

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

For the quarter and nine months ended September 30, 2011
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 condensed consolidated interim financial statements for the nine months ended September 30, 2011 and the audited consolidated financial statements and MD & A for the year ended December 30, 2010. This MD & A is based on reported earnings prepared in accordance with International Financial Reporting Standards ("IFRS"), using the US dollar as the reporting currency.

Effective the first day of fiscal 2011, the Company adopted IFRS as the Company's basis of financial reporting, using December 31, 2009 as the transition date. As such, the Company's third quarter 2011 unaudited condensed consolidated interim financial statements and the accompanying notes form part of the first annual audited consolidated financial statements to be prepared in accordance with IFRS for the year ending December 30, 2011 and have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described in Note 3 of the Company's unaudited condensed consolidated interim financial statements for the quarter ended March 31, 2011 as filed with the Canadian regulatory authorities on May 18, 2011. Except where otherwise noted, all prior period comparative figures have been restated for IFRS.

The unaudited condensed consolidated interim financial statements do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should also be read in conjunction with the most recently prepared annual audited consolidated financial statements for the year ended December 30, 2010, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company regularly monitors new accounting standards and reports on those adopted subsequent to the end of the most recently completed financial year.

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", or "Market Risks and Uncertainties" to those outlined in the Company's 2010 annual MD & A as filed with Canadian securities regulatory authorities on March 14, 2011. As such, they are not repeated herein. The information in this MD & A is current as of November 3rd, 2011.

SIGNIFICANT EVENTS IN 2011

On March 31, 2011, the Company announced that it intended to make a normal course issuer bid (NCIB). 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.

Under the NCIB, Dorel is entitled to repurchase for cancellation up to 700,000 Class B Subordinate Voting Shares over a twelve-month period commencing April 4, 2011 and ending April 3, 2012, representing 2.46% of Dorel's issued and outstanding Class B Subordinate Voting Shares. The purchases by Dorel are being effected through the facilities of the Toronto Stock Exchange and are 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 has the right to repurchase during any one trading day a maximum of 11,828 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.

Subsequent to quarter end, on November 3, 2011, the Company announced that it was increasing the maximum allowable number of shares to be repurchased for cancellation under the NCIB from 700,000 to 1,420,660. This represents 5% of Dorel's issued and outstanding Class B Subordinate Voting Shares at the time of this initial NCIB approval. As at November 2, 2011, the Company had repurchased 575,400 under the plan, necessitating the increase. The revised NCIB will commence on November 7, 2011 and end on April 3, 2012.

Also, on November 3, 2011 the Company announced it has significantly increased the presence of its Juvenile segment in South America by signing a share purchase agreement to acquire a 70% interest in an existing group of companies, known principally as Silfa, who own and operate the popular *Infanti* brand in Chile, Bolivia, Peru and Argentina. The transaction is expected to close in the fourth quarter of 2011, subject to the fulfillment of certain conditions.

With a history of success, 2010 sales of Silfa were approximately US\$58 million and will be immediately accretive to earnings. With this investment, Dorel will also be entering the juvenile retail business as the transaction comprises the *Baby Infanti* chain of 52 specialty shops, of which 40 are in Chile and 12 are in Peru.

Created in 2002, *Infanti* is the most popular juvenile products brand in South America and enjoys a leading position in the market. Its product line is comprised of a broad variety of items including car seats, strollers, travel systems, high chairs, play yards, safety products, accessories, pre-school items and toys. *Infanti* products cater to all price categories with a focus on opening to mid price points. In addition to the *Infanti* line, Silfa also represents a number of other brands at the wholesale level, including Dorel's Maxi Cosi and Safety 1st. The *Baby Infanti* retail stores sell a number of Dorel brands as well as several other well known competitive labels. It is the intention to continue to develop the business on this current platform.

Though initially acquiring 70% of the Silfa group, as part of the acquisition, the Company has entered into agreements with the minority interest holder for the future purchase of its remaining 30% stake. Due to the structure of these agreements, for accounting purposes, it is assumed that the Company will acquire the remaining 30% of Silfa and this allows the Company to consolidate 100% of the acquired companies at the time of acquisition. As part of this accounting treatment the Company will recognize a contingent consideration measured as the present value of the estimated future acquisition price of the remaining 30% stake.

RESULTS OF OPERATIONS

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

Overview

Revenues for the third quarter ended September 30, 2011 increased by \$6.3 million, or 1.1%, to \$575.8 million. This compares to \$569.5 million posted a year ago. After-tax earnings were \$23.1 million, compared to \$30.6 million recorded in the prior year. Diluted earnings per share (EPS) were \$0.71 in 2011 compared to \$0.92 in 2010. For the nine months ended September 30, 2011 revenues increased by \$29.2 million, or 1.6%, to \$1.803 billion from \$1.773 billion the year before. Year-to-date, after-tax earnings decreased by 24.1% to \$77.2 million from \$101.8 million in 2010. Diluted earnings per share (EPS) were \$2.36 in 2011 compared to \$3.06 in 2010. After removing the impact of varying exchange rates, the organic revenue decline in the quarter was approximately 2% whereas for the year-to-date results it was approximately 1%.

In the third quarter of 2011, gross margins declined by 190 basis points to 19.6%, as compared to the 21.5% recorded in the prior year. Year-to-date gross margins have declined by 160 basis points to 21.7% from 23.3% in the prior year. The majority of the margin decline was in the Juvenile segment where a less profitable sales mix, higher input costs and unfavourable foreign exchange rates reduced earnings. The ability to pass on higher costs to customers has been limited, particularly in the U.S. where retailers are attempting to stimulate consumer spending through lower retail pricing. While this challenge exists in most of the Company's businesses, it has been most acute within the Juvenile segment's U.S. business.

Versus the prior year, the Company's selling, general and administrative costs (S,G & A) have increased by a combined \$5.0 million in the third quarter of 2011 and \$12.8 million year-to-date. The principal causes of the increase were greater spending in the Recreational / Leisure segment due to greater advertising costs and higher infrastructure costs. Year-to-date within that segment these costs as a percentage of revenues have actually declined because revenues have increased by almost 16%.

For the quarter, the Company's finance expenses were \$4.7 million in 2011 compared to \$5.2 million in the prior year. Year-to-date these figures are \$16.2 million for the current year versus \$13.0 million in 2010. The year-to-date interest rate on its long-term borrowings was approximately 4.5%, an increase from the average of 3.5% in 2010. Included in these amounts is a year-to-date amount of \$0.7 million (2010 - \$0.7 million) in connection with the Company's use of interest rate swaps used to reduce its exposure to the variability of interest rates, as well as \$1.6 million (2010 - \$1.7 million) related to interest recorded on the Company's contingent consideration and put option liabilities.

The Company's tax rate is governed by current domestic tax laws in the countries in which the Company operates and by the application of income tax treaties between various countries. In the quarter, an income tax recovery of \$8.7 million was recorded. This was mainly due to the realization of a significant tax benefit of \$6.2 million in the Netherlands where the Juvenile segment's new product research and development (R & D) program qualified for the Dutch government's "Innovation Box" program. This program is intended to stimulate local R & D innovation and due to its successful qualification, the Company's Netherlands based division will benefit from a lower tax rate for the current and several prior taxation years. The recovery of \$6.2 million was recorded as a current income tax receivable in the quarter. This lower rate of tax in the Netherlands is anticipated to remain in effect going forward.

In addition to this benefit, in the third quarter the Company also recognized a net benefit of \$2.1 million pertaining to the adjustment of tax balances upon the filing of final tax returns in several of its operating jurisdictions and due to the reversal of a valuation allowance on operating loss carryforwards. In the prior year's third quarter the Company had recorded a tax recovery of \$2.2 million. The main cause of this prior year tax recovery was the recognition of a tax benefit of \$2.9 million pertaining to a prior year's estimated tax position.

The Company's year-to-date tax rate is 6.4%, as compared to 16.2% recorded in 2010. Note that if the \$6.2 million recovery recorded in the Netherlands is excluded from the 2011 tax figure, the Company's year-to-date tax rate would be 13.9%, more in line with the prior year. However due principally to the impact of the Innovation Box tax recovery, the rate for the year is now expected to be in the range of 8% to 12%.

The principal changes in earnings from 2010 to 2011 are summarized as follows:

<u>Operating profit by Segment:</u>	Quarter	Year-to-Date
Juvenile decrease	(\$17,509)	(\$38,083)
Recreational/Leisure increase	897	7,862
Home Furnishings decrease	(304)	(8,259)
Total decrease in operating profit	(16,916)	(38,480)
Decrease (increase) in finance expenses	542	(3,200)
Decrease in income taxes	6,523	14,372
Other	2,276	2,759
Total decrease in after-tax earnings	<u>(\$7,575)</u>	<u>(\$24,549)</u>

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

Selected Financial Information

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

Operating Results for the Quarters Ended				
	Dec. 30, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011
Total revenue	\$539,523	\$607,783	\$ 619,010	\$ 575,828
Net income	\$25,947	\$31,164	\$ 22,993	\$ 23,074
Earnings per share				
Basic	\$0.79	\$0.95	\$ 0.70	\$ 0.71
Diluted	\$0.79	\$0.94	\$ 0.70	\$ 0.71

	Dec. 30, 2009 ⁽¹⁾	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010
Total revenue	\$545,303	\$596,313	\$607,695	\$569,455
Net income	\$24,211	\$38,206	\$32,925	\$30,649
Earnings per share				
Basic	\$0.73	\$1.16	\$1.00	\$0.93
Diluted	\$0.73	\$1.15	\$0.99	\$0.92

(1) - Quarterly financial information for 2009 has been prepared in accordance with Canadian GAAP

Segmented Results

Segmented figures are presented in Note 10 of the interim financial statements. Further industry segment detail is presented below:

Juvenile

Expenses as a percentage of revenues	Third Quarter Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Total revenue	100.0%	100.0%	100.0%	100.0%
Cost of sales	77.9%	73.6%	75.2%	72.5%
Gross margin	22.1%	26.4%	24.8%	27.5%
Selling expenses	8.5%	7.8%	8.2%	7.4%
General and administrative expenses	8.9%	7.4%	8.3%	7.6%
Research and development expenses	2.5%	2.2%	2.4%	2.2%
Operating profit	2.2%	9.0%	5.9%	10.3%

Third quarter revenue was \$227.1 million in 2011 as compared to \$248.4 million in the prior year. After removing the impact of varying exchange rates, the organic revenue decline was approximately 13%. As was the case in the second quarter, the majority of the segment's business experienced revenue declines in the three month period ended September 30. The most significant decline was in the U.S. where the retail environment remains difficult. This was compounded by a less favourable product mix. In Europe, sales in Euro were down just over 10%, however upon conversion to the U.S. dollar, recorded sales decreased less than 3%. The declines in Europe were in several markets and were the most pronounced in Southern Europe.

Year-to-date revenues have decreased by \$53.3 million, or 6.7%, to \$740.7 million. Organically, revenues declined by approximately 10% year-to-date. For the segment as a whole, the reasons for the year-to-date revenue decrease of \$53.3 million are similar to those of the quarter. In addition, the Company is no longer selling cribs and this accounts for approximately 18% of the year-to-date decline in revenue of \$53.3 million.

Gross margins in the quarter were 22.1%, a decrease of 430 basis points from 26.4% in 2010. As described above, the largest factor in the decline is lower margins at DJG USA where the majority of higher input costs, principally resin, have not been passed on to customers. Traditionally in weaker economies, commodity price declines allow for sustained profitability even in an environment of poor demand. However, the first nine months of 2011 experienced both higher costs and weakened demand, thus limiting the scope of price increases. Europe was also negatively impacted by higher costs, though the impact was less significant. Gross margins in Canada were hurt by the sudden surge in the value of the US dollar near quarter end. As the Company's Canadian operations use the US dollar as its functional currency, this required the recording of unrealized foreign exchange losses on the revaluation of existing Canadian dollar receivables. Similarly, due to this sudden increase in value of the US dollar at quarter end, several of the segment's divisions recorded these unrealized losses, which totaled approximately \$2 million in the quarter.

Despite the lower revenue levels, for the segment as a whole, SG & A costs for the quarter increased by \$1.9 million in the quarter. However this was caused by exchange rate variations year-over-year. If exchange rates were constant year-over-year, SG & A costs would have been consistent with the prior year. Note that total product liability costs in the quarter were \$1.6 million in 2011 as compared to \$0.8 million in the prior year. Year-to-date these costs are \$7.3 million in 2011 as compared to \$7.0 million in 2010. Operating profit in the third quarter of 2011 was \$4.9 million, a decrease of 78% from \$22.4 million in 2010. Operating profit for the first nine months of the year was \$43.5 million in 2011 versus \$81.5 million in 2010.

