

EVENT: DOREL INDUSTRIES, INC.
FIRST QUARTER RESULTS

TIME: 13H00 E.T.

REFERENCE: CNW GROUP

LENGTH: APPROXIMATELY 45 MINUTES

DATE: MAY 18, 2011

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OPERATOR: Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the Dorel Industries First Quarter Results Conference Call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question and answer session; instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press star, followed by zero for Operator assistance at any time.

Before turning the meeting over to management, please be advised 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, and I would like to remind everyone that this conference call is being recorded on Wednesday, May 18, 2011.

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.): Good afternoon and welcome to Dorel's First Quarter conference call for the period ended March 31, 2011. Joining me are Jeffrey Schwartz and Frank Rana. We will take your questions following our comments, and again, all numbers are in US dollars.

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Our flight business, particularly in the IBD channel did very nice during the first quarter. Improved earnings and Recreation/Leisure were offset by the challenging retail environment for our U.S. Juvenile business.

Revenues in Home Furnishings were stronger year-over-year but high commodity prices and freight rates, as well as the weakening US dollar resulted in lower earnings compared to Q1 2010.

We had anticipated the high 2010 year-end inventories have started to come down and this will convert into improved cash flow through the year.

In Juvenile, the revenue decreased of just under 6 percent, was in most of our division. But the greatest was at DJG USA. As consumers spending in the US remains down. In local currencies European sales decreased by under 2 percent. Sales of mid-price point Safety 1st products, have been well received in Europe and car seats will be offered later this year in the opening-price point category

Terms of getting price increases through the current competitive US retail environment, is making their acceptance challenging at this time. Our focus is on differentiation and making a product more desirable. We have introduction scheduled through the year. As an example, just recently, DJG USA launched the Rümi Air. A new booster seat with an

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initial exclusive run at BabiesRus in the US. The same seat will be available at additional retailers within a couple months branded Essential Air.

Importantly, the Rümi features DJG latest development in child restraints. A next generation energy management system called FlexTech energy management. This new Flex technology trust system serves as the seat in a frame and compensate for the differences in how children of different ages and sizes behave during a crash, by managing the crash forces and transferring the energy away from the child. FlexTech is similar to the chassis of a car, which can accommodate multiple body styles, or in our case, multiple car seat design. There will be derivatives of this new technology which provides Dorel with important edge over other car seat manufacturers. FlexTech has been developed in house by the new DJG technical centre in Columbus. By across functional teams and is a perfect example of how we are creating an important competitive edge.

I will be announcing another significant development that we are working on at next week's Annual Meeting.

Further building on its commitment to child safety, last month DJG opened the Dorel Centre car seat inspection at our Tech Center in Columbus. This is a free permanent service for families in the region, to

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ensure their car seats are properly installed. To widen this initiative, DJG is partnering with the American Automobile Association. To take safety education on the road with a series of free car seat check events across the country. DJG has also become the first manufacturer to be the lead agency of an official Safe Kids chapter. Safe Kids Worldwide, as you may know, is a global network of organisation which mission is to prevent children's injuries. Together with local community organisations, DJG will provide a reliable, expert child safety resource for local families. Offering educational resources and programs that help insure the safety of children.

These are the type of things we are pleased and proud to do, as a leading Juvenile products company.

As I said at the outset, Recreation/Leisure had another very satisfying quarter. The 10.3 percent increase in sales was all organic. Revenue growth exceeded 25 percent in the IBD channel as a momentum created last year with the introduction of the well received 2011 new model year product line, particularly Cannondale and GT continued into this year's first quarter.

Poor weather and this year's late Easter holiday period resulted in mid-single digits decline in a mass merchant category. But we have already seen signs of improvements.

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A wrapped up involvement with the pro-cycling racing Liquigas team is certainly paying dividend this month. As you know we increased our investment to become Co-Title sponsor. Giro d'Italia, one of the three Grand Tours, is currently underway, and we have an excellent team competing. Headed by Vincenzo Nibali. He took this race last year and I expect good things this year as well. Liquigas-Cannondale is determined to wing the pink jersey, so it is selective a trusted tried and tested line-up of riders.

Also now underway is the Tour of California. An eight stage cycling road race that challenges the world the world's top professional cycling teams to compete along a demanding 800 mile course. The addition of Americans Ted King and Timothy Duggan to the Liquigas-Cannondale team, have given even more interest in the United States. There is also considerable marketing to support Schwinn, National TV Advertising is starting again in key US market. Campaigns last spring and pre-Christmas were most effective in driving sale.

Recently we announce that Olympic medallist Summer Sanders has been engaged as Brand Ambassador to promote Schwinn as family-friendly, fun bicycle. As an Olympian, avid athlete and mom, Sanders is a

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great partner for Schwinn connecting with its core audience, the active mom. And she will be encouraging families to get out and ride together.

