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FIRST QUARTER RESULTS CONFERENCE CALL
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OPERATOR: Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the Dorel Industries First Quarter Results 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 star, followed by zero 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 Thursday, May 7th, 2009.

I will now turn the conference over to Martin Schwartz, President and Chief Executive Officer. Please go ahead, sir.

MARTIN SCHWARTZ (President and Chief Executive Officer, Dorel Industries Inc.): Thank you. Good afternoon, everybody, and welcome to Dorel's first quarter conference call. With me today are Jeffrey Schwartz and Frank Rana. Following our comments, we will be pleased to take your questions. A reminder that all figures quoted today are in US dollars.

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I realize the norm is to make year-over-year comparison when reviewing quarterly results but, clearly, these are not normal times. Things have changed dramatically over the past year. Considering the economic downturn, I am very pleased with Dorel's solid first quarter performance as we achieved and even surpassed several important internal objectives that we had set, including our earnings numbers. We have seen a major rebound since the fourth quarter of '08. When I look around to see how other companies have fared, I sincerely believe that, notwithstanding these challenging times, we have delivered for our shareholders. That is not to say that we can't do better.

Let's take a look at some of the quarter's highlights. Significant progress was made in reducing inventories, which had risen to record amounts during the fourth quarter of 2008. Year-end inventory was much higher than it should have been under normal circumstances, as retailers basically stopped ordering during late 2008. These levels have declined by 90 million since the end of last year. This will translate into a much improved cash flow as we move through the second and third quarters of this year. In fact, we are targeting 2009 free cash flow of at least \$150 million.

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We are building on the progress made in home furnishings and expect the earnings trends seen thus far in that segment to continue and improve. In addition, we will take further costs out of operations throughout the organization. We are also pleased with POS levels at our major North American customers as, once again, consumers recognize the value of many of Dorel's various product lines. Overall, sales are down by only 5 percent but I remind you, some of that is selective as we have a minimum margin requirement program in place and, certainly, some of the decrease is currency related.

Jeffrey will review all financials in a few moments. First, some comments on our segments. Revenue in Juvenile was down close to 18 percent and while the decreases were in both North America and Europe, the decline was most acute in Europe. Excluding the impact of foreign exchange and specifically due to the strength in the US dollars, the revenue decline was approximately 7 percent. More than half of Juvenile sales are outside the US. Retailers continued to hold back orders through most of January and this was a contributing factor to the drop in sales. Stock replenishment improved later in the quarter in North America but has remained soft in Europe, particularly in the export markets.

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Results at the Dorel Juvenile group in the US were particularly strong. Their earnings exceeded plan and order levels on hand in the second quarter are strong. DJG has secured new placements and they are expected to continue the solid start to the year. They have introduced a number of new exciting products and, importantly, retailers are looking for strong suppliers, such as Dorel, who are reliable and have a history of delivering. In Canada, there are challenges due to the strength of the US dollars but business is looking more positive going forward.

As part of its ongoing initiative to focus on environment... on the environment, last week DJG USA launched a new line under the Safety First brand, called Nature Next. The special collection combining bamboo and bio-plastics is designed to bring eco-conscious products within the reach of every consumer. We recognized the need and our customers' desires to make products that help keep children safe and healthy but with a view to maximizing the environmental benefits. Nature Next products, which include a bamboo booster seat, a gate and an infant-to-toddler bathtub, among others, are in a major retailer now and will be available this summer at others.

Recreation/Leisure revenue was up 15 percent. Earnings from operation decreased close to 33 percent. Organic revenue declined but

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this was concentrated at mass merchant customers, who were slower to raise their order levels in bikes as compared to the other segment. The closing of the order tap for bikes extended further into Q1 this year than for other product lines. Sales through the IBD channel and SUGOI experienced organic growth of 8 percent and 9 percent, respectively. Expenses increased considerably as the segment continued to invest in its infrastructure and in product innovation in order to accelerate the planned future growth in this area.

Last month, Dorel announced a multi-faceted, Worldwide Centres of Excellence program in a continuation of its strategy to become the global innovation leader in the recreation and leisure markets. A major component of the plan is the expansion of the Bethel, Connecticut facility into a world class innovation centre. All North American product development, marketing and business management for Cannondale, GT, as well as Schwinn and Mongoose IBD level bikes, is being consolidated at Bethel. Administration and product development for all mass market bikes will remain in Madison, Wisconsin. Given the current environment, we are keenly aware of the importance of cutting costs wherever possible and are actively reducing spending as needed.

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We have been looking at how best to grow the Schwinn brand within the power sports category and late last month, Pacific Cycle signed a licensing agreement with Tomberlin PowerGroup International of Augusta, Georgia to become the exclusive US distributor of Schwinn motor scooters and related products. The company offers a full line of both on and off-road vehicles. We feel that an agreement with proven industry leaders, such as Tomberlin, is the best long-term strategy and will assure the growth of one of America's best-known brands in the power sport category.

Home Furnishings experienced its best quarter since the fourth quarter of '07. Revenue is up 3 percent due to the higher sales of Ameriwood's RTA furniture at certain mass merchant customers and do-it-yourself retailers. Earnings from operations surged over 365 percent, with the majority of the improvement also coming from Ameriwood. Efforts to improve Cosco's home and office performance are bringing results. Operations and product offerings are more focused and they have won several new important large listings. While the division still expects to lose money in '09, plans are well on track for a return to profitability next year.

We are encouraged with the start of '09. The positive results in our efforts are apparent in the first quarter figures. Consumers continue to show their preference for Dorel's value-added product lines in the opening

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and mid-price point categories, where we generate the majority of our revenues. Juvenile remains an excellent profitable business as parents consistently put their families first. We are seeing recovery in North American Juvenile markets and POS levels remain relatively steady. We are also taking away listings from many competitors. In times of uncertainty, retailers seek strong, stable suppliers they can count on and who will be around for the long term and Dorel certainly fits that bill.

In Europe, the economic slowdown started later and it follows that the recovery will lag the US. We are quite optimistic for the balance of '09 in Juvenile and have a number of innovative new products in the pipeline. However, as stated when we released the year-end results, at current exchange rates, the Juvenile segment will continue to be one that will be most negatively affected by the effects of the stronger US dollar. The situation in bikes is somewhat unpredictable as our customers' buying patterns have been inconsistent.

Meanwhile, we have made important investments in this segment for the future, while at the same time being conscious of the need to be highly prudent with expenses. One exception, however, is in product development, particularly with the recreation and leisure... recreation and leisure's new Worldwide Centres of Excellence strategy. In Home

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Furnishings, indications point to a good 2009, led by Ameriwood, which is now a solid money maker. The type of expertise that turned around Ameriwood is now being focused on Cosco home and office. We are committed to reducing expenses and to building free cash flow, which we anticipate will be at least \$150 million this year. We also expect input costs will remain stable through '09.

I will now hand the call over to Jeffrey.

JEFFREY SCHWARTZ (Executive Vice-President and Chief Financial Officer, Dorel Industries Inc.): Thank you, Martin. First, I want to go over a couple of reclassifications to our numbers. The first one, according to Canadian GAAP, effective the first quarter of this year, depreciation expense related to manufacturing activities is now included in cost of sales. Therefore, we move \$5.1 million of depreciation from below the line to above the line so that certainly has an impact. The other one is we have reclassified certain figures within the segments to more accurately reflect the way in which segmented results are reported internally. Those are minor changes and they've been reflected in both '08 and '09 so if anyone sees a difference in '08, that's the reason for that.

As we get into the numbers now, first quarter results have proven that, as Martin said, our products are still wanted and needed by the

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customers, with organic sales declines of only 5 percent. For the first quarter 2009, revenues decreased by 30.8 million or... well, like I said, almost... well just over 5 percent to 525 million. After-tax earnings decreased by 20.2 percent to 28 million from 35 million. And diluted earnings per share were \$0.84 versus \$1.05, which was a record quarter for Dorel in its history. Currency variations versus the US dollar were... was a significant factor in the quarter when comparing revenues to the prior years.

In the quarter, the gross margins declined by 110 basis points from 24.6 to 23.5 percent. Improvements in domestically-produced furniture were more than offset by margin declines, principally in Juvenile and Recreational and Leisure. In Juvenile, the greater proportion of the segment's revenues were generated in North America as opposed to Europe, where traditionally margins are higher. In Recreation and Leisure, lower gross margins were a result of a greater sales of lower-priced bicycles, which carry lower margins than the higher-priced products.

If we move over to the segments themselves, Juvenile, revenue of 254 million, a decline of 17.7 percent or 54.7 million from last year when revenues were 308.7 million. Earnings from operations, 28.7, a decrease of 21.8 from 36.7 million. The revenue decrease was in both North

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America and Europe but definitely more acute in Europe. We have to remember, sales outside the US make up more than 50 percent of the entire segment and, therefore, the strength that the US dollar has had since late fall '08 has had a significant effect on revenues and earnings.

European sales declined 26 percent last year but more than half of that decline was the impact of foreign exchange. Excluding that factor, the organic revenue decline in Europe was about 12 percent. For the segment as a whole, the revenue decline was... organic revenue decline was about 9 percent if the impact of foreign exchange is excluded. Earnings as a percentage from revenue declined slightly from 11.3... to 11.3 from 11.9 percent. In dollars terms, the decline was 8 million and is mainly due to lower sales in Europe, coupled with the lower exchange rate when converting Europe's local currency results with US dollars.

The Baby Art acquisition that we did in January of 2009 had a positive impact to both sales and earnings in the first quarter. Gross margins in the group declined by 90 basis points to 28.6 from 29.5. This decline was due to lower margins in Canada owing to the stronger US dollar and a greater proportion of the segment's revenue being generated in North America as opposed to Europe, where traditionally margins are higher. In fact, on a standalone basis, gross margins were higher in both

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Europe and in the US; however, the lower proportion of higher margin European sales has an effect of reducing the margins of the segment on a whole. For the segment as a whole, SG&A decreased by 9 million or 19 percent but, as a percent of sales, only by 30 basis points. This is because a large part of the decline was due to the lower rate of exchange in 2009 on conversion of the euro-denominated expenses. One other note on product liability, costs were 5.1 million in '09 versus 9.7 in the previous year.

Switching over the Recreation numbers, first quarter revenues increased by 21 million or 14.9 percent, while earnings from operations declined by 4.8 million or 32.6 percent to 10 million compared to 14.8 million last year. Excluding the impact of new business acquisitions and foreign change variations on the segment, the organic revenue decline was approximately 2 percent. All of the decline, in fact, happened in the mass side of the business. What happened at the mass side of the business was that the retailers' ordering patterns started much later in the quarter than they did on the Furniture or on the Juvenile. So certainly we didn't see the gates opening on January 1st; it took a lot longer, a lot farther into February before the ordering patterns started to become somewhat

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normalized. And that's the reason that those sales lagged behind some of the other segments.

Sales in the IBD channel and SUGOI experienced organic growth of about 8 percent and... in the quarter. Earnings were lower in both dollar terms and as a percentage of revenues due to lower gross margin, coupled with greater SG&A expenses. Compounding the decline was the fact that 2009 includes January results for Cannondale, where 2008 does not. And January is a month which is traditionally one of the least profitable due to seasonality. Gross margins decreased by 170 basis points due, principally, to a less profitable product mix as consumers shifted to lower price point products. Gross margins were further negatively impacted by foreign exchange variations. SG&A expenses increased by 7 million to 25.7 million compared to last year's 18.6.

In addition to costs associated with new business acquisitions and foreign exchange variations on the segment's non-US-based businesses, organic expenses also increased as the Company continues to invest in the segment's infrastructure and product innovation. In addition, you know, we had planned in 2008 to launch a number of new, you know, marketing programs to support our brand, which we are pulling back from somewhat in this economic environment. Of course, it's difficult to pull

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back immediately and that's why we weren't able to cut that much out of our planned expenses in Q1. But later on in the year, we will be watching that area a little bit more because of the economy. In addition, the segment's depreciation and amortization expense increased by almost 20 percent compared to last year due to an increased amortization on various intangible assets acquired as part of the Cannondale, SUGOI and PTI acquisition in 2008.

Moving over to Home Furnishings, revenue in Home Furnishings increased from 106.9 to 109.8 million, 2.8 percent increase, something we're very happy with as we had budgeted for actually a decline in the segment. Earnings improved by 3.4 million over the last year, reaching 4.4 million versus 900,000 the year before. Revenue increase was due to higher sales in RTA, which increased over 12 percent from last year. This was, by the way, the best segment we've had in the quarter since the fourth quarter of 2007. The majority of the earnings improvement is in the ready-to-assemble area, which has had significant difficulty over the last few years. Gross margins were 12.3 percent, an improvement of 150 basis points over the 10.8 recorded in the prior years.

The improvement... A lot of the improvement came from a lower value of the Canadian dollar versus the US dollar, as well as some

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improved manufacturing productivity. SG&A costs decreased from 2008 levels in both dollars and percentage terms. The decrease... A big chunk of the decrease came primarily as Cosco home and office as we continue to streamline its product offering and decrease its footprint. For the segment on a whole, the decline was 1.2 million or 130 basis points.

A few other general items; tax rate in the quarter was 16.5 percent versus 17.3. For the year, again, the Company is looking for a tax rate between 15 and 20 percent. (Inaudible) interest on long-term debt in the first three months was 4.1 million compared to 4.7 million last year. We expect the... We expect the rate, which averaged 3.1 percent in the quarter versus 4.7, to stay low for at least the next few quarters. In the first quarter, Martin mentioned we... the inventories declined from 5... almost 510 million to about 420 million at the end of the quarter. We sat here a few months ago and, you know, thought we would do... I think I probably said we would do at least 45 million of that decline in the first quarter. We are thrilled to see all our divisions reacting quickly and basically getting out of any of the overhang that we've had in inventory to a point where we're now at what we consider to be somewhat normal levels. We're going to continue to try and work down that inventory, try and work at a much

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leaner pace. As I said before, cash flow is extremely important to Dorel in 2009 and we're very focused on that.

The related sales of the inventory meant that our accounts receivable rose significantly from 316 million to 378 million. That, you know, is also impacted by the fact that March was a very, very strong month in the quarter. The other area that's important to know is our payables declined significantly so between the payables declining and the receivables going up, we really didn't see the cash flow benefit of the inventory. We will. The reason inventories went down... I mean the reason payables went down is we bought a lot less because we were selling a lot of the inventory that we had bought previously. That number should come back up to a normalized number as we start to buy again in Q2. Final thing on cash flow; during the first three months, cash flow from operations... or operating activities before changes in non-cash balances was 37.7 million compared to 43.5 million.

After that, I want... I'm going to pass that back to Martin.

MARTIN SCHWARTZ: Okay. Thanks, Jeffrey. I'll now ask the conference call Operator to open up the lines for whatever questions you may have. And, again, I ask everybody on the first go around, try to limit your questions to two questions and you can have follow-ups after. So,

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Operator, please open it up.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question and answer session. If you have a question, please press the star, followed by the one 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're using a speaker phone before pressing any keys.

Your first question comes from Jessy Hayem with TD Securities. Please go ahead.

JESSY HAYEM: Thank you. Just a clarification on the inventory, Jeff. I want to make sure I'm clear on this. You said your inventories year-over-year obviously dropped 90 million overall. I'm just looking to see, relative to the breakdown that you had provided in the fourth quarter, your true excess inventory was about \$91 million if we excluded the Cannondale... the effect of the Cannondale acquisition and the higher input costs. Are you pretty much telling us that that whole 90 million excess is gone?

JEFFREY SCHWARTZ: Yes, well keep in mind, it's not... We can't trace that inventory to specific items. We didn't have too many of a specific item. We were just carrying too much inventory. So I guess the

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answer to your question is pretty much, yes. There might be a bit of cost reduction in a couple of the areas but, for the most part, you know, the answer is, we were carrying too... 90 million more than we should have of general products that were obviously still being listed, and we're no longer carrying that anymore so we're... The way we look at it was we're down to a normalized level again.

JESSY HAYEM: Okay. Okay and on the Recreational side, your IBD channel organic growth of 8 percent I think was pretty impressive. Was there anything particular that drove the growth in the quarter? Was there maybe some catching up being done because the IBDs had depleted their inventories and maybe ahead of the busy season? And maybe just some colour on whether this kind of strength has continued so far into the current quarter?

JEFFREY SCHWARTZ: Well I'll tell you... The one big thing is, you know, we've been talking about lack of visibility for a long time in our business. We're getting more visibility in many areas but probably the area that's the most difficult to see is the IBD business. We see so many conflicting issues. We are seeing... You know, I'm looking at somewhat of a pattern. I would say we're seeing bicycle sales still happening at IBD; they're definitely coming down in price point. So we are seeing more sales

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of lower priced product and less sales of the higher price, which I guess makes a lot of sense in this environment. So but it's... again, it's difficult; I don't want to get into predicting that section because it's... literally changes with the weather.

JESSY HAYEM: Okay. And then maybe just a... same line of questioning on the mass channel, where you had a pretty strong organic growth in the fourth quarter and then, you know, tapering off now but you did explain that because the patterns pretty much... or the ordering patterns pretty much started late in the quarter. Has that continued with mass? Has that continued into the second...

JEFFREY SCHWARTZ: Not as... Yes, but not as strong as I would say the other two segments. So I'd say bikes are still an area that, in general... and I think we've mentioned that in our press release. It's the one area that we're a little... don't have the same visibility on. It seems, literally, you have a great week followed by a slow week; you'll have the retailers cutting down on inventories and adding to inventories so a little bit difficult to forecast that section.

JESSY HAYEM: Okay. And just curious, where did the outperformance (inaudible) relative to your own earnings expectations come from? You mentioned that you did better than you had expected

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internally.

JEFFREY SCHWARTZ: Certainly in Home Furnishings. I mean I think everybody... I mean we knew that we still have the right priced products but certainly didn't expect to beat last year's sales number, you know, so definitely a lot of strength there and continued strength as we get more and more listings that are going to be added to our business later on. And I think some US... some strength in the US in Juvenile was a little bit better than we planned.

JESSY HAYEM: Okay, great. Thank you.

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

ANTHONY ZICHA: Hi. Good afternoon, gentlemen. Martin, could you comment a bit more on inventory replenishment initiatives at major retailers for February, March? And could you give us an order of magnitude compared to January? And is there a positive trend appearing in April? Could you say that we've maybe seen the worst, as we bottom?

MARTIN SCHWARTZ: Well, I'll answer that, Anthony. Definitely an improvement in February and March across the board in North America. Europe is still a bit stalled and we're seeing more strength in furniture and Juvenile as we go forward, but we're seeing a lot of inconsistencies in the

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bike business.

ANTHONY ZICHA: Okay. And just touching upon the... Jessy's question. With reference to the 8 percent organic growth rate originating from the IBD or specialized bike retailers, how much was that stemming from inflation?

MARTIN SCHWARTZ: Well the bikes... I don't think the... I mean there must be something there but I don't know. I think... In fact, you know, you've got a little bit of that, but you also have got the fact that people are trading down in bikes. So unit-wise I would imagine they would probably knock each other out, so I don't believe a big part of that is... I think it's real growth.

ANTHONY ZICHA: So there's no inflation and it's, let's say pretty much 8 percent?

MARTIN SCHWARTZ: Yes, I think if you look at, you know, from a unit standpoint, it would be in that area.

ANTHONY ZICHA: Okay. And then my last question here, can you comment on the level of demand for Juvenile products stemming from Europe? Give us a bit of colour on how long will you estimate that this lag will occur and what was the impact? Was it more stemming from the big box stores? Or was it more from the specialized boutiques? Or was it

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equal across the board?

MARTIN SCHWARTZ: It's more specialized and if you're asking me how long I think the recession's going to last in Europe, I'm not prepared to answer that. You know, I don't know on the second part but it's definite... I mean most of our business, Tony, is independents.

ANTHONY ZICHA: Right, in the specialize (unintelligible).

MARTIN SCHWARTZ: And we are... We're seeing steadiness at the max level, but we're not necessarily... We're not... We're seeing the weaknesses on the independent. A lot of it has to do with inventory reductions as well because the Europeans didn't drop their inventories in Q4 last year like the North Americans did.

ANTHONY ZICHA: Mm-hmm.

MARTIN SCHWARTZ: So we did definitely... We saw some of our top accounts drastically reduce their buying, even though their sales were not coming off as much as their buying was.

ANTHONY ZICHA: And did you get any help from Eastern Europe? It could be also for the bikes as well as for Juvenile.

MARTIN SCHWARTZ: In fact, because of the currency, we mentioned the word export being down a lot; export refers to the countries in which we don't have our own operations, such as Eastern Europe.

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Those areas are hurt... are way, way off. I mean those... You know, they're not a huge part of our business but those countries could be off 30, 40, 50 percent because of their currency problems.

ANTHONY ZICHA: All right. But I was thinking of more countries that are part of the EU now, even though they're eastern.

MARTIN SCHWARTZ: Yes, but we're still... I mean we're looking at countries like, you know, even though they're part of the EU, they're still suffering. I mean places like Hungary and Poland; I mean their economies are hit really, really bad right now.

ANTHONY ZICHA: Mm-hmm.

MARTIN SCHWARTZ: So we're seeing problems there.

ANTHONY ZICHA: Okay. Well thank you very much.

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

SARA O'BRIEN: Hi, guys.

MARTIN SCHWARTZ: Hi, Sara.

SARA O'BRIEN: Hi. Just a question on the bikes. You had talked about people sort of flocking to the lower price point items. How comfortable are you that in the Cannondale and the independent channel, you can sort of adjust quickly to that price point item that's being

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requested? I mean do you have enough inventory on hand to sort of respond to that? Or can you switch it very quickly?

MARTIN SCHWARTZ: Keep in mind, Sara, we still manufacture bikes in Bedford.

SARA O'BRIEN: Yes.

MARTIN SCHWARTZ: And I think that gives us a bit of a leg up so as the retailers shift their demand towards, you know, different point... price points that maybe they thought they were going to sell, we can respond, I think, a lot faster than companies that are only relying on importing bikes.

SARA O'BRIEN: Okay. And then maybe just conversely, though, if you do have some inventory stocked up in the high price point items, what... like what are you seeing or expecting? Are you expecting some pricing... like (inaudible) would liquidate those or what's your plan on the higher price point stuff?

MARTIN SCHWARTZ: Sara, a lot of the higher price Cannondale bikes are just about made to order. The frames are made in Bedford; they're using, in some cases, common parts, you know, such as brakes and gears so they don't hold a huge amount of inventory.

SARA O'BRIEN: Okay. So that's encouraging.

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MARTIN SCHWARTZ: We're able... You know what? We're... We've been able to adjust pretty well to the, you know, the fluctuation in the price point to demand.

SARA O'BRIEN: Okay, great. And maybe can you just give us a little bit more info on what kind of initiatives you're doing in terms of product development in the bike segment?

MARTIN SCHWARTZ: Well, yes... yes and no. It's difficult to talk about new stuff online here that hasn't been introduced in the market so... But we're looking at some innovation that will probably be announced in the next few months, I guess.

JEFFREY SCHWARTZ: You know, innovation and engineering and styling and weight and, you know, all the things that the serious bike rider and user want to see coming up.

SARA O'BRIEN: Okay. And then maybe just switching to Juvenile category, can you talk a little bit about the market share gains that you're seeing? Is this is sort of the mass channel? Or is it more in like new listings that you may have had in some more sort of hybrid mass independent channel?

MARTIN SCHWARTZ: Actually, well, the masses are... channel is our big business in North America and the new listings that we have... or

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we think, in a way, from competition are spread right across our product line, whether it's some strollers or safety products or some car seats and... But, you know, a few other exciting products yet to come and to be announced in the next couple of months. It's right across the board.

SARA O'BRIEN: Okay. And just wondered, on the... you talked about costs being relatively stable, input costs. On the pricing front, are you seeing pressure from your retailers just, you know, looking... turning to you to come back with even lower price points? Or are you (unintelligible) stable?

MARTIN SCHWARTZ: Well we're... (unintelligible) getting a lot of our... You know, there's a lot of costs... I mean there's input costs; there's also a lot more costs today because of safety issues that the US government has put in, a lot more regulations. And that's costing us more so we've got to make sure we get a return on all of that. So there hasn't... You know, there has been some pricing pressure but I think the retailers understand that, in many areas costs are not going down because (unintelligible).

JEFFREY SCHWARTZ: When is there not pricing pressure from the mass merchants?

SARA O'BRIEN: Yes.

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JEFFREY SCHWARTZ: But you know what? We've been able to live with it and manage it for years.

SARA O'BRIEN: Okay. So you're not seeing any additional margin pressure this year on that basis?

JEFFREY SCHWARTZ: Not more than we (unintelligible).

