

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

For the quarter and six months ended June 30, 2008
All figures in US dollars

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

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

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

Note that there have been no significant changes with regards to the "Corporate Overview", "Operating Segments", "Contractual Obligations", "Off-Balance Sheet Arrangements", "Derivative Financial Instruments", "Critical Accounting Estimates" or, "Market Risks and Uncertainties" to those outlined in the Company's 2007 annual MD & A. As such, they are not repeated herein. The information in this MD & A is current as of August 7, 2008.

SIGNIFICANT EVENTS IN 2008

On February 4, 2008, the Company acquired all the outstanding shares of the Cannondale Bicycle Corporation, a leading designer, developer and manufacturer of high-end bicycles. Headquartered in Bethel, Connecticut, with significant operations in the United States and Holland, as well as locations in Switzerland, Japan and Australia, Cannondale is widely regarded as the bike industry's leading innovator. Cannondale's handcrafted bicycles have won numerous design awards and are sold in over 70 countries. This acquisition expands Dorel's Recreational / Leisure segment to include a significant presence in the Independent Bike Dealer (IBD) network. Additionally, forming part of Cannondale is the SUGOi Performance Apparel division located in Canada. Sugoi products are used worldwide by runners, cyclists, tri-athletes and fitness enthusiasts. Cannondale sales in 2007 were approximately \$200 million. The aggregate purchase price of \$ 204 million includes an adjustment of \$8.9 million based on the preliminary results of Cannondale for the year ended June 30, 2008. Any subsequent adjustment based on the final results will result in an adjustment to the purchase price for accounting purposes.

In line with the Company's strategy to aggressively grow its bicycle and juvenile products businesses, on June 26, 2008 Dorel's Pacific Cycle division acquired the assets of PTI Sports, a leading U.S. designer, manufacturer and distributor of bicycle parts, helmets and other accessories. Immediately accretive to earnings with a purchase price of \$28.1 million, PTI recorded sales of \$65 million and an adjusted EBITDA of US\$ 5 million in the 2007 fiscal year. Established in 1991, PTI Sports has widespread distribution at the key mass and sporting goods retailers throughout North America, including Category Manager positions and 100% exclusive agreements with a number of its customers. With a dedication to product innovation, PTI's brand portfolio is the strongest in the industry, with such licenses as:

Schwinn, Mongoose, Disney, Nickelodeon, Mattel (Polly) Master Lock, Thomas the Train and The Discovery Channel. PTI is the number two North American player in the bicycle helmet market.

RESULTS OF OPERATIONS

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

Overview

Revenues for the second quarter ended June 30, 2008 increased by \$134.7 million, or 29.3%, to \$593.7 million. This compares to \$459.0 million posted a year ago. After-tax earnings increased by \$20.5 million to \$31.3 million from \$10.8 million in 2007. Diluted earnings per share (EPS) were \$0.94 in 2008 compared to \$0.32 in 2007. It should be noted that 2007 included a significant amount for restructuring costs, related to the closure of manufacturing operations in the United States and Europe. These costs totaled \$13.5 million and had an after tax impact of \$8.9 million or \$0.27 per diluted share. For the six months ended June 30, 2008 revenues increased by \$235.1 million, or 25.7%, to \$1.15 billion from \$914.7 million the year before. Year-to-date after-tax earnings increased by 71.4% to \$66.5 million from \$38.8 million in 2007. Diluted earnings per share (EPS) were \$1.99 in 2008 compared to \$1.17 in 2007. The first half of 2007 included restructuring costs of \$15.6 million and had an after tax impact of \$10.3 million or \$0.31 per diluted share. Note that the restructuring costs incurred in 2008 of \$0.9 million in the quarter and \$1.8 million year-to-date, pertain mostly to the European closures. The table below summarizes the restructuring charges incurred:

	<u>Second Quarter ended</u>		<u>Six Months ended</u>	
	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
Juvenile segment restructuring costs included in pre-tax income	\$ 887	\$ 3,758	\$ 1,662	\$ 5,884
Less: Income taxes on restructuring costs	(312)	(1,250)	(585)	(1,999)
After-tax amount of restructuring costs	<u>575</u>	<u>2,508</u>	<u>1,077</u>	<u>3,885</u>
Home Furnishing segment restructuring costs included in pre-tax income	16	\$ 9,747	113	\$ 9,747
Less: Income taxes on restructuring costs	(6)	(3,340)	(39)	(3,340)
After-tax amount of restructuring costs	<u>10</u>	<u>6,407</u>	<u>74</u>	<u>6,407</u>
Total after-tax amount of restructuring costs	\$ 585	\$ 8,915	\$ 1,151	\$ 10,292

Revenue growth occurred in all three operating segments with the greatest contribution coming from Recreational/Leisure which increased by 60.0% in the quarter and 57.9% year-to-date. Juvenile also showed strong revenue growth at 19.1% for the quarter and 19.6% year-to-date. Home Furnishing revenues grew 17.1% in the quarter and year-to-date revenues have shown a 7.6% increase. In the quarter, the Cannondale acquisition and the stronger Euro versus the United States dollar accounted for the majority of the Company's revenue growth. Excluding these, as well as some other less material items, organic revenue growth for the quarter and year-to-date were 11% and 9% respectively.

In the quarter, gross margins were consistent with prior year levels at 24.1%, as compared to the 24.0% recorded in the prior year. Year-to-date gross margins have increased moderately by 60 basis points to 24.8%. Versus the prior year, the Company's selling, general and administrative costs increased by \$16.6 million in the second quarter of 2008 and \$36.2 million year-to-date. The principal causes of the higher costs are the acquisition of Cannondale and foreign exchange. For the quarter Cannondale accounted for \$14.5 million and year-to-date this amount was \$23.1 million. The higher rate of exchange of the Euro to the U.S. dollar accounted for \$5.9 million of the increase in the quarter and \$11.5 million year-to-date. Interest costs in 2008 remain below 2007 levels despite the Company's two acquisitions, benefitting from the current low interest rate borrowing environment. The tax rate in the quarter was 20.2% and year-to-date is 18.7%, in line with expectations.

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

<u>Earnings from operations by Segment:</u>	<u>Quarter</u>	<u>Year-to- Date</u>
Juvenile increase, excluding restructuring costs	\$ 4,786	\$ 6,339
Recreational/Leisure increase	3,770	11,452
Home Furnishings increase, excluding restructuring costs	517	2,224
Restructuring costs in 2008	(903)	(1,775)
Restructuring costs in 2007	13,505	15,631
Total earnings from operations increase	<u>21,675</u>	<u>33,871</u>
Lower interest costs	299	2,239
Increase in income taxes	(1,912)	(7,658)
Other	440	(756)
Total increase in after-tax earnings	<u>\$20,502</u>	<u>\$27,696</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				
	Sept. 30, 2007	Dec. 30, 2007	Mar. 31, 2008	June 30, 2008
Revenues	\$440,115	\$458,853	\$556,034	\$ 593,724
Net income	\$26,360	\$22,348	\$35,133	\$ 31,347
Earnings per share				
Basic	\$0.79	\$0.67	\$1.05	\$ 0.94
Diluted	\$0.79	\$0.67	\$1.05	\$ 0.94
Amount of restructuring costs included in the quarter based on diluted earnings per share	\$0.02	\$0.05	\$0.02	\$0.02

	Sept. 30, 2006	Dec. 30, 2006	Mar. 31, 2007	June 30, 2007
Revenues	\$436,300	\$447,930	\$455,669	\$459,035
Net income	\$25,073	\$21,675	\$27,939	\$10,845
Earnings per share				
Basic	\$0.76	\$0.66	\$0.85	\$0.32
Diluted	\$0.76	\$0.66	\$0.85	\$0.32
Amount of restructuring costs included in the quarter based on diluted earnings per share	\$0.00	\$0.08	\$0.04	\$0.27

Segmented Results

Effective January 2008, the Company has re-classified certain figures from the Home Furnishings segment to the Juvenile segment. This change, based principally on product type and customers served, was made to more accurately reflect the way in which this division's results are reported internally. To allow for better year-over-year comparability, prior year comparative segmented figures have been re-stated. For the quarter revenues of \$9.9 million and earnings from operations of \$2.2 million have been reclassified. Year-to-date these figures were \$27.0 million and \$4.7 million respectively.

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

Juvenile

Expenses as a percentage of revenues	Second quarter ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of Sales	72.0%	69.1%	71.0%	68.9%
Gross Margin	28.0%	30.9%	29.0%	31.1%
Selling, general and administrative expenses	13.9%	16.5%	14.3%	15.1%
Depreciation and amortization	3.0%	3.3%	2.8%	3.1%
Research and development costs	0.6%	0.5%	0.6%	0.6%
Restructuring costs	0.3%	1.5%	0.3%	1.2%
Earnings from operations	10.2%	9.1%	11.0%	11.1%

Second quarter Juvenile revenue was up 19.1%, or \$46.7 million, to \$291.5 million compared to \$244.8 million during the same period a year ago. Earnings from operations in 2008 were \$29.8 million, an increase of 34.5% from \$22.2 million in 2007. However, \$2.9 million of the increase was due to lower restructuring costs. Excluding this figure the earnings improvement was \$4.7 million, or 18.4%. Year-to-date revenues have increased by \$99.8 million, or 19.6%, reaching \$609.1 million. Earnings from operations for the first half were \$67.1 million in 2008 versus \$56.5 million in 2007. Of this increase of \$10.6 million, \$4.2 million was due to the decline in restructuring costs. Therefore excluding this variation, earnings from operations increased by \$6.4 million or 10.2%.

Revenue increases are in both North America and Europe with Europe accounting for approximately 60% of the improvement. Organic sales growth in Europe in the quarter was 13.6% and is 12.7% year-to-date. The stronger Euro was also a contributor to revenue growth, increasing the European growth percentage to 28.0% for the quarter and 26.6% year-to-date. These gains came in virtually all of the Company's European markets, and were particularly strong in Germany, France and the United Kingdom. In North America, sales also improved over last year, increasing over 11% for the quarter and 16.7% year-to-date. This growth was driven by DJG USA where sales were up across almost all product categories. Last year's results only included four months of Dorel's Australian operation. The extra two months of results in 2008 therefore also contributed additional revenues.

Gross margins have declined from 2007 levels both year-to-date and for the quarter. The decline was due to a less profitable product mix, higher input costs and other cost increases at the majority of the segment's divisions. For the segment as a whole, selling, general and administrative (SG & A) costs have decreased as a percentage of revenues, benefitting from higher sales volumes. In dollar terms these costs have increased year-to-date, but the majority of the increase is due to the higher rate of exchange on Euro denominated expenses. Note that total product liability costs in the quarter were \$2.9 million in 2008 as compared to \$6.6 million in the prior year. Year-to-date these costs are comparable at \$12.6 million in 2008 as compared to \$11.1 million in 2007.

Recreational / Leisure

Expenses as a percentage of revenues (includes inter-segment sales)	Second quarter ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of Sales	76.1%	79.4%	75.7%	79.9%
Gross Margin	23.9%	20.6%	24.3%	20.1%
Selling, general and administrative expenses	13.6%	8.7%	13.4%	9.5%
Depreciation and amortization	1.2%	0.3%	1.1%	0.4%
Earnings from operations	9.1%	11.6%	9.8%	10.2%