Recreational / Leisure

Expenses as a percentage of revenues	Third Quarter Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Total revenue	100.0%	100.0%	100.0%	100.0%
Cost of sales	<u>77.6%</u>	<u>77.2%</u>	<u>75.9%</u>	<u>75.9%</u>
Gross margin	22.4%	22.8%	24.1%	24.1%
Selling expenses	11.4%	10.5%	10.0%	9.8%
General and administrative expenses	5.8%	6.6%	6.3%	6.7%
Research and development expenses	<u>0.4%</u>	<u>0.4%</u>	<u>0.4%</u>	<u>0.4%</u>
Operating profit	<u>4.8%</u>	<u>5.3%</u>	<u>7.4%</u>	<u>7.2%</u>

Third quarter Recreational / Leisure revenue increased by \$37.3 million, or 21.6%, to \$209.8 million compared to last year's \$172.5 million. Year-to-date revenues were up \$90.2 million, or 15.9% to \$659.3 million from \$569.1 million in the prior year. For the quarter the sales increase was driven by strong sales to the IBD channel of road bikes in North America and mountain and road bikes in Europe. The sales success of the segment's high-end bicycles can be attributed to successful new product introductions and increased promotional spending which is improving brand awareness. Despite the challenges in the U.S. mass merchant distribution channel, sales to these major customers also improved over last year. Excluding the impact of foreign exchange variations on the segment's non-US based businesses, the segment's organic revenue increase was approximately 18% for the quarter and 13% year-to-date.

Operating profit for the quarter improved by \$0.9 million, or 9.8%, to \$10.0 million, compared to \$9.1 million in 2010. For the first nine months of the year, operating profit was \$49.1 million, up \$7.9 million or 19.1% from \$41.2 million in the prior year. Gross margins for the quarter declined slightly from the prior year due to less favourable rates of exchange as well as some of the sales increase being driven by the sale of prior year models at less than normal margins. The stronger U.S. dollar at the end of the September also affected operating profit, reducing the gross margin percentage by approximately 1% in the quarter. Year-to-date margins were consistent year-over-year at 24.1% of revenues.

Earnings in the quarter were hampered by a decline in profitability of approximately \$2.5 million at the segment's apparel group. The decrease was due mainly to a write-down of excess inventory from prior model years and one-time costs of \$0.8 million related to a strategic decision to outsource the "custom manufacturing" part of this business to a third party as opposed to manufacturing in house. Principally for employee severance, it is anticipated that in the fourth quarter additional one-time costs of \$1.5 million will be incurred as part of this initiative. Though less than 5% of segment revenues, improving profits at the segment's apparel business remain a focus as management believes the SUGOI brand and its product offerings offer substantial opportunity. Excluding the decline in earnings at this division,

the operating profit in the segment would have increased by over 35% for the quarter as opposed to the 9.8% recorded.

Home Furnishings

Expenses as a percentage of revenues	Third Quarter Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Total revenue	100.0%	100.0%	100.0%	100.0%
Cost of sales	88.7%	88.3%	88.0%	86.1%
Gross margin	11.3%	11.7%	12.0%	13.9%
Selling expenses	3.1%	2.9%	3.1%	3.0%
General and administrative expenses	2.9%	3.6%	3.2%	3.3%
Research and development expenses	0.4%	0.5%	0.5%	0.5%
Operating profit	4.9%	4.7%	5.2%	7.1%

For the quarter, Home Furnishings revenues decreased to \$138.9 million from \$148.5 million in 2010, a decrease of \$9.6 million or 6.5%. For the first nine months of the year, revenues have decreased by 1.9% to \$402.6 million from \$410.4 million the year before. Operating profit for the quarter decreased by \$0.4 million to \$6.7 million, down slightly from \$7.1 million in the prior year. Year-to-date operating profit has decreased to \$20.8 million as compared to \$29.0 million in the prior year, a decrease of 28.5%. In the quarter and year-to-date, one of the principal drivers of the sales decline was the decision to exit unprofitable product SKUs sold by the Cosco Home & Office division as it became strategically advantageous to no longer sell these items. Sales of ready-to-assemble furniture are also down from prior year, but increases in other furniture lines, mainly upholstered furniture and futons, offset some of these decreases.

