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OPERATOR: Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the Dorel Industries second 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 * 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 Wednesday, August 12th, 2009.

I will now turn the conference over to Martin Schwartz, President and CEO. Please go ahead.

MARTIN SCHWARTZ (President and Chief Executive Officer, Dorel Industries Inc.): Thank you. Good afternoon, everyone, and welcome to Dorel's conference call for the second quarter ended June 30th, 2009. With me today is Jeffrey Schwartz.

Following our comments, we will be pleased to answer your questions and a reminder that all figures quoted are in U.S. dollars.

It's been a most satisfying second quarter and we are enthusiastic as we look forward. While sales are down slightly, two-thirds of the decrease is due to foreign exchange translation.

When we remove the non-cash mark-to-market effect, as explained in today's release, Q2 was one of our best quarters ever with earnings per share of $1.01 and this, in a rough economy. We are very pleased with this and I congratulate everyone at Dorel for their accomplishments.

Again, we surpassed our internal earnings forecast due to the implementation of stringent cost constraint measures, a focus on working capital management, a more stable cost environment and an increase in efficiencies.

Product development is also very much a key driver for Dorel. We have continued to allocate the necessary budgets to R&D as we invest today for the future. Exciting new products are being introduced and this has positioned us well with retailers. And we know this will pay dividends. These and other examples of our R&D commitment will further grow our already strong competitive position. We anticipate a solid second half and we are particularly confident as we look ahead to 2010 and beyond.

Jeffrey will review all the financials in a few minutes, but first some insight regarding our segments.

The Q2 earnings decline in juvenile is largely related to mark-to-market losses on foreign exchange contracts. I want to emphasize a couple of things. When this effect is excluded from our results, earnings from operations were up over last year despite the decline in sales. The gross margin improvement is mainly the result of more stable product costs and improved product mix.

Secondly, we have seen another excellent quarter at Dorel's Juvenile Group in the U.S.A. They're hitting some homeruns with retailers and their new products being introduced carry higher margins. There is genuine excitement at DJG, and with good reason. They have impressed their customers not only with the innovative nature of their new products but with their ability to execute quickly and effectively. This has been much appreciated by retailers and has further cemented relationships.

Europe is still sluggish and to date currency has added to the decreased numbers. I want to underline that we are not losing market share in Europe and when the economy recovers, so will our business abroad.

Back in the U.S., the big product news this summer has been the launch of the safety first, complete air car seat featuring our new patented Air Protect side impact protection. Air Protect has been available for pre-order and online since July 1st at Babies R Us.

Side impact crashes are the deadliest form of car accidents for children. The technology has been developed in house at DJG in cooperation with the Kettering University's renowned crash safety centre. This new testing method is so significant that we have shared our findings with the National Highway Traffic Safety Administration supporting NHTSA's effort to provide more comprehensive regulation for side-impact crash testing. It is this type of product development that makes Dorel the leader in car seats.

There's been an overwhelming response from an entire market, from specialty stores to large retailers. All are very anxious to stock the Air Protect. Pre-sales at BRU have been better than anticipated. Later this month Toys R Us and Babies R Us stores will offer the units in store followed by other retailers early next year. Air Protect will be further highlighted next month at the important juvenile industry trade shows in Cologne, Germany and Las Vegas. At $249.99 retail, this represents the highest retail car seat DJG has shipped to date.

Foreign exchange rates have a significant impact on the juvenile segment given our international operations. With the recent reduction in the value of the U.S. dollar closer to the levels of a year ago, our businesses in Europe, Canada, Australia and Brazil should benefit going forward.

In recreation leisure, second quarter revenue increased 2 per cent year-over-year and year-to-date just over 7 per cent. Revenue at the mass merchant level is down from the prior year. But this decline was offset by the contribution of the parts and accessory business acquired last June.

Sales at the cycling sports group division, which serves the IBD channel declined as consumers traded down to lower-price items. The poor weather we've all experienced throughout most of North America was also a factor.

Subsequent to the end of the quarter we completed the acquisitions of the assets of Iron Horse Bicycles and an Australian-based distributor, Gemini Bicycles. The Iron Horse transaction of 5.2 million consisted of inventory, various trademarks, trade names and patents including the well-recognized Iron Horse brand. Plans are to market this brand in the sporting goods channel where to date Dorel has not had a significant position.

At a cost of $2.2 million, the assets acquired in the Gemini purchase will be merged with Cannondale's existing Australian operations under a new division, Cycling Sports Group, Australia and will be dedicated to serve the IBD channel. In an industry where brand name recognition is highly important, we are delighted with Cannondale's success at the recent Tour De France.

Two team Liquigas members riding Cannondale bikes finished in the top 10 with Vincenzo Nibali placing seventh and Roman Kreuzinger placing ninth. Team Liquigas is the Cannondale co-sponsored professional road racing team. In addition, Franco Pellizotti won the prestigious King of the Mountain's polka dot jersey while riding the new 2010 Cannondale Super 6 road bike, the lightest road bike Cannondale has ever produced. The King of the Mountain is the title given to the best climber in a cycling road race.

As we approach the 2010 model year, early reaction to our new IBD product line has been outstanding and our pre-delivery order level is up significantly from last year at this time.

The feedback from retailers thus far is that we have the best ever line up, Cannondale bikes. Based on this we believe we will increase our sales next year to the IBD channels regardless of the economic situation.

We have hired an individual to oversee all Cannondale sales and marketing in Canada. This is a new position as we strengthen relationships with Canadian dealers and aggressively grow the IBD channel here.

Another recent hire is a vice-president for the cycling sports groups, Asia to drive the CSG growth agenda in Asia. The Iron Horse and Gemini transactions and these latest additions to the Cannondale team are all part of our ongoing strategy as we are taking many steps to build for the future and transform our bicycle business into a global force.

Second quarter home furnishing sales were down 8 per cent but earnings more than doubled with Ameriwood's domestically produced furniture once again driving the segment.

Factory efficiencies are very good at Ameriwood and they have now had several consecutive quarters of profitability. Dorel home products earnings were the strongest in some time. But while still not profitable, Cosco home and office continued to make progress with additional SKUs at retailers. The division is not just selling individual items to customers but are listing many new programs of their core products. With the reduction of non-performing product lines and related inventories, as well as cost-cutting measures, we expect this division to be back to profitable results in 2010.

Our various businesses have generally performed well during the first half of the year, particularly in light of the prevailing general economic conditions. A continuous focus on product development over the past 18 months at all of our divisions has been instrumental in securing important additional placements at retailers.

Although the challenges within the recreation-leisure segment are expected to remain through the balance of this year, current indications are that we can look forward to a solid second half. We remain on track to generate significant free cash flow in the year. We have remained strongly committed to the long-term vision that we hold for Dorel making important investments this year.

We are establishing an improved infrastructure at our recreation-leisure segment and have continued to focus on new product development and have broadened our product lines. We have added valuable brands such as Iron Horse in bicycles and Hop Hop in Juvenile and have established new distribution platforms in Brazil and Australia. We are investing for the future and believe strongly that the benefits will be seen not just next year but in the years to come.

I will now hand the call over to Jeffrey.

JEFFREY SCHWARTZ (Executive Vice-President, Chief Financial Officer and Secretary, Dorel Industries Inc.): Thank you, Martin.

Looking at the numbers now, revenue for the second quarter decreased by 42.6 million, or 7.2 per cent to 551 million. This compares to 593.7 million a year ago. After-tax earnings decreased by 6.6 million to 24.8 million from 31.3 last year and diluted earnings per share were $0.74 in 2009 compared to $0.94 in 08.

For six months, revenues decreased by 73.4 million, or 6.4 per cent to 1.076 billion from 1.15 billion the year before and year-to-date after-tax decreased by 20.6 to 52.8 million from 66.5 million in 2008. EPS was $1.58 in 2009 for six months compared to $1.99 in 2008.

I'd just like to take a moment now to talk about the mark-to-market accounting adjustment that we had in the quarter. It was rather large. This is the adjustment we referred to back in Q4 when we talked about having a profit of 10 million pre-tax.

To best explain it at a real sort of simplest level as I can, is that the company invested in a lot of currency contracts which ended up being very profitable currency contracts. These contracts came due. A lot of them came due in Q2. They paid off in cash at a very profitable level and with those contracts, without a mark-to-market accounting, we would have shown a $1.01 profit because those contracts allowed us to somewhat bridge the time between Q3 and really today in which the U.S. dollar got stronger and the Euro got weaker. Now that the Euro's back similar to where it was, you know, in the fall of 2008, we've successfully bridged that gap and the contracts ended up being a good thing.

So like I said, the contracts were very profitable. They added to the profits in Q2. The problem becomes that those contracts under mark-to-market accounting were... the profit from those contracts were put in to a previous period; in this case, mostly Q4, a little bit into Q3 last year.

So we needed to remove that profit. You can't take the profit twice, last year and again in Q2 when they actually occurred. So we needed to remove the profit from Q2. And that's the accounting adjustment that we refer to here. I'd seen in the press this morning already people talking about losses from the contracts. Actually the contracts were very profitable contracts. It was just the losses from mark-to-market accounting that we had to refer to.

So from an operational standpoint, you know, Dorel did make $1.01 but because we already accounted for some of that profit in a previous period, we needed to remove that profit from Q2; and hopefully that explains what's going on.

I'm sure other people are going to have a question about are we going to see movements of this magnitude in the future? Highly unlikely. First of all, we don't have as many open contracts going forward as we had last year. And second, you'd need a significant movement in the U.S. dollar to cause those contracts.

So I don't think that... certainly we don't have the contracts and nobody's looking at a significant movement over the short term on the U.S. dollar. So I think we're going to see much smaller movements going forward in mark-to-market.

Anyway, speaking about these mark-to-market losses, they represent an 8.9 million after tax, or $0.27 per diluted share for the quarter. As I mentioned, without the accounting adjustment we would have hit $1.01 in the quarter and $1.83 year-to-date.

In general, currency variations versus the U.S. dollar are very significant when comparing the quarter to the previous year. Revenues were reduced versus last year due to the higher value of the U.S. dollar, and all other currencies in 2009 as compared to June of 2008.

In the quarter, gross margins were lower than the prior year at 22 per cent compared to 23.1 per cent recorded in the prior year. However, again if we take out the mark-to-market impact, the margins for 2009 Q2 were 24.3 in the quarter and 23.8 year-to-date versus 23 for last year's Q2 and 24 for year-to-date last year. So we're pretty much in line with 2008 and certainly an improvement over the previous year's quarter.

This improvement is mainly due to a more stable cost environment. If people remember 2009(sic), we had a significant inflation in the system and making it very difficult to control costs. That has not been the case this year.

Our interest costs this year has been 4.1 million compared to 5.3 last year; year-to-date, 8.2 million versus 10 million. The company's year-to-date interest rate on its borrowing is approximately 3.1 per cent compared to 4.7 per cent in 2008.

Tax rate for the quarter was 16.9 per cent. Year-to-date is 16.7, in line with our expectations. The decline from the second quarter 2008 tax rate of 20.2 per cent is attributable to variations in the jurisdictions in which the company generated its income year-over-year.

If we move over to the individual segments, juvenile, second quarter juvenile revenue declined 13.3 per cent, or 37.5 million to 244.7 million from 282.2 million last year. Year-to-date revenues are 498.6 million, a decrease of 92.3 million from last year.

Earnings from operations in 09, 16.7 million in the quarter, a decrease of 43.4 per cent from the 29.6 million last year and earnings from operations for the first half were 45.4 million this year compared to 66.3 million.

Again, included in this is the mark-to-market losses that we discussed of 12.7 for the year and 13.4 million for the year-to-date. And as well, last year, in 2008, we had a gain of 1.1 million in the quarter and actual loss of 1.8 million for the year-to-date.

So if we exclude all of these mark-to-market numbers for both this year and last year, earnings from operation in the quarter were improved from the prior year at 29.4 million versus 28.5 million in 2008 despite having a lower revenue. And the year-to-date earnings excluding the mark-to-market adjustment was 58.8 million in 2009 versus 68.1 million in 2008.

Revenue decreases in juvenile were both in North America and Europe but much more acute in Europe. For the quarter, European sales declined 22 per cent from last year but more than half of that decline was due to the impact of foreign exchange. The true organic decline in Europe was 6 per cent. I'm sorry, was 9 per cent.

Gross margins have declined from the 2008 level; but again if we pull out the mark-to-market impact these margins were 29.5 per cent for the quarter and 29.2 per cent for the year-to-date versus 27.1 per cent for the quarter last year and 28.8 per cent for the year-to-date last year. This improvement is due a more stable input cost environment and a more favourable product mix in North America. On the product liability side, for the quarter, 2.7 million in 2009 versus 2.9 in 2008; so that's relatively flat.

Recreation and leisure, second quarter revenues increased by 4 million, or 2.1 per cent to 199.1 million versus 195.1 million last year, and year-to-date revenues are up 25 million, or 7.4 per cent to 360.5 million from 335.5 million last year.

Excluding the impact of the new business acquisitions, primarily PTI, and foreign exchange variations on the segment's non-U.S. business, the segment's organic revenue decline was approximately 5 per cent for the quarter and 4 per cent year-to-date.

Revenues within this segment's core bicycle business at the mass merchant level are down from prior year but these declines were offset by the contribution of the parts and accessory business that was acquired in mid 2008. Bicycle sales by the cycling sports group to the independent bike dealers and sporting goods customers were also down as consumers were purchasing less of the company's higher-end products or trading down to lower-priced items. The company believes the poor weather that's been experienced in most of North America has also had a negative effect on sales.

Earnings from operations for the quarter declined by 1.3 million, or 7.2 per cent to 16 million compared to 17.3 million in 2008. For the first six months of the year, earnings from operations were 26 million, down 6.1 million, or 19 per cent from the 32.1 million last year and gross margins declines for the quarter and year-to-date respectively were 120 basis points and 140 basis points, due principally to the less profitable mix, as consumer shifted to lower-priced products.

Just a sideline note that the costs associated with the reorganization of the IBD segment for the quarter was approximately $300,000.

Moving over to home furnishings, for the quarter revenues decreased by 7.8 per cent to 107.4 million, down from 116.4 million in the prior year. We had some noticeable slowdown in the month of June. However, most of that slowdown was picked up in the month of July, so although the numbers seem to be down if you counted an extra month of July, business is rather stable.

For the first half, revenues are down 2.7, or 217.2 million from 223 million the year before. All the segment's divisions posted sales that were either flat or down from last year. Despite the sales decline, earnings from the quarter more than doubled at 7.7 million, an increase of 3.6 million from the year before and year-to-date earnings have increased 169 per cent to 12.1 million from 4.5 million the year before.

Earnings improvements were driven by Ameriwood as that division continued to show consistent sales on earnings of domestically produced furniture helping factory efficiencies and result in earnings. Also, earnings were aided by a more favourable exchange rate on the Canadian dollar versus the U.S. dollar during the first half.

Included in the 2009 cost of sales figures are mark-to-market gains on foreign contracts of 1.1 million and 2.2 million year-to-date. For principally the same reason as the earnings improvements, gross margins in the quarter also improved to 16.1 per cent, an increase of 380 basis points from 12.3 per cent last year.

Looking at our balance sheet, as people remember, we had a significant increase in inventory levels as the retailers stopped buying in Q4 of last year. We did bring that down by the end of Q1, down to 419 million and we finished Q2 at 423 million. Just a slight increase which we're pretty proud of because Q2 is often a build-up period as the company gets ready for back-to-school promotions and things like that. So we've held that pretty well.

On the cash flow, during 2009 cash flow from operating activities before changes in non-cash balances related to operations was 71.5 million compared to 92.2 last year. However the year-over-year change in variations of working capital balances was an additional source of funds of 31.9 million. After these changes in non-cash balances, cash flow provided by operations was 75 million compared to 63.9 million last year.

A few other notes. Our dividend is 8.4 million, consistent with last year and in relation to our normal course issuer bid, the company has disbursed 3.5 million to repurchase shares during the first half of 2009.

We'll pass it back to Martin.

MARTIN SCHWARTZ: Okay, thank you, Jeffrey. We'll now ask the conference call operator to open the lines and we invite your questions. And again, I would you to kindly limit your first round to two questions. Operator, please go ahead.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press * 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 your handset if you are using a speakerphone before pressing any keys. One moment, please, for your first question.

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

JESSY HAYEM: Thank you. First, I just want a clarification on the mark-to-market, Jeff. I just want to make sure I understand this correctly. If I look at your earnings operationally, obviously we're looking at $1.01 this quarter. The same reasoning for last year, I think you mentioned that most of these gains last year affected Q4. Then we should be stripping about $0.22 in Q4. Is that about right, or 7.5 million after tax?

JEFFREY SCHWARTZ: Well, we have the exact number. It was, yes, 7.4 million after tax, 10.5 pre-tax.

JESSY HAYEM: Right. So that's the number we should likely strip out of your Q4 earnings for a better apples-to-apples comparison?

JEFFREY SCHWARTZ: Exactly.

JESSY HAYEM: Okay. And then I think in the press release or in the opening remarks, you do mention that the earnings overall are exceeding your own expectations. I'm just looking to see, I guess, where were you guys surprised in terms of an outperformance relative to your own numbers?

JEFFREY SCHWARTZ: We're doing extremely well in the U.S. in the juvenile segment. I think the juvenile segment, to be honest, I was much more nervous beginning of the year because of the impact of the changing currency outside of the U.S., whether it be Canada or Australia, everybody suddenly was looking at cost increases of 20 or 30 per cent.

We were able to manage through that period. I mean, now that the dollar's back to what we'll call, you know, sort of the last year's numbers, we kind of dodged a big bullet there and the numbers came in a lot stronger, I think, on the juvenile. Again, taking out this adjustment.

JESSY HAYEM: Yes.

JEFFREY SCHWARTZ: Considering, you know, revenue is down and we've been able to keep our margins good, the mix looks favourable. We're doing a lot of things right in the United States now and we're seeing significant improvements in earnings.

JESSY HAYEM: And then just, I guess while we're on that, as far as the mix, you do mention a better mix in North America. You know, is it just sort of less of a trade down than what we've been seeing the past or what do you think is driving that?

JEFFREY SCHWARTZ: There's a lot of pieces. I mean, there's certainly a bit of a trade-down, but I think we talked for a long time about getting out of products that no longer make a margin.

JESSY HAYEM: Right.

JEFFREY SCHWARTZ: We're really seeing that affect. So yes, we might see a trade-down at a certain level but we're not longer selling, you know, 3-per-cent margin products and that's really helping.

JESSY HAYEM: Okay. And what were your product liability costs in the quarter?

JEFFREY SCHWARTZ: 2.7 versus 2.9.

JESSY HAYEM: 2.7?

JEFFREY SCHWARTZ: 2.7.

JESSY HAYEM: Yes. Okay. Just one final question before I get back in queue. On the Iron Horse acquisition, I think when you acquired it you mentioned that revenues were about 25 million in 2008. I suspect, given, you know, A) the economy; and B) the fact that they were in bankruptcy proceedings, what would be sort of a revenue run rate so far in 2009 that would be probably a better gauge for us as how the business is doing this year?

JEFFREY SCHWARTZ: Again, you've got to think of it not as a business. We bought a brand out of bankruptcy. So there isn't really a business. We're going to recreate a business. Recreate a product line. So I don't know that there is a run rate right now.

JESSY HAYEM: So if we were to ascribe a revenue, I guess, addition from Iron Horse in 2009, what would it be, or should we, at all?

JEFFREY SCHWARTZ: It's unlike... if we get anything in at our level, this year, it'll be late Q4 as we have to... and we are in the process now. We've designed new products, we're showing the product to the customer. They're ordering the product. Are we going to be able to ship it before the end of the year? Maybe. But really it's a 2010 play.

JESSY HAYEM: Great. Thank you. I'll circle back for more.

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

ANTHONY ZICHA: Hi. Good afternoon, gentlemen. I'd like to get a better of sustainability of the earnings moving forward. Jeffrey, do you believe that you're able to capture lower pricing from suppliers from all three divisions due to lower commodity prices, falling demand, inventory build up? In the event these factors reverse, how quickly will your suppliers ask for higher prices?

JEFFREY SCHWARTZ: You know, Anthony, this is probably an old question that we've been answering for 20 years. You know, prices go up and down. If they go up, we have to try and pass them on. If they go down, we can either... we get to keep them or we have to pass it on as well. So yes, it's going to be an issue. I mean, yes we benefited from prices going down. We also passed on some price decreases.

ANTHONY ZICHA: Um-hmm.

JEFFREY SCHWARTZ: If costs go up, we're going to have to do what we've always done for 20 years.

MARTIN SCHWARTZ: But you know – Anthony, it's Martin – the factories in Asia, as an example, are nowhere as busy as they were a year or two ago.

ANTHONY ZICHA: Um-hmm.

MARTIN SCHWARTZ: Okay? We're still buying substantial quantities from them. They know they're going to get paid. So it's not going to be as much, if any, pressure as we saw last year.

ANTHONY ZICHA: Okay.

MARTIN SCHWARTZ: On price increase. I think we have the situation very well under control.

ANTHONY ZICHA: Excellent. And Martin, are you seeing hints of rising prices at the retail level or at the large discount retailers?

MARTIN SCHWARTZ: I missed that. Say that again?

ANTHONY ZICHA: Are you seeing hints of rising prices at the retail level, at the...

MARTIN SCHWARTZ: Retail?

JEFFREY SCHWARTZ: ... large discount retailers?

MARTIN SCHWARTZ: No, we don't see any... you know, the retailer seems to be keeping their prices pretty steady.

ANTHONY ZICHA: Okay. And then last quarter, can you comment on the weakness in Europe? Do you believe that there's been a structural weakness in the market or do you believe that they're lagging the U.S. and they'll soon be some sort of pent up demand?

MARTIN SCHWARTZ: My belief, you know, and I hope it's more than... I hope I'm right, is that it is a lag because we didn't see the same slowdown in Q4. That started in Q1.

And you know, I think maybe we should also make another statement here. Even though we're somewhat bullish, we're certainly bullish on 2010, you know, and the second half of this year looks pretty good, let's not say that this recession is over. We're still seeing some slow sales at retail, even in the U.S. I think the stock market is ahead of itself here, which it often is.

But we're seeing, you know, sluggish retail performance even as we speak today. So I don't believe that the U.S. is out of the recession at the retail... from the retail side. And certainly Europe isn't out of the recession yet either and they'll probably lag behind by three or four months.

ANTHONY ZICHA: Okay, well thank you very much.

OPERATOR: Your next question comes from Tal Woolley, from RBC Capital Markets. Please go ahead.

TAL WOOLLEY: Hi. Good morning. Or good afternoon, pardon me. I was wondering if you can just sort of outline was the a majority of the margin improvement you've seen in particularly the juvenile segment, is that primarily due to product costs or is that more the winding down of unprofitable product lines?

JEFFREY SCHWARTZ: We call it mix because we're just selling... you know, we're also selling some new items that carry higher margins and we're selling some more of those. I mean, there's a big piece of costing down.

You've got to remember, I mean, I know Tal, you're fairly new following Dorel. We went through a very difficult time last year where we had rising raw material costs and there always was something like a 60- to 90-day window in which we would have to absorb it before we could pass it on. So last year was a pretty difficult time, even though we did a lot of good things last year. We were under a lot of pressure because of the instability of costs.

TAL WOOLLEY: Okay.

JEFFREY SCHWARTZ: This year a better word than just we're dropping, because we've also had to drop some of our prices as well. It's just much more of a stability cost.

TAL WOOLLEY: Okay. On the Air Protect launch, what kind of... do you have some sense of like what kind of units you're looking to push on that... for that line in the initial year?

MARTIN SCHWARTZ: It's too early. I mean we've seen... there's been, you know, probably a higher demand than we anticipated going out but it's too early to quantify it.

TAL WOOLLEY: Okay. And you wouldn't expect to really book revenue in earnest until later. Would you be booking at now or later in Q3, into Q4?

MARTIN SCHWARTZ: No, some revenue's in Q3 and then into Q4 and then right now, it's sold only in the Toys R Us, Babies R Us system.

Starting first quarter next year it's open to everybody, so that's when we should see the big pop up.

TAL WOOLLEY: Okay.

JEFFREY SCHWARTZ: We do have a lot of pipeline to fill right now.

TAL WOOLLEY: All right. And just on the inventory side, are there any areas where you feel it's a little bit harder to tell, I think, just from the movement year-over-year, but do you have any concern areas where you think like, okay, you know, we've potentially got some inventory issues or are you generally across the board pleased where things stand?

JEFFREY SCHWARTZ: From an accounting standpoint I don't believe we have any. In other words, I don't believe... But, you know, in just volume of inventory, we're heavier on the recreation side right now, being summer. So we're trying to, you know, move some of those... that inventory.

We're doing extremely well on the home furnishing side. We've got, you know, I think we've tackled almost all of our issues. Virtually all of our issues that we have, we're extremely pleased with the way that area's going, and I think juvenile's probably normal. Yes, I think it's...

MARTIN SCHWARTZ: It's pretty clean.

JEFFREY SCHWARTZ: It’s pretty clean in juvenile. So the only area that we’re... we’re carrying a lot of bikes now given that it’s the middle of summer.

TAL WOOLLEY: Yes.

JEFFREY SCHWARTZ: So is the whole industry. So you know, we’re watching that and we’re, you know, trying to deal with that issue.

TAL WOOLLEY: All right. And just on the Iron Horse, in the U.S., do you have a chain already lined up there? I think there’s someone who already distributed...

MARTIN SCHWARTZ: We’re talking to several of the sporting good chains who are working very closely with us and we’re working with a couple of chains in Canada. We’re very optimistic about this Iron Horse project.

TAL WOOLLEY: And I’m assuming it’ll be more of a mid-range price point or is it going to be more towards the lower end even though it’s in the sporting goods channel?

MARTIN SCHWARTZ: No, probably more to the midrange.

TAL WOOLLEY: Okay. That’s great. Thank you very much, guys.

MARTIN SCHWARTZ: Thank you.

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

HUGUES BOURGEOIS: Yes, good afternoon. I was just wondering, on the minimum margin requirement program, can we consider at this point that it's pretty much behind us, that you've reviewed all your product lines or is there a lot going forward?

MARTIN SCHWARTZ: That was primarily in the U.S. for juvenile. I mean, it was all of juvenile for that matter. We've made great strides there. I think it's a continuous program. There's always times where you re-look at your line I think every year and decide which ones make sense and which ones don't.

And we've had a lot, you know, I think success breeds success so we're pretty excited and the team's pretty excited that they've been able to do what they have in, you know, the last year, 18 months, that they're going to continue to push that going forward.

HUGUES BOURGEOIS: Okay. And just a question, very simple, on the Air Protect product, I believe it's going to be launched or it is currently launched in the U.S. but will it also be introduced on some of the platforms in Europe?

MARTIN SCHWARTZ: Later, I believe. And I think it's launched in the U.S., I believe in Canada as well; maybe a month or so later. Europe, it's going to have to be a different seat. So it's going to take a little bit longer.

I believe we're going to be showing it in Cologne. I know they're looking at it in Australia, at our company. And we just launched Brazil so I'm sure it won't be there for another year; but no reason to see it not show up there by the end of let's say 2010.

HUGUES BOURGEOIS: Okay. Thank you.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press * 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 Tal Woolley, from RBC Capital Markets. Please go ahead.

TAL WOOLLEY: Hi, just a housekeeping question. Is it possible to get the depreciation in cost of goods sold allocated by segment? So how much of the depreciation in the cost of goods sold was in each of the segments?

JEFFREY SCHWARTZ: No. I mean, I do have the number for you for the whole company. I don't have it by segment.

TAL WOOLLEY: Okay. So it was about 5.1, I think, for the....

JEFFREY SCHWARTZ: 5.4 for the quarter, 10.5 for the year.

TAL WOOLLEY: Okay, great. Thank you very much.

OPERATOR: Your next first question comes from Jessy Hayem, from TD Securities. Please go ahead. Ms. Hayem?

JESSY HAYEM: Hi, just a clarification on the inventory. Jeff, you were mentioning that you are a little heavier on the recreational side, being summer. I just want to make sure, I guess this is just a seasonal thing that you don't have excess inventory from early in the year in recreational, or is that still the case?

JEFFREY SCHWARTZ: Yes, I mean that was where are we heavier, where are we light? We're heavier on recreational inventory because, you know, the bicycle business has slowed down from last year and we are heavier on inventory there and we're putting it through.

JESSY HAYEM: So it is a combination of the seasonality?

JEFFREY SCHWARTZ: Okay, we're not talking about...

JESSY HAYEM: I mean, you need to have the inventory for the season now plus some excess inventory.

JEFFREY SCHWARTZ: Yes. I mean, the industry has a lot of inventory that we've got to get through and that's why, I think we've put it in our press release today that the balance of 2009 in rec is going to be, you know, a difficult, challenging year as we get through. I mean, last year was so good in the industry and again, we're selling a lot of units.

I mean, one of the interesting things is Cannondale's revenue is down but we've actually sold more units than last year, but people are trading down. And you know, it's a difficult year but we're pretty excited about what's going to happen next year.

JESSY HAYEM: So aside from, I guess, new product introductions which you do mention the 2010 model year, is there anything that you can do in terms of marketing or sales efforts now to try to sort of push demand or is it really out of your control?

JEFFREY SCHWARTZ: Oh, no. There's tonnes of things going on. I mean, we've got, you know, we're banking pretty heavy on winning that polka dot jersey at the Tour de France. I mean, the guy who did that, did it on a brand new, 2010 model road bike.

JESSY HAYEM: Okay.

JEFFREY SCHWARTZ: And, you know, that's pretty prestigious. So there's a lot of marketing opportunities, there's a lot of sales opportunities. We're making... still making a lot of day-to-day changes.

I think, you know, we're hoping to execute better. I mean, if people remember, last year in Q3, we had some issues in which we couldn't get some of our high-margin bikes made on time. Even in Q1 of this year we had some quality issues that didn't allow us to ship certain product that we had orders for.

So I think those things, as we put those things behind us, we're going to start to see sales going up a little bit; but I think margins going up even more.

JESSY HAYEM: Okay. And then as far as the cost for the reorganization, they were sort of not material this quarter. Do you have roughly what you expect them to be in coming two quarters, second half of 09?

JEFFREY SCHWARTZ: Not really because like I said, we came up with a total number. Exactly when they fall is to be determined.

JESSY HAYEM: And have you started to transfer the frames to Asia or not yet?

JEFFREY SCHWARTZ: Yes. Yes, we have.

JESSY HAYEM: Okay. And then you mentioned that obviously the focus on product development seems to be allowing you to secure additional placement at retailers. Do I read by this that your shelf space allocation this year is growing versus last year?

JEFFREY SCHWARTZ: Yes.

JESSY HAYEM: Okay. That'll be all for me. Thank you.

JEFFREY SCHWARTZ: Thank you.

OPERATOR: There are no further questions at this time. Please continue.

MARTIN SCHWARTZ: Okay, Thank you. Well, there are a few points that I want everyone to remember from today's conference call. Firstly, Dorel's second quarter was one of our best ever with EPS of $1.01 once the non-cash mark-to-market effect is removed and this, when the economy remains poor.

Two, as we have outlined, despite the economy, there are investments being made throughout the company.

Although we are focusing on finishing with a solid year, we are also spending on building the future at a time when many companies are cutting back on the costs of future growth to prop up current profits.

Thirdly, all of our divisions will be very well positioned to move ahead even more aggressively once the economy does recover.

Four, key products in juvenile and bikes are already receiving rave reviews from retailers. We are extremely bullish with the prospects for 2010 and beyond.

Number five, our free cash flow generation allows us to strengthen the balance, reduce debt and pay a dividend.

And number six, Dorel trades at a much lower P/E than other comparable juvenile, bike and consumer product companies.

Based on opportunities throughout the company over the next few years we feel that the P/E ratio should be and could be much higher.

Jeffrey and I will continue to tell the Dorel story to the market this fall as we strongly feel that at current levels our stock is an excellent opportunity for investors.

I want to thank everybody for being with us this afternoon, and everybody please have a good afternoon. Thank you.

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

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