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CONFERENCE CALL
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OPERATOR: Good afternoon ladies and gentlemen. Thank you for standing by. Welcome to the Dorel Industries fourth 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 the 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, March 10th, 2010. 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, and welcome to Dorel's conference call for the fourth quarter and year ended December 30th, 2009. With me are Jeffrey

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Schwartz and Frank Rana. We will be pleased to answer your questions following our comments.

A reminder again that all figures quoted during this call are in U.S. dollars.

We are extremely pleased with our 2009 results. You will recall that a year ago at this time as the recession was taking a firm hold, we were cautious, yet confident about our prospects. Continued development of innovative, primarily recession-resistant quality products, a new minimum margin requirement program, and a discipline of cost containments contributed to the year's accomplishments. Despite the recession we did not compromise on investments to drive growth for the years ahead, and completing a number of tuck-in acquisitions, particularly in the Recreation/Leisure segment.

Also, we have not reduced our commitment to new product development as this remains a key driver for us. In fact, our R&D spend actually increased in 2009 versus 08, and in the last two years we have spent over \$65 million in this very important area. We introduced a number of excellent new products in 2009 which have further strengthened our competitive position in our core Juvenile and Recreation segments.

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I want to point out that if we exclude the amounts related to foreign exchange hedging programs and the settlement of a legal claim explained in today's press release, normalized diluted earnings per share improved year over year to 342 from 316 last year. This is reflected in our strong cash flow from operations, which totalled a record 205 million.

Deducting capital expenditures and other activities we have reduced our debt levels by almost 114 million, and Jeffrey will discuss this in detail shortly. These results were also achieved despite challenges in Europe and a weaker showing in Recreation/Leisure. Juvenile sales abroad suffered due to an overall weakness in market conditions, the impact of foreign exchange, and Dorel Europe's traditional reliance on high price-point products. However, Dorel's multinational operations, diverse operating segments and broad product lines compensated with strong results in North American Juvenile units and an exceptional improvement in the Home Furnishing segment.

Full-year sales in juvenile decreased from 2008's record level by 79 million. This was a result of the overall difficult retail environment, which was most acute in Europe and where our product line is focused on mid to higher-price points. Consumers favoured lower-cost items and therefore

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the sales mix lowered margins. Plans have been developed to have greater representation in the lower to mid price point category.

In the United States sales were down by less than 2 per cent and the decline was due to a conscious effort to eliminate less profitable items. Throughout Juvenile USA actually had an excellent year due to its presence in the lower and mid-price categories and an ability to executive quickly and effectively for retailers.

There were a number of key product launches across our Juvenile division. Of particular note was the Air Protect, featuring our new patented side impact technology. There is significant potential in this technology. Dorel has committed to the creation of future platforms to further solidify our leadership position in the car seat category. New models are being developed at various price points.

As I have commented before, we continued to invest heavily through 2009 in product development and we are maintaining that trend through this year. Dorel is fully committed to quality and safety. Consumers want and deserve innovation, safety and fashion in the Juvenile products. As the world's largest car seat manufacturer and a leader in many other Juvenile product categories, we take the trust that parents and caregivers place in Dorel and in our brands very seriously. We spend millions annually in

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North America and abroad in quality control and to operate world-class testing equipment.

A case in point: In January we announced a \$21 million investment to establish a state-of-the-art car seat design and development competency centre at our manufacturing facility in Columbus, Indiana. This amount will be spent over the next three years and will further Dorel's leadership position as the world's largest car seat manufacturer. It will drive technological advancements and innovations for child passenger safety.

A revolutionary new crash test lab and dedicated computational engineering resources and advanced side impact capabilities are just some of the dynamic assets to be added as the first major milestone in our car seat product capital investment program.

We also have competency centres in France and the Netherlands, similarly equipped and which we'll continue to invest in annually. The bottom line is that our Juvenile products must be the best and safest, or we are not satisfied.

The fourth quarter was much improved in Recreation/Leisure with revenues up over 11 per cent and earnings from operations improving 183 per cent. Approximately two-thirds of the revenue increase came from the

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new businesses recently acquired and the balance from the IBD business serviced by the Cycling Sports Group.

Excluding acquisitions and driven by successful new products, the Cycling Sports Group posted sales gains of over 25 per cent versus last year. This is partially offset by lower Pacific Cycle mass-merchant sales. The overall significant year-over-year improvement in bikes was a clear sign that newer models, particularly in the Cycle Sports Group division, are being well accepted by dealers. Our acquisitions are being effectively integrated with particular success of Hot Wheels, the U.K. acquisition, and the preeminent distributor of GT and Mongoose bikes.

The Cycling Sport Group Europe dealers have also reacted well to our new models and we are most optimistic about prospects abroad.

Continued fourth quarter improvements for principally at Ameriwood and Cosco Home & Office maintained Home Furnishings strong year with a revenue increase of 18.4 per cent over the fourth quarter last year. The fact that sales increased in a difficult economic environment is due to Dorel's focus on reasonably priced furniture, sold primarily to mass merchants. The turnaround in Ameriwood led the way to solid full-year profitability for the segment as a whole.

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Cosco Home & Office is refocused on its core competency of metal folding furniture and step stools and has cut costs considerably. Altra, the import division, was also profitable.

Sales were flat for both Dorel Asia and Dorel Home Products, where futon sales were affected by the recession but are expected to be stronger through 2010. The lower input costs and improved manufacturing operations also contributed to the segment's earnings improvement.

We see several opportunities unfolding in our Juvenile and Recreation/Leisure segments which we believe will continue to place us in a leadership position. In addition to recent bike-related acquisitions, there remains opportunities for organic growth through the opening of new geographic markets and exciting new products.

Also in Recreation, the high-margin parts and accessory business is doing well and we are now just looking to improve our parts and accessory business in the IBD channel. Significant changes in investment in our Apparel Footwear Group also bode well for the future with an expansion of our custom branded apparel.

In Juvenile, as mentioned, response from retailers to Air Protect has been enthusiastic. There is significant potential with this technology. In Europe equally exciting product introductions, such as the FamilyFix, the

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Mila and the Senzz introduced last year will allow for additional inroads in 2010.

Each Juvenile division has additional innovative product launches planned throughout 2010. Brazil has excellent potential and is seen as a strong contributor going forward. Globally we will continue to develop new markets as we have done in Australia and Brazil. As such 2010 looks positive and we expect sustainable growth. We intend to build on the successes achieved in Home Furnishings and we will continue to provide excellent value to our customers through continued product development, sourcing efforts and emphasis on improving operational efficiencies.

Most predict that any recovery this year is likely to be slow. Dorel does not expect a significant improvement in the economy through 2010, and this should continue to impact consumers' buying habits. We are not immune to these conditions, but as 2009 demonstrated, the nature of the great majority of our products, and the customers to which we sell, will protect us to a certain extent.

I'll now hand the call over to Jeffrey.

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

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to cover primarily the fourth quarter, touch a little bit on the year-end results, but most of the information here will be on the fourth quarter.

Like we said, revenue for the quarter was 545.3 million, up 13.6 per cent over a year ago. This increase included the benefit of a weaker U.S. dollar as compared to the prior year's fourth quarter, in that non-U.S. denominated revenues were translated at a higher exchange rate.

Gross margins for the fourth quarter of 2009 improved to 24.3 per cent from 21.9 per cent in the prior year. In 2009 the margins improved in all three segments, but most significantly in Home Furnishings.

SG&A costs increased in the quarter to 83.2 million from 70 million in 2008, an increase of 18.8 per cent. Foreign exchange variations accounted for about 40 per cent of the increase, with the balance due to the new businesses acquired over the course of 2009 and increased spending across several divisions.

Product liability costs in the quarter were not materially different from the previous year. R&D costs increased by 3.4 million due to heavier spending in the Juvenile segment and the write-off of previously capitalized research and development costs incurred for certain projects.

In the fourth quarter interest costs were lower by 2.2 million as a result of lower borrowings and lower average borrowing rates in 2009.

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Income before income taxes was 31 million versus 19.6 million, an increase of 58.5 per cent. The company's income tax was 6.8 million in the fourth quarter compared to only 400,000 in 2008.

The tax rate in the quarter was 21.9 as compared to 2 per cent in 2008. The causes of the unusually low tax rate in 2008 quarter were that the quarter's earnings were generated in certain lower tax rate jurisdictions. As a result, net income for the fourth quarter was 24 million, an increase from 19.2 million in 2008. Our earnings per share for the quarter was \$0.73 fully diluted versus \$0.57 last year.

Another number I just want to throw out there, because I've seen some incorrect versions of that, and that's the EBITDA number. The actual EBITDA number this year is 49.239 million versus 35.845 million for the quarter. That's the Q4 number.

What people have to remember is because of the accounting change we have depreciation tucked into our cost of goods sold now. So as an example, for the quarter there was 6.312 million in 2009 and 3.694 in 2008. I just want to make sure people catch that.

For the full year, as Martin mentioned, we are down 1.9 per cent on revenue. Net income for the year 107.2 million, or 3.21 a share compared to 112.9 million, or 3.38 a share.

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As we disclosed throughout the year significant amounts pertaining to foreign exchange gains and losses across both 2009 and 2008 had the impact of shifting reported earnings from one year to the other. In 2008 the company recognized unrealized gains of 10.5 million, after tax 7.4 million on foreign exchange hedging instruments intended for use in 2009, which reversed in 2009, creating a loss in the current year.

Over and above this in 2009 the company recorded an additional loss of 4.2 million on 2010 foreign exchange contracts. The total after-tax negative impact on 2009 results were 10 million, or \$0.30 per diluted share.

If we move over the Juvenile segment now, in the quarter the Juvenile revenue increased by 13.1 per cent and it occurred in almost all markets. Our earnings from operations declined, however, by 4.9 million, or 18.8 per cent versus the prior year.

Juvenile gross margins were higher in 2009 by 90 basis points, and along with higher revenues generated an additional 10 million in margin dollars. The margin increases were comprised of the benefit of lower input costs and improved overhead absorption, offset by some higher recall costs. The additional margin dollars were more than offset by higher SG&A costs, depreciation, amortization and an increase in research and

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development. The SG&A increase was due to exchange on non-U.S. expenses, higher selling costs as a function of greater sales levels, and higher admin costs mainly attributable to personnel costs.

The economic events of the fourth quarter of 2008 entailed dramatic cuts in operating costs in that year and the 2009 spending levels were higher as a result as they returned to more normal levels. Note that SG&A costs in the fourth quarter of 09 were consistent with the third-quarter levels. As we described above, development costs increased by 3.3 million due to heavier spending and capitalized R&D write-offs.

For the year Juvenile sales were 995 million, down from 1.07 billion, a decrease of 7.3 per cent; gross margins for the year, 27.6 per cent versus 28.8 per cent; and earnings from operations for the year, 92.5 million versus 126.8 million. That's a decrease from the 11.8 per cent down to 9.3 per cent, but keep in mind we do have a lot of the currency adjustments affecting those numbers.

If I move over to Recreational for the quarter, increase in sales at 17.8 million, or 11.3 per cent. Earnings increased to 9 million from 3.2 million in 2008. The gross margins improved in 2009 to 22 per cent from 21.3 per cent the year before. Note that the sales to the IBD channel included a greater volume of less expensive lower-margin bicycles, which

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dampened margins within the CSG division. SG&A costs were 27.8 million in the quarter, consistent with the 28 million the year before.

For the year sales were up 3.8 per cent from 656 million in 08 to 681 million in 09. Gross margins decreased from 23 per cent to 22.6 per cent. And earnings from operations decreased 4.9 per cent from 41.8 million to 39.8 million. And the per cents also dropped from 6.4 per cent in 08 to 5.8 per cent in 09.

Moving over to Home Furnishings. We continued a strong year with a revenue increase of 18.4 per cent in the fourth quarter. Earnings increased 12.1 million from 1.5 million in 2008. Gross margins improved to 19.8 from 11.3. However, we have to take out the settlement and when we do that, gross margins would have been 14.5 per cent, which is probably a better number to be looking at.

For the year sales up 2.7 per cent, 463 million versus 451 million. Gross margin, 16.7 per cent; but again, when we reduce the one-time gain, it's 15.3 per cent versus 11.3 per cent in the previous year. And earnings from operation, 36.6 million versus 7.9 million, a per cent of 7.9 per cent versus 1.8 per cent.