May is national bike month in the US and Schwinn has a social media campaign with daily bike giveaway, to promote the joy of riding. Just last week, Schwinn a tremendous exposure on National TV, as 400 bicycles were distributed free to the audience members attending the Oprah Winfrey.

Home Furnishings revenues grew at several major customers, led to a large degree by increased sales of upholstered furniture and futons. On-line sales continue to increase with e-commerce revenue, nearly doubled year-over-year. Home furnishing profit was the most effective of all Dorel businesses by increased input costs through the first quarter; with steel and polyester experiencing the most dramatic increases. And delay in obtaining price increases also had an impact on operating profit.

I'll now hand the call over to Jeffrey to detail the financials and other information.

JEFFREY SCHWARTZ (Executive Vice-President, Chief Financial Officer and Secretary, Dorel Industries, Inc.): Good afternoon everyone. Before I go the numbers, I want to remind everyone that this the first

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quarter of Dorel's reporting results under IFRS as opposed to Canadian GAAP.

As noted in our year-end MD&A, the impact on the Dorel on the change over was not expected to be significant, and it was not. In terms of the income statement, the impact on Q1 2010 was only \$0.03; and in fact the impact for the year is null as \$0.03 variation in Q1 is off (inaudible) another quarter. So clearly the impact on the company is not material. However, line items in both the balance sheet, income statement are presented differently, as you will notice. In particular depreciation and amortization is no longer aligned item on the income statement, they're now grouped in a various expenses like selling and administrative expenses, research and development costs.

As we capitalize and amortize certain of our R&D cost, this means that the R&D expense line item is now more meaningful under IFRS, than before, as it includes related amortization of these costs. Also SG&A is now presented separately as opposed to as one line item.

Let's get down to the numbers. For the first quarter 2011, revenue increase by 11.5 million or 1.9 percent, at 607.8 million, this compares 596.3 million a year ago. The revenue increase is mostly organic with no acquired sales or material, foreign exchange variation.

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Net income for the quarter was 31.2 million a decrease of 18.4 percent from the 38.2 recorded last year. On a diluted EPS basis point to \$0.94 for the first quarter of 11, compared to \$1.15 in 2010.

And the quarter gross margins decrease by 200 basis points to 23 percent from 25 percent the prior year. The margin decline was in Juvenile home furnishing where a less profitable sales mix, higher import cost, and unfavourable foreign exchange rate, increased input cost in Europe, US and Canada.

Finance cost increased by 2.6 million, to 5.9 million from 3.3 million. The main driver was an increase and a higher average borrowing rate as of mid-2010. At that time, we replace borrowing, some borrowing under the revolving line of credit with long-term debt with a fix interest of repayment schedule. And that's a higher rate of interest. The interest rates on the Company's long-term borrowing and revolving line of credit, average 4.4 percent in 2011, versus 2.1 percent in 2010.

Two thousand eleven first quarter tax rate was 13.7 percent, versus 21.7 last year. The principal cause of the rate decrease was lower earnings within the higher tax rate jurisdictions and likewise higher earnings in the lower tax rate jurisdiction. We have stated that for the year,

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we again expect tax rate to be between 15 and 20 percent, despite the lower rate recorded in the first quarter.

To move on with the Juvenile: first quarter 2011 revenues, 269.6 million; a decrease of 5.7 percent or 16.2 million from last year. Operating profits were 23.7; a decrease of 28.6 from last year 33.1 million. Revenue decrease was in most segments however, most pronounced in the United States. Sales, as we said, sales in the US were down just over 10 percent. In the Europe, they were down just under 2 percent. Sales in Southern Europe, continue to be challenging; countries such as Italy, Spain and Portugal; with some of the Northern countries such as Germany actually doing nicely and better than last year.

Gross margins decrease by 250 basis points to 26.6 compared to 29.1 percent last year. Main reasons for that, higher input cost, less profitable product mix of DJG in the US, and higher cost in Europe due to a less favourable foreign rate on that division, US dollar purchases. (Inaudible) Dorel Europe uses hedging instruments as part of its US purchasing strategy. And in 2011, these contracts were at a less favourable rate than we bought at in 2010, thereby resulting in lower gross margins. These contracts going forward do improve as the year goes on,

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so we are expecting some relief from those contracts later as the year progresses.

If we move on to the Recreational and Leisure, revenue increased by 18.8 million or 10.3 percent to 200.4 million. Operating profit increased by 2.7 million or 17.9 percent to 17.8 million compared to last year. As in the Juvenile segment variations in foreign exchange year-over-year were not significant. So the increase is all organic.

Our revenue growth exceeded 25 percent in the IBD channel as the momentum created last year with the introduction of extreme well received 2011 product line, continued into the first quarter. Sales growth was achieved in all markets, but was particularly strong in both Europe and Australia. The growth was offset slightly by the mid-single digit decline in sales to segment's mass merchant customers, where sales were sluggish due to several factors. One: retailers ended the Christmas season with slightly higher inventