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CONFERENCE CALL
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OPERATOR: Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to the Dorel Industries third 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 * 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 Thursday, November 5th, 2009.

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

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

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Following our comments, we will be pleased to answer your questions. And as usual all figures quoted today are in U.S. dollars.

We are extremely pleased with the results of the quarter. Dorel has set a record for third quarter earnings, and we've done so in a very difficult retail environment. This is a tribute to the quality and value of our products and our focus on maximizing margins through cost containment, a more stable cost environment, and our disciplined minimum margin requirement program. And certainly it is a tribute to the employees of Dorel who have worked diligently to make us all proud and to deliver meaningful results to our shareholders.

We have often commented how our strategy of multinational operations, three specific segments, and our vast assortment of products have generally compensated for earning variations. To this point we've had particular success in North America in the juvenile and home furnishing segments, offset somewhat by less profitable results at other divisions.

The revenue declined in the juvenile segment moderated during the third quarter. Since the outset of 2009, this decline has been mainly in Europe due to prevailing tough market conditions abroad, as well as the strength of the U.S. dollar. To underline this while third quarter European

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sales were down 10 per cent from last year, two thirds of that was due to the impact of foreign exchange.

In the U.S. the quarter includes sales of Safety 1st Complete Air car seat featuring the Air Protect technology, which contributed to the positive results at Dorel Juvenile Group. Additional retailers will be carrying the seat commencing in January, and a new infant carrier, the onBoard 35 Air is being rolled out next month as the Air Protect technology continues to evolve and will be available at various price points. Dorel is focused on providing the best solutions to keep our children safe at affordable prices.

September is the month for trade shows, and Dorel was present at the most important ones again this year. Dorel Europe was front and centre at the Cologne Germany Trade Fair, one of the most prestigious of the year. The Cologne theme was innovations and new products. Dorel's exhibit, entitled The Innovation Experience, was one of the most popular, drawing large crowds due to its design and creative showcase of brands and varied products. Featured were our new Hop Hop products with their clean and trendy lines, Dorel's new Air Protect car seat technology, as well as several new items from Quinny, Béb  Confort, and Maxi-Cosi. And all were exceptionally well received.

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The show's coveted Innovation Award went to Béb  Confort and Maxi-Cosi for their car seat family. Maxi-Cosi's new FamilyFix was launched at the show. It is revolutionary in car seat safety and convenience, and features light and sound confirmation that the seat has been properly installed.

We also attended the ABC Juvenile Show in Las Vegas where Air Protect was predominantly featured and where media were given ample opportunity to understand and report on the technology. Here too, customer response was excellent.

You may have heard that Transport Canada recently announced it is proposing tougher safety standards and more rigorous testing standards for car seats and booster seats. The industry is responding to these proposals, and as the global leader in this category, Dorel is very much part of the process. This is a priority of the utmost importance for us, and as evidenced by our new Air Protect technology, we are constantly innovating to ensure the safest possible product.

In our objective of building our bike business into a global force, we have continued our strategy of selective tuck-in acquisitions. After purchasing the assets of an Australian bike distributor, we followed that up

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by buying the assets of UK-based Hot Wheels and Circle Bikes, UK's pre-eminent distributor of the Mongoose and GT brands.

Circle Bikes' popular Charge brand has won the Manufacturer of the Year and the Bike of the Year for 2009 from two British cycling magazines. As was the case in Australia, we have established a new subsidiary to be known as the Cycling Sports Group of UK. This underlines Dorel commitment to take control of its international bicycle brands in certain geographies and to work closer with distributors in others in order to accelerate growth within the critical IBD channel. We'll continue to strengthen the management of the Cycling Sports Group division with a number of additions in key personnel who will help drive the ambitious plans we have for this business.

(Inaudible) to our purchase this summer of the Iron Horse brand, a new product line of bikes in the sporting good channel has already been developed and has started to be presented to select customers. Thus far, the reaction has been most positive. We're also looking into an expansion of the Iron Horse brand outside bikes and into high margin parts and accessories as well as bike apparel.

Last month we announced plans to further build our performance apparel division. The newly named Apparel Footwear Group, or AFG will

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incorporate Sugoi Performance Apparel, as well as the apparel lines of Cannondale, GT, Schwinn, Iron Horse and Mongoose in both custom and its regular offerings. Plans include an investment in new equipment facilities and additional employees.

An important focus of the AFG will be the custom apparel business, developing specific riding and running uniforms for teams and clubs. A new 70,000 square foot Vancouver facility will open in January. New high-speed equipment is being added that will permit increased custom apparel capacity, and offer lead times well below the industry standards. We have barely scratched the surface in this expanding market and expect Sugoi to triple its custom apparel business within five years.

The third quarter home furnishing earnings improvement was led by Ameriwood, which continues to show consistent sales and earnings of domestically produced furniture. The futon and imported furniture businesses also improved earnings over the prior year. Reduced overheads and selling and administration expenses helped to narrow the losses of Cosco Home & Office and the recovery plan there for this division remains on track.

We are particularly pleased that our nine-month performance has validated the expectations we had going into 2009. In March we stated that

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despite the recession, while not immune to the tough economic conditions, our customer profile, variety of products and price points would help protect the company from dramatic sales reductions. To that end, organic sales have declined by only 5 per cent. The fact we're generating improved free cash flow has allowed us to continue to invest in future growth through strategic acquisitions and an ongoing commitment to new product development.

Recent trends in the value of the U.S. dollar against other currencies and the strengthened Canadian dollar mean that earnings will be affected in home furnishings as the segment has two manufacturing facilities in Canada and that products are sold primarily within the States. On the other hand, the higher Canadian dollar as well as the Euro and several other currencies against the U.S. dollar will definitely help earnings in the juvenile segment.

We believe we are well positioned heading into the fourth quarter, and we look forward to an encouraging 2010. We have received favourable reaction to our 2010 line-up of bikes, and order levels have increased. The juvenile segment will benefit from Air Protect in North America after Maxi-Cosi's new FamilyFix in Europe, which was first shown at the September Cologne Juvenile Trade Fair and was well received by

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customers. The turnaround in home furnishings has materialized as we expected, and while currency rates do pose a challenge, we feel most positive about that segment.

I'll now hand the call over to Jeffrey.

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

Our revenues for the third quarter ended September 30th, 2009 decreased by \$33.7 million, or 6.1 per cent to over 518.5 million. This compares to 552.2 million posted a year ago. Despite the revenue decline, after-tax earnings increased by 3 million, or 11.1 per cent to 30.2 million from 27.2 million last year.

Diluted earnings per share were \$0.91 in '09 compared to \$0.82 in '08. For the nine months ended September 30th, revenues decreased by 107 million, or 6.3 per cent, to 1.595 billion from 1.702 billion the year before.

Year-to-date after-tax earnings decreased by 11.4 per cent to 83 million from 93.7 million in 2008. Diluted earnings per share were 249 in '09 compared to 281 in '08.

As disclosed previously, 2009 earnings are being negatively affected by the reversal of a 10.5 million mark-to-market gain that was recorded on

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foreign exchange contracts in 2008. The third quarter of 2009 includes a loss on this reversal of 1.8 million, as well as a mark-to-market loss of 1.2 million on foreign exchange contracts put in place this year to hedge a portion of 2010's purchases. Of the \$10.5 million gain recorded in 2008, 3.5 million was recorded in the third quarter of 2008 with the balance being in the fourth quarter.

After tax, the amounts recorded in the third quarter are a loss of 2.2 million in '09 and a gain of 2.5 million in '08. Year-to-date 2009 includes a loss on this reversal of 10.4 million, as well as a mark-to-market loss of 4.7 million on foreign exchange contracts put in place in this year to hedge a portion of 2010 purchases.

Revenues were reduced versus last year due to the higher value of the U.S. dollar versus all other currencies in 2009 compared to 2008. However, in the third quarter of '09 the U.S. dollar began to decline in value against major currencies, lessening the variation in revenues due to the exchange in this quarter as compared to the year-to-date figures.