If you look over the balance sheet in 2009 as retailers began to replenish their stock levels, the company's inventories declined accordingly

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throughout the year, as was expected. And therefore inventories declined from 509 million at the end of 08 to 400 million at the end of 09.

We do think that that type of inventory level is pretty much sustainable. As we look across all of our businesses, we see there's still in some of the businesses, there is still opportunity to reduce inventories. In others, they're probably running at a very good inventory.

Over and above the debt reduction in 09 as a result of a strong cash flow, the long-term debt decreased at the end of the year due to a reclassification from long-term debt to current of certain of the company's borrowings.

Firstly, the company's operating line of credit is due in July of this year, which we will have a new agreement in place prior to that. Secondly, the company, 55 million Series B Senior Guaranteed Note matured in February of 2010 and was repaid using existing facilities.

As I mentioned, we're currently negotiating our new financing agreement and thus far progress is going very well. And we foresee no negative issues in securing adequate financing going forward.

Looking at some liquidity issues, as was mentioned cash provided by operating activities up 124 million from 80 million to 204 million. Capital expenditures this year totalled 40.7 million compared to 47 million in 2008.

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And our debt reduction this year was 114 million. We accomplished that while paying a dividend of 16.6 million and also disbursing 10.5 million in our share buyback program during the year.

And with that, I'll pass it back to Martin.

MARTIN SCHWARTZ: Okay, thank you, Jeffrey. I'll now ask the operator to open up the lines for your questions. And again, I would ask you to limit your first round of questions to two questions. Operator?

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press the * followed by the 1 on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure that 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 Anthony Zicha with Scotia Capital. Please go ahead.

GEORGE: And this is George calling in for Anthony. Two quick questions. The first one is can you comment a bit on the industry-wide restocking that we're currently seeing? And what particular Dorel products, categories do you see may have the most upside from this restocking, and in your opinion, how far into this phase are we?

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MARTIN SCHWARTZ: Maybe you can detail your question a little more. What do you mean by restocking phase?

GEORGE: Well, I mean you, like mentioned your inventory's reduced due to the restocking that you're currently seeing at the retailers.

MARTIN SCHWARTZ: No, okay, that happened in Q1. We're not seeing any real inventory change at retail currently.

GEORGE: Okay.

MARTIN SCHWARTZ: That's more of how we reduced our inventories than it has relationship to what's going on today.

GEORGE: Okay, so the retailers are fully stocked.

MARTIN SCHWARTZ: They are stocked to the point that they want to be stocked, I believe, yes.

GEORGE: Okay. Thanks. And are you seeing any rises in lead times for bike frames coming out of China?

MARTIN SCHWARTZ: No, not really. We've got everything under control there and there's maybe on a daily basis a little hiccup here and there, but in general things are going the way we want it.

GEORGE: Okay. And another quick one if I may, also in the outlook section you guys say that 2010 looks positive and you expect some

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sustainable growth. Can you give us an idea of what sustainable growth means? Is it sustainable from 2009? What do you mean by that?

MARTIN SCHWARTZ: I think it means that we feel that we've got the right products in the market today at the right prices. What we don't know is really where the economy's going, so it's very difficult to put numbers to it. But we know that we have a lot of new product coming through the system, it's at different price points, but we're really comfortable that we can adapt to whether the market continues to be a low priced market, if it starts to move up we've got good product available there as well.

GEORGE: Thank you.

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

SHANE LEECH-PORTER: Thanks for taking my questions. I just first wanted to get some more clarity on the mark-to-market FX adjustments. It looks like it represented a small gain of just over 0.5 million in the quarter. I was curious if you could break that down between the divisions. I know it's mostly Juvenile. And also for Q4 of last year, I believe it's about 5 million after tax. If you could also break that out between the divisions.

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MARTIN SCHWARTZ: The numbers you're looking at, if we're just talking about MTM, I believe those are the Juvenile numbers.

SHANE LEECH-PORTER: Okay, so it's entirely within the Juvenile segment.