Second quarter Recreational / Leisure revenue increased by \$71.9 million, or 60.0%, to \$191.7 million compared to last year's \$119.8 million. Year-to-date the increase is \$120.2 million or 57.9%. The majority of the increase is due the acquisition of Cannondale / SUGOi in February of 2008. Note that the PTI acquisition in late June 2008 did not contribute any significant revenues in the quarter. Sales at the segment's mass merchant customers also increased in the quarter and year to date, in the mid-to-high single digits. Gross margins increased due principally to the contribution of higher margins on Cannondale bicycles and SUGOi clothing. However, margins did decline by 100 basis points from first quarter levels. The selling costs required to support the Cannondale Sports Group's higher margins had the impact of increasing selling, general and administrative (SG & A) costs as a percentage of revenue to 13.6% as compared to 8.7% in 2007. Year to date the increase was from 9.5% to 13.4%.

Home Furnishings

Expenses as a percentage of revenues (includes inter-segment sales)	Second quarter ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of Sales	86.5%	89.9%	87.2%	89.3%
Gross Margin	13.5%	10.1%	12.8%	10.7%
Selling, general and administrative expenses	7.8%	7.9%	8.0%	8.5%
Depreciation and amortization	1.5%	1.7%	1.5%	1.6%
Research and development costs	0.7%	0.8%	0.7%	0.7%
Restructuring costs	-	6.3%	-	3.0%
Earnings (loss) from operations	3.5%	(6.6%)	2.6%	(3.1%)

For the quarter, Home Furnishings revenues increased by 17.1%, reaching \$110.5 million up from \$94.4 million in the prior year. For the first half, revenues are up 7.6% to \$212.8 million, an increase from \$197.8 million the year before. With the exception of sales of metal folding furniture, all of the segment's divisions have posted improved sales over 2007, both for the quarter and year-to-date. Earnings for the quarter were \$4.0 million an increase of \$10.2 million. However, of the increase, \$9.7 million was due to restructuring costs incurred in 2007. Offsetting this was an insurance recovery relating to prior periods of \$2.2 million recorded in 2007. Excluding these amounts, the increase in earnings was \$2.8 million for the quarter and \$4.4 million year-to-date.

Gross margins in the second quarter of 2008 were 13.5%, an improvement over the 10.1% recorded in the prior year. Of the restructuring charge of \$9.7 million in 2007, \$3.7 million is grouped in cost of sales. If this amount and the 2007 insurance recovery of \$2.2 million are removed from cost of sales, the comparative gross margin is 11.6% as opposed to the 10.1% reported. Therefore the increase in 2008 becomes 190 basis points. Similarly for the first half, the 210 basis point improvement is in fact 140 basis points if these two items are excluded. Selling, general and administrative (SG & A) costs decreased from 2007 levels in percentage terms as costs continue to be well contained. In dollars the quarter showed a \$1.2 million increase, whereas year-to-date, the increase is only \$0.3 million despite the 7.6% sales volume increase.

Other Expenses

Interest on long term debt in the second quarter of 2008 was \$5.3 million, compared to \$6.0 million in 2007. Year-to-date these figures are \$10.0 and \$12.6 million respectively. The Company's second quarter interest rate was approximately 4.7% compared to 6.5% in 2007, accounting for the 2008 decrease in interest expense. The reduced expense was achieved despite the higher average borrowings required to acquire Cannondale and PTI in 2008.

The Company's tax rate is governed by current domestic tax laws in which the Company operates and by the application of income tax treaties between various countries. The tax rate in the quarter was 20.2% and year-to-date is 18.7%, in line with expectations. The 2007 second quarter tax rate was 35.8%, which is higher than is typical for Dorel and was principally due to the re-assessment of prior years' taxes at certain divisions and adjustments made at several divisions to bring their tax rates in line with revised full year expectations.

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 \$204 million includes a preliminary estimated amount of goodwill recorded in the Company's Recreational/Leisure segment of \$89.0 million. A balance of sale of \$8.9 million remains to be paid and is included within accounts payable and accrued liabilities on the consolidated balance sheet. On June 26, 2008, the Company acquired the assets of PTI Sports, a leading U.S. designer, manufacturer and distributor of bicycle parts, helmets and other accessories. The purchase price was \$28.1 million and the preliminary amount of goodwill recorded in the Company's Recreational/Leisure segment is \$14.0 million. The net assets acquired are subject to a purchase price adjustment based on final working capital amounts at closing date.

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

During the first half of 2008, cash flow from operating activities before changes in non-cash balances related to operations was \$92.2 million, an increase from the \$67.5 million recorded in 2007. After changes in non-cash balances related to operations, cash flow provided by operations was \$63.9 million compared to \$50.4 million in 2007. Accounts receivable increased by \$45.5 million, or 15.9%, from year-end levels. This increase is in line with the sales increase in the second quarter of 2008 versus the fourth quarter of 2007. This increase was offset by a \$23.6 million increase in accounts payable balances due principally to an increase in purchases near the end of the quarter.

Financing activities include a net increase in long-term debt of \$200.3 million, the majority of which is for the Cannondale and PTI acquisitions. Note that during the first quarter of 2008 the Company repaid its \$55 million Series "A" Senior Guaranteed Notes that became due. This repayment was funded with existing revolving bank loan facilities. Investing activities in 2008 includes \$218.1 million disbursed in connection with the acquisitions of Cannondale and PTI. In 2008, excluding disbursements related to business acquisitions, the Company has spent \$22.2 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 and PTI acquisitions, the balance sheet at the end of the second 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:	
	June 30, 2008	Dec. 30, 2007
Quick ratio	0.97	0.74
Current ratio	2.03	1.63
# of days in receivables	73.4	57.9
# of days in inventory	93.6	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 June 30, 2008. The increase in days in receivables and inventory ratios can be explained by several factors. Note that the balance sheet values used in the days in receivables and inventory ratios are done using two most recent quarters, but the related revenues and cost of sales are done using roll twelve month figures. Therefore, the recent acquisitions as well as the rapid rise in the value of the Euro have the effect of overstating these ratios. If these elements are excluded from the calculation the values become:

# of days in receivables	68.8	57.9
# of days in inventory	88.0	85.0

The increase in receivable days is due to the timing of sales within the quarter as described above, whereas the increase in inventories is in anticipation of increased July shipping, as well as certain divisions acquiring inventory earlier than typical to avoid anticipated cost increases. Note that these two ratios, as adjusted, are consistent with those at the end of the first quarter of 2008. As of June 30, 2008, Dorel was compliant with all covenant requirements and expects to be so going forward. The Company continuously reviews its cash management and financing strategy to optimize the use of funds and minimize its cost of borrowing.

NEW ACCOUNTING STANDARDS

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

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

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

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

FUTURE ACCOUNTING CHANGES

Inventories

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

Goodwill and Intangible Assets

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

International Financial Reporting Standards

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

OTHER INFORMATION

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

The designation, number and amount of each class and series of its shares outstanding as of July 31, 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 6 to the financial statements. There were no significant changes to these values in the period between the quarter end and the date of the preparation of this MD & A.

OUTLOOK

The Company's strong first half will allow for very solid 2008 full year results. However the pace of earnings improvement over the first six months of the year will not be repeated in the second half due principally to seasonality, specifically in the Recreational / Leisure segment. The majority of the earnings from this segment occur in the first half of the year, particularly in the Independent Bicycle Dealer (IBD) business. Both Juvenile and Home Furnishings earnings are expected to remain strong for the balance of the year. The Company continues to expect its annual tax rate to be between 15% and 20%.

As stated at the end of the first quarter, the Company continues to operate in a rising input cost environment on items such as crude oil and certain commodities, as well as the increasing cost of goods sourced in China. As a result the Company took action on pricing, and for the most part has been able to offset these increases. However, the effects of further cost increases at the retail level cannot be determined with any degree of certainty. Despite the higher resultant retail price points, demand for Dorel products has remained strong in all three of the Company's segments.

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.