



DOREL

WINNING THROUGH INNOVATION

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

For the quarter ended March 31, 2010

All figures in US dollars

This 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, 2010 and the audited consolidated financial statements and MD & A for the year ended December 30, 2009. This MD & A is based on reported earnings in accordance with Canadian generally accepted accounting principles (GAAP), using the US dollar as the reporting currency.

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, 2009, except for new accounting standards noted within this MD & A. 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, 2010 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 the Company's 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 2009 annual MD & A as filed with Canadian securities regulatory authorities on April 30, 2010. As such, they are not repeated herein. The information in this MD & A is current as of May 5, 2010.

SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2010

On March 30, 2010, the Company announced that it intended to make a normal course issuer bid (NCIB). Under the NCIB, Dorel will be entitled to repurchase for cancellation up to 700,000 Class B Subordinate Voting Shares over a twelve-month period commencing April 1, 2010 and ending March 31, 2011, representing 2.4% of Dorel's issued and outstanding Class B Subordinate Voting Shares. The purchases by Dorel will be effected through the facilities of the Toronto Stock Exchange and will be made at the market price of the Class B Subordinate Voting Shares at the time of the purchase.

Under the policies of the Toronto Stock Exchange Dorel will have the right to repurchase during any one trading day a maximum of 13,583 Class B Subordinate Voting Shares, representing 25% of the average daily trading volume. In addition, Dorel may make, once per calendar week, a block purchase (as such term is defined in the TSX Company Manual) of Class B Subordinate Voting Shares not directly or indirectly owned by insiders of Dorel, in accordance with the policies of the Toronto Stock Exchange. The Board of Directors of Dorel considers that the underlying value of Dorel may not be reflected in the market price of its Class B Subordinate Voting Shares at certain times during the term of the normal course issuer bid. The Board has therefore concluded that the repurchase of shares at certain market prices may constitute an appropriate use of financial resources and be beneficial to Dorel and its shareholders.

Subsequent to quarter end on April 6, 2010, the Company announced that it secured new long-term financing by issuing \$50 million of Series "A" Senior Guaranteed Notes and \$150 million of Series "B" Senior Guaranteed Notes, bearing interest at 4.24% and 5.14%, respectively. The Notes were purchased by a group of institutional investors including Prudential Capital Group, an institutional investment business of Prudential Financial, Inc. The principal repayment of the Series "A" Senior Guaranteed Notes is due in April 2015, whereas the principal repayments of the Series "B" Senior Guaranteed Notes begin in April 2013 with the final payment due in April 2020.

RESULTS OF OPERATIONS

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

Overview

For the first quarter of 2010, revenue increased by \$71.1 million, or 13.5%, to \$596.3 million. This compares to \$525.2 million posted a year ago. If the impact of foreign exchange variations and business acquisitions are excluded from both years, the organic revenue increase was approximately 9.5%. Pre-tax earnings increased by 44.4% to \$48.5 million from \$33.6 million in 2009. Net income for the quarter was \$37.4 million, an increase of 33.3% from the \$28.0 million recorded in 2009. On a diluted earnings per share (EPS) basis, this equates to \$1.12 in for the first quarter of 2010 compared to \$0.84 in 2009.

In the quarter, gross margins improved by 140 basis points to 24.9% from 23.5% in the prior year. There were margin improvements in all three segments, but the increase was most significant in the Recreational / Leisure and Home Furnishings segments. The Recreational / Leisure segment benefitted from an improved product mix and in Home Furnishings, Cosco Home & Office was the main contributor to the improvement as 2009 included a large proportion of sales at very low margins. Versus the prior year, the Company's selling, general and administrative (S,G & A) costs increased by \$9.2 million, but as a percentage of revenues declined slightly to 14.3% as compared to 14.5% in the prior year.

Interest on long-term debt in the first three months of 2010 was \$3.1 million, compared to \$4.1 million in 2009. The average interest rate on the Company's long-term borrowings, was 2.1% in 2010 versus 3.1% in 2009. As a multi-national company, Dorel is resident in numerous countries and is therefore subject to different tax rates and by the interpretation and application of tax laws in those various tax jurisdictions. As such, significant tax rate variations can occur from year to year and between quarters within a given year. The 2010 first quarter tax rate was 22.9% versus 16.5% in the prior year. The cause of the rate increase was a greater proportion of earnings within higher tax rate jurisdictions. The Company has stated that for the year it expects its annual tax rate to be between 15% and 20%. Based on current expectations and the higher first quarter tax rate, it is now expected that for the year the rate will be in the range of 18% to 22%. However, variations in earnings across quarters mean that this rate may vary significantly from quarter to quarter.

The principal changes in earnings from 2009 to 2010 are summarized as follows:

<u>Earnings from operations by Segment:</u>	
Juvenile increase	\$4,057
Recreational/Leisure increase	5,117
Home Furnishings increase	<u>6,342</u>
Total increase in earnings from operations	15,516
Lower interest costs	974
Increase in income taxes	(5,575)
Other	<u>(1,577)</u>
Total increase in after-tax earnings	<u><u>\$9,338</u></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, 2009	Sept. 30, 2009	Dec. 30, 2009	Mar. 31, 2010
Revenues	\$551,123	\$518,458	\$545,303	\$596,313
Net income	\$24,764	\$30,230	\$24,211	\$37,367
Earnings per share:				
Basic	\$0.74	\$0.91	\$0.73	\$1.13
Diluted	\$0.74	\$0.91	\$0.73	\$1.12

Operating Results for the Quarters Ended				
	Jun. 30, 2008	Sept. 30, 2008	Dec. 30, 2008	Mar. 31, 2009
Revenues	\$593,724	\$552,242	\$479,880	\$525,230
Net income	\$31,347	\$27,208	\$19,167	\$28,029
Earnings per share:				
Basic	\$0.94	\$0.82	\$0.57	\$0.84
Diluted	\$0.94	\$0.82	\$0.57	\$0.84

Segmented Results

Segmented figures are presented in Note 12 to the Company's interim financial statements. Further industry segment detail is presented below:

Juvenile

Expenses as a percentage of revenues	Three months ended March 31	
	2010	2009
Revenues	100.0%	100.0%
Cost of Sales	71.0%	71.4%
Gross Margin	29.0%	28.6%
Selling, general and administrative expenses	14.6%	15.0%
Depreciation and amortization	2.0%	1.6%
Research and development costs	0.9%	0.7%
Earnings from operations	11.5%	11.3%

First quarter 2010 Juvenile revenue was \$285.8 million, an increase of 12.5%, or \$31.8 million from last year when revenues were \$254.0 million. Earnings from operations for the period were \$32.8 million, an increase of 14.1% from \$28.7 million in 2009. The revenue increase was across all divisions and was also positively impacted by the impact of foreign exchange as all major currencies gained in strength this year, compared to US dollar. After excluding this impact, organic revenue growth for the segment as a whole was just over 7%. In the United States, the organic revenue growth was just above 5%. In local currencies, European sales increased by over 8% from last year, and in US dollars, this sales increase was just over 15%.

Gross margins increased slightly to 29.0% as compared to 28.6% in 2009. Input costs including freight costs were generally higher in 2010 versus 2009, however other cost reductions and a more favourable product mix enabled the segment to post improved margins. For the segment as a whole, SG & A costs increased by \$3.4 million, but the majority of the increase was due to higher selling costs pertaining to increased sales. As a result, as a percentage of revenue these costs decreased to 14.6% from 15.0% in 2009. Depreciation and amortization increased to \$5.7 million

in 2010 from \$4.0 million in 2009 and is due mainly to the amortization of previously capitalized higher levels of new product development spending.

Recreational / Leisure

Expenses as a percentage of revenues	Three months ended March 31	
	2010	2009
Revenues	100.0%	100.0%
Cost of Sales	<u>74.6%</u>	<u>77.1%</u>
Gross Margin	25.4%	22.9%
Selling, general and administrative expenses	15.9%	15.3%
Depreciation and amortization	0.8%	0.8%
Research and development costs	<u>0.4%</u>	<u>0.6%</u>
Earnings from operations	<u>8.3%</u>	<u>6.2%</u>

First quarter 2010 Recreational / Leisure revenue increased by \$20.2 million, or 12.5%, to \$181.7 million compared to last year's \$161.4 million, while earnings from operations increased by \$5.1 million, or 51.3% to \$15.1 million, compared to \$10.0 million in 2009. Excluding the impact of new business acquisitions and foreign exchange variations on the segment's non-US based businesses, the segment's organic revenue increase was approximately 5%. Organic revenue grew in all three of the segment's business units, but was most pronounced on sales to mass merchant customers as this distribution channel begins to recover from a challenging 2009.

Gross margins increased by 250 basis points due principally to a more profitable product mix, mainly at Pacific Cycle which services the segment's mass merchant customers. S,G & A expenses increased by \$4.1 million or 16.4% to \$28.9 million compared to last year's \$24.8 million. As a percentage of revenues, 2010 S,G & A was 15.9%, an increase of 60 basis points and includes costs associated with new business acquired during 2009 which also increased costs year over year. Note that the 2010 quarterly expense was consistent with the fourth quarter of 2009 which was 15.8% of revenue.

Home Furnishings

Expenses as a percentage of revenues	Three months ended March 31	
	2010	2009
Revenues	100.0%	100.0%
Cost of Sales	<u>84.6%</u>	<u>87.7%</u>
Gross Margin	15.4%	12.3%
Selling, general and administrative expenses	6.4%	7.4%
Depreciation and amortization	0.2%	0.3%
Research and development costs	<u>0.5%</u>	<u>0.6%</u>
Earnings from operations	<u>8.3%</u>	<u>4.0%</u>

Revenue in Home Furnishings increased by \$19.0 million, or 17.3%, from \$109.8 million in 2009 to \$128.8 million in 2010. Earnings from operations more than doubled at \$10.7 million compared to \$4.4 million in the prior year. The revenue increase was at several of the segment's divisions which secured new placements at certain of its key customers. In particular, sales of both domestic and imported items improved, mainly in the metal folding furniture, bedroom collection and bookcase categories.

Gross margins in 2010 were 15.4%, an improvement of 310 basis points over the 12.3% recorded in the prior year. This improvement was mainly at Cosco Home & Office which has been improving its margins throughout 2009 and is continuing this trend into the current year. Cosco was hampered by several slow moving categories and items in the

past, but is now focused on fewer items within its key competency of metal folding furniture. Despite the higher sales levels, for the segment as a whole, SG & A costs were held consistent with the prior year and as a percentage of revenues declined by 100 basis points to 6.4%. As a percentage of revenues, this is the lowest level since the third quarter of 2007.

LIQUIDITY AND CAPITAL RESOURCES

Balance Sheet

The Company's strong first quarter results caused accounts receivable balances to rise by a significant amount from year end and are not an indication of the quality of the receivables. Inventories continued their downward trend from 2009 and at \$373.0 million is at its lowest level since the February 2008 acquisition of the Cannondale bicycle group. Part of this decrease was due to the strong first quarter demand and it is expected that inventories will rise to ensure adequate in-stock levels for the Company's customers.

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

	As at:	
	Mar. 31, 2010	Dec. 30, 2009
Debt to equity	0.32	0.32
# of days in receivables	64	59
# of days in inventory	84	91

The increase in the number days in accounts receivables and the decrease in the inventory days are explained by the comments above. As of March 31, 2010, 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.

Cash Flow

During the first three months of 2010, cash flow from operating activities before changes in non-cash balances related to operations was \$44.8 million compared to \$37.7 million recorded in 2009. After changes in non-cash balances related to operations, cash flow provided by operations was \$28.5 million compared to a use of \$2.1 million in 2009. This improved cash flow in 2010 includes a use of cash of \$85.3 million due to increased accounts receivable balances.

Financing activities include a net increase in long-term debt and bank indebtedness of \$8.7 million. Included in this net increase amount is the repayment of the Company's \$55 million Series B Guaranteed Notes. This amount was paid from the Company's revolving bank loan facilities. In 2010, dividends of \$4.1 million were paid, consistent with the prior year. Cash used in investing activities in 2010 was \$10.3 million in 2010 as compared to \$12.7 million in 2009. Despite the increase in net working capital necessitated by the strong sales growth in the quarter, the Company's net debt position, defined as long-term debt plus bank indebtedness, less cash, decreased by \$8.9 million from \$331.7 million as at December 30, 2009 to \$322.8 million at quarter end.

Future Accounting Changes

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board of Canada confirmed the date of the changeover from Canadian GAAP to International Financial Reporting Standards. Canadian publicly accountable enterprises must adapt IFRS to their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, with early adoption allowed. Subject to securities regulatory approval, the Company has chosen for an early adoption of IFRS and it will issue its last financial statements prepared in accordance with Canadian GAAP in 2010. Effective the first day of fiscal year 2011, the Company's financial statements will be prepared in accordance with IFRS, with comparative figures and an opening balance sheet restated to conform to IFRS, along with a reconciliation from Canadian GAAP to IFRS, as per guidance provided in IFRS 1, *First-Time Adoption of International Reporting Standards*.

A core project team has been established to achieve the changeover of the Company's financial statements. The team's mandate is to oversee the transition process, including any impacts on financial reporting, business processes, internal controls and information systems. The external auditors are notified and consulted on Company accounting policy choices. Regular reporting is provided by the project team to senior management and the Audit Committee of the Board of Directors.

In preparation for the changeover to IFRS, the Company has developed an IFRS transition plan consisting of five phases: 1) Diagnostic Phase, 2) Design and Planning Phase, 3) Solution Development Phase, 4) Implementation Phase and, 5) Post Implementation Phase.

Phase 1: Diagnostic

Actions	<p>Determine key accounting differences Assessment of where the Company's current financial reporting will be impacted by IFRS Provide base information to facilitate the structuring of the IFRS conversion project Prioritize conversion activities and make recommendations Provide a high level assessment of the potential for impacts of adopting IFRS on information systems and business processes, including internal controls over financial reporting and disclosure controls and procedures Provide a high level assessment of the potential effort and resources required to implement IFRS Diagnostic report completed and approved in July 2008</p> <p>The above actions constitute a significant process to assist in ensuring completeness over the identification and potential impacts of the key accounting differences of the Company's IFRS conversion project. This process is a critical element of its internal control environment, including internal controls over financial reporting and disclosure controls and procedures.</p>
Timetable	2008
Progress	Completed

Phase 2: Design and Planning

Actions	<p>Project launch, project management, infrastructure and planning Train core team. Global training sessions held for key financial executives through November 2008. Develop communication plan including the establishment of communication protocol for the core team. Monthly communication updates with key Corporate and Divisional financial executives. Quarterly communication updates to the Audit Committee of the Board of Directors. Adapt conversion roadmap to project structure and allocate resources. Company Finance Director nominated as project sponsor along with project manager, key Divisional personnel and third party technical experts. Detailed scoping exercise of the key accounting differences between IFRS and Canadian GAAP; completed in February 2009.</p>
Timetable	2009
Progress	Completed

Phase 3: Solution Design and Development

Actions	<p><u>Solution Design</u> Select preliminary accounting policy solutions / identify business unit impacts and solutions / re-evaluate business, IT and process effects for all business areas / select implementation approach. Solution design analysis completed for all Company Divisions. Impact on underlying processes assessed considering the frequency and magnitude of the accounting change. Use of third party technical experts on key accounting positions, as required.</p> <p><u>Solution Development</u> Select accounting policies and prepare accounting policies and procedures manuals / identify business process and system impacts / identify solutions to IFRS impacts / finalize conversion plans, including internal controls over financial reporting and disclosure controls and procedures.</p>
Timetable	Solution Design: 2009 Solution Development: November 30, 2010
Progress	Solution Design: Completed Solution Development: In Progress

Phase 4: Implementation

Actions	Approve selected accounting policies and finalize manuals Roll out accounting policies Test and remediate, including dry run in a "test environment" Roll out process and system changes and perform education Perform reporting under IFRS
Timetable	December 30, 2010
Progress	Not yet commenced

Phase 5: Post -Implementation

Actions	Transition to a sustainable operational model Conversion plan assessment
Timetable	June 30, 2011
Progress	Not yet commenced

The Company has analyzed the IFRS standards and has made choices, as warranted, with regard to these standards and noted the differences between certain of these standards and current accounting policies. The most significant ones are set out in the following table:

Standards	Comparison between IFRS and Company current accounting policies	Findings
IAS 1: <i>Presentation of Financial Statements</i>	<p>IFRS allows that expenses recognized in profit or loss should be analyzed either by nature or by function. If an entity categorizes by function, then additional information on the nature of expenses – at a minimum depreciation, amortization and employee benefits expense – must be disclosed.</p> <p>Under IFRS, in the Statement of Cash Flows, the Company has a choice on the presentation of operating cash flows. The direct method of presentation is encouraged but the indirect method is acceptable.</p> <p>IFRS specifies that classification of assets and liabilities can be based on liquidity, whereas Canadian GAAP does not specify a method other than by current and non-current.</p>	<p>The Company has chosen to present the expenses in the Financial Statements by function.</p> <p>The Company has chosen to present the operating cash flows in the Statement of Cash Flows using the indirect method.</p> <p>The Company has chosen to classify assets and liabilities as current and non-current.</p>

Standards	Comparison between IFRS and Company current accounting policies	Findings
IAS 12: <i>Income Taxes</i>	<p>Unlike IFRS, under Canadian GAAP a deferred income tax asset or liability is not recognized for a temporary difference arising from the difference between the historical exchange rate and the current exchange rate translations of the cost of non-monetary assets and liabilities of integrated foreign operations.</p> <p>Under IFRS, potential tax exposures are analyzed individually and separately from the calculation of income tax, and the amount of tax provided for is the best estimate of the tax amount expected to be paid. Under Canadian GAAP, the general recognition standard is “probable” or “more likely than not”. Tax liabilities are measured using amounts “expected to be paid to” tax authorities, using a single best estimate.</p>	<p>The Company is currently assessing the impact of these differences on the financial statements.</p> <p>The Company’s current accounting policy under Canadian GAAP over potential tax exposures is to recognize them when “probable” with the tax liabilities measured using a single best estimate.</p>
IAS 16: <i>Property, Plant and Equipment</i>	<p>The main relevant differences between IFRS and Canadian GAAP are:</p> <ol style="list-style-type: none"> The possibility to evaluate assets at fair value at each balance sheet date. Componentization: parts of an asset with different useful lives have to be amortized separately. This requirement exists under Canadian GAAP but it is further emphasized by IFRS. 	<p>Based on the information collected to date, none of the GAAP differences related to IFRS will have a material impact on the Company’s financial statements.</p> <p>The Company has not elected to evaluate assets at fair value at each balance sheet date. Fixed assets do not have to be componentized further.</p>
IAS 17: <i>Leases</i>	<p>The main relevant difference between IFRS and Canadian GAAP is the following: The distinction between an operating lease (where only the rent is recognized in the P&L) and a capital lease (where the item leased is recorded as an asset in the Balance Sheet) is based on different criteria. IFRS makes the capital versus operating lease distinction based on the substance of the lease contract. Canadian GAAP makes the distinction based on its form.</p>	<p>A thorough analysis of all material Company leases was performed using the classification criteria under IFRS and Canadian GAAP. None of the GAAP differences related to leases will have a material impact on the Company’s financial statements based on the information collected to date.</p>
IAS 19: <i>Employee Benefits</i>	<p><u>Accounting options of defined benefit plans</u> The options are the following under IFRS:</p> <ul style="list-style-type: none"> - Present actuarial gains and losses directly in the P&L - The “corridor” approach - Present actuarial gains and losses directly in the Balance Sheet with changes recorded in Other Comprehensive Income <p>The options are the following under Canadian GAAP:</p> <ul style="list-style-type: none"> - Present actuarial gains and losses directly in the P&L - The “corridor” approach <p><u>Amortization of past service costs</u> Past service costs are amortized faster under IFRS with the immediate recognition of the vested portion.</p>	<p>The Company continues to assess the impact of these differences with the assistance of third party actuaries.</p>

Standards	Comparison between IFRS and Company current accounting policies	Findings
IAS 21: <i>The Effect of Changes in Foreign Exchange Rates</i>	<p>IFRS and Canadian GAAP are essentially converged.</p> <p>The main difference relates to the exchange rate use to translate non monetary assets carried at fair value.</p> <p>Under IFRS, the functional currency is the currency of the primary economic environment in which the entity operates. Under Canadian GAAP, an entity is not explicitly required to assess the unit of measure (functional currency) in which it measures its own assets, liabilities, revenues and expenses, but rather only assesses the functional currency of its foreign operations.</p>	Based on the Company's analysis, it is expected that none of the GAAP differences related to foreign exchange translation will have a material impact on the Company's financial statements based on the information collected to date.
IAS 33: <i>Earnings Per Share ("EPS")</i>	<p>The main differences between IFRS and Canadian GAAP are the following:</p> <ol style="list-style-type: none"> 1) Unlike Canadian GAAP, IFRS does not allow rebuttal of the presumption of share settlement treatment on contracts that may be settled in shares or cash based on past experience of contracts settlements. 2) Unlike Canadian GAAP, IFRS does not require presentation of earnings per share for income or loss before discontinued operations and extraordinary items. 3) Under IFRS, for diluted EPS, dilutive potential ordinary shares are determined independently for each period presented. Under Canadian GAAP, the computation of diluted EPS for year-to-date periods is based on the weighted average of the number of incremental shares included in each interim period making up the year-to-date period. 	<p>Findings by difference:</p> <ol style="list-style-type: none"> 1) There is no material impact on the Company's financial statements for this difference based on the information collected to date. 2) There is no material impact for the Company as it does not have discontinued operations or extraordinary items. 3) The diluted earnings per share is expected to be different for the Company however the impact is not expected to be material based on the information collected to date.
IAS 36: <i>Impairment of Assets</i>	<p><u>Process of the impairment test</u></p> <p>Under Canadian GAAP, the impairment test for long lived assets is a two step process:</p> <ul style="list-style-type: none"> - The carrying amount of the asset is compared to the sum of its undiscounted cash flow expected to result from its use and eventual disposition; - If the carrying amount of the asset is greater, then it is compared to the fair value of the asset. An impairment may have to be recognized. <p>Under IFRS, it is a one step process; the carrying amount of the asset is directly compared to the recoverable amount of the asset</p>	<p><u>Process of the impairment test</u></p> <p>This difference has been analyzed for the Company's impairment tests and is found to have no material impact at the transaction date on the financial statements based on the information collected to date.</p>

Standards	Comparison between IFRS and Company current accounting policies	Findings
	<p><u>Assigning assets to cash generating units</u> Under IFRS, impairment testing of assets is done at the independent cash generating unit (“CGU”) level.</p> <p>Under Canadian GAAP, the unit is defined as it generates both independent cash inflows and outflows.</p>	<p><u>Assigning assets to cash generating units</u> The Company has identified its cash generating units. Impairment testing for goodwill will be conducted at the CGU level. The impact of this difference will not have a material impact on the Company’s financial statements based on the information collected to date.</p>
<p>IAS 37: <i>Provisions, Contingent Liabilities and Contingent Assets</i></p>	<p>Under IFRS, provisions involving a large population of items must be evaluated using the expected value method.</p> <p>Under IFRS, in a range of estimates where each point in the range is as likely as any other, the mid-point of the range is used. Under Canadian GAAP, the lower point is used.</p> <p>The threshold of provision recognition is lower under IFRS than under Canadian GAAP.</p> <p>Under IFRS, the time value of money must be taken into consideration, when material.</p> <p>Under IFRS, contingent assets are recorded when they are virtually certain. Under Canadian GAAP, contingent gains are not recorded.</p> <p>Under IFRS, counter claims/reimbursement must be reported separately in assets, when virtually certain.</p>	<p>These differences were considered by the Company and none were found to have a material impact on the Company’s financial statements based on the information collected to date.</p>
<p>IAS 39: <i>Financial Instruments</i></p>	<p>Under Canadian GAAP, when the critical terms of a hedging relation match, the short cut method is allowed. Under IFRS, the short cut method is not allowed.</p> <p>Under Canadian GAAP, counterparty credit risk does not have to be considered when assessing hedge effectiveness. Under IFRS, counterparty credit risk must be considered.</p> <p>For embedded derivatives, the transitional provisions of Canadian GAAP contain grandfathering provisions which allow an adoption timing choice for some embedded derivatives. Such grandfathering rules do not exist in IFRS thus, potentially resulting in some recognition of embedded derivatives that were not required to be recognized under Canadian GAAP.</p> <p>Under IFRS, multiple derivatives in a single instrument are accounted for as a single compound derivative, unless they relate to different risks and are readily separable and independent of each other, in which case they are treated as separate derivatives. Under Canadian GAAP, multiple embedded derivatives in a single instrument must be accounted for in aggregate as a single compound derivative.</p>	<p>Based on the Company’s choice in accounting policies under Canadian GAAP, this difference does not apply at the transition date.</p> <p>Based on the Company’s choice in accounting policies under Canadian GAAP, this difference does not apply at transition date.</p> <p>The Company continues to assess the impact of the differences related to embedded derivatives.</p>

Standards	Comparison between IFRS and Company current accounting policies	Findings
IFRS 2: <i>Share-Base payments</i>	<p><u>Share based payments vesting in installments:</u> Under IFRS, when an entity makes a share based payment that vests in installments (often referred to as graded vesting), each tranche of the award should be treated as a separate award.</p> <p>Canadian GAAP offers the option to consider the equity instruments as a pool and determine fair value using the average life of the instruments, provided that compensation is then recognized on a straight-line basis.</p> <p>Under the Company's stock option plan, options vest according to a graded schedule of 25% per year commencing a day after the end of the first year. From an accounting perspective, the option offered by Canadian GAAP was selected i.e. each tranche of the plan is not treated separately. This creates a difference with current Canadian GAAP.</p> <p><u>Stock options: forfeiture estimates:</u> Under IFRS, an estimate of forfeitures must be factored into the calculation of periodic compensation expense. Compensation costs are to be accrued based on the best estimate of the number of instruments expected to vest, with revisions made to that estimate if subsequent information indicates that actual forfeitures are likely to differ from initial estimates. The objective is that, at the end of the vesting period, the cumulative charge to the income statement should represent the number of equity instruments that have actually vested multiplied by their fair value.</p> <p>Canadian GAAP offers a choice in accounting for forfeitures. Like IFRS, compensation expense can be accrued based on the best estimate of the number of instruments expected to vest, with revisions made to that estimate if subsequent information indicates that actual forfeitures are likely to differ from initial estimates. Unlike IFRS, compensation expense can be accrued assuming that all instruments granted that are subject only to a service requirement are expected to vest, with the effect of actual forfeitures recognized only as they occur.</p> <p>The Company's accounting policy under Canadian GAAP is to recognize the effect of actual forfeitures only as they occur which creates a difference with IFRS.</p>	<p><u>Share based payments vesting in installments:</u> The compensation expense will be considered over the expected term of each vested tranche. It is expected that the amount recorded by the Company will not be materially different based on the information collected to date.</p> <p><u>Stock options: forfeiture estimates:</u> The Company will need to modify the calculation to take into account an estimation of future forfeitures. The impact is not expected to be material for past options based on the information collected to date.</p>

Standards	Comparison between IFRS and Company current accounting policies	Findings
IFRS 3: <i>Business Combinations</i>	<p><u>Contingent Considerations</u></p> <p><i>Initial Recognition:</i> Under Canadian GAAP, contingent consideration is recognized at the date of acquisition when the amount can be reasonably estimated and the outcome is determinable beyond reasonable doubt. Otherwise, contingent consideration is recognized when resolved.</p> <p>Under IFRS, all contingent consideration has to be recognized at acquisition, regardless if it can be reasonably estimated or if the outcome is determinable beyond reasonable doubt.</p> <p><i>Subsequent Recognition:</i> Under Canadian GAAP, when there are revisions to the amount of contingent consideration, the requirement is to recognize the current fair value of the consideration issued or issuable as an additional cost of the purchase when the contingency is resolved and the additional consideration is issued or becomes issuable.</p> <p>Under IFRS, when the contingent consideration is (a) classified as a liability and (b) not within the scope of IAS 39, changes in fair value are recognized in profit or loss.</p>	<p><u>Contingent Considerations</u></p> <p><i>Initial Recognition:</i> This difference does not apply to the Company at the transition date as all the contingent considerations are recognized as the associated criteria for recognition under Canadian GAAP have been met.</p> <p><i>Subsequent Recognition:</i> This difference applies to the Company on a prospective basis. Going forward, contingent considerations will be revaluated every year. Any change in fair value will be recorded in the P&L.</p>

The Company has also made choices concerning certain exemptions from retrospective application at the time of changeover provided by IFRS 1. As a first step, each exemption permitted under IFRS 1 was reviewed to determine which ones were relevant to the Company. Second, the exemptions that were considered to be relevant were analyzed in order to determine whether they would be elected or not by the Company. The significant accounting issues are set out in the following table:

Exemptions	Findings and Conclusions
Business Combination Exemption	<p>IFRS 1 allows the Company to elect not to apply IFRS 3 <i>Business Combinations</i> to past business combinations (business combinations that occurred before the date of transition to IFRS).</p> <p>Given the Company's history of acquisitions, its current position is not to apply IFRS 3 to any historical business combinations prior to its transition date. The complexity of applying IFRS 3 to historical acquisitions and the resultant effort outweighs any potential benefit.</p>

Exemptions	Findings and Conclusions
Fair Value or Revaluation as Deemed Cost	<p>Under IFRS 1, an entity may elect to measure an item of property, plant and equipment in its opening balance sheet at its fair value and use that fair value as its carrying value as at that date. This election is also available for intangible assets but only for assets that have an active market.</p> <p>The exemption offered at transition by IFRS 1 will not be used. The Company will adopt the carrying values under Canadian GAAP of all items of property, plant and equipment as at the date of transition.</p>
Employee Benefits	<p>Under IFRS 1, the Company may elect to recognize all cumulative actuarial gains and losses at the date of transitions to IFRS even if it uses the corridor approach for future actuarial gains and losses.</p> <p>As at December 30, 2009 the net amount unamortized of actuarial losses carried forward was \$16.1 million and management proposes to utilize the election. This will reduce opening retained earnings and increase pension liabilities by \$16.1 million.</p>
Cumulative Translation Differences	<p>Under IFRS 1, the Company may elect to recognize all translation adjustments arising on the translation of the financial statements of foreign entities in accumulated profits or losses at the opening IFRS balance sheet date (that is, reset the translation reserve included in equity under Canadian GAAP to zero). If the Company elects this exemption, the gain or loss on subsequent disposal of the foreign entity will be adjusted only by those accumulated translation adjustments arising after the opening IFRS balance sheet date.</p> <p>In light of the nature of the election and assuming the Company can reliably calculate its impact, the Company proposes not to use this exemption and to retain the cumulative translation difference in its Balance Sheet.</p>

OTHER INFORMATION

The designation, number and amount of each class and series of its shares outstanding as of April 30, 2010 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)
4,229,510	\$1,793	28,697,352	\$173,481	\$175,274

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.

Forward Looking Information

Certain statements included in this MD&A may constitute “forward-looking statements” within the meaning of applicable Canadian securities legislation. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from the Company’s expectations expressed in or implied by such forward-looking statements and that the objectives, plans, strategic priorities and business outlook may not be achieved. As a result, the Company cannot guarantee that any forward-looking statement will materialize. Forward-looking statements are provided in this MD&A for the purpose of giving information about Management’s current expectations and plans and allowing investors and others to get a better understanding of the Company’s operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this MD&A are based on a number of assumptions that the Company believed were reasonable on the day it made the forward-looking statements. Refer, in particular, to the section of this MD&A entitled *Market Risks and Uncertainties* for a discussion of certain assumptions the Company has made in preparing any forward-looking statements.

Factors that could cause actual results to differ materially from the Company’s expectations expressed in or implied by the forward-looking statements include: general economic conditions; changes in product costs and supply channel; foreign currency fluctuations; customer and credit risk including the concentration of revenues with few customers; costs associated with product liability; changes in income tax legislation or the interpretation or application of those rules; the continued ability to develop products and support brand names; changes in the regulatory environment; continued access to capital resources and the related costs of borrowing; changes in assumptions in the valuation of goodwill and other intangible assets and subject to dividends being declared by the Board of Directors, there can be no certainty that Dorel Industries Inc.’s Dividend Policy will be maintained. These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking statements are discussed throughout this MD&A and, in particular, under *Market Risks and Uncertainties*.

The Company cautions readers that the risks described above are not the only ones that could impact it. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial may also have a material adverse effect on our business, financial condition or results of operations.

Except as otherwise indicated, forward-looking statements do not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date hereof. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. The Company therefore cannot describe the expected impact in a meaningful way or in the same way the Company presents known risks affecting the business.

CONSOLIDATED BALANCE SHEETS

ALL FIGURES IN THOUSANDS OF US \$

	As at March 31, 2010 (unaudited)	As at December 30, 2009 (audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 10)	\$ 37,395	\$ 19,847
Accounts receivable	431,275	349,990
Income taxes receivable	4,661	16,264
Inventories	373,045	399,866
Prepaid expenses	19,512	17,358
Future income taxes	44,211	38,042
	<u>910,099</u>	<u>841,367</u>
PROPERTY, PLANT AND EQUIPMENT	147,580	153,279
INTANGIBLE ASSETS	393,431	401,831
GOODWILL (Note 11)	557,600	569,824
OTHER ASSETS	35,959	35,879
	<u>\$ 2,044,669</u>	<u>\$ 2,002,180</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	\$ 15,063	\$ 1,987
Accounts payable and accrued liabilities	364,579	339,294
Income taxes payable	32,076	26,970
Future Income taxes	223	85
Current portion of long-term debt	118,167	122,508
	<u>530,108</u>	<u>490,844</u>
LONG-TERM DEBT	<u>226,930</u>	<u>227,075</u>
PENSION & POST-RETIREMENT BENEFIT OBLIGATIONS	<u>20,134</u>	<u>20,939</u>
FUTURE INCOME TAXES	<u>126,391</u>	<u>128,984</u>
OTHER LONG-TERM LIABILITIES	<u>25,414</u>	<u>25,139</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 3)	<u>175,459</u>	<u>174,816</u>
CONTRIBUTED SURPLUS (Note 4)	<u>21,152</u>	<u>20,311</u>
RETAINED EARNINGS	850,819	818,707
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 6)	68,262	95,365
	<u>919,081</u>	<u>914,072</u>
	<u>1,115,692</u>	<u>1,109,199</u>
	<u>\$ 2,044,669</u>	<u>\$ 2,002,180</u>

(See accompanying notes)

CONSOLIDATED STATEMENTS OF INCOME

ALL FIGURES IN THOUSANDS OF US \$

	Three Months Ended	
	March 31, 2010	March 31, 2009
	(unaudited)	(unaudited)
Sales	\$ 593,696	\$ 521,415
Licensing and commission income	2,617	3,815
TOTAL REVENUE	596,313	525,230
EXPENSES		
Cost of sales (Note 8)	447,584	402,020
Selling, general and administrative expenses	85,557	76,328
Depreciation and amortization (Note 8)	7,476	5,679
Research and development costs	3,927	3,373
Interest (Note 9)	3,278	4,252
	547,822	491,652
Income before income taxes	48,491	33,578
Income taxes	11,124	5,549
NET INCOME	\$ 37,367	\$ 28,029
EARNINGS PER SHARE		
Basic	\$ 1.13	\$ 0.84
Diluted	\$ 1.12	\$ 0.84
SHARES OUTSTANDING (Note 5)		
Basic – weighted average	32,933,666	33,401,744
Diluted – weighted average	33,241,496	33,419,225

(See accompanying notes)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 ALL FIGURES IN THOUSANDS OF US \$

	Three Months Ended	
	March 31, 2010	March 31, 2009
	(unaudited)	(unaudited)
NET INCOME	\$ 37,367	\$ 28,029
OTHER COMPREHENSIVE INCOME:		
<u>Cumulative translation adjustment:</u>		
Net change in unrealized foreign currency (losses) gains on translation of net investments in self-sustaining foreign operations, net of tax of nil	(27,896)	(27,128)
<u>Net changes in cash flow hedges:</u>		
Net change in unrealized gains (losses) on derivatives designated as cash flow hedges	749	(189)
Reclassification to income or to the related non financial asset	(162)	-
Future income taxes	206	-
	793	(189)
TOTAL OTHER COMPREHENSIVE INCOME	(27,103)	(27,317)
TOTAL COMPREHENSIVE INCOME	\$ 10,264	\$ 712

(See accompanying notes)

CONSOLIDATED STATEMENTS OF CHANGES
 IN SHAREHOLDERS' EQUITY
 ALL FIGURES IN THOUSANDS OF US \$

	Three Months Ended	
	March 31, 2010	March 31, 2009
	(unaudited)	(unaudited)
CAPITAL STOCK (Note 3)		
Balance, beginning of period	\$ 174,816	\$ 177,422
Issued under stock option plan	759	–
Reclassification from contributed surplus due to exercise of stock options	156	–
Repurchase and cancellation of shares	(272)	(19)
Balance, end of period	<u>175,459</u>	<u>177,403</u>
CONTRIBUTED SURPLUS		
Balance, beginning of period	20,311	16,070
Exercise of stock options (Note 3)	(156)	–
Stock-based compensation (Note 4)	997	606
Balance, end of period	<u>21,152</u>	<u>16,676</u>
RETAINED EARNINGS		
Balance, beginning of period	818,707	738,113
Net income	37,367	28,029
Adjustment to opening retained earnings from adopting a new accounting standard for inventories, net of tax of \$1,415	–	(2,096)
Premium paid on share repurchase (Note 3)	(1,128)	(23)
Dividends on common shares	(4,118)	(4,199)
Dividends on deferred share units	(9)	(5)
Balance, end of period	<u>850,819</u>	<u>759,819</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 6)		
Balance, beginning of period	95,365	83,139
Total Other comprehensive income	(27,103)	(27,317)
Balance, end of period	<u>68,262</u>	<u>55,822</u>
TOTAL SHAREHOLDERS' EQUITY	<u>\$ 1,115,692</u>	<u>\$ 1,009,720</u>

(See accompanying notes)

CONSOLIDATED STATEMENTS OF CASH FLOWS

ALL FIGURES IN THOUSANDS OF US \$

	Three Months Ended	
	March 31, 2010 (unaudited)	March 31, 2009 (unaudited)
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income	\$ 37,367	\$ 28,029
Items not involving cash:		
Depreciation and amortization (Note 8)	12,728	10,468
Amortization of deferred financing costs	29	50
Accretion expense on contingent considerations (Note 9)	475	–
Future income taxes	(6,282)	(2,025)
Stock based compensation (Note 4)	997	606
Pension and post-retirement defined benefit plans	(502)	686
Restructuring activities	–	(87)
Loss on disposal of property, plant and equipment	6	6
	<u>44,818</u>	<u>37,733</u>
Net change in non-cash balances related to operations (Note 10)	<u>(16,317)</u>	<u>(39,812)</u>
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>28,501</u>	<u>(2,079)</u>
FINANCING ACTIVITIES		
Bank indebtedness	13,095	3,784
Increase of long-term debt	50,569	54,893
Repayments of long-term debt	(55,000)	(31,065)
Share repurchase (Note 3)	(1,400)	(42)
Issuance of capital stock (Note 3)	759	–
Dividends on common shares	(4,118)	(4,199)
	<u>3,905</u>	<u>23,371</u>
CASH PROVIDED BY FINANCING ACTIVITIES	<u>3,905</u>	<u>23,371</u>
INVESTING ACTIVITIES		
Acquisition of subsidiary companies (Notes 2 & 10)	–	(6,488)
Additions to property, plant and equipment – net	(5,628)	(1,341)
Intangible assets	(4,737)	(4,841)
	<u>(10,365)</u>	<u>(12,670)</u>
CASH USED IN INVESTING ACTIVITIES	<u>(10,365)</u>	<u>(12,670)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(4,493)</u>	<u>(3,098)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>17,548</u>	<u>5,524</u>
Cash and cash equivalents, beginning of period	<u>19,847</u>	<u>16,966</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 37,395</u>	<u>\$ 22,490</u>

Notes to the Consolidated Financial Statements

For the Three Months Ended March 31, 2010 and 2009

All figures in thousands of US\$, except per share amounts (Unaudited)

1. Accounting policies

Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) using the U.S. dollar as the reporting currency. The U.S. dollar is the functional currency of the Canadian parent company, Dorel Industries Inc. ("Dorel" or the "Company"). They have been prepared on a basis consistent with those followed in the most recent audited financial statements. These interim consolidated financial statements do not include all of the information and notes required by GAAP for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Company's audited financial statements for the year ended December 30, 2009. Certain comparative accounts have been reclassified to conform to the 2010 financial statement presentation.

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. Dorel does not expect seasonality to be a material factor in quarterly results, though operating segments within Dorel may vary more significantly.

Future Accounting Changes

International Financial Reporting Standards (IFRS)

On February 13, 2008, the Accounting Standards Board of Canada confirmed the date of the changeover from Canadian GAAP to International Financial Reporting Standards. Canadian publicly accountable enterprises must adopt IFRS to their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, with early adoption allowed. Subject to securities regulatory approval, the Company has chosen to early adopt IFRS and it will issue its last financial statements prepared in accordance with Canadian GAAP in 2010. Effective the first day of fiscal year 2011, the Company's financial statements will be prepared in accordance with IFRS, with comparative figures and an opening balance sheet restated to conform to IFRS, along with a reconciliation from Canadian GAAP to IFRS, as per guidance provided in IFRS 1, *First-Time Adoption of International Reporting Standards*.

In preparation for the changeover to IFRS, the Company has developed an IFRS transition plan consisting of five phases: 1) Diagnostic Phase, 2) Design and Planning Phase, 3) Solution Development Phase, 4) Implementation Phase and, 5) Post Implementation Phase.

The Company has completed the diagnostic phase, which involved developing an IFRS transition plan based on the results of a high-level preliminary assessment of the differences between IFRS and the Company's current accounting policies. This assessment has provided insight into the most significant areas of potential impact to the Company including, but not limited to, property, plant and equipment, leases, goodwill and intangible assets, provisions, employee benefits, foreign exchange, income taxes and financial instruments.

The Company has further completed the design and planning phase. This included establishing a core project team with a mandate to oversee the transition process, including any impacts on financial reporting, business processes, internal controls and information systems. Regular reporting is provided by the project team to senior management and to the Audit Committee of the Board of Directors.

The Company is now in the solution design and development phase. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. As the Company continues to work through this phase, it has selected certain of its accounting policy choices and IFRS 1 exemptions.

2. Business acquisition

Hot Wheels and Circle Bikes

On October 1st, 2009, the Company acquired certain assets of UK-based Hot Wheels and Circle Bikes for \$10,626 (GBP 6,662), a UK preeminent distributor of the Mongoose and GT brands. As part of the acquisition agreement, additional consideration is contingent upon a formulaic variable price based mainly on future earnings results of the acquired business up to the year ended December 30, 2012. The Company is presently in the process of allocating the cost of this purchase to the net assets acquired. The preliminary allocation of the cost of this purchase includes an estimate of the contingent consideration of \$2,449 and this estimate is recorded as a financial liability within other long-term liabilities. For each subsequent year until the contingent consideration is resolved in 2012, the adjustment to the financial liability will be recorded as an additional element of purchase price and goodwill will be adjusted accordingly.

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 goodwill is deductible for tax purposes. The total goodwill amount is included in the Company's Recreational/Leisure segment as reported in Note 11.

The preliminary allocation of the purchase price of the assets acquired and the liabilities assumed is as follows:

Assets	
Cash and cash equivalents	\$ 290
Accounts receivable	2,666
Inventories	1,738
Prepaid expenses	56
Property, plant and equipment	155
Goodwill	6,515
	<hr/>
	11,420
	<hr/>
Liabilities	
Accounts payable and accrued liabilities	661
Other long-term liabilities	133
	<hr/>
	794
	<hr/>
Net assets acquired	<hr/>
	\$ 10,626
	<hr/>

3. Capital stock

Issued and outstanding

Details of the issued and outstanding shares are as follows:

	Three Months Ended March 31, 2010		Year Ended December 30, 2009	
	Number	Amount	Number	Amount
Class "A" Multiple Voting Shares				
Balance, beginning of period	4,229,510	\$ 1,792	4,229,710	\$ 1,793
Converted from Class "A" to Class "B" (1)	–	–	(200)	(1)
Balance, end of period	<u>4,229,510</u>	<u>\$ 1,792</u>	<u>4,229,510</u>	<u>\$ 1,792</u>
Class "B" Subordinate Voting Shares				
Balance, beginning of period	28,739,802	\$ 173,024	29,172,482	\$ 175,629
Converted from Class "A" to Class "B" (1)	–	–	200	1
Issued under stock option plan (2)	33,250	759	–	–
Reclassification from contributed surplus due to exercise of stock options	–	156	–	–
Repurchase and cancellation of shares (3)	<u>(45,100)</u>	<u>(272)</u>	<u>(432,880)</u>	<u>(2,606)</u>
Balance, end of period	<u>28,727,952</u>	<u>\$ 173,667</u>	<u>28,739,802</u>	<u>\$ 173,024</u>
TOTAL CAPITAL STOCK		<u>\$ 175,459</u>		<u>\$ 174,816</u>

- (1) In 2009, the Company converted 200 Class "A" Multiple Voting Shares into Class "B" Subordinate Voting Shares at an average rate of \$0.58 per share.
- (2) During the three-months period ended March 31, 2010, the Company realized tax benefits amounting to \$71 as a result of stock option transactions. The benefit has been credited to capital stock and is not reflected in the current income tax provision.
- (3) On March 30, 2010, the Company filed a notice with the Toronto Stock Exchange (TSX) to make a normal course issuer bid to repurchase for cancellation outstanding Class "B" Subordinate Voting Shares on the open market. As approved by the TSX, the Company is authorized to purchase up to 700,000 Class "B" Subordinate Voting Shares (representing 2.4% of its issued and outstanding Class "B" Subordinate Voting Shares at the time of the bid) during the period of April 1, 2010 to March 31, 2011, or until such earlier time as the bid is completed or terminated at the option of the Company. Any shares the Company purchases under this bid will be purchased on the open market plus brokerage fees through the facilities of the TSX at the prevailing market price at the time of the transaction. Shares acquired under this bid will be cancelled. As at March 31, 2010, the Company has not purchased any shares pursuant to this normal course issuer bid.

During 2009, in accordance with its previous normal course issuer bid which ended on March 19, 2010, the Company repurchased 432,880 Class "B" Subordinate Voting Shares for a cash consideration of \$10,504. During the three-months ended March 31, 2010, the Company repurchased with its previous normal course issuer bid a total of 45,100 Class "B" Subordinate Voting Shares for a cash consideration of \$1,400. The excess of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

4. Stock-based compensation

Stock options plan

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 are granted. Options granted vest according to a graded schedule of 25% per year commencing a day after the end of the first year, and expire no later than the year 2015.

The Company's stock option plan is as follows:

	Three Months Ended March 31, 2010		Year Ended December 30, 2009	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	2,539,000	\$ 26.27	2,253,750	\$ 31.67
Granted	20,000	32.37	1,086,500	16.35
Exercised	(33,250)	20.29	–	–
Expired	(125,000)	34.49	(506,750)	33.46
Forfeited	(33,500)	25.52	(294,500)	29.07
Options outstanding, end of period	<u>2,367,250</u>	<u>\$ 26.23</u>	<u>2,539,000</u>	<u>\$ 26.27</u>
Total exercisable, end of period	<u>1,140,000</u>	<u>\$ 28.74</u>	<u>775,000</u>	<u>\$ 31.54</u>

A summary of options outstanding as of March 31, 2010 is as follows:

	Total Outstanding			Total Exercisable	
Range of Exercise Prices	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Options	Weighted Average Exercise Price
\$16.54 - \$30.70	1,087,250	\$ 20.46	3.91	246,875	\$ 20.55
\$30.96 - \$33.45	1,280,000	31.12	2.40	893,125	31.01
	<u>2,367,250</u>	<u>\$ 26.23</u>	<u>3.09</u>	<u>1,140,000</u>	<u>\$ 28.74</u>

Total compensation cost recognized in income for employee stock options for the three months ended March 31, 2010 amounts to \$896 (2009 – \$530), and was credited to contributed surplus.

4. Stock-based compensation (continued)

Directors' Deferred Share Unit Plan

The Company has a Deferred Share Unit plan under which an external director of the Company may elect annually to have his or her director's fees and fees for attending meetings of the Board of Directors or committees thereof paid in the form of deferred share units ("DSU's"). A plan participant may also receive dividend equivalents paid in the form of DSU's. During the three months ended March 31, 2010 and 2009, 2,750 and 4,879 DSU's were issued respectively for fees forfeited and \$87 (2009 – \$71) was expensed and credited to contributed surplus. During the three months ended March 31, 2010 and 2009, an additional 218 (2009 – 276) DSU's were issued for dividend equivalents and \$6 (2009 – \$5) was charged to retained earnings and credited to contributed surplus. At March 31, 2010, 59,029 DSU's are outstanding with related contributed surplus amounting to \$1,593.

Executive Deferred Share Unit Plan

The Company has an Executive Deferred Share Unit plan under which executive officers of the Company may elect annually to have a portion of his or her annual salary and bonus paid in the form of deferred share units ("DSU's"). A plan participant may also receive dividend equivalents paid in the form of DSU's. During the three months ended March 31, 2010, 158 (2009 – nil) DSU's were issued for salary paid and \$5 (2009 – nil) was expensed and credited to contributed surplus. During the three months ended March 31, 2010, an additional 111 (2009 – nil) DSU's were issued for dividend equivalents and \$3 (2009 – nil) was charged to retained earnings and credited to contributed surplus. At March 31, 2010, 26,501 DSU's are outstanding with related contributed surplus amounting to \$419.