MARTIN SCHWARTZ: No, sorry, hold on. This is Juvenile. Okay, after tax? Right. So okay, Juvenile represented last year about 75 per cent of the number.

SHANE LEECH-PORTER: And where would the...

MARTIN SCHWARTZ: And the balance would be in the Rec group.

SHANE LEECH-PORTER: And this year's entirely in Juvenile.

MARTIN SCHWARTZ: The 0.5 million anyway, I guess.

SHANE LEECH-PORTER: Oh, yes.

MARTIN SCHWARTZ: Yes, you know, we haven't broken that one out, but, yes.

SHANE LEECH-PORTER: Fair enough. Okay just quickly, the Juvenile, the strong sales in the U.S. in this quarter, is there anything in particular that drove that strength? I'm just trying to also get a gauge of sustainability going forward.

MARTIN SCHWARTZ: I don't think there's one particular product. No, I mean, we have certainly in Q3, we filled a lot of pipeline fill with the

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Air Protect. But in Q4 it sold as a normal product would sell. So there wasn't anything that particularly stood out in Q4.

SHANE LEECH-PORTER: So you're still seeing I guess strong organic sales in the U.S.?

MARTIN SCHWARTZ: It's good. I mean, it's still, the U.S. consumer is still sluggish, so in the U.S. we're not... we're still cautious in the U.S.

SHANE LEECH-PORTER: Okay. If I can just add one last one on the Recreational, the strong sales growth in the Cycling Sports Group, you mentioned the strong reception for the 2010 models. I'm just curious, is any of that I guess them pre-filling their inventories? I guess, again, this is trying to get a sense of how sustainable the strong growth is.

MARTIN SCHWARTZ: Well, I guess you've got to look at how the channel works. It's a little bit different. They do pre-sell, but the orders are based on what the retailers think they can sell in their period. Having said that, we're also getting a very strong reorder program right now. So we believe that products that we are making today at Cannondale are much better, whether it be value, quality and feature-wise, than we've made in a number of years. So we believe that's sustainable.

SHANE LEECH-PORTER: Okay, great. I'll circle back. Thank you.

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

HUGUES BOURGEOIS: Yes, good afternoon. Good quarter. Just on the product launches that supposedly took place earlier this year, you talked about good reception in the U.K. How about Australia? I think you were going to launch Cannondale there in January. And also last quarter you mentioned that the Complete Air car seat would be launched at additional retailers. So I'd like maybe some colour there.

And also, the Iron Horse product line and the sporting goods channel, apparently you had good reception initially when you presented the new collection, but has this reception translated into good orders?

MARTIN SCHWARTZ: Well, I guess, we can start with Iron Horse. I know Iron Horse, we're really going to see it in 2010. We didn't sell a whole lot in 2009. So yes, we do have Iron Horse in a number of outlets now, which we didn't have before. I think it's too early really to know how the sell-through is, but I guess we do have orders and we do have product out there.

As far as Australia, yes, the bikes again, Australia. Cannondale's been in Australia. The acquisition in Australia was the purchase of the Mongoose distributor who we then merged our Cannondale office together

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with the Mongoose distributor's office. So it's not a big, big deal, but that's going well. That's going quite well.

I'll tell you, our sales, particularly outside of the United States, we're very pleased with so far this year. So I think every market outside the U.S. is doing really well. And that's not saying the U.S. is not doing well. I'm just saying that we're seeing a lot of strength outside the U.S.

HUGUES BOURGEOIS: Okay. And what about the Complete Air car seat at other retailers? How's that progressing?

MARTIN SCHWARTZ: I think it's fine. We've shipped it out. We're getting reorders. I haven't seen a detailed report on that.

HUGUES BOURGEOIS: Two quick questions for 2010. What should we be using in terms of capex and in terms of tax rate? Thank you.

MARTIN SCHWARTZ: Tax rate, we're going to stay in that 15 to 20 zone that we've been in for a while. Again, things do move, as you can see within it, but I think we finished this year in that zone. And we are going to increase our spending. We announced the...

JEFFREY SCHWARTZ: Competency centre.

MARTIN SCHWARTZ: ... competency centre, and we are increasing our expenditure on new products in Europe as well as around the world.

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So you are going to see an increase above the 40 million. It could be between the 50 to 60 million range.

HUGUES BOURGEOIS: Okay, perfect, thank you.

OPERATOR: Your next question comes from Ari Black with Thomas Weisel Partners. Please go ahead.

ARI BLACK: Hi, guys. Thanks for taking my call. Just hoping I could touch on the Juvenile division in Europe. It seems like there's a lot of headwinds right now, so I was just hoping to get your thoughts on how the division will perform in 2010. But I guess more specifically, we're seeing the euro weaken from the levels we saw in the last couple of quarters. I've seen freight costs starting to increase and then there's the mix that you spoke about in the opening comments.

MARTIN SCHWARTZ: Well, you're right. The freight issue is an issue everybody's got to deal with right now. And the euro is also a bit of a headwind. I mean, if I had to pick the two biggest headwinds corporately that we've got everywhere, you nailed the two right there with freight and the euro. Those are the two big issues. Aside from that, I think Q4 was the first quarter that we finally pulled even with the previous year sales, so we're no longer looking at declines in sales quarter over quarter, so that's

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good news. I think the consumer in Europe is picking up a little bit now. So we've got that to look forward to.

And we do have a few of the challenges. You know, we think we can make them up in other areas, but there's no question, as long as the euro's not as high as it was last year, there's a little more pressure there. But I think we've got great products. We're introducing more products this year, so we like the product line that we've got. We think we can increase our business and our sales that way, and we'll just have to deal with the other issues.

ARI BLACK: And then was FamilyFix product, was that introduced in the fourth quarter?

MARTIN SCHWARTZ: Yes.

ARI BLACK: Was there a lot of contribution there, or is it mostly a 2010 event?

MARTIN SCHWARTZ: I mean, it was just... yes, it has to be mostly 2010.

ARI BLACK: Okay. And then on the commodity side, will there be any offset to the higher freight costs with lower commodities, or has that already been solved?

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JEFFREY SCHWARTZ: We are working with our vendors in Asia, on pricing. There has been some downward pricing coming out of our vendors and we're keeping things very close to the vest right now and we're trying to offset the price. But in our budgets for 2010, which were created let's say in the fourth quarter last year, we did anticipate the freight increases. So there's not too many surprises.

ARI BLACK: Okay, I'll re-queue, thanks.

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

CLAUDE PROULX: Thank you. A couple of things. First, Juvenile products, what do you think would be the – because the business has changed, you've been shifting some business around and the segments are changing a little bit – what do you think is the sustainable EBIT margin in Juvenile?

MARTIN SCHWARTZ: Well, we're going through a lot of turmoil right now, like you just said, with the euro. It's difficult to give you a hard number until things kind of settle down a little bit.

I think 2008 it was a very high number, so I'm not sure that that's really the sustainable margin. But it is better than it was, particularly at the end of last year.

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CLAUDE PROULX: Next one is, expectation as far as free cash flow in 2010, and maybe you can talk a little bit about what you intend to do with that free cash.

MARTIN SCHWARTZ: Yes, I mean, we will probably be bringing in less in 2010 than 2009 because of the inventory issue. We still expect it to be quite strong. The number-one priority is going to be paying down debt, again. Certainly acquisitions are something we're looking at. Again, we want to get the right one at the right price.

And we've got a small increase in capital expenditures and we've got a share buyback program that will be running. And we have dividends. But the bulk of the money is going to pay down debt.

CLAUDE PROULX: Okay. And as far as the acquisition market is concerned do you see a lot of opportunities? And in general, how do you feel about pricing?

MARTIN SCHWARTZ: We see a lot of opportunities. Pricing a little bit early from our point of view. We haven't gotten too much into that. We're very focused on becoming more international so we're looking at a lot of opportunities all over the globe right now. And therefore pricing is different in different markets and I wouldn't say we're looking at the traditional path that we've always done before and see what's being

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marketed by the big banks. This is a little bit of a different approach, but there's actually quite a bit of opportunities out there for us.

CLAUDE PROULX: And the idea is you get into new geography or you expand your product line into existing geography?

MARTIN SCHWARTZ: Yes, I think the answer's yes. Both. I mean, depending on the acquisition, but definitely much more global focused.

CLAUDE PROULX: Okay, thank you very much.

OPERATOR: Your next question comes from Shane Leech-Porter with TD Securities, please go ahead.

SHANE LEECH-PORTER: Thanks very much. I just wanted to follow up on product liability costs. I know you mentioned they were higher in 2009. Just trying to get a sense of what you expect for 2010, if it will be at similar levels. And if you could even provide, I guess, a numeric value on the level for 2009.

MARTIN SCHWARTZ: No, the only comment I made was that they were similar. They're actually down a little bit in 2009 and we're not going to give out a full number now, but we're not expecting much of a material change.

SHANE LEECH-PORTER: Okay. Great.

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MARTIN SCHWARTZ: They have been declining now for at least three or more years. And again, declines are getting smaller, but they continue to decline.

SHANE LEECH-PORTER: Okay. And just lastly, in Home Furnishings, I thought I was taking from the other two divisions. Strong performance here again. Just trying to get a sense of how sustainable that significant lift in sales we saw on the quarter is?

MARTIN SCHWARTZ: Well one thing we do have to remember that this segment benefits from a weaker Canadian dollar and from an earnings standpoint that's going to have a negative effect. It will help us on the Juvenile side, so I don't know that we're going to see a net negative effect for Dorel, but you will see a net negative effect on Home Furnishings. But that's only on the margin side.

On the sale side, you know what? This is a good place to be right now. As long as the economy is still struggling, this is opening price point furniture.

SHANE LEECH-PORTER: Okay. Thank you.

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

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TAL WOOLLEY: Hi, good afternoon. Just wondering if you could update on how the, you know, at this time last year you announced the bike restructuring program, if you could just speak to how that's been progressing and what, if any synergies, you've seen to date.

MARTIN SCHWARTZ: Bike restructuring. Yes, in fact, we have a number. Throw out the number that we've got in here. As far as it's going, it's on schedule. It's actually, yes, the last report I got, which was very recent, is everything is on plan there. We are reducing our manufacturing footprint in the U.S. and the total reorganization costs in our numbers for 09 was 2.9 million.

But otherwise, it's on schedule. Our margins are moving up on the bikes that we're selling now. So we're hitting all the targets that we need to on that plan.

TAL WOOLLEY: And I believe it was predominantly the frames that were getting pushed overseas. So how much of your production now for your frames were overseas? Is it all there now, or...?

MARTIN SCHWARTZ: Well, I don't know the exact number. I know we're on schedule.

UNIDENTIFIED MALE SPEAKER: It's a higher percentage.

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MARTIN SCHWARTZ: Yes, I mean, it's a high percentage. We're still making some frames, but over time the frames will be made overseas and the assembly will still be done in the U.S.

TAL WOOLLEY: Okay. And then just from the addition of the transactions this year on the bike business, I'm trying to get a sense of what the sales mix is, like us versus Europe versus the rest of, you know, we'll call it rest of world, in the Rec and Leisure segment.

MARTIN SCHWARTZ: Okay, let's see, do we have that available quickly? I don't have that quickly available.

TAL WOOLLEY: Okay.

MARTIN SCHWARTZ: Okay, so wait. Yes, no. I'd like to look at that before we give that out.

TAL WOOLLEY: Okay, and I guess the last question would just be on where your currency hedging sits right now versus the euro, like where the euro is right now. Where are you sort of hedged in at and relative to where things are trading right now?

MARTIN SCHWARTZ: We're not hedged fully. We have some hedging above 1.43, but we are exposed at this point, a certain amount.

TAL WOOLLEY: Okay. Okay, that's great. Thank you very much.

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

Your next question comes from Ari Black with Thomas Weisel Partners. Please go ahead.

ARI BLACK: Hi, I just wanted to follow up on that hedging question. Is the hedge at a comparable level to what it's been like over the last couple of years, or is...?

MARTIN SCHWARTZ: No, it's lighter than normal.

ARI BLACK: Can you give a per cent or...?

MARTIN SCHWARTZ: Not at this time, no.

ARI BLACK: Okay.

MARTIN SCHWARTZ: Sometimes, I mean, we do, we hedge, but we hedge at different levels depending on the opportunities. And right now I think we're at a lighter level.