Organic revenue decline in the quarter was just over 5 per cent for both the quarter and the year-to-date. In the quarter gross margins were higher than the prior year at 24.8 per cent compared to 23.9 per cent. Year-to-date gross margins have declined slightly at 23.4 versus 23.9 per

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cent in '08. However, if the previously discussed mark-to-market impacts are excluded from the results, the margins in '09 were 25.4 in the quarter and 24.3 year-to-date compared to 23.2 for the quarter last year and 23.7 year-to-date last year. This represents an improvement over both the previous year's quarters and year-to-date. The improvement is mainly due to the more stable cost environment that exists in '09 and more favourable exchange rates.

Interest on long-term debt in the quarter was 3.5 million compared to 5.4 million last year. Year-to-date the numbers for interest is 11.6 versus 15.4 million. The tax rate for the quarter was 11 per cent and year-to-date 14.7, which is in line with expectations. Please note that the lower-than-typical rate in the quarter is consistent with the prior year, which was also about 11.3 per cent. For the year we still expect to be at the lower end of the 15 to 20 per cent.

Juvenile, we move over to the juvenile segment now. Third quarter revenues declined 5.8 per cent, or 15.3 million to 247.9 from 263.2 million last year. Earnings from operations were 26.1 million, a decrease of 24.7 from the 34.7 last year. Year-to-date revenues decreased by 107.6 million, or 12.6 per cent, to 746.5 million. Earnings from operation for the first nine months of the year were 71.6 million versus 101 million in 2008. However,

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again, taking out the mark-to-market that we've talked about, foreign exchange contracts were... we've got losses on foreign exchange of 2.5 million in the quarter and 15.9 million year-to-date. In 2008 the gain was 3.6 million for the quarter or the year-to-date.

The revenue decreases in the sector were both in North America and in Europe. The sale declines in the quarter that were experienced in Europe moderated as compared to earlier in the year. For the quarter, European sales declined 10 per cent from last year, but two thirds of that decline was due to the foreign exchange impact. Excluding this factor and the Baby Art acquisition that we did earlier in the year, organic revenue decline was only about 5 per cent.

For the segment as a whole, the organic revenue decline was approximately 3 per cent if the foreign exchange impact and acquisitions are excluded. In Europe as in the quarter, year-to-date, more than half of the sales decline was due to impact on foreign exchange.

Gross margins have declined from 2008 levels both year-to-date and for the quarter. However, included in the cost of sales are again those mark-to-market impacts. If we remove the mark-to-market impact, margins are 30.2 per cent for the quarter this year, and 29.5 per cent for the year-to-date, which is an improvement over last year's quarter of 29.5 per cent

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and 28.8 per cent. The improvement was due to a more stable input cost environment in '09 and a more favourable exchange rate in some areas, and an improved product mix in North America.

Moving over to recreational and leisure, third quarter revenues decreased by 18 million, or 11 per cent to 145.2 compared to 163.2 million. Year-to-date revenues are up 7 million, or 1.4 per cent to 505.7 million from 498.7 million in the prior year. Excluding the impact of the new business acquisitions and foreign exchange variations on the segments, non-U.S.-based business, the segment's organic revenue decline was approximately 10 per cent for the quarter and 6 per cent year-to-date. The decline was due to revenues within the segment's core bicycle business at the mass market level being down from prior year.

Bicycle sales at the Cycling Sports Group, the company's independent bike dealer network and sporting good customers, increased over last year's third quarter. However, consumers are purchasing less of the company's high-end bikes and trading down to lower-priced items, which carry lower margins and are less profitable for the segment. Earnings from operations for the quarter declined 1.7 million, or 26.8 per cent to 4.9 million compared to 6.6 million in 2008. For the nine months of

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the year, earnings from operations were 30.8 million, down 7.9 million or 20.3 per cent from 38.7 million in the prior year.

Gross margins improved slightly in the quarter as the proportion of sales from higher margin IBD and apparel products were greater than that of last year. Year-to-date margins have declined by 70 basis points due principally to a less profitable product mix as consumers have shifted down into lower price products.