5. Shares outstanding

The following table provides a reconciliation between the number of basic and fully diluted shares outstanding:

	Three Months Ended March 31,	
	2010	2009
Weighted daily average number of Class "A" Multiple and Class "B" Subordinate Voting Shares	32,933,666	33,401,744
Dilutive effect of stock options and deferred share units	<u>307,830</u>	<u>17,481</u>
Weighted average number of diluted shares	<u>33,241,496</u>	<u>33,419,225</u>
Number of anti-dilutive stock options and deferred share units excluded from fully diluted earnings per share calculation	<u>1,280,111</u>	<u>1,618,967</u>

6. Accumulated other comprehensive income

Changes in the accumulated other comprehensive income were as follows for the three months periods ended March 31, 2010:

	Cash Flow Hedges	Cumulative Translation Adjustment	Total
Balance as at December 31, 2009	\$ 895	\$ 94,470	\$ 95,365
Change during the period	793	(27,896)	(27,103)
Balance as at March 31, 2010	\$ 1,688	\$ 66,574	\$ 68,262

7. Employee benefit plans

Expenses incurred under the Company's benefit plans were as follows:

	Three Months Ended March 31,	
	2010	2009
Defined contribution plans	\$ 407	\$ 340
Defined benefit plans	1,022	1,413
Post-retirement benefit plans	251	195
Total	<u>\$ 1,680</u>	<u>\$ 1,948</u>

8. Depreciation and amortization

Depreciation and amortization consists of the following:

	Three Months Ended March 31,	
	2010	2009
Depreciation – Property, plant and equipment	\$ 7,170	\$ 6,268
Amortization – Intangibles	<u>5,558</u>	<u>4,200</u>
Total Depreciation and amortization included in the consolidated statement of income	12,728	10,468
Less: Depreciation related to manufacturing activities included in Cost of sales	<u>(5,252)</u>	<u>(4,789)</u>
	<u>\$ 7,476</u>	<u>\$ 5,679</u>

9. Interest

Interest expense consists of the following:

	Three Months Ended March 31,	
	2010	2009
Interest on long-term debt – including effect of cash flow hedge related to the interest rate swaps	\$ 2,599	\$ 4,059
Accretion expense on contingent considerations	475	–
Other interest	204	193
	<u>\$ 3,278</u>	<u>\$ 4,252</u>

10. Statement of cash flows

Acquiring a long-lived asset by incurring a liability does not result in a cash outflow for the Company until the liability is paid. As such, the consolidated statement of cash flows excludes the following non-cash transactions:

	Three Months Ended March 31,	
	2010	2009
Acquisition of property, plant and equipment financed by accounts payable and accrued liabilities	\$ 974	\$ 1,614
Acquisition of intangible assets financed by accounts payable and accrued liabilities	\$ 189	\$ 49

Net changes in non-cash balances related to operations are as follows:

	Three Months Ended March 31,	
	2010	2009
Accounts receivable	\$ (85,274)	\$ (66,561)
Inventories	22,436	84,074
Prepaid expenses	(2,536)	(3,065)
Accounts payable, accruals and other long-term liabilities	31,567	(55,489)
Income taxes	<u>17,490</u>	<u>1,229</u>
Total	<u>\$ (16,317)</u>	<u>\$ (39,812)</u>

10. Statement of cash flows (continued)

Details of acquisition of subsidiary companies:

	Three Months Ended March 31,	
	2010	2009
Acquisition of subsidiary companies (Note 2)	\$ —	\$ (5,388)
Cash acquired	—	—
	—	(5,388)
Balance of sales payable (paid)	—	(1,100)
	<u>\$ —</u>	<u>\$ (6,488)</u>

The components of cash and cash equivalents are:

	March 31, 2010	December 30, 2009
Cash	\$ 34,684	\$ 17,525
Short-term investments	2,711	2,322
Cash and cash equivalents	<u>\$ 37,395</u>	<u>\$ 19,847</u>

Supplementary disclosure:

	Three Months Ended March 31,	
	2010	2009
Interest paid	\$ 4,517	\$ 8,024
Income taxes paid	\$ 2,479	\$ 5,962
Income taxes received	\$ 2,720	\$ 795

11. Segmented information

Industry Segments

For The Three Months Ended March 31,								
	Total		Juvenile		Recreational / Leisure		Home Furnishings	
	2010	2009	2010	2009	2010	2009	2010	2009
Total Revenue	\$ 596,313	\$ 525,230	\$ 285,793	\$ 253,961	\$ 181,677	\$ 161,428	\$ 128,843	\$ 109,841
Cost of sales	447,584	402,020	203,035	181,251	135,554	124,400	108,995	96,369
Selling, general and administrative expenses	78,763	71,100	41,598	38,160	28,908	24,836	8,257	8,104
Depreciation & amortization	7,441	5,655	5,741	3,991	1,448	1,317	252	347
Research and development costs	3,927	3,373	2,642	1,839	673	898	612	636
Earnings from Operations	58,598	43,082	<u>\$ 32,777</u>	<u>\$ 28,720</u>	<u>\$ 15,094</u>	<u>\$ 9,977</u>	<u>\$ 10,727</u>	<u>\$ 4,385</u>
Interest	3,278	4,252						
Corporate expenses	6,829	5,252						
Income taxes	11,124	5,549						
Net income	<u>\$ 37,367</u>	<u>\$ 28,029</u>						

Geographic Segments – Origin of Revenues

Three Months Ended March 31,		
	2010	2009
Canada	\$ 79,362	\$ 68,311
United States	317,721	287,561
Europe	153,551	127,616
Other foreign countries	45,679	41,742
Total	<u>\$ 596,313</u>	<u>\$ 525,230</u>

11. Segmented information (continued)

The continuity of goodwill by industry segment is as follows as at:

	Total		Juvenile		Recreational / Leisure		Home Furnishings	
	March 31, 2010	Dec. 30, 2009	March 31, 2010	Dec. 30, 2009	March 31, 2010	Dec. 30, 2009	March 31, 2010	Dec. 30, 2009
Balance, beginning of period	\$ 569,824	\$540,187	\$365,118	\$ 343,155	\$173,534	\$165,860	\$ 31,172	\$ 31,172
Additions	–	9,943	–	4,860	–	5,083	–	–
Contingent considerations	(80)	16,155	(80)	13,583	–	2,572	–	–
Foreign exchange	(12,144)	3,539	(11,836)	3,520	(308)	19	–	–
Balance, end of period	<u>\$ 557,600</u>	<u>\$569,824</u>	<u>\$353,202</u>	<u>\$365,118</u>	<u>\$173,226</u>	<u>\$173,534</u>	<u>\$ 31,172</u>	<u>\$ 31,172</u>

12. Subsequent event

Subsequent to quarter-end, effective April 6, 2010, the Company issued \$50,000 of Series “A” Senior Guaranteed Notes and \$150,000 of Series “B” Senior Guaranteed Notes, bearing interest at 4.24% and 5.14%, respectively. The principal repayment of Series “A” Senior Guaranteed Notes is due on April 6, 2015. The principal repayments of Series “B” Senior Guaranteed Notes are as follow:

- 2 annual instalments of \$13,000 ending in April 2014
- 1 annual instalment of \$7,500 ending in April 2015
- 5 annual instalments of \$23,300 ending in April 2020

As a result of the issuance of the Senior Guaranteed Notes for an aggregate of \$200,000, the Company is reclassifying \$200,000 from the current portion of long-term debt to long-term debt. In addition, following the issuance of these Senior Guaranteed Notes, the borrowing availability under the revolving bank loans decreased to \$375,000 from the availability as at December 30, 2009 of \$475,000. The Company is currently renegotiating the terms of the revolving bank loans in order to extend this facility.