



Live Life Well With Dorel

Dorel Industries Inc. | First Quarterly Report
For the Three Months Ended March 31, 2008

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

For the quarter ended March 31, 2008
All figures in US dollars

Management's Discussion and Analysis of Financial Conditions and Results of Operations (« MD & A ») should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2008 and the audited consolidated financial statements and MD & A for the year ended December 30, 2007. This MD & A is based on reported earnings in accordance with Canadian generally accepted accounting principles (GAAP).

The Company's interim consolidated financial statements have been prepared using the same accounting policies as described in Note 2 of the Company's audited consolidated financial statements for the year ended December 30, 2007, except for the new accounting standards noted below. The Company regularly monitors new accounting standards and reports on those adopted subsequent to the end of the most recently completed financial year. Please refer to Note 1 of the interim consolidated financial statements for the three months ended March 31, 2008 for further information.

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

Note that there have been no significant changes with regards to the "Corporate Overview", "Operating Segments", "Contractual Obligations", "Off-Balance Sheet Arrangements", "Derivative Financial Instruments", "Critical Accounting Estimates" or, "Market Risks and Uncertainties" to those outlined in the Company's 2007 annual MD & A. As such, they are not repeated herein. The information in this MD & A is current as of April 30, 2008.

SIGNIFICANT EVENT IN THE FIRST QUARTER OF 2008

On February 4, 2008, the Company acquired all the outstanding shares of the Cannondale Bicycle Corporation, a leading designer, developer and manufacturer of high-end bicycles. Headquartered in Bethel, Connecticut, with significant operations in the United States and Holland, as well as locations in Switzerland, Japan and Australia, Cannondale is widely regarded as the bike industry's leading innovator. Cannondale's handcrafted bicycles have won numerous design awards and are sold in over 70 countries. This acquisition expands Dorel's Recreational / Leisure segment to include a significant presence in the Independent Bike Dealer (IBD) network. Additionally, forming part of Cannondale is the SUGOi Performance Apparel division located in Canada. Sugo products are used worldwide by runners, cyclists, tri-athletes and fitness enthusiasts. Cannondale sales in 2007 were approximately \$200 million. The total value of the all-cash transaction will be \$195 to \$205 million, subject to Cannondale's earnings results for the year ending June 30, 2008.

RESULTS OF OPERATIONS

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

Overview

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

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

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

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

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

Earnings from operations by Segment:

Recreational/Leisure increase	\$ 7,682
Juvenile increase	2,906
Home Furnishings increase	<u>1,608</u>
Total increase in earnings from operations	12,196
Lower interest costs	1,940
Increase in income taxes	(5,746)
Other	<u>(1,196)</u>
Total increase in after-tax earnings	<u>\$ 7,194</u>

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

Selected Financial Information

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

Operating Results for the Quarters Ended				
	Jun. 30, 2007	Sept. 30, 2007	Dec. 30, 2007	Mar. 31, 2008
Revenues	\$459,035	\$440,115	\$458,853	\$556,034
Net income	\$10,845	\$26,360	\$22,348	\$35,133
Earnings per share				
Basic	\$0.32	\$0.79	\$0.67	\$1.05
Diluted	\$0.32	\$0.79	\$0.67	\$1.05
Amount of restructuring costs included in the quarter based on diluted earnings per share	\$0.27	\$0.02	\$0.05	\$0.02

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

Segmented Results

Effective January 2008, the Company has re-classified certain figures from the Home Furnishings segment to the Juvenile segment. This change, based principally on product type and customers served, was made to more accurately reflect the way in which this division's results are reported internally. To allow for better year-over-year comparability, prior year comparative segmented revenues of \$17.1 million and earnings from operations of \$2.4 million have been reclassified.

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

Juvenile

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

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

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

Recreational / Leisure

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

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

Gross margins increased due mainly to the contribution of higher margins on Cannondale bicycles and SUGOi clothing. The selling costs required to support the Cannondale Sports Group's higher margins had the impact of increasing selling, general and administrative (S,G & A) costs as a percentage of revenue to 13.1% as compared to 10.6% in 2007. The improved earnings of 10.7% versus 8.2% in the prior year was not due solely to Cannondale, but rather came from both Pacific as well as the newly acquired division.

Home Furnishings

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

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

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

Other Expenses

Restructuring costs incurred in 2008 totaled \$0.9 million and consists principally of employee severance costs at Dorel Europe. This compares to \$2.1 million in 2007. The after tax impact of these costs in 2008 and 2007 respectively were \$0.6 million and \$1.4 million or \$0.02 and \$0.04 per diluted share. Interest on long term debt in the first three months of 2008 was \$4.7 million, compared to \$6.5 million in 2007. The Company's first quarter interest rate was approximately 4.7% compared to 6.4% in 2007, accounting for the 2008 decrease in interest expense. The reduced expense was achieved despite the additional borrowings incurred to acquire Cannondale in February of 2008.

The Company's tax rate is governed by current domestic tax laws in which the Company operates and by the application of income tax treaties between various countries. The 2008 tax rate was 17.3% versus 5.4% in the prior year. The results for 2007 include a \$2.7 million non-cash recovery for the revaluation of a future income tax liability. This was following a reduction in future tax rates expected to apply in one of the Company's tax jurisdictions. Excluding this recovery, the tax rate for 2007 would have been 14.4%. The increase in 2008 from 14.4% to 17.3% was due to higher earnings in higher tax rate jurisdictions. For the year, the Company expects its annual tax rate to be between 15% and 20%.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

On February 4, 2008, the Company acquired all the outstanding shares of the Cannondale Bicycle Corporation, a leading designer, developer and manufacturer of high-end bicycles. The aggregate purchase price of \$195.7 million on closing is subject to a maximum adjustment of \$15 million based on Cannondale's earnings results for the year ending June 30, 2008, which has not yet been finalized. When the contingency is resolved, if earnings results are met, the adjustment would be recorded as an additional element of purchase price and would increase goodwill. The preliminary amount of goodwill recorded in the Company's Recreational/Leisure segment is \$77.1 million. A balance of sale of \$3.9 million remains to be paid and is included within accounts payable and accrued liabilities on the consolidated balance sheet.

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

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

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

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

Balance Sheet

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

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

	As at:	
	Mar. 31, 2008	Dec. 30, 2007
Quick ratio	1.05	0.74
Current ratio	2.11	1.63
# of days in receivables	67.0	57.9
# of days in inventory	88.6	85.0

Excluding Cannondale impact	As at:	
	Mar. 31, 2008	Dec. 30, 2007
# of days in receivables	61.8	57.9
# of days in inventory	81.2	85.0

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

As of March 31, 2008, Dorel was compliant with all of its borrowing covenant requirements and expects to be so going forward. The Company continuously reviews its cash management and financing strategy to optimize the use of funds and minimize its cost of borrowing.

New Accounting Standards

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

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

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861 “Financial Instruments – Disclosure and Presentation”. Section 3862 requires entities to provide disclosures that enable users to evaluate: (1) the significance of financial instruments for the Company’s financial position and performance and (2) the nature and extent of risk arising from financial instruments to which the Company is exposed and how it manages those risks. Section 3863 carries forward the presentation requirement of the old Section 3861 which remains unchanged. Certain information related to the comparative years is not required by these standards and accordingly has not been presented.

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

OTHER INFORMATION

On April 1, 2008 the Company announced that it was voluntarily filing a Form 15F with the U.S. Securities and Exchange Commission (SEC) to terminate the registration of its Class B Subordinate Voting Shares under the Securities Exchange Act of 1934, as amended. Dorel expects that this termination of registration will become effective 90 days after its filing with the SEC. As a result of this filing, Dorel’s obligation to file certain reports with the SEC, including an annual report on Form 20-F and reports on Form 6-K, has been suspended. As a Toronto Stock Exchange (TSX) listed reporting issuer, Dorel will continue to meet its Canadian continuous disclosure obligations by filing with the Canadian securities commissions. This deregistration will not affect the listing and trading of the Class B Shares on the TSX.

The designation, number and amount of each class and series of its shares outstanding as of April 24, 2008 are as follows:

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

Details of the issued and outstanding shares are as follows:

Class A		Class B		Total
Number	\$(‘000)	Number	\$(‘000)	\$(‘000)
4,427,744	\$1,913	28,969,448	\$175,358	\$177,271

Outstanding stock options and Deferred Share Units values are disclosed in Note 5 to the financial statements. There were no significant changes to these values in the period between the quarter end and the date of the preparation of this MD & A.

OUTLOOK

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

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

Forward Looking Information

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

Readers are cautioned, however, not to place undue reliance on forward looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward looking statements will not occur. This may cause the Company’s actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward looking statements.

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

CONSOLIDATED BALANCE SHEETS

ALL FIGURES IN THOUSANDS OF US \$

	As at March 31, 2008	As at December 30, 2007
	(unaudited)	(audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 10)	\$ 29,578	\$ 22,513
Accounts receivable (Note 4)	415,885	286,924
Income taxes receivable	7,860	6,519
Inventories	379,067	322,332
Prepaid expenses	17,586	10,538
Future income taxes	44,789	35,228
	<u>894,765</u>	<u>684,054</u>
PROPERTY, PLANT AND EQUIPMENT	149,151	140,362
INTANGIBLE ASSETS	284,937	276,383
GOODWILL (Note 11)	618,157	525,235
OTHER ASSETS	37,750	31,870
	<u>\$ 1,984,760</u>	<u>\$ 1,657,904</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 4)	\$ 5,090	\$ 5,836
Accounts payable and accrued liabilities (Note 4)	380,540	325,938
Income taxes payable	30,855	25,532
Future Income taxes	257	136
Current portion of long-term debt (Note 4)	7,846	62,906
	<u>424,588</u>	<u>420,348</u>
LONG-TERM DEBT (Note 4)	444,555	192,385
PENSION & POST-RETIREMENT BENEFIT OBLIGATIONS	21,115	20,942
FUTURE INCOME TAXES	84,513	79,635
OTHER LONG-TERM LIABILITIES (Note 4)	9,748	6,848
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 5)	177,271	177,271
CONTRIBUTED SURPLUS (Note 6)	13,104	11,623
RETAINED EARNINGS	672,932	641,981
ACCUMULATED OTHER COMPREHENSIVE INCOME	136,934	106,871
	<u>809,866</u>	<u>748,852</u>
	<u>1,000,241</u>	<u>937,746</u>
	<u>\$ 1,984,760</u>	<u>\$ 1,657,904</u>

(See accompanying notes)

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

	Three Months Ended	
	March 31, 2008 (unaudited)	March 31, 2007 (unaudited)
Sales	\$ 551,033	\$ 450,159
Licensing and commission income	5,001	5,510
TOTAL REVENUE	556,034	455,669
EXPENSES		
Cost of sales (Note 3)	413,913	344,502
Selling, general and administrative expenses	80,429	60,819
Depreciation and amortization (Note 9)	11,086	9,544
Research and development costs	2,713	2,608
Restructuring costs (Note 3)	823	2,126
Interest on long-term debt	4,705	6,548
Other interest	(97)	—
	513,572	426,147
Income before income taxes	42,462	29,522
Income taxes	7,329	1,583
NET INCOME	\$ 35,133	\$ 27,939
EARNINGS PER SHARE		
Basic	\$ 1.05	\$ 0.85
Diluted	\$ 1.05	\$ 0.85
SHARES OUTSTANDING (Note 7)		
Basic – weighted average	33,397,192	32,951,162
Diluted – weighted average	33,397,803	32,990,690

(See accompanying notes)

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

	Three Months Ended	
	March 31, 2008	March 31, 2007
	(unaudited)	(unaudited)
NET INCOME	\$ 35,133	\$ 27,939
OTHER COMPREHENSIVE INCOME:		
Net change in unrealized foreign currency gains on translation of net investments in self-sustaining foreign operations, net of tax of nil	30,063	3,475
COMPREHENSIVE INCOME	\$ 65,196	\$ 31,414

(See accompanying notes)

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

	Three Months Ended	
	March 31, 2008	March 31, 2007
	(unaudited)	(unaudited)
CAPITAL STOCK (Note 5)		
Balance, beginning of period	\$ 177,271	\$ 162,555
Issued under stock option plan	—	14,716
Balance, end of period	177,271	177,271
CONTRIBUTED SURPLUS		
Balance, beginning of period	11,623	6,061
Stock-based compensation (Note 6)	1,481	824
Balance, end of period	13,104	6,885
RETAINED EARNINGS		
Balance, beginning of period	641,981	567,020
Net income	35,133	27,939
Dividends on common shares	(4,179)	(4,177)
Dividends on deferred share units	(3)	—
Balance, end of period	672,932	590,782
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of period	106,871	63,886
Other comprehensive income	30,063	3,475
Balance, end of period	136,934	67,361
TOTAL SHAREHOLDERS' EQUITY	\$ 1,000,241	\$ 842,299

(See accompanying notes)

CONSOLIDATED STATEMENTS OF CASH FLOWS

ALL FIGURES IN THOUSANDS OF US \$

	Three Months Ended	
	March 31, 2008	March 31, 2007
	(unaudited)	(unaudited)
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income	\$ 35,133	\$ 27,939
Items not involving cash:		
Depreciation and amortization	11,086	9,544
Amortization of deferred financing costs	59	42
Future income taxes	(3,671)	(3,198)
Stock based compensation (Note 6)	1,481	824
Pension and post-retirement defined benefit plans	31	750
Restructuring activities (Note 3)	(684)	2,114
Loss (gain) on disposal of property, plant and equipment	20	(9)
	<u>43,455</u>	<u>38,006</u>
Net change in non-cash balances related to operations (Note 10)	<u>(33,077)</u>	<u>(46,241)</u>
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>10,378</u>	<u>(8,235)</u>
FINANCING ACTIVITIES		
Bank indebtedness	(1,010)	1,297
Increase of long-term debt	252,175	–
Repayments of long-term debt	(55,156)	(6,584)
Dividends on common shares	(4,179)	–
Issuance of capital stock	–	14,698
CASH PROVIDED BY FINANCING ACTIVITIES	<u>191,830</u>	<u>9,411</u>
INVESTING ACTIVITIES		
Acquisition of subsidiary companies (Notes 2 & 10)	(186,812)	(2,170)
Additions to property, plant and equipment – net	(5,281)	(4,167)
Deferred development costs	(4,401)	(2,317)
Intangible assets	(233)	(118)
CASH USED IN INVESTING ACTIVITIES	<u>(196,727)</u>	<u>(8,772)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,584</u>	<u>181</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>7,065</u>	<u>(7,415)</u>
Cash and cash equivalents, beginning of period	<u>22,513</u>	<u>25,925</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 29,578</u>	<u>\$ 18,510</u>

(See accompanying notes)

Notes to the Consolidated Financial Statements

For the Three Months Ended March 31, 2008 and 2007

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 except for change in accounting policies noted below. 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, 2007.

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.

Reclassifications

Effective January 2008, the company has re-classified certain figures to the Juvenile segment from the Home Furnishing segment. This change, based principally on product type and customers served, was made to more accurately reflect the way in which this division's results are reported internally. To allow for better year-over-year comparability, prior year comparatives segmented revenues of \$17,114 and earnings from operations of \$2,434 have been reclassified. Segmented figures are presented in note 11 to these interim financial statements.

New Accounting standards

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

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

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861 "Financial Instruments – Disclosure and Presentation". Section 3862 requires entities to provide disclosures that enable users to evaluate: (1) the significance of financial instruments for the Company's financial position and performance and (2) the nature and extent of risk arising from financial instruments to which the Company is exposed and how it manages those risks. Section 3863 carries forward the presentation requirement of the old Section 3861 which remains unchanged. Certain information related to the comparative years is not required by these standards and accordingly has not been presented.

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

1. Accounting policies (Continued)

Future Accounting Changes

The CICA issued Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Other Intangible Assets". The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company has not yet determined what the impact of adopting this standard will have on its consolidated financial statements.

2. Business acquisition

On February 4, 2008, the Company acquired all the outstanding shares of Cannondale Bicycle Corporation ("Cannondale"), a leading designer, developer and manufacturer of high-end bicycles. With significant operations in the United States and Holland, as well as locations in Switzerland, Japan and Australia, Cannondale is widely regarded as the bike industry's leading innovator. The purchase also includes Sugo Performance Apparel, located in Canada.

The aggregate purchase price of \$ 195,742 on closing is subject to a maximum adjustment of \$15,000 based on Cannondale's earnings results for the year ending June 30, 2008, which has not yet been finalized. When the contingency is resolved, if earnings results are met, the adjustment would be recorded as an additional element of purchase price and would increase goodwill. A balance of sale of \$3,887 remains to be paid and is presented with the accounts payables and accrued liabilities on the consolidated balance sheet.

The acquisition has been recorded under the purchase method of accounting with the results of operations of the acquired business being included in the accompanying consolidated financial statements since the date of acquisition. The breakdown of the purchase price presented is preliminary. The goodwill is not deductible for tax purposes. The total goodwill amount is included in the Company's Recreational/Leisure segment as reported in Note 11.

The Company has allocated the purchase price on a preliminary basis to the assets acquired and the liabilities assumed based on management's best estimate of their fair values and taking into account all relevant information available at that time. The preliminary purchase price allocation is still subject to change pending assistance from independent valuation specialists in determining the fair value of the assets and liabilities acquired. The significant elements for which the fair values could be modified include, property, plant and equipment, intangible assets, goodwill, deferred income taxes and other liabilities. The Company expects to finalize the purchase price by the end of fiscal 2008.

2. Business acquisition (Continued)

The preliminary assets acquired and the liabilities assumed consist of the following:

Assets	
Total Current assets	\$ 136,929
Total Long-term assets (including goodwill of \$ 77,084)	90,198
	<hr/> 227,127
Liabilities	
Total Current liabilities	27,756
Total Long-term liabilities	3,629
	<hr/> 31,385
Net assets acquired	<hr/> <hr/> \$ 195,742

Consideration:	
Cash	\$ 188,034
Balance of sale payable	3,887
	<hr/> 191,921
Transaction costs	3,821
	<hr/> \$ 195,742

3. Restructuring activities

In 2008, the Company recorded total expenses of \$872 (2007 – \$2,126) with respect to restructuring activities, of which \$49 (2007 – nil) were recorded as cost of sales and \$823 (2007 – \$2,126) were recorded as restructuring costs.

Juvenile Segment

In the fourth quarter of 2006, Dorel Europe initiated restructuring activities affecting the Juvenile Segment. Significant operational changes related to the production facilities in Telgate, Italy and Cholet, France are being implemented. The plan's objective is to reduce operational costs through strategic sourcing and manufacturing. These restructuring initiatives are expected to be completed by the end of 2008 and result in cumulative restructuring charges of approximately \$14,500. To date, the Company has recorded a cumulative charge of \$13,018 under the plan, including \$3,335 of non-cash charges related to the write-down of long-lived assets and inventory markdowns, \$10,566 of employee severance and termination benefits and \$122 of other associated costs, net of curtailment gains on defined benefit pension plans of \$222, curtailment gains on compensation liabilities of \$318 and gains on sale of machinery and equipment of \$465. Of this \$13,018 cumulative charge, \$775 was recorded in the current fiscal year, \$8,243 in 2007 and \$4,000 in 2006. Additional costs expected to be incurred under this plan are approximately \$850 of severance and \$630 of other associated costs.

3. Restructuring activities (Continued)

The costs recognized for these restructuring activities consist of the following:

	Three Months Ended March 31,	
	2008	2007
Employee severance and termination benefits	\$ 808	\$ 2,126
Gains on sale of machinery & equipment	(33)	–
Total	\$ 775	\$ 2,126

As at March 31, 2008, the related restructuring plan provision totaling \$7,461 consists of employee termination benefits. Of this amount, \$7,303 is included in accrued liabilities and \$158 is included in other long-term liabilities. A summary of the Company's restructuring plan provision is as follows:

	Balance December 30, 2007	2008 Provision	Cash paid	Effect of foreign exchange	Balance March 31, 2008
Employee severance and termination benefits	\$ 7,574	\$ 808	\$ (1,442)	\$ 521	\$ 7,461

Home Furnishings Segment

On May 17, 2007, the Company announced a plan for restructuring at Ameriwood Industries. The Company determined that its current ready-to-assemble (RTA) furniture manufacturing footprint exceeds anticipated market needs. As such, the majority of manufacturing operations at the Dowagiac, Michigan RTA facility were suspended in July of 2007. The restructuring is part of an overall plan to improve the earnings of the Home Furnishings Segment.

The total pre-tax cost of the restructuring plan is expected to be approximately \$11,513 including \$9,604 non-cash charges related to the write-down of long-lived assets and inventory markdowns, \$655 of employee severance and termination benefits, \$560 of contract termination costs and \$694 of other associated costs. Of this \$11,513 cumulative charge, \$97 was recorded in the current fiscal year and \$10,941 was recorded in 2007. The plan is expected to be completed by the third quarter of 2008.

3. Restructuring activities (Continued)

The costs recognized for these restructuring activities consist of the following:

	Three Months Ended March 31,	
	2008	2007
Employee severance and termination benefits	\$ 43	\$ –
Contract termination costs	5	–
Recorded as Restructuring costs	\$ 48	\$ –
Move of inventory, equipment and other expenses (in Cost of sales)	49	–
Total	\$ 97	\$ –

A summary of the Company's restructuring plan provision included in accrued liabilities is as follows:

	Balance December 30, 2007	2008 Provision	Cash paid	Balance March 31, 2008
Employee severance and termination benefits	\$ 250	\$ 43	\$ (82)	\$ 211
Contract termination costs	394	5	(32)	367
Other associated costs	15	–	–	15
Total	\$ 659	\$ 48	\$ (114)	\$ 593

4. Financial Instruments

Financial instruments – carrying values and fair values

The fair value of financial assets and liabilities, together with the carrying amounts included in the consolidated balance sheet, are as follows:

	March 31, 2008		December 30, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial assets</u>				
Held for trading financial assets:				
Cash and cash equivalents	\$ 29,578	\$ 29,578	\$ 22,513	\$ 22,513
Foreign exchange contracts	\$ 1,149	\$ 1,149	\$ 734	\$ 734
Loans and receivables:				
Accounts receivable – trade	\$ 403,166	\$ 403,166	\$ 270,057	\$ 270,057
Accounts receivable - other	\$ 11,570	\$ 11,570	\$ 16,133	\$ 16,133
<u>Financial liabilities</u>				
Held for trading financial liabilities:				
Foreign exchange contracts	\$ 6,744	\$ 6,744	\$ 3,021	\$ 3,021
Other liabilities:				
Bank indebtedness	\$ 5,090	\$ 5,090	\$ 5,836	\$ 5,836
Accounts payable and accrued liabilities	\$ 369,909	\$ 369,909	\$ 322,917	\$ 322,917
Long-term debt – bearing interest at variable rates:				
Revolving Bank Loans	\$ 344,212	\$ 344,212	\$ 92,000	\$ 92,000
Long-term debt – bearing interest at fixed rates				
	\$ 108,189	\$ 109,260	\$ 163,291	\$ 162,054
Other long-term liabilities	\$ 9,556	\$ 9,556	\$ 6,656	\$ 6,656
Balance of sale payable	\$ 4,079	\$ 4,079	\$ 192	\$ 192

The Company has determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying amounts as at the balance sheet dates because of the short-term nature of those financial instruments. For long-term debt bearing interest at variable rates, the fair value is considered to approximate the carrying amount. For long-term debt bearing interest at fixed rates, the fair value is estimated based on discounting expected future cash flows at the discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturity. As at March 31, 2008 and December 30, 2007, the fair value of the other long-term liabilities are comparable to their carrying value since the majority of the amount is recorded based on discounted future cash outflows. The fair value of the foreign exchange contracts was determined using quoted market values.

4. Financial Instruments (Continued)

Foreign exchange gains (losses)

	Three Months Ended March 31,	
	2008	2007
Gains (losses) relating to financial assets and liabilities, excluding foreign exchange contracts	\$ 2,548	\$ 727
Gains (losses) relating to foreign exchange contracts, including amounts realized on contract maturity and changes in fair value of open positions	(2,311)	715
Foreign exchange gains (losses) relating to financial instruments	237	1,442
Other foreign exchange gains (losses)	114	–
Foreign exchange gains (losses)	\$ 351	\$ 1,442

Management of risks arising from financial instruments

In the normal course of business, the Company is subject to various market risks relating primarily to foreign currency exchange risk and interest rate risk. The Company manages these risk exposures on an ongoing basis. In order to limit the effects of changes in foreign exchange rates on its revenues, expenses and its cash flows, the Company can avail itself of various derivative financial instruments. The Company's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing or anticipated risks, commitments or obligations based on its past experience. The following analysis provides a measurement of risks as at March 31, 2008:

Foreign Currency Exchange Risk

In order to mitigate the foreign currency exchange risks, the Company uses from time to time various derivative financial instruments such as options, futures and forward contracts to hedge against adverse fluctuations in currency. The Company's main source of foreign currency exchange rate risk resides in sales and purchases of goods denominated in currencies other than the functional currency of each of Dorel's entities. For the Company's transactions denominated in currencies other than the functional currency of each of Dorel's entities, fluctuations in the respective exchange rates relative to the functional currency of each of Dorel's entities will create volatility in the Company's cash flows and in the reported amounts in its consolidated statement of income. The Company's financial debt mainly consists of notes issued exclusively in U.S. dollars, for which no foreign currency hedging is required. Short-term lines of credit and overdrafts commonly used by Dorel's entities are in the currency of the borrowing entity and therefore carry no exchange-rate risk. Inter-company loans/borrowings are economically hedged as appropriate, whenever they present a net exposure to exchange-rate risk. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of each of Dorel's entities at the rates of exchange at each balance sheet date, the impact of which is reported as a foreign exchange gain and loss in the statement of income.

Derivative financial instruments are used as a method for meeting the risk reduction objectives of the Company by generating offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted transactions. The terms of the currency derivatives ranges from three to twelve months. Dorel does not hold or use derivative financial instruments for trading or speculative purposes.

The following tables provide an indication of the Company's significant foreign currency exposures during the three-month period ended March 31, 2008, including the period end balances of financial and monetary assets and liabilities denominated in currencies other than the functional currency of each of Dorel's entities, as well as the amount of revenue and operating expenses during the interim period that were denominated in foreign currencies other than the functional currency of each of Dorel's entities. The tables below do not consider the effect of foreign exchange contracts.

4. Financial Instruments (Continued)

March 31, 2008				
	US	CAD	Euro	GBP
Cash and cash equivalents	\$ 1,193	\$ 215	\$ 522	\$ 723
Accounts receivable	589	15,741	3,547	3,419
Accounts payable and accrued liabilities	(9,899)	(19,326)	(8,964)	(78)
Future income taxes and income taxes payable, net	—	(2,334)	—	—
Balance sheet exposure excluding financial derivatives	<u>\$ (8,117)</u>	<u>\$ (5,704)</u>	<u>\$ (4,895)</u>	<u>\$ 4,064</u>

Three Months Ended March 31, 2008				
	US	CAD	Euro	GBP
Revenue	\$ 98	\$ 22,134	\$ 3,588	\$ 2,172
Expenses	39,494	28,220	3,847	14
Net exposure	<u>\$ (39,396)</u>	<u>\$ (6,086)</u>	<u>\$ (259)</u>	<u>\$ 2,158</u>

4. Financial Instruments (Continued)

The following table summarizes the Company's derivative financial instruments relating to commitments to buy and sell foreign currencies through options, future and forward foreign exchange contracts as at March 31, 2008 and December 30, 2007:

Foreign exchange contracts Currencies (sold/bought)	March 31, 2008			December 30, 2007		
	Average rate (1)	Notional amount (2)	Fair value	Average rate (1)	Notional amount (2)	Fair value
Forwards						
EUR/\$	0.6867	\$ 32,991	\$(2,517)	0.7074	\$ 32,450	\$(1,337)
GBP/\$	0.5036	\$ 2,750	\$ 11	0.4937	\$ 2,900	\$ 34
GBP/EUR	0.7324	\$ 5,298	\$ 427	0.6942	\$ 7,146	\$ 392
NZD/AUD	–	–	\$ –	0.8423	\$ 148	\$ (7)
Options						
EUR/\$	0.6897	\$ 55,850	\$(4,211)	0.7077	\$ 41,400	\$(1,672)
GBP/\$	0.4932	\$ 5,350	\$ 52	0.4893	\$ 4,750	\$ 31
GBP/EUR	0.6987	\$ 10,280	\$ 643	0.6896	\$ 9,283	\$ 272
Total			<u>\$(5,595)</u>			<u>\$(2,287)</u>

(1) Rates are expressed as the number of units of the currency sold for one unit of currency bought.

(2) Exchange rates as at March 31, 2008 and December 30, 2007 were used to translate amounts in foreign currencies.

The following outlines the main exchange rates applied during the reporting period for the three-months ended March 31, 2008:

	Quarter average rate Q1 2008	Reporting date rate Q1 2008
CAD TO USD	0.9954	0.9789
EURO TO USD	1.4989	1.5815
GBP TO USD	1.9780	1.9875

Based on the Company's foreign currency exposures noted above and the foreign exchange contracts in effect during the three-month period ended March 31, 2008, varying the above foreign exchange rates to reflect a 5 percent weakening of the currencies, other than the functional currency of each of Dorel's entities, would have increased (decreased) pre-tax income during the period as follows, assuming that all other variables remained constant:

4. Financial Instruments (Continued)

Source of pre-tax income variability from changes in foreign exchange rates	US	CAD	Euro	GBP
Financial instruments, including foreign exchange contracts	\$ (5,236)	\$ –	\$ (508)	\$ –
Revenues and expenses	<u>2,376</u>	<u>\$ 561</u>	<u>\$ 245</u>	<u>\$ (296)</u>
(Decrease) increase in pre-tax income	<u>\$ (2,860)</u>	<u>\$ 561</u>	<u>\$ (263)</u>	<u>\$ (296)</u>

An assumed 5 percent strengthening of the currencies, other than the functional currency of each of Dorel's entities, during the three-months ended March 31, 2008, would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all the other variables remain constant.

Interest Rate Risk

The Company is exposed to interest rate fluctuations, related primarily to its revolving long-term bank loans, for which amounts drawn are subject to LIBOR or U.S. bank rates in effect at the time of borrowing, plus a margin. The Company manages its interest rate exposure and could potentially enter into swap agreements consisting in exchanging variable rates for fixed rates for an extended period of time, but it has not done so. All other long-term debts have fixed interest rates and are therefore not exposed to cash flow interest rate risk.

Based on the value of interest-bearing revolving long-term bank loans as at March 31, 2008, if interest rates for the three-months ended March 31, 2008 related to the revolving long-term bank loans had been 50 basis points higher, assuming that all other variables had remained the same, pre-tax income would decreased by \$1,721. If interest rates had been 50 basis points lower, pre-tax income would increased by \$1,721.

Credit Risk

Credit risk stems primarily from the potential inability of clients or counterparties to discharge their obligations and arises primarily from the Company's trade accounts receivable. The Company may also have credit risk relating to cash and cash equivalents and foreign exchange contracts resulting from defaults by counterparties. The Company enters into financial instruments with a diversity of creditworthy parties. When entering into foreign exchange contracts, the counterparties are large Canadian and International banks. Therefore, the Company does not expect to incur material credit losses due to its risk management on other financial instruments.

The maximum credit risk to which the Company is exposed as at March 31, 2008, represents the fair value of cash equivalents, accounts receivable and foreign exchange contracts. The risk to which the company is exposed with respect to foreign exchange contracts is limited to the replacement cost of contracts at market prices in the event of a counterparty default.

Substantially all trade accounts receivable arise from the sale to the retail industry. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. In addition, a portion of the total accounts receivable is insured against possible losses. As at March 31, 2008, one customer accounted for 19.9% of the Company's total accounts receivable balance.

4. Financial Instruments (Continued)

The Company establishes an allowance for doubtful accounts on a customer-by-customer basis. It is based on the evaluation of the collectability of accounts receivable at each balance sheet reporting date, taking into account amounts which are past due, specific credit risk, historical trends and any available information indicating that a customer could be experiencing liquidity or going concern problems. Bad debt expense is included within the selling, general and administrative expenses.

The Company's exposure to credit risk for trade accounts receivable by geographic area and type of customer as at March 31, 2008 was as follows:

	March 31, 2008
Canada	\$ 34,397
United States	200,954
Europe	143,618
Other foreign countries	24,197
	<u>\$ 403,166</u>

The allocation of accounts receivable to each geographic area is based on the location of selling entity.

	March 31, 2008
Mass-market retailers	\$ 216,800
Specialty/independent stores	186,366
	<u>\$ 403,166</u>

Pursuant to their respective terms, trade accounts receivable are aged as follows as at March 31, 2008:

	March 31, 2008
Not past due	\$ 320,741
Past due 0-30 days	67,600
Past due 31-60 days	9,571
Past due 61-90 days	5,639
Past due over 90 days	10,896
Trade accounts receivable	414,447
Less allowance for doubtful accounts	(11,281)
	<u>\$ 403,166</u>

4. Financial Instruments (Continued)

Based on past experience, the Company believes that no allowance is necessary in respect of trade receivables not past due; 77% of the balance, which includes the amounts owed by the Company's most significant customers, relates to customers that have a good track record with the Company.

The movement in the allowance for doubtful accounts with respect to trade accounts receivable was as follows:

	Three Months Ended March 31, 2008
Balance at beginning of period	\$ 6,914
Bad debt expense	656
Uncollectible accounts written-off, net of recovery	(61)
Increase due to acquisition (Note 2)	3,506
Effect of foreign currency exchange rate changes	266
Balance at end of period	<u>\$ 11,281</u>

Liquidity Risk

Liquidity risk is the risk of being unable to honor financial commitments by the deadlines set out under the terms of such commitments. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in "Capital Risk Management". It also manages liquidity risk by continuously monitoring actual and projected cash flows, matching the maturity profile of financial assets and liabilities. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including acquisitions or other major investments or divestitures.

The Company has committed revolving bank loans for a maximum of \$ 475,000 due to mature in July 2010 which provides for an annual one-year extension. This agreement also includes an accordion feature allowing the Company to have access to an additional amount of \$ 50,000 on a revolving basis. The revolving bank loans bear interest at LIBOR or U.S. bank rates plus a margin and the effective interest rate for the three months ended March 31, 2008, was 3.8%. Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support the Company's financial liabilities.

4. Financial Instruments (Continued)

The following table summarizes of the contractual maturities of financial liabilities of the Company as of March 31, 2008, excluding future interest payments but including accrued interest:

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Bank indebtedness	\$ 5,090	\$ 5,090	–	–	–
Long-term debt – revolving bank loans	344,212	–	\$ 344,212	–	–
Other long-term debt	108,189	7,846	73,849	26,494	–
Accounts payable and accrued liabilities	369,909	369,909	–	–	–
Foreign exchange contracts - net	5,595	5,595	–	–	–
Balance of sales payable	4,079	3,887	192	–	–
Other long term liabilities	9,556	–	158	9,398	–
Total	\$ 846,630	\$ 392,327	\$ 418,411	35,892	–

The Company's only derivative financial liabilities as at March 31, 2008 were foreign exchange contracts, for which notional amounts, maturities, average exchange rates and the carrying and fair values are listed under "Foreign Exchange Risk".

Capital Risk Management

The Company's objectives in managing capital is to ensure sufficient liquidity to support its operations and to provide return to shareholder, give the flexibility to take advantage of growth and development opportunities of the business and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk. The Company's capital is composed of net debt and shareholders' equity. Net debt consists of interest-bearing debt less cash and cash equivalents.

The Company manages its capital structure in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may elect to adjust the amount of dividends paid to shareholders, return capital to its shareholders, issue new shares or increase/decrease net debt.

The Company monitors its capital structure using the ratio of indebtedness to adjusted earnings before interest, taxes, depreciation and amortization, restructuring costs and extraordinary or unusual items ("adjusted EBITDA"), which it aims to maintain at less than 3.0:1. The terms of the unsecured notes and the revolving credit facility permit the Company to exceed this limit under certain circumstances. This ratio is calculated as follows: indebtedness/adjusted EBITDA. Indebtedness is equal to the aggregate of bank indebtedness, long-term debt (including obligations under capital leases) and guarantees (including all letters of credit and standby letters of credit). Adjusted EBITDA is based on the last four quarters ending on the same date as the balance sheet date used to compute the indebtedness. The indebtedness to adjusted EBITDA as at March 31, 2008 and March 31, 2007 was as follows:

4. Financial Instruments (Continued)

	March 31,	
	2008	2007
Bank indebtedness	\$ 5,090	\$ 5,415
Current portion of long-term debt	7,846	62,722
Long-term debt	444,555	320,870
Guarantees	24,365	16,828
Balance of sale payable	4,079	594
Indebtedness	<u>\$ 485,935</u>	<u>\$ 406,429</u>

	For the trailing four quarters ended March 31,	
	2008	2007
Net income	\$ 94,668	\$ 92,621
Interest, net	27,128	28,531
Income taxes expense	24,882	7,640
Depreciation and amortization	46,603	37,586
Charge in the three-month period ended December 30, 2006 - related to anti-dumping duties	-	4,472
Restructuring costs	17,931	6,401
Adjusted EBITDA	<u>\$ 211,212</u>	<u>\$ 177,251</u>
Indebtedness to adjusted EBITDA ratio	<u>2.30:1</u>	<u>2.29:1</u>

The Company used its revolving bank loans to finance the acquisition of Cannondale on February 4, 2008. The financing of the acquisition resulted in debt leverage which was still below the Company's objective of a maximum indebtedness to adjusted EBITDA ratio of 3.0:1.

There were no changes in the Company's approach to capital management during the period. Under the unsecured notes and revolving credit facility, the Company is subject to certain covenants, including maintaining certain financial ratios. During the three-month period ended March 31, 2008, the Company is in compliance with these covenants.

5. Capital stock

Issued and outstanding

Details of the issued and outstanding shares are as follows:

	Three Months Ended March 31, 2008		Year Ended December 30, 2007	
	Number	Amount	Number	Amount
Class "A" Multiple Voting Shares				
Balance, beginning of period	4,427,744	\$ 1,913	4,440,544	\$ 1,921
Converted from Class "A" to Class "B" (1)	<u>—</u>	<u>—</u>	<u>(12,800)</u>	<u>(8)</u>
Balance, end of period	<u>4,427,744</u>	<u>\$ 1,913</u>	<u>4,427,744</u>	<u>\$ 1,913</u>
Class "B" Subordinate Voting Shares				
Balance, beginning of period	28,969,448	\$ 175,358	28,420,898	\$ 160,634
Converted from Class "A" to Class "B" (1)	<u>—</u>	<u>—</u>	<u>12,800</u>	<u>8</u>
Issued under stock option plan (2)	<u>—</u>	<u>—</u>	<u>535,750</u>	<u>14,716</u>
Balance, end of period	<u>28,969,448</u>	<u>\$ 175,358</u>	<u>28,969,448</u>	<u>\$ 175,358</u>
TOTAL CAPITAL STOCK		<u>\$ 177,271</u>		<u>\$ 177,271</u>

(1) In 2007, the Company converted 12,800 Class "A" Multiple Voting Shares into Class "B" Subordinate Voting Shares at an average rate of \$0.61 per share.

(2) In 2007, the Company realized tax benefits amounting to \$18 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.

6. Stock-based compensation

Stock options

Under various plans, the Company may grant stock options on the Class "B" Subordinate Voting Shares at the discretion of the Board of Directors, to senior executives and certain key employees. The exercise price is the market price of the securities at the date the options 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 2013.

The Company's stock option plan is as follows:

	Three Months Ended March 31, 2008		Year Ended December 30, 2007	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	2,308,750	\$ 31.92	1,364,000	\$ 30.73
Granted	30,000	31.05	1,517,000	31.12
Exercised	–	–	(535,750)	27.43
Cancelled	–	–	(36,500)	30.27
Options outstanding, end of period	<u>2,338,750</u>	<u>\$ 31.89</u>	<u>2,308,750</u>	<u>\$ 31.92</u>
Total exercisable, end of period	<u>1,119,375</u>	<u>\$ 32.71</u>	<u>619,625</u>	<u>\$ 33.50</u>

A summary of options outstanding as of March 31, 2008 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
\$29.27 - \$32.62	1,648,500	\$ 30.92	3.90	502,875	\$ 30.88
\$33.45 - \$37.69	690,250	34.20	1.25	616,500	34.21
	<u>2,338,750</u>	<u>\$ 31.89</u>	<u>3.12</u>	<u>1,119,375</u>	<u>\$ 32.71</u>

Total compensation cost recognized in income for employee stock options for the three months ended March 31, 2008 amounts to \$1,393 (2007 – \$739), and was credited to contributed surplus.