And furnishings: home furnishing revenues were virtually unchanged from the prior year at 125.4 million versus 125.9 million. For the first nine months of the year, revenue has declined by only 1.9 per cent to 342.6 million from 349.2 million. Despite flat sales, earnings for the quarter increased by 10.6 million to reach 12.5 million, up from 1.9 million a year ago. Year-to-date earnings have nearly quadrupled to 24.6 million as compared to 6.4 a year ago.

The earnings improvement was led by Ameriwood as that division continues to show consistent sales and earnings of domestically produced furniture, up in factory efficiencies, and then therefore earnings. However, above Ameriwood's domestic operations this segment imported furniture and home furnishing business has also improved earnings over prior year.

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For principally the same reasons as the earnings improvements, gross margins in the third quarter of '09 improved to 18 per cent, an increase of 730 basis points from the 10.7 per cent recorded last year.

We move over to the balance sheet. Inventory levels at the end of the third quarter remained fairly consistent with those at the end of the first and second quarter, about 413.7 million. You'll also note that the current portion of long-term debt increase is due to the reclassification from long-term to current of certain of the company's borrowings. Firstly, the company's operating line of credit is due for renewal during the first quarter, or actually the first half of 2010, at which point a new agreement will be put in place, which will allow this debt to be reclassified as long-term. And secondly, the company's \$55 million series B senior guaranteed note is coming due in February of 2010. It's expected this debt will be repaid using the existent facilities.

Cash flow provided by operations was 148.2 million compared to 72.4 million last year, the year-to-date number, I believe. Yes. In 2009 dividends of 12.5 million have been paid so far consistent with last year. And as far as our normal course issuer bid, the company has used \$6 million of cash to repurchase its shares in the first nine months of 2009.

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Investing activities during the year so far includes 12.8 million dispersed in connection with business acquisitions, as well as \$1.1 million paid on the balance of sales related to PTI of 2008. 2009, excluding disbursements related to business acquisitions, the company has spent 28.6 million on capital additions, and that's a decrease from 2008. That number was 32.1 million.

This decreased spending was a result of a concentrated effort to limit capital expenditures to those projects deemed to be most important for continued growth and new product development. As a result of this, the company's net debt position defined as long-term debt and bank indebtedness, plus cash on hand improved from December 2008 with a reduction of 89.5 million from year-end levels.

As far as cash flow, for the first nine months, we're looking at 107.1 million of free cash flow versus 27.8 million of last year. So we're very pleased with that. We've got another quarter, which is usually a very good quarter for cash flow. So we're very pleased with that effort that the company has made.

With that, I'll pass it back to Martin.

MARTIN SCHWARTZ: All right, thank you, Jeffrey. We'll now ask the conference operator to open up the lines. We invite your questions, and as

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always, I ask you please limit your first round of questions to a maximum of 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. 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. One moment, please, for your first question.

Your first question comes from Hugues Bourgeois, of National Bank Financial. Please go ahead.

HUGUES BOURGEOIS: Yes, good afternoon. On the recreational side of the business, I was just wondering, you mentioned on the call and also on the press release that sales went up in the IBD channel. But was there any organic growth or was it all due to the acquisitions?

MARTIN SCHWARTZ: Yes, it's all organic growth. I think the acquisitions were done post-closing, for the most part.

HUGUES BOURGEOIS: So Iron Horse was done in the summer I guess?

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MARTIN SCHWARTZ: Yes. Again, Iron Horse, we bought a brand. We didn't actually buy a company, so we didn't really acquire any ongoing business from that.

HUGUES BOURGEOIS: Okay, so it was all organic.

MARTIN SCHWARTZ: Yes.

HUGUES BOURGEOIS: Okay. And on the inventory side, you mentioned that it was pretty flat from the previous quarter, down by about 9.4 million. Is the inventory where you want it to be right now or is it... are you still carrying let's say 2009 vintage bicycles?

MARTIN SCHWARTZ: We still have, the whole industry still has some excess bikes. It's not across the board; it's in the few specific models that we'll just be carrying going forward with. I mean, they're good product, they're not dated per se. And that's just a part of the bicycle industry right now, as sales are down, you know, everywhere. But again not an issue. We've already started into our 2010 line on many of the items, and those are doing well.

