55	\$0.76	\$0.66	\$0.85
Amount of restructuring costs included in the quarter based on diluted earnings per share	\$0.00	\$0.00	\$0.08	\$0.04

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 revenues of \$17.1 million and earnings from operations of \$2.4 million have been reclassified.

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

Juvenile

Expenses as a percentage of revenues	Three months ended March 31	
	2008	2007
Revenues	100.0%	100.0%
Cost of Sales	<u>70.1%</u>	<u>68.9%</u>
Gross Margin	29.9%	31.1%
Selling, general and administrative expenses	14.9%	13.8%
Depreciation and amortization	2.5%	2.8%
Research and development costs	0.6%	0.7%
Restructuring costs	<u>0.2%</u>	<u>0.8%</u>
Earnings from operations	<u>11.7%</u>	<u>13.0%</u>

First quarter Juvenile revenue was up 20.1%, or \$53.2 million, to \$317.6 million compared to \$264.4 million during the same period a year ago. Earnings from operations in 2008 were \$37.2 million, an increase of 8.5% from \$34.3 million in 2007. The revenue increase was in both North America and Europe. European sales were up by 9.6% in Euro terms. The stronger Euro in the first quarter of 2008 was also a contributor to revenue growth, increasing the growth percentage to 25.4% for Europe as a whole. These gains came in virtually all of the Company's European markets, and were particularly strong in Germany and France. In fact, Dorel Europe had its best quarter ever with record sales and earnings. In North America, sales also improved over last year, increasing by almost 20%. This growth was driven by DJG USA where sales were up across almost all product categories. Last year's first quarter only included one month of Dorel's Australian operation. The extra two months of results in 2008 therefore also contributed additional revenues.

Gross margins declined from 2007 levels to 29.9% as compared to 31.1%. The decline was in Europe, mostly due to foreign exchange losses on the mark-to-market of hedging contracts. For the segment as a whole, selling, general and administrative (SG & A) costs increased by \$10.5 million or, as a percentage of sales, by 110 basis points. The principal reasons for the increase were higher product liability costs, the rate of conversion on Euro denominated expenses, higher sales volumes and the inclusion of an extra two months of costs for Dorel Australia. Note that total product liability costs in the quarter were \$9.7 million in 2008 as compared to \$4.5 million in the prior year. If this increase was excluded from the figures, as a percentage of sales, SG & A would be 13.2%, a decline from 2007 levels.

Recreational / Leisure

Expenses as a percentage of revenues (includes inter-segment sales)	Three months ended March 31	
	2008	2007
Revenues	100.0%	100.0%
Cost of Sales	<u>75.1%</u>	<u>80.6%</u>
Gross Profit	24.9%	19.4%
Selling, general and administrative expenses	13.1%	10.6%
Depreciation and amortization	<u>1.1%</u>	<u>0.6%</u>
Earnings from operations	<u>10.7%</u>	<u>8.2%</u>

First quarter Recreational / Leisure revenue increased by \$48.3 million, or 54.9%, to \$136.1 million compared to last year's \$87.9 million. The segment experienced strong sell-through in advance of the busy spring season. This was particularly the case at the Pacific Cycle division with its mass merchant customers. The addition of Cannondale and SUGOi in Dorel's new Independent Bicycle Dealers (IBD) division contributed significantly to first quarter results. Of the revenue increase, the majority came from the Cannondale Sports Group with the balance of the increase being organic sales growth at Pacific Cycle. Earnings from operations increased 106.3% to \$14.9 million from \$7.2 million.

Gross margins increased due mainly 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 (S,G & A) costs as a percentage of revenue to 13.1% as compared to 10.6% in 2007. The improved earnings of 10.7% versus 8.2% in the prior year was not due solely to Cannondale, but rather came from both Pacific as well as the newly acquired division.

Home Furnishings

Expenses as a percentage of revenues (includes inter-segment sales)	Three months ended March 31	
	2008	2007
Revenues	100.0%	100.0%
Cost of Sales	<u>88.0%</u>	<u>88.8%</u>
Gross Margin	12.0%	11.2%
Selling, general and administrative expenses	8.3%	9.0%
Depreciation and amortization	1.5%	1.5%
Research and development costs	<u>0.7%</u>	<u>0.7%</u>
Earnings from operations	<u>1.5%</u>	<u>0.0%</u>

Home Furnishings revenue was relatively flat with last year at \$102.3 million as compared to \$103.4 million in 2007. This is despite the current negative retail environment in the United States that has been reflected in recent public surveys on consumer confidence. Earnings improved by \$1.6 million over last year, due principally to improved results at Ameriwood. Ameriwood posted its fourth successive profitable quarter. With a greatly reduced manufacturing footprint, its two remaining plants are running more efficiently and at lower cost. The Segment's remaining businesses posted combined results that were similar to those of the prior year

Gross margins in 2008 were 12.0%, a slight improvement over the 11.2% recorded in the prior year. This improvement was despite a rising cost environment, particularly for certain finished goods being sourced in the Orient. Margins on domestically produced product increased over 2007, a function of higher volumes and operational improvements. Selling, general and administrative (SG & A) costs decreased from 2007 levels in both dollar and percentage terms. In dollars this decline was \$0.9 million, or 70 basis points to 8.3% of revenues.