6. Stock-based compensation (continued)

Deferred Share Units

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, 2008 and 2007, 2,819 and 2,683 DSU's were issued respectively for fees forfeited and \$85 (2007 – \$85) was expensed and credited to contributed surplus. During the three months ended March 31, 2008 and 2007, an additional 123 (2007 – nil) DSU's were issued for dividend equivalents and \$3 (2007 – nil) was charged to retained earnings and credited to contributed surplus. At March 31, 2008, 31,457 DSU's are outstanding with related contributed surplus amounting to \$916.

7. Shares outstanding

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

	Three Months Ended March 31,	
	2008	2007
Weighted daily average number of Class "A" Multiple and Class "B" Subordinate Voting Shares	33,397,192	32,951,162
Dilutive effect of stock options and deferred share units	<u>611</u>	<u>39,528</u>
Weighted average number of diluted shares	<u>33,397,803</u>	<u>32,990,690</u>
Number of anti-dilutive stock options and deferred share units excluded from fully diluted earnings per share calculation	<u>2,358,713</u>	<u>2,309,755</u>

8. Employee benefit plans

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

	Three Months Ended March 31,	
	2008	2007
Defined contribution plans	\$ 399	\$ 404
Defined benefit plans	875	821
Post-retirement benefit plans	<u>195</u>	<u>75</u>
Total	<u>\$ 1,469</u>	<u>\$ 1,300</u>

9. Depreciation and amortization

Depreciation and amortization consists of the following:

	Three Months Ended March 31,	
	2008	2007
Depreciation – Property, plant and equipment	\$ 6,584	\$ 6,383
Amortization – Deferred development costs	2,718	2,067
Amortization – Intangibles	1,784	1,094
Total	<u>\$ 11,086</u>	<u>\$ 9,544</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,	
	2008	2007
Acquisition of property, plant and equipment financed by accounts payable and accrued liabilities	\$ 385	\$ 256
Acquisition of intangible assets financed by accounts payable and accrued liabilities	\$ 14	\$ 9

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

	Three Months Ended March 31,	
	2008	2007
Accounts receivable	\$ (69,540)	\$ (18,688)
Inventories	16,673	8,531
Prepaid expenses	763	(1,715)
Accounts payable, accruals and other liabilities	15,810	(35,968)
Income taxes	3,217	1,599
Total	<u>\$ (33,077)</u>	<u>\$ (46,241)</u>

10. Statement of cash flows (continued)

Details of acquisition of subsidiary companies:

	Three Months Ended March 31,	
	2008	2007
Acquisition of subsidiary companies (Note 2)	\$ (195,742)	\$ (2,521)
Cash acquired	<u>5,043</u>	<u>351</u>
	(190,699)	(2,170)
Balance of sales payable	<u>3,887</u>	<u>—</u>
	<u>\$ (186,812)</u>	<u>\$ (2,170)</u>

The components of cash and cash equivalents are:

	Three Months Ended March 31,	
	2008	2007
Cash	\$ 28,032	\$ 18,510
Short-term investments	<u>1,546</u>	<u>—</u>
Cash and cash equivalents	<u>\$ 29,578</u>	<u>\$ 18,510</u>

Supplementary disclosure:

	Three Months Ended March 31,	
	2008	2007
Interest paid	\$ 5,776	\$ 7,952
Income taxes paid	\$ 8,010	\$ 5,432
Income taxes received	\$ 85	\$ 1,932

11. Segmented information

Industry Segments

For The Three Months Ended March 31,										
	Total		Juvenile		Recreational / Leisure		Home Furnishings		Eliminations	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sales to Customers	\$556,034	\$455,669	\$ 317,579	\$ 264,400	\$ 136,144	\$ 87,889	\$ 102,311	\$ 103,380	\$ -	\$ -
Inter-Segment Sales	-	-	-	-	2,717	-	2,311	2,059	(5,028)	(2,059)
Total Revenue	556,034	455,669	317,579	264,400	138,861	87,889	\$104,622	\$ 105,439	(5,028)	(2,059)
Cost of sales	413,913	344,502	222,600	182,096	104,235	70,819	92,106	93,646	(5,028)	(2,059)
Selling, general and administrative expenses	73,795	55,382	47,007	36,526	18,167	9,336	8,621	9,520	-	-
Depreciation & amortization	11,066	9,523	8,002	7,411	1,550	507	1,514	1,605	-	-
Research and development costs	2,713	2,608	1,966	1,918	-	-	747	690	-	-
Restructuring costs	823	2,126	775	2,126	-	-	48	-	-	-
Earnings from Operations	53,724	41,528	<u>\$ 37,229</u>	<u>\$ 34,323</u>	<u>\$ 14,909</u>	<u>\$ 7,227</u>	<u>\$ 1,586</u>	<u>\$ (22)</u>	<u>\$ -</u>	<u>\$ -</u>
Interest	4,608	6,548								
Corporate expenses	6,654	5,458								
Income taxes	7,329	1,583								
Net income	<u>\$ 35,133</u>	<u>\$ 27,939</u>								

Geographic Segments – Origin of Revenues

	Three Months Ended March 31,	
	2008	2007
Canada	\$ 60,904	\$ 52,509
United States	310,426	248,888
Europe	150,205	121,909
Other foreign countries	34,499	32,363
Total	<u>\$ 556,034</u>	<u>\$ 455,669</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, 2008	Dec. 30, 2007	March 31, 2008	Dec. 30, 2007	March 31, 2008	Dec. 30, 2007	March 31, 2008	Dec. 30, 2007
Balance, beginning of period	\$ 525,235	\$ 501,356	\$ 350,848	\$ 326,969	\$ 143,215	\$ 143,215	\$ 31,172	\$ 31,172
Additions (Note 2)	77,084	945	—	945	77,084	—	—	—
Foreign exchange	15,838	22,934	15,838	22,934	—	—	—	—
Balance, end of period	<u>\$ 618,157</u>	<u>\$ 525,235</u>	<u>\$ 366,686</u>	<u>\$ 350,848</u>	<u>\$ 220,299</u>	<u>\$ 143,215</u>	<u>\$ 31,172</u>	<u>\$ 31,172</u>