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ANNOUNCEMENT CONFERENCE CALL  
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OPERATOR: Good morning, ladies and gentlemen and thank you for standing by. Welcome to the Dorel Industries special acquisition announcement conference call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press the \* followed by 0 for operator assistance at any time.

Before turning the meeting over to management, please be advised that this conference call will contain statements that are forward looking and subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated.

I would like to remind everyone that this conference call is being recorded on Monday, February 4th, 2008 and will now turn the conference over to Mr. Martin Schwartz, President and CEO.

Please go ahead, sir.

MARTIN SCHWARTZ (President and Chief Executive Officer, Dorel Industries Inc.): Thank you. Good morning, everyone, and welcome to the special Dorel conference call to discuss our acquisition of the Cannondale Bicycle Corporation as announced this morning.

Joining me are Jeffrey Schwartz, CFO, and Frank Rana, Vice-President of Finance.

Following our comments, we will be pleased to answer your questions and as always, all figures are in U.S. dollars.

We are delighted to have concluded this agreement to acquire Cannondale, a leading designer, developer and manufacturer of high-end bicycles. The purchase also includes Sugoi Performance Apparel. The total value of the all-cash transaction will be between 190 and 200 million to Cannondale's earnings results for the year ending June 30th, 2008.

The transaction will be immediately accretive to Dorel's earnings and is being financed through debt. Cannondale and Sugoi are being purchased from Pegasus Partners, a U.S. investment firm which acquired the company in 2003. Cannondale and Sugoi's 2007 sales were \$200 million.

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This is an exciting and important move for Dorel for a number of reasons. Cannondale, headquartered, in Bethel, Connecticut, with extensive operations in Europe, is widely regarded as the bike industry's leading innovator. Its handcrafted bicycles have won numerous design awards and are sold in over 70 countries.

Many of the ideas that keep Cannondale products on the cutting edge come from the sponsored athletes on the company's professional racing teams. They have a solid history in Europe where sales are roughly 80 million and where margins are traditionally higher. Sales and marketing are based in Basel, Switzerland, and there is an assembly facility in The Netherlands. They also have offices in Japan and Australia.

Cannondale has an outstanding heritage in competitive cycling and has consistently been on the leading edge of sports marketing. Through its sponsorship of a number of teams, Cannondale road bikes have won numerous stages of the Tour de France and the Giro d'Italia, as well as multiple U.S. national championships.

In addition, Cannondale's sponsored triathletes have won various world championships. Off road, Cannondale has dominated mountain biking through a variety of team sponsorships and their riders have enjoyed countless World Cup victories.

Now a little history on Sugoi. They were founded in 1987 and are based in Vancouver, B.C., where they have a manufacturing facility. Sugoi was acquired in 2005 by Cannondale. Their primary business is technical apparel and accessories for cycling, running, triathlon, and fitness. Sugoi's dedicated users include everyone from world champions and Olympians to first timers and fun runners. Products are distributed primarily through specialty independent running and bicycle dealers, although several specialty multiple store operations also carry Sugoi. Sales are conducted in 24 countries.

Sugoi has always been known for its combination of technical performance and fashion. They were among the first, the very first companies to recognize that recreational athletes want and need high performance clothing, just as much as professionals.

Over the years, Sugoi has won numerous awards for its products and has outfitted world-class athletes. In addition to the elite racing and the outfitting of numerous teams, clubs and events with custom products,

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Sugoi sponsors a number of events which include Ironman North America, La Sportiva Mountain Running Team and the TransRockies Multiple Day Mountain Bike Race.

Cannondale is very strong in the independent bicycle dealer, or IBD channel. And this is most significant for us. While we already do business with these dealers through our existing GT brand, this transaction strengthens this position considerably and immediately gives us a global presence in this highly strategic category.

Dorel recognizes the importance and the potential of the IBD channel and is purchasing Cannondale as the first step in our goal to become the world's number-one IBD player.

In light of today's acquisition, Dorel's recreation and leisure segment is being split into two distinct operating divisions. One to deal exclusively with the IBD and the other with mass merchant sporting goods channels. We recognize that doing business with the IBD and the mass and sporting good channels are two very different things, requiring distinct strategies and specialized people selling the best products for those channels.

As such, a new Dorel IBD division, the Cannondale Sports Group, is being established and will devote all of its energies and resources exclusively to this channel. The Cannondale Sports group will encompass Cannondale, Sugoi, GT and other future premium oriented brands.

We will seek growth either through innovation and high quality products or through acquisitions. Cannondale will be the crown jewel of this new Dorel division.

Jeff Frehner, who has been President of Pacific Cycle for three years, is leaving that position immediately to return to his roots in the bike business and will oversee the Cannondale Sports Group. The current Cannondale management team, headed by President and CEO Matt Manley, will continue to run Cannondale within Jeff's division.

Backed by Dorel's extensive resources, this division will build in Cannondale's strength to grow significantly within the IBD channel. Our intention is to build a world-class company and to offer a line of products that will be highly desired by both dealers and consumers.

Pacific Cycles is becoming a standalone division with an exclusive focus on mass-merchant customers. Alice Tillett, who has been Executive

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Vice President of the Mass and Sporting Goods Channel at Pacific Cycle, has been named President. With 18 years experience in this sector and 10 of those in the bike industry, Alice has a thorough knowledge of the mass and sporting goods sector and has engineered Pacific's growth in this channel.

The Cannondale purchase is consistent with Dorel's plan to concentrate on its core businesses and underlines our plan to further unlock shareholder value by concentrating on Dorel's core recreation, leisure and juvenile segments, which provide the greatest potential.

Since purchasing Pacific Cycle in 2004, we have learned a great deal about the bicycle industry and have found it to be a true value driver for Dorel. Our recreational leisure segment has enormous opportunity to capitalize on the changing mindsets and trends around the world. People are actively engaged in seeking healthier lifestyles, are concerned about the environment and want to do something about it and desire sustainability at all levels. We sincerely believe our products can help meet these objectives.

We'll now ask the operator to open the lines so that we may take some of your questions and I ask everybody to limit their first set of questions to two.

Operator?

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press the \* followed by the 1 on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset if you are using a speakerphone before pressing any keys.

Your first question comes from Jessy Hayem, of Desjardins Securities. Please go ahead.

JESSY HAYEM: Thank you. Congratulations on the acquisition. A first question relates to just general indication that you can provide us with regards to the historical growth of Cannondale's top line and margins in this business as they compare to your current Pacific Cycle division?

JEFFREY SCHWARTZ (Executive Vice-President, Chief Financial Officer and Secretary, Dorel Industries Inc.): Okay, Jessy, sure.

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Cannondale, a little history on Cannondale. The original Cannondale company, which goes back a number of years, ran into problems in the... about 2001 time period when they started to get into motorcycles. So they had moved a lot of their resources from designing bikes into designing motorcycles. That company went bankrupt and was purchased by Pegasus. Since then Pegasus has grown the company probably in the area, I'm not 100 per cent sure, but you know, I would say that 30, 40 per cent top line.

Their margin, so we've really gotten sort of a dip in the company and then a big increase again. So the last three or four years, Cannondale sales have really increased all over North America and Europe. As far as margins, on the gross margin side, I mean, their margins run significantly higher than our mass market type of bicycle in the company.

JESSY HAYEM: Is that sort of offset, Jeffrey, by the fact that, you know, it seems to be more of a focus on innovation and so on, that it is fair to assume that there's more R&D spend than maybe...

JEFFREY SCHWARTZ: Yes, there's more R&D and there's certainly a lot more promotional spend advertising marketing.

JESSY HAYEM: So is it fair to say then the EBITDA would be similar to Pacific or would it still on a net-net be higher than Pacific Cycle?

JEFFREY SCHWARTZ: It would be in the similar ballpark today. You know, I believe there are opportunities as we go forward.

JESSY HAYEM: Okay, that actually leads me to my next question in terms of what you see as far as synergies going forward. Obviously, it furthers your push into the IBD segment but, you know, is the growth going forward going to be mainly top line driven with cross-selling or do you have some opportunities to improve margins or profitability moving forward and what would be your game plan on that if you...?

JEFFREY SCHWARTZ: I will tell you some of the areas that we have identified for synergies without actually quantifying them yet. And I think it's a bit early to deal with that. But certainly sourcing, and we have an extensive experience in the sourcing end of this business, significantly more I think than the current Cannondale team, particularly anywhere in the Orient, Taiwan or any of those areas.

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Although it's certainly our intention not to have two separate divisions, there will be opportunities to do a number of synergistic things, sort of in the background, you know, things like insurance, freight, a number of the cost factors that we can have that Dorel enjoys, we can now implement into Cannondale.

We've got a much larger, one of the big things here is a much larger breadth of products that we'll be able to go to our customers with instead of just sort of the narrower Cannondale line and then we had a GT line and a Schwinn and other lines. By putting it all together, we'll be able to become I think a lot more important to the dealers and we're going to have products that they're going to want to buy and I think that that's going to help us significantly.

Distribution, just the fact that our customers and their customers today in the IBD are not the same, I think we'll be able to address a lot more customer base with a lot more products going forward.

And then the final area is Europe, in which we use, today we're using distributors and third-party distributors while Cannondale does direct sales right to the customer. So there is an opportunity there for us over time. We haven't made any final decisions on each market, but we'll look at each market independently and decide whether or not we want to go direct to the customers.

In fact, there are certain countries in Europe that for instance GT is not sold and now that Cannondale is. So we'll have an opportunity to sell our products in those countries.

JESSY HAYEM: Perfect. Thanks for the detailed explanation. I just wanted, just a quick clarification on what you said. So there is little overlap currently with the dealers, both dealer channels specifically?

JEFFREY SCHWARTZ: Yes, there's surprisingly less overlap than we thought there would be.

JESSY HAYEM: Okay, and then another clarification on the current manufacturing of Cannondale, is it mainly the U.S. or what kind of split is it, the U.S. versus outside?

JEFFREY SCHWARTZ: It's mainly U.S. and, you know, we're going to be looking at that and, you know, balancing between what's made in China or Taiwan and what will be made in the U.S.

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MARTIN SCHWARTZ: There's also a fair size assembly operation in The Netherlands that assembles the bicycles for Europe. So they're made both in the States and in Europe.

JESSY HAYEM: Okay, great. Thank you. I'll have more questions but I'll circle back.

OPERATOR: Your next question comes from Anthony Zicha, of Scotia Capital. Please go ahead.

ANTHONY ZICHA: Hi, good morning, gentlemen.

Jeffrey, can you give us some idea on your anticipated return on investment and how would that compare to Pacific Cycle? Have you... I imagine you learned a lot from Pacific Cycle, so I guess you'll have a better expected return on Cannondale?

JEFFREY SCHWARTZ: Well, yes, it's still early in the game. We still have to get in there to analyze a lot of the costs. I mean, we have not... You know, I'm not going to be able to answer that question today given that we have a lot of work ahead of us and, you know, analyzing what can be done and where the savings would come from and where the opportunities are.

As I had mentioned before, I think I went through all the broad-brush opportunities in the areas that we're going to be looking at, but I don't have a conclusion yet.

ANTHONY ZICHA: Okay. You also mentioned and relating still to the same question, you had mentioned that it will be accretive to earnings. Can you give us an idea of a range?

JEFFREY SCHWARTZ: Yes, there's a couple of numbers that we can distribute. One is it will be accretive from day one. Without synergies. We're looking at... it certainly won't be the same level as what Schwinn was when we bought Pacific Cycle, but we're probably looking at low double, very low double digit earnings, not accretion. So let's say more than \$0.09 a share in year one, just without any...

ANTHONY ZICHA: On a 12-month basis, right?

JEFFREY SCHWARTZ: Yes.

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ANTHONY ZICHA: Okay. And then my second question is now with the acquisition, how does it boost, or what percentage did they give us, let's say in North America for Europe like for the independent bicycle channel? Let's say for North America, where is it now and how much does it bring it up to?

JEFFREY SCHWARTZ: Well, it was very small before.

ANTHONY ZICHA: Yes.

JEFFREY SCHWARTZ: I don't have... I know we'll probably hope to be the number-three player in North America with this transaction.

ANTHONY ZICHA: Okay, and would it be safe to assume that going forward, as Martin was saying, that there could be more acquisitions in the pipe, in that channel, to become number one?

JEFFREY SCHWARTZ: Yes, we like this space. We think this is...there's a lot of opportunities, a lot of growth in this space. You know, over time, we manage to become the number-one player in the world in the juvenile business and we're far from it today in bicycles, but I think this is going to give us the platform to make a run at becoming the most and best bicycle company.

So, yes, this is somewhere where we'd like to invest our capital.

ANTHONY ZICHA: Okay, well thank you very much and congratulations.

OPERATOR: Your next question comes from Sara O'Brien, of RBC Capital Markets. Please go ahead.

SARA O'BRIEN: Hi, guys. Just wondered if you could talk a little bit about the strategy getting into the independent channel and what the overall background is behind that decision. Is it sort of eventually a much higher margin channel that you'll see or is it less or more sticky than the mass channel that you're in now primarily?

JEFFREY SCHWARTZ: Well, certainly diversifying away from the mass channel I think is good for Dorel. It's... we don't... you know, it's a completely different business model, very, very different from dealing with the mass business. But something that we've gotten used to and learned a lot about in the last few years, it is, you know, brand is very important. Service is very important. Relationships with your customers are very

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important and, you know, it's nice for a change not to be as sort of cost oriented as you are with some of the mass market people that need, you know, a product while based around the price point, at least with the independents we can focus much more on product and quality and innovation and stuff like that. And generally, you get paid for that at the independent channels. So we're pretty excited to be dealing with that.

SARA O'BRIEN: Okay, and can you just comment maybe on the Pacific Cycle. Is there still a lot of top line sort of pricing pressure coming from the mass channel or has that kind of stabilized at this point?

JEFFREY SCHWARTZ: I think going forward, we're seeing more, you know, more on the cost side than on the pricing side. Certainly, you know, we have to watch our pricing, but we've been able to, you know, pass price increases on as they come through. I mean, now that's more of the issue is the cost increases than it is pricing pressure.

SARA O'BRIEN: Okay, great, and just maybe a tiny... was this a competitive bid process for Cannondale or was it...? Did you guys...?

JEFFREY SCHWARTZ: I believe it was, yes.

SARA O'BRIEN: Okay, thank you.

OPERATOR: Your next question comes from Hugues Bourgeois of National Bank Financial.

HUGUES BOURGEOIS: Yes, good morning. Congratulations. Basically all my questions have been answered, but you were mentioning at the beginning that Cannondale was in the motorcycle business. Just to be clear, this acquisition is net of any motorcycle business, right?

MARTIN SCHWARTZ: Yes, for sure. Like Jeffrey said, Cannondale went bankrupt in the early 2000s and...

HUGUES BOURGEOIS: And that business was closed.

MARTIN SCHWARTZ: Yes, it went back to their core of designing bicycles and since 03, when they reorganized, it's been strictly bicycles.

HUGUES BOURGEOIS: Okay, thank you.

OPERATOR: Your next question comes from Claude Proulx, of BMO Capital Markets. Please go ahead.

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MARTIN: Good morning. It's actually Martin sitting in for Claude.

Does Cannondale have any exposure to the mass market or does it sell exclusively to the IBD channel?

MARTIN SCHWARTZ: Cannondale, you are not going to find a Cannondale brand in the mass market. That's why we've distinctively divided the business into two areas, one being the IBD area and the other the mass and we're going to keep, like you guys in your industry call a Chinese wall between the two of them. We will be servicing Cannondale and the high... any other high end brands strictly to the IBD and continue with the brands that we have today with the mass. There will be no crossovers.

CLAUDE: Okay.

MARTIN SCHWARTZ: And this is one way, you know, it's a message we want to send to the IBD dealers, okay. We will protect the brand, we will work very closely with them to grow the brand and to grow other products within that area. And the history up until now in the IBD sector has been a couple of... the large competitors have in some cases used some strong-armed processes and trying to sell product into the IBD. We're looking at it completely different. We're going to design product and add product to the line, not that anybody is going to be forced to buy but they're going to want to buy from us.

And that's a big difference and this is the way we're going to treat the IBD.

CLAUDE: Um-hmm. All right, as well your purchase price, does it include any assumption of debt or there's no...?

JEFFREY SCHWARTZ: No.

CLAUDE: No? Okay.

JEFFREY SCHWARTZ: Now, I just want to state one thing, actually, on the purchase price because I know I've had some questions. People are trying to get a feel for what we paid. We paid more than we did as a multiple for Pacific. This is an elite brand, as is Sugoi. Sugoi and performance apparel market is a more expensive market to get into. We're very excited about Sugoi. It's a great brand and we hope to grow that significantly.

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And we paid a very high single digits for this transaction.

CLAUDE: Okay, and in terms of an EBITDA multiple?

JEFFREY SCHWARTZ: Yes.

CLAUDE: Finally, you mentioned that you, Cannondale generates 80 million in Europe. Does that include Sugoi or that's just Cannondale?

MARTIN SCHWARTZ: It's mostly Cannondale, but there is some Sugoi.

CLAUDE: So, okay, roughly 40 per cent of the sales of this acquisition are in Europe?

JEFFREY SCHWARTZ: Right.

CLAUDE: All right.

MARTIN SCHWARTZ: And that's where we hope to see a lot of, you know, probably a higher percentage growth than in North America. You know, I think as everybody knows, we've done quite well in Europe in the 12 or 13 years that we've been there. We've grown a very large profitable juvenile business and I think we're just going to use the same model to develop a larger bike business there.

CLAUDE: Okay.

JEFFREY SCHWARTZ: That's right, Martin. I want to just also reiterate that people have to realize that our bulk of our European business is high end, you know, well known branded products sold through independent juvenile dealers and that's a very similar model that we want to now bring to the bicycle dealer business.

CLAUDE: Okay, that's it for me. Thank you.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press the \* followed by the 1. As a reminder, if you are using a speakerphone, please lift the handset before pressing the keys.

Your next question is a follow-up question from Sara O'Brien, of RBC Capital Markets. Please go ahead.

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SARA O'BRIEN: Hi, just a clarification on Sugoi. Is that management team within Cannondale already and transferring under the new division?

MARTIN SCHWARTZ: Are you talking about the Sugoi management?

SARA O'BRIEN: That's right.

MARTIN SCHWARTZ: Yes, the Sugoi management are staying in place and will report to Cannondale as they're doing today.

SARA O'BRIEN: Okay, great. And just, Jeff, I wondered if the asset allocation has been done, if you have any idea of how much sort of fixed assets you're picking up with this?

JEFFREY SCHWARTZ: No, not yet.

SARA O'BRIEN: Okay. Thanks.

OPERATOR: Your next question is a follow-up question from Jessy Hayem, of Desjardins Securities. Please go ahead.

JESSY HAYEM: Thank you. Just to follow up on the earn out, can you give us a bit more clarification as to what the earn-out is subject to and is there any incentives in place to retain key personnel?

JEFFREY SCHWARTZ: As you can see, the earn-out is not a huge difference, so it's going to be related to some financial objectives that earlier when we agreed to the transaction, and that will end at June 2008. And, yes, we do have some incentives to keep management.

JESSY HAYEM: Okay, perfect, and then just I guess an overall comment on obviously this is your goal with that is, and as the... I think Martin mentioned this, diversify you away from being a mass market, basically catering to mass market. The flip side of it is maybe wondering about the experience that you've gathered in IDB. You've mentioned that this has been a small segment for you.

Can you just sort of give us the confidence as to what kind of experience you've garnered and how you feel that you can grow the business going forward, given I guess the resources and the personnel you have in place?

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MARTIN SCHWARTZ: Okay, well, you know, we do have people today in our bike business that have had previous IBD experience as well as we're selling some products today to the IBD. But, you know, in purchasing Cannondale, and, you know, Sugoi with it, we also... we just didn't purchase assets. We purchased a lot of human resources and they've got some really top people running the business. They've got great designers. They've got good marketing people. I mean, this is what we bought.

So I don't think, you know, we'll skip a beat as far as people are concerned. I think we've got the basis of a lot of potential growth there.

JESSY HAYEM: Okay, great. And can you sort of tell us who you're pretty much up against in this segment of the market? I think you mentioned you're number three now with Cannondale. Who would be number one and two?

MARTIN SCHWARTZ: The top two players in the industry is Trek and Specialized.

JESSY HAYEM: Okay, and then just a couple of follow ups on Sugoi. I think that's how you pronounce it. What kind of revenue contribution is it? Is it small? I think you mentioned that earlier.

JEFFREY SCHWARTZ: It represents about 15 to 17 per cent of the sales.

JESSY HAYEM: Okay, and then in terms of I guess right now you mentioned you're reorganizing the recreational sales and if I read correctly, you're probably transferring some of the GT into Cannondale, just being a premium brand. So we should expect some reclassification of the Pacific top line, I gather?

JEFFREY SCHWARTZ: Yes. I don't know that we're going to report the two businesses separately.

JESSY HAYEM: Oh, I see. So they're...

JEFFREY SCHWARTZ: Yes, we're still going to be reported as one recreational segmented business.

JESSY HAYEM: Okay, great. Thank you.

JEFFREY SCHWARTZ: Yes, okay.

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OPERATOR: Mr. Schwartz, we have no further questions at this time. Please continue.

MARTIN SCHWARTZ: Okay, the Cannondale transaction underlines our plan to further drive value within Dorel concentrating on the recreation, leisure and the juvenile segments. We are convinced this approach is more strategic and will result in a stronger company going forward.

Thank you all for joining us today and have a good day.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating and please disconnect your lines.

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