Other Expenses

Restructuring costs incurred in 2008 totaled \$0.9 million and consists principally of employee severance costs at Dorel Europe. This compares to \$2.1 million in 2007. The after tax impact of these costs in 2008 and 2007 respectively were \$0.6 million and \$1.4 million or \$0.02 and \$0.04 per diluted share. Interest on long term debt in the first three months of 2008 was \$4.7 million, compared to \$6.5 million in 2007. The Company's first quarter interest rate was approximately 4.7% compared to 6.4% in 2007, accounting for the 2008 decrease in interest expense. The reduced expense was achieved despite the additional borrowings incurred to acquire Cannondale in February of 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 2008 tax rate was 17.3% versus 5.4% in the prior year. The results for 2007 include a \$2.7 million non-cash recovery for the revaluation of a future income tax liability. This was following a reduction in future tax rates expected to apply in one of the Company's tax jurisdictions. Excluding this recovery, the tax rate for 2007 would have been 14.4%. The increase in 2008 from 14.4% to 17.3% was due to higher earnings in higher tax rate jurisdictions. For the year, the Company expects its annual tax rate to be between 15% and 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 \$195.7 million on closing is subject to a maximum adjustment of \$15 million based on Cannondale's earnings results for the year ending June 30, 2008, which has not yet been finalized. When the contingency is resolved, if earnings results are met, the adjustment would be recorded as an additional element of purchase price and would increase goodwill. The preliminary amount of goodwill recorded in the Company's Recreational/Leisure segment is \$77.1 million. A balance of sale of \$3.9 million remains to be paid and is included within accounts payable and accrued liabilities on the consolidated balance sheet.

The acquisition 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 Company is presently in the process of allocating the cost of this purchase 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 by the end of fiscal 2008.

During the first three months of 2008, cash flow from operating activities before changes in non-cash balances related to operations was \$43.5 million comparable to the \$38.0 million recorded in 2007. After changes in non-cash balances related to operations, cash flow provided by operations was \$10.4 million compared to a use of \$8.2 million in 2007. The majority of the \$18.6 million improvement came from the higher earnings and inventory reductions in the quarter.

Financing activities include a net increase in long-term debt of \$197.0 million, the majority of which is for the Cannondale acquisition. Note that during the quarter the Company repaid its \$55 million Series "A" Senior Guaranteed Notes that became due. This repayment was funded with existing revolving bank loan facilities. In 2008, dividends of \$4.2 million were paid. In 2007, the Company declared its first ever dividend, which was only paid in the second quarter of 2007, thus explaining the increase in funds used.

Investing activities in 2008 includes the \$186.8 million disbursed in connection with the acquisition of Cannondale. In 2007, the Company received \$14.7 million from the issuance of capital stock upon the exercise of company stock options. In 2008, excluding disbursements related to business acquisitions, the Company spent \$9.9 million on capital additions, comprising property, plant and equipment, deferred development costs and intangible assets, an increase over the 2007 amount of \$6.6 million. This increased spending was principally on new product development initiatives in the Juvenile segment.

Balance Sheet

Due to the Cannondale acquisition, the balance sheet at the end of the first quarter of 2008 has changed significantly from that at year end, with increases in several categories. This, coupled with the continuing rise in the value of the Euro against 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:	
	Mar. 31, 2008	Dec. 30, 2007
Quick ratio	1.05	0.74
Current ratio	2.11	1.63
# of days in receivables	67.0	57.9
# of days in inventory	88.6	85.0

Excluding Cannondale impact	As at:	
	Mar. 31, 2008	Dec. 30, 2007
# of days in receivables	61.8	57.9
# of days in inventory	81.2	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 March 31, 2008. The increases in the number of days in receivables and inventory ratios are due to the inclusion of Cannondale Sports Group figures in 2008. As the results only include two months of operations of the newly acquired companies, yet the balance sheet includes accounts receivable and inventory balances from prior to the acquisition date, this has the effect of artificially inflating these two ratios. If Cannondale figures are excluded from the ratio calculation, the receivable and inventory ratios become 61.8 and 81.2 days respectively. Note that the balance sheet values used in the days in receivables and inventory ratios are done using quarterly average values so as to minimize the impact of unusual highs or lows at any one point in time.

As of March 31, 2008, Dorel was compliant with all of its borrowing 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 first quarter Consolidated Financial Statements.

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. Dorel expects that this termination of registration will become effective 90 days after its filing with the SEC. 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 April 24, 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)
4,427,744	\$1,913	28,969,448	\$175,358	\$177,271

Outstanding stock options and Deferred Share Units values are disclosed in Note 5 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

Rising commodity prices are affecting the majority of the Company’s operating divisions. In particular high crude oil prices, and their impact on freight and resin costs, as well as increases in steel and other metals, both domestically and in the Orient, are challenges to the Company maintaining the same level of profitability. In addition, the costs of finished goods sourced in China are being affected by the weakening of the U.S. dollar versus the Chinese RMB.

To offset these increases the Company is taking action on pricing, but there is a timing lag that is unavoidable. In addition to pricing opportunities, the focus remains on improving productivity, containing costs and developing new products that improve margins. Dorel’s diversity of product and price points should help to position the Company well within its segments in the current environment. However, these economic and cost uncertainties will likely continue through the balance of 2008 and may mitigate the strong start to the year.

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.