Gross margins for the quarter in 2011 were 11.3%, a decline of 40 basis points from the 11.7% recorded in the prior year. For the first nine months of the year, gross margins were 12.0%, a decrease of 190 basis points from the 13.9% recorded in 2010. Similar to the Juvenile segment, cost increases on steel, textiles, as well as other inputs are affecting margins. This issue is compounded by the strength of the Canadian dollar which is increasing costs for two of the segment's plants that are based in Canada and ship the majority of their products to the United States.

LIQUIDITY AND CAPITAL RESOURCES

Statement of Financial Position

As at the 2010 year-end, the Company had experienced a significant increase in inventory levels as sales fell short of expectations in the fourth quarter of 2010 and inventories rose above normal levels to \$510.1 million as at December 30, 2010. As has been stated in the past, the Company estimates the appropriate level of inventory to support the business to be from \$450 million to \$470 million and had set this expectation for the second half of the year. As a result of management's focus on right sizing inventory levels, the balance as at September 30, 2011 was \$446.4 million. Certain of the Company's working capital ratios are:

	As at:			
	Sept. 30, 2011	June 30, 2011	Mar. 31, 2011	Dec. 30, 2010
Debt to equity	0.27	0.29	0.33	0.31
# of days in receivables ⁽¹⁾	60	67	73	56
# of days in inventory ⁽²⁾	89	101	100	105

(1) – calculated as ending accounts receivable divided by average daily sales

(2) – calculated as ending inventory divided by average daily cost of sales

As of September 30, 2011, Dorel was compliant with all of its borrowing covenant requirements. 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 nine months of the year, cash flow provided by operating activities was \$105.8 million compared to \$72.5 million recorded in 2010, an increase of \$33.3 million. This was despite lower year-over-year after-tax earnings of \$24.5 million and was due to improved working capital management. The principal items of this improved working capital management were:

	<u>Source (use) of cash</u>		
	2011	2010	Change
Inventories	\$ 63,014	\$ (129,256)	\$ 192,270
Trade and other payables	(30,950)	70,810	(101,760)
Trade and other receivables	(27,027)	(11,497)	(15,530)
Income taxes	(17,377)	(4,164)	(13,213)
Total	<u>\$ (12,340)</u>	<u>\$ (74,107)</u>	<u>\$ 61,767</u>

Cash used in investing activities was \$37.8 million in 2011 consistent with the \$37.2 million recorded in 2010. In 2011, dividends of \$14.7 million were paid, versus \$14.0 million in the prior year. In relation to its NCIB, the Company disbursed \$12.6 million to repurchase its shares in the first nine months of 2011. This compares to \$13.2 million in the prior year. In addition in 2011 the Company disbursed \$2.4 million in relation to one of the contingent considerations set-up up on one of its business acquisitions. As a result, the Company's net debt position, defined as long-term debt and bank indebtedness less cash on hand, decreased from year end levels by \$39.0 million.

Critical Accounting Estimates

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. The preparation of these financial statements requires estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. A complete list of all relevant accounting policies is listed in Note 3 to the March 31, 2011 unaudited condensed consolidated interim financial statements as filed with Canadian securities regulatory authorities on May 18, 2011.

The Company believes the following are the most critical accounting policies and related required estimates that affect Dorel's results as presented herein and that would have the most material effect on the financial statements should these accounting estimates change materially or should these policies change or be applied in a different manner:

Goodwill and certain other indefinite life intangible assets: Goodwill is tested for impairment annually (as at October 31) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit's (CGU) (or group of CGUs) to which the goodwill relates. The Company defines its CGUs based on the way it internally monitors and derives economic benefits from the acquired goodwill.

Indefinite life intangible assets are those for which there is no foreseeable limit to their useful economic life as they arise from contractual or other legal rights that can be renewed without significant cost and are the subject of continuous marketing support. Trademarks with indefinite useful lives are tested for impairment at the CGU level annually (as at October 31) and when circumstances indicate that the carrying value may be impaired.

If any indication of impairment exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount which requires the use of judgment. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Product liability: The Company insures itself to mitigate its product liability exposure. The estimated product liability exposure is calculated by an independent actuary based on historical sales volumes, past claims history and management and actuarial assumptions. The estimated exposure includes incidents that have occurred, as well as incidents anticipated to occur on units sold prior to the reporting date. Significant assumptions used in the actuarial model include management's estimates for pending claims, product life cycle, discount rates, and the frequency and severity of product incidents.

Pension plans and post retirement benefits: The costs of pension and other post-retirement benefits are calculated based on assumptions determined by management, with the assistance of independent actuarial firms and consultants. Management's assumptions consist mainly of best estimate of the discount rate, the expected long-term rate of return on plan assets, the rate of compensation increase, retirement rates, termination rates, mortality rates and expected growth rate of health care costs. Annually, the Company evaluates the significant assumptions to be used to value its pension and post-retirement plan assets and liabilities based on current market conditions and expectations of future costs.

Income taxes: The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income taxes relate to the expected future tax consequences of differences between the carrying amount of financial assets and liabilities for financial reporting purposes and their corresponding tax values using the enacted or substantively enacted income tax rate, which will be in effect for the year in which the differences are expected to reverse. A valuation allowance is recorded to reduce the carrying amount of deferred tax assets to the extent that, in the opinion of management, it is not probable that the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and tax planning strategies. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enacted or substantive enactment. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing on the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company's income tax provision is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities. The Company's estimates of income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the provision for income taxes and in valuing income tax assets and liabilities.

Allowances for sales returns and other customer programs: At the time revenue is recognized the Company records estimated reductions to revenue for customer programs and incentive offerings, including special pricing agreements, promotions, advertising allowances and other volume-based incentives. Provisions for customer incentives and provisions for sales and return allowances are made at the time of product shipment.

Product warranties: A provision for warranty cost is recorded in cost of sales when the revenue for the related product is recognized. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of warranty, the nature of product sold and in service, counter-warranty coverage available from the Company's suppliers and product recalls. The Company reviews periodically its recorded product warranty provisions and any adjustment is recorded in cost of sales.

Contingent consideration and put option liabilities: Contingent consideration and put option liabilities resulting from business combinations are valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration meets the definition of a derivative and thus financial liability, it is subsequently re-measured to fair value at each reporting date with the fluctuation going to general and administrative expenses. The determination of the fair value is based on discounted cash flows.

Included in the key assumptions, the probability of meeting the performance targets is taken into consideration. The increase in the provision due to the passage of time is recognized as finance expenses.

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 (IFRS). 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. The Company has early adopted IFRS and the first annual IFRS financial statements will be for the year ending December 30, 2011 and will include the comparative period of 2010. Starting with the first quarterly report of 2011, the Company has provided unaudited condensed consolidated interim financial information in accordance with IAS 34, including comparative figures for 2010.

In the Company's MD & A for the year ended December 30, 2010, it was stated that the Company had identified and calculated the impact of the differences between IFRS and Canadian GAAP on its opening balance sheet and that there was no expected material impact on the Company's 2010 financial reporting results based on the information collected to date. Detailed information was also provided in the report within the 2010 year-end MD & A. Upon finalization of the Company's 2010 financial statements as prepared under IFRS, it has been concluded that the required changes were not material. Please refer to Note 11 of the condensed consolidated interim financial statements for the periods ended September 30, 2011 and 2010 for a summary of the differences between the financial statements previously prepared under Canadian GAAP and to those prepared under IFRS.

Future Accounting Changes

IFRS 9 – Financial Instruments

This standard is issued but not yet effective at the date of issuance of the Company's condensed consolidated interim financial statements. The standard will be effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

As part of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standard:

- Deals with classification and measurement of financial assets;
- Establishes two primary measurement categories for financial assets: amortized cost and fair value;
- Prescribes that classification depends on entity's business model and the contractual cash flow characteristics of the financial asset;
- Eliminates the existing categories: held to maturity, available for sales, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

The Company is currently assessing what the impact of adopting this standard will be on its consolidated financial statements.

IAS 19 – Employee benefits

In June 2011, amendments to IAS 19, *Employee Benefits*, were issued. The revised standard requires immediate recognition of actuarial gains and losses in other comprehensive income, eliminating the previous options that were available, and enhances the guidance concerning the measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and introduction of enhanced disclosures for defined benefit plans. Retrospective application of this standard will be effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

OTHER INFORMATION

The designation, number and amount of each class and series of its shares outstanding as of November 2, 2011 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	\$1,792	27,847,677	\$173,761	\$175,553

Outstanding stock options and Deferred Share Units values are disclosed in Note 6 to the Company's condensed consolidated interim 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. 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 in the Company's annual MD&A and Annual Information Form filed with the applicable Canadian securities regulatory authorities. The risk factors outlined in the previously mentioned documents are specifically incorporated herein by reference.

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 it's business, financial condition or results of operations. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

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.