HUGUES BOURGEOIS: Okay. So we should not expect any inventory write-down for the '09 vintage?

MARTIN SCHWARTZ: No.

HUGUES BOURGEOIS: Okay. Thank you.

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OPERATOR: Your next question comes from Shane Leech-Porter of TD Securities. Please go ahead.

SHANE LEECH-PORTER: Great, thanks for taking my question. I just want to talk on home furnishing margins. You'd mentioned that in addition to the profitability improvement initiatives that the segment benefited from currency in the quarter. I'm just trying to get a gauge how much of a positive impact that this had? I'm just trying to see what a more normalized margin would look like now that all your cost-cutting initiatives are coming through.

JEFFREY SCHWARTZ: Well, the terms, actually what we stated in the press release was that the currency change, what's happened is particularly the Canadian dollar strength that's happened in the last few months is negatively going to impact that segment. It'll positively impact the juvenile segment. But it wasn't that this segment versus Q2 or Q1 benefited from currency. I think what we're saying is going forward it's going to be tough to keep it at that number, given what's happening in the exchange rate. Do you know what I mean? So the improvement in Q3 over Q2 or Q1 is not currency based.

SHANE LEECH-PORTER: It's not, but it's not fair for us to assume that it will stay at this...

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JEFFREY SCHWARTZ: No...

SHANE LEECH-PORTER: ... margin level going forward?

JEFFREY SCHWARTZ: ...I would caution people to multiply this number by four, that's not going to happen.

SHANE LEECH-PORTER: Yeah, okay.

JEFFREY SCHWARTZ: It's going to be less than that, but I think what we were saying last year was that we were under-performing and that we can do a lot better in this environment, and even in a tough environment we will do a lot better. I can't give you a run rate. But it's definitely much better than last year and below where it was in Q3.

SHANE LEECH-PORTER: Okay, great. And within the recreational segment, I just wanted to circle back on the increased sales in the IBD again. I recall in the third quarter of last year there was some supply issues with Cannondale, and I'm curious if part of the increase in the channel this year was because you were facing easier comps last year?

JEFFREY SCHWARTZ: That's possible. I mean, I can't break that down. There certainly was an impact last year.

MARTIN SCHWARTZ: That's part of it, but also in the cycling sports group they've done a very, very good job at opening up more and more

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dealers, both in North America and in Europe. So that's helping the gain in the Cannondale sales.

JEFFREY SCHWARTZ: As well as the new 2010 product line, that was favourably received, and a number of dealers are ordering more of that product than they did in 2008.

SHANE LEECH-PORTER: Okay. And just lastly on that, with I guess the lower sales for the segment overall, was it all volumes? And I know there was trade-down within the IBD channel to some extent too, but was there any I guess price discounting for some of the inventories on the higher-end bikes?

JEFFREY SCHWARTZ: There is some price reductions as costs have come down, some of our retail price points are down. But we're down in units as well as dollars. So it's probably... It's partially both. I don't have a breakdown for you, but it is units, but it's also some of the selling prices are lower just because costs are lower.

MARTIN SCHWARTZ: We haven't lost any SKUs to competitions. We've remained pretty solid in that area. It's just that DOS in general through the industry has been down.

SHANE LEECH-PORTER: Okay. Great. Thanks. I'll circle back.

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

TAL WOOLLEY: Hi, good afternoon.

MARTIN SCHWARTZ: Hi.

TAL WOOLLEY: Hello?

MARTIN SCHWARTZ: Yes, we're here.

TAL WOOLLEY: Okay. Just wondering if you could speak to the current, with commodity costs and freight costs right now we've seen obviously I think some pull up in plastic resin and things like that. I'm just wondering how you feel that freight going forward?

JEFFREY SCHWARTZ: Well, it's going to freight. I mean we've renegotiated a lot of the freight. Without getting into too much specifics, there will be some increase in freight prices next year, but I don't think it'll be that substantial or that it'll make a major impact. We're still a very large user of containers. We still make containers through many different shipping lines, and our business is steady throughout the year, which the shipping lines, they like to see and they respect that. So our relationships with them are pretty good, and we should do okay.

As far as commodities, resins have gone up but nowhere near where they were a year ago, and whatever the pricing going forward, we're

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working into our budgets. So I don't think there won't be anything drastic, and I don't think we're looking for any surprises.

TAL WOOLLEY: Okay. And I guess when you guys bought Cannondale and Sugoi, I think the run rate on apparel was about \$30 million at that point?

MARTIN SCHWARTZ: Of Sugoi?

TAL WOOLLEY: Yes.

MARTIN SCHWARTZ: Yes, in that ballpark, yes.

TAL WOOLLEY: And so standing right now, like is that number substantially higher?

MARTIN SCHWARTZ: No, not yet.

TAL WOOLLEY: Okay. So like maybe it's 10, 20 per cent higher?

MARTIN SCHWARTZ: They've actually out-performed our plan so far this year. But we still have a long way to go to get it to where we want to see it. So we're talking incremental, like incremental increases, but not where that business should be. So we're hoping with the new team and the new location that we're moving into, we're pretty bullish on where we're going to take that business.

TAL WOOLLEY: Okay. And the margin differential on that business is pretty different than the core bike business, correct?

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JEFFREY SCHWARTZ: It's good margin business.

TAL WOOLLEY: Okay. Fair enough. Thank you.

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

ANTHONY ZICHA: Hi, good afternoon, gentlemen.

JEFFREY SCHWARTZ: Hi, Anthony.

ANTHONY ZICHA: Hi. I missed the part what you said with reference to the home furnishings segment, and I was wondering if you commented on the margin that they expanded significantly. What are you comfortable with going forward with EBITDA margins segment?

JEFFREY SCHWARTZ: Yes, I guess you mixed... What I said was it's not going to be where it was in the third quarter. Primarily currency's going to make it difficult to do that going forward. But it's a lot better than when it was last year. So it's going to be somewhere between those two.

ANTHONY ZICHA: Okay. And with reference to retailers, is the de-stocking phase complete and are you seeing any replenishment?

JEFFREY SCHWARTZ: Now I've had a few people talk about this. I assume you're talking about what happened last year in the fourth quarter?

ANTHONY ZICHA: Correct.

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JEFFREY SCHWARTZ: Yes. Now we don't expect... I think the retailers have all gone into this (inaudible), and they're not going in with heavy inventories. So we are not seeing at all any kind of reaction that we had 12 months ago. The people are ordering regularly today, and it's business as usual. It might not be great business, but it's business as usual. There is no kind of inventory problem out there, and we don't anticipate one.

MARTIN SCHWARTZ: They're ordering basically following the TOS.

JEFFREY SCHWARTZ: And they're not sitting on a lot of inventory, that's for sure. If anything, some places are actually under inventoried.

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

CLAUDE PROULX: Thank you. Good afternoon. Can you talk a bit about how business is doing in Europe these days? I mean, we know what you did in the quarter, but what you're seeing in Q4 and up to now?

MARTIN SCHWARTZ: Actually, it's a good question because I think I'll expand on that and talk about everywhere. What we're seeing, and we'll talk about this on a general basis, not specifically by segment, but we're seeing... the U.S. is really still kind of stuck. We're not seeing great... The U.S. consumer is not coming back and buying products, at least not in any

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of the categories that we're in. We haven't seen any real improvement there. I think unemployment, there's a bit overhang on that.

Elsewhere, outside of the U.S., we're starting to see a little bit of improvement in Europe. It's marginal. I think even our numbers show it wasn't that bad in Q4, in Q3 as bad as it was earlier in the year. And I think Q4's again not our strongest quarter in Europe, but we're starting to see less problems, let's put it that way, than we have. So the needle's starting to move. And in some of the other countries that we've got operations in, Canada, Australia, even Brazil are pretty good. They had a pretty good Q3 and sales are doing all right, opportunities are opening up, earnings are good. It's only the U.S. that seems to be the laggard here.

CLAUDE PROULX: When you say pretty good in Australia, Canada, that would be like low-single digit or mid-single digit?

MARTIN SCHWARTZ: In some cases we're up. I'm surprised because we had a real tough start here, in both Canada and Australia. Similar currency issues in both countries. And our Australian unit produced really well in Q3, and Canada had also a great Q3.

CLAUDE PROULX: Okay. The other question, my other question is: your refinancing. I mean, you said that by the time it comes due, it will be renewed, but don't you expect to announce something before that? And

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then do you expect to have a larger or a line of credit of about the same size? And in terms of the cost, what's your expectation?

MARTIN SCHWARTZ: Well, I'm not going to comment on the size because that's something that we're working on. First of all, timing, the deal expires in June.

JEFFREY SCHWARTZ: July.

MARTIN SCHWARTZ: July. Okay, July of 2010. So yes, we will be announcing something prior to that for sure. The size, we're still debating what size we need. And cost wise, unfortunately costs are going to go up. We had a very good deal with relatively low margins. Today's reality is different, so we are probably going to be paying more.

CLAUDE PROULX: Hmm-mmm, okay. Thank you.

MARTIN SCHWARTZ: Okay.

OPERATOR: Your next question is a follow-up question from Shane Leech-Porter of TD Securities. Please go ahead, sir.

SHANE LEECH-PORTER: Hi, thank you. I just had a couple of follow ups. I'm just curious in recreational if there are any costs for the Cannondale transitioning that occurred in the quarter?

JEFFREY SCHWARTZ: On the restructuring charge that we...?

SHANE LEECH-PORTER: That's right.

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JEFFREY SCHWARTZ: ...talked about earlier in the year?

SHANE LEECH-PORTER: Yes.

JEFFREY SCHWARTZ: \$1.1 million.

SHANE LEECH-PORTER: Okay, great. And could you give what your product liability costs were in juvenile for the quarter?

JEFFREY SCHWARTZ: Yes, I can. I believe it's up slightly, but... This would be it right here, right?

MARTIN SCHWARTZ: Yes.

JEFFREY SCHWARTZ: 3.4 million versus 2.3 million.

SHANE LEECH-PORTER: Okay. Great. Thank you. And just lastly, on the tax rate, the 11 per cent, I believe from the press release you mentioned it was in line with your expectations. I'm just trying to get a gauge, is this what we should I guess model for this time, Q3 going forward? Is this typically...?

JEFFREY SCHWARTZ: Actually what I think we meant in the press release was the year-to-date is in line with our expectation. It's 14.7. Again, it's really about mix. Where are we going to make the profits? If we make the profits in the same proportion as this year, it will probably be in 11.

SHANE LEECH-PORTER: Okay. Perfect. Thank you. That's all.

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JEFFREY SCHWARTZ: But you know, for the year we're still looking at the lower range of the 15 to 20, for the yearly rate.

SHANE LEECH-PORTER: Okay. Thank you.

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

ANTHONY ZICHA: Yes, hi. Another question. With reference to the juvenile segment, we're seeing segment improvement in Europe, your organic growth rate. Could you please provide us with some colour on what geographic markets stemming from and do you believe this trend will continue into next year?

MARTIN SCHWARTZ: Okay, let me just get this straight. Our decline is less, our organic decline is less?.

ANTHONY ZICHA: Correct, yes.

MARTIN SCHWARTZ: You're saying where are we seeing the improvements?

ANTHONY ZICHA: Hmm-mmm.

MARTIN SCHWARTZ: France, we've seen a large improvement. The UK's actually up for the whole year, so that's interesting. We're seeing I think improvements, I know France for sure. Germany I think has also improved a little bit. Some of the areas that we've been hit hardest is so

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what we call our export markets, or the smaller markets that really got hit by the currency. You know, Eastern Europe, as an example, a lot of their currencies were killed. And those markets haven't yet rebounded even though their currencies are starting to get better. We have hope that those markets are going to bounce back next year as their currencies improve.

ANTHONY ZICHA: Okay. Well, thank you very much.

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

HUGUES BOURGEOIS: Yes, just a follow-up. Basically building on Tony's question there, in juvenile Europe, I know in Q2, Martin, you mentioned that the good news is that you didn't lose any market share. Is it still the same situation now or actually did you gain a little bit due to maybe the weakness of some of your competitors?

MARTIN SCHWARTZ: Yes, well, I mean we haven't lost any market share. We are gaining a little bit from both new products, some of the introductions at the Cologne show, as well as there is some weakness in some of the competition. And we're trying to do our utmost to play on that.

HUGUES BOURGEOIS: Okay, thank you.

OPERATOR: Your next question comes from Matt Jacob, of KDI Capital. Please go ahead.

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MATT JACOB: Hey, guys, how are you doing? Hello?

MARTIN SCHWARTZ: Yes, we're here.

JEFFREY SCHWARTZ: Hi, Matt.

MATT JACOB: Just real quick on, you talked a little bit about the inventory situation and a little bit about your competitive set, and this goes for just the various segments of your business. What is your competitive advantage, or do you have the competitive advantage to, if you do get the case of getting these retailers getting more orders than they think they're going to get, and if they're just following the POS system right now. If that picks up, maybe going into holiday or maybe it's next year, but do you guys have the ability to ramp up production and get product to them quickly? And how do you think your weigh versus your competitors?

MARTIN SCHWARTZ: Part of our sales are coming out of our own factories. For example, in home furnishing, our ready-to-assemble with the futon business, so we can turn very, very quickly. We have a lot of capacity there. In the juvenile business, basically we control the amount of factoring of all our car seats, whether it's done here in North America or if it's done in Europe. So again, we can turn it on quite quick.

We also carry inventory to back up to customers. And we have, if it has to be goods that come out of Asia, we've got very supportive suppliers

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who are very anxious to do more business with us. So we can turn it on and supply within a few days to 45, 60 days. So I think we're very, very well positioned.

MATT JACOB: Is it the kind of the same situation for your competitors or...?

JEFFREY SCHWARTZ: I think it really depends on the commodity we're talking about. In some cases we're where our competitors are. In some cases, I think we have the world's best car seat factory. And we can produce, like Martin said, within a few days we can ramp up and significantly produce a lot more. So I think in some places we have a big advantage over our competitors. In some, we don't.

MATT JACOB: And then can you guys just maybe talk a little bit more about the new car seat and how it's doing? And also there's been a lot of talk about Toys R Us in the news lately for various reasons, I guess. But it looks like over the next couple of years there could be some pretty decent growth out of that company. I know historically there's been some opportunity for you guys to get more product in there. What do you think the status on that is, and how quickly you'll be able to hopefully get more product in there, or not?

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MARTIN SCHWARTZ: Well, we have to be... We don't like to talk specifically about customers on here. All I'll say is we've been working well with Toys R Us, particularly this year. We're working on a lot of projects with them. This particular car seat was launched at Babies R Us. We are pleased. We are looking, we think we're going to see an uptick when we get wider distribution, which is going to happen in 2010. But overall, I think our relationship is very good with Toys R Us. And we agree, we think they've got a good future ahead of them.

MATT JACOB: Okay. Great. Thanks.

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're using a speakerphone, please lift the handset before pressing the keys.

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

MARTIN SCHWARTZ: Okay. Thank you. Well, it's been a most satisfying nine months, despite the fallout from the economic downturn. We still must not take anything for granted. Operations are scrutinized at every division and at every level. Management has also remained strongly

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committed to the long-term vision that we hold for Dorel, making important investments in our juvenile and bike segments.

And I must point out that it was not long ago that many were suggesting we get out of home furnishings. At that time we said we would remain committed to the business, as it is one we know very well, and the results speak for themselves. We are investing for the future, not just through acquisitions, but with products, programs, and the know-how that we are certain will drive growth. The energy level is high at Dorel, and we strongly believe that the benefits will be seen not just next year, but in the years to come.

Thank you for your continuing interest in Dorel and have a pleasant afternoon.

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

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