ARI BLACK: Okay. And then with regards to the Air Protect...

MARTIN SCHWARTZ: Yes, going back to the hedging, I'm sorry, it was just pointed out to me, we've changed our system over now to hedge

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accounting, so we shouldn't see the MTM fluctuations that we've seen in the past.

ARI BLACK: Great. That should make it a lot easier.

MARTIN SCHWARTZ: Yes.

ARI BLACK: And then sorry, for the Air Protect, I guess it's hard to tell what the impact was during the quarter for that, but was there any cannibalization with the older Safety 1st car seats there, or was it mostly incremental?

MARTIN SCHWARTZ: The one we brought out was at the high end of our range, so really there wasn't any... we didn't have anything up at that range anyway. So it didn't eat away at anything in the existing line. As we go forward and we move the Air Protect into different models and different price points, yes, they will replace older models, but this is what we're constantly trying to do is upgrade our products and replace the older ones.

ARI BLACK: Okay, and with regards to the R&D a certain per cent was I guess due to write-offs of what was capitalized before. So going forward, should we expect that \$8 million to come down in the next couple of quarters?

MARTIN SCHWARTZ: Well, yes, I don't think you'd see that. That's not going to be the quarterly number that we run with. It'll be lower than

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that, yes. I think that's, you know, I don't want to use the term one time because it is product, but it's not something that's going to happen every quarter.

ARI BLACK: So the \$2 million that was related to the corporate, is that the write-offs?

MARTIN SCHWARTZ: No, there's no corporate. I'm not sure what you mean by that. No, I think there was... I don't have the exact number but there was a chunk of, like you said, assets that were written down in that quarter that were related to product development. I don't have the total number in front of me.

ARI BLACK: Ball park or...?

MARTIN SCHWARTZ: I think it's about \$2 million, in that area.

ARI BLACK: And then just lastly, are you able to give a little bit of insight into the mix now between the mass and the CSG group, revenues within Recreational?

MARTIN SCHWARTZ: No.

ARI BLACK: Okay. All right, okay, thanks.

MARTIN SCHWARTZ: Okay.

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

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TAL WOOLLEY: Sorry, just a couple of quick follow-ups. That 49 million in EBITDA number, Jeff, that included the \$5 million gain?

JEFFREY SCHWARTZ: Yes.

TAL WOOLLEY: Okay. And your bank line, so it's stuff in July. When do you anticipate making an announcement?

JEFFREY SCHWARTZ: Well, before that? I mean, I'm not saying we're not doing anything, but we're... I don't want to get into all the details of what we're doing, but it won't be too long. I mean, in weeks, not months.

TAL WOOLLEY: Okay. That's great. And I guess, just in the last year, I'm wondering if you can speak just to market share in the last year, whether you feel you've picked up ground, defended in categories, particularly in Juvenile and the bikes?

JEFFREY SCHWARTZ: I would say let's start with bikes. In the mass side I'd say if we lost market share it was because of price points, so more people shifted downwards where we have less product on the shelf. But at our price point, we did not lose market share. I think we've picked up market share. And on the independent side I'm pretty sure we picked up market share. You know, our sales were fairly strong. And well, we know. We know we've added a lot of new dealers. We know we've added a lot of new stuff, so absolutely picked up market share there.

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On the Juvenile side I believe in the U.S. we picked up market share. I think that in Europe if there was, again, depending by country, in some countries, again, people went down market where we don't have as much product breadth as we do in the higher end. So we might have lost some market share in some European countries relating to price.

TAL WOOLLEY: Okay, that's great. Thank you very much.

JEFFREY SCHWARTZ: Okay.

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

MARTIN SCHWARTZ: Okay, thank you.

Well, Dorel has come through one of the world's most difficult financial crises, with the most satisfying performance and a solid balance sheet. Also our ability to generate record cash flow from operations speaks to our strict inventory management. We have set several things in motion and have made a number of investments which again makes us confident for the current year and those beyond.

Our focus will continue to be on new product development and quality control. Organic growth remains high on our list, but we will also investigate acquisition opportunities, large or small, if we feel they make sense.

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I want to thank everybody for their continuing interest in Dorel, and have a pleasant afternoon.

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

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