MARTIN SCHWARTZ: (Unintelligible) similar.

JEFFREY SCHWARTZ: No, we expected some and I think we're seeing what we expected.

SARA O'BRIEN: Okay. Great. Thanks.

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

CLAUDE PROULX: Thank you. Just some quick ones. The first one is, can you provide us with the depreciation for last year? It's going to be restated for each quarter as you announce them but can you give us the amount for Q2, Q3 and Q4? Guess it's probably something like 6 million maybe per quarter but if I could get the exact figure, that would be useful.

JEFFREY SCHWARTZ: Yes. I mean we can; I don't have it today but, yes, we can put it... I mean it will be on our...

UNIDENTIFIED SPEAKER: (Unintelligible).

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JEFFREY SCHWARTZ: We'll put some new numbers onto our website shortly.

CLAUDE PROULX: Okay. The second thing, your \$150 million free cash flow, I just want to make sure I get the right calculation.

JEFFREY SCHWARTZ: Yes.

CLAUDE PROULX: I guess it's the operating cash flow minus the CAPEX including the investment in intangible and minus the dividend?

JEFFREY SCHWARTZ: Correct but before any share buyback.

CLAUDE PROULX: Okay, good. And lastly, can you give us an idea of your civil liability costs in Juvenile in Q1 versus last year?

JEFFREY SCHWARTZ: Yes. I had mentioned it in the call.

CLAUDE PROULX: Sorry.

JEFFREY SCHWARTZ: Yes, it was 5.1 versus 9.7. Now I think what people have to remember about last year Q1 in Juvenile was that it was a very, very strong quarter. It occurred (phon) before any pressure really hit us on costing. If you can remember last year, we had severe inflation on our input costs so Q1 was... It's sort of in an environment before that. Going forward into Q2 and so on, our margins started to slip. So you don't see... despite some good things going on, you don't see much of a margin change in the US, for instance, this year in Q1.

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CLAUDE PROULX: Okay. And lastly, a very quick one. You had 8 percent growth at Cannondale. Are you... Did you get 8 percent growth also in terms of point of sales? Or you don't know yet?

JEFFREY SCHWARTZ: You know what? We're not going to be able to track that. First of all, I don't think it's as relevant because a lot of smaller shops buy for, you know, when the sun comes out and that's happening more in April so... And again, you don't have POS computers at independent bike stores so much more difficult to track.

CLAUDE PROULX: So that means, basically, that they have a lot of inventory right now and you have to hope...

JEFFREY SCHWARTZ: They might have a lot of inventory.

MARTIN SCHWARTZ: You know what (phon)? Unless they're selling it.

JEFFREY SCHWARTZ: Claude, we had talked just recently... Or our people at Cannondale just recently talked to a few of our large dealers, who all came back with the same response; they had a great March. So we don't really know what the (unintelligible).

MARTIN SCHWARTZ: I mean, particular... You know, we've talked to some Canadian guys who've said, you know, March was the best month they've... best March they ever had. In Toronto, a retailer told me at the

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Toronto Bicycle Show where they sell bikes, it was their best show in five years.

CLAUDE PROULX: Okay.

MARTIN SCHWARTZ: But they do say they're selling lower... average lower price bikes, but they're selling bikes.

CLAUDE PROULX: Okay. Thank you very much.

OPERATOR: Your next question comes from Hugues Bourgeois with National Bank Financial. Please go ahead.

HUGUES BOURGEOIS: Yes, good afternoon. On the famous 8 percent organic growth on the IBD side, you mentioned there is no really... no inflation but it... Was there any foreign exchange impact on that number?

JEFFREY SCHWARTZ: It would have been negative, right, once (phon) removed? I'm not sure... But it would be... It would be... I think it's probably organic not including that. So, if anything, it would be a negative number, the... because the... We sell a lot of product in Europe. But I think that's been removed. So I think it's... 8 percent is the true number.

HUGUES BOURGEOIS: Okay, true (unintelligible).

JEFFREY SCHWARTZ: Without a foreign exchange impact.

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HUGUES BOURGEOIS: Okay, perfect. And last question on the Tomberlin agreement. We talked a lot about e-bikes (phon) recently; motor scooters kind of faded away and now we have this agreement today. Can you talk a little bit about this agreement?

MARTIN SCHWARTZ: Well first of all, it doesn't take in e-bikes; it's strictly the gas-powered scooters.

HUGUES BOURGEOIS: No, I understand, but I mean, you know, in terms of the last few conference calls, the e-bikes were a subject of discussion but not in the motor group.

MARTIN SCHWARTZ: The e-bikes are... I think... I mean going forward, e-bikes are going to stay within our group. I think that's our core competency, but we're going to certainly develop it. The gas scooters were... you know, we were kind of hitting a wall, and we needed to expand internally significantly to take it to the next step and thought that by licensing it out, we can still bring in some fairly good income without having to focus on that area. So that... we think that's the best move for the Company right now.

HUGUES BOURGEOIS: Okay. Thank you.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press the star, followed by the one. As a

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reminder, if you're using a speaker phone, please lift the handset before pressing the keys.

Your next question is a follow-up from Jessy Hayem with TD Securities. Please go ahead. Mr. Hayem, your line's now connected.

JESSY HAYEM: Hi. I did have a question on the SG&A expenses in the Recreational division, up 7 million. And I think you did mention that, you know, some of it was the reorganization costs. I'm looking to see how much of that really filtered through in the quarter relative to some of the increases in promotional events that you said you haven't yet dropped in...

JEFFREY SCHWARTZ: First of all, I don't have... I don't really have a hard breakdown for you, but I do need to tell you that, in 2008, we only had two months of Cannondale and SUGOI in there and in '09 we have three. So it's not a true, you know, 38 percent and... And PTI as well. So... that's right; we didn't have PTI so a lot of that is a new acquisition.

JESSY HAYEM: Okay.

JEFFREY SCHWARTZ: But having said that, we also said there is some extra spending that wasn't there the year before. But I think a big chunk of it is just the acquisitions.

JESSY HAYEM: Good. And then wondering on... I guess since you

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guys have announced that you're going to be moving the remaining frame manufacturing for Canada to Asia, have you had any discussions with your dealers? What's been the reaction there? You know, they acknowledge the fact that other manufacturers are already off-shore or do they view your made of... made in the USA competitive advantage a sort of loss? Any reaction there or not really?

MARTIN SCHWARTZ: As far as the made in USA, there's a been a little bit of reaction but really, you know, nothing of any volume and any major concern. The concerns that the dealers have expressed to us is they love the delivery cycles that we have. We're... You know, they can get repeats from us on a fairly short basis. They just want to make sure that continues. And we will still be assembling bikes, you know, certain models in Bedford. So the thing is, our people just have to, you know, manage the logistics of the frames and... from Asia and the assembly from Bedford but I think that... The concern is that we keep up our high level of on-time delivery.

JESSY HAYEM: Okay. And then just a final general question on your free cash flow generation this year. Just looking to see, I guess, the priorities for its uses. Is it still mainly debt repayment, acquisitions and maybe wondering if you guys have already started to act on the share

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buyback or not yet?

MARTIN SCHWARTZ: Yes, it's mainly debt reduction. You know, if we do an acquisition, it's got to fit, but we're not looking necessarily for this to be a big year for that. And, yes, you know, we've been acting on the share buyback over this five or six weeks since we've announced it so that'll be part of it as well.

JESSY HAYEM: Thank you.

OPERATOR: Mr. Schwartz, there are no further questions at this time. Please continue.

MARTIN SCHWARTZ: Okay, well I just want to thank everybody for joining us today. Our management teams are extremely focused on performance as evidenced by the solid first quarter. We are encouraged with the potential going forward. Our continuing emphasis on product development and our strength in the OPP and MPP categories leave us confident that we are well positioned to meet the realities of '09. Although Dorel is a large global organization, we have always maintained our entrepreneurial spirit and drive. This keeps us nimble. When changes are required, we execute quickly. We do what has to be done when it has to be done. We are taking advantage of this culture to make whatever cost cuts are necessary, and we'll continue to adjust as needed throughout the

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year, and we will do it rapidly.

I would like to remind everybody that our annual general meeting is scheduled on May the 27th at 10:00 a.m. at the Amley (phon) Hotel in Montreal, situated on Sherbrooke, close to Peel, and we are looking forward to seeing you there. Again, thank you and have a good afternoon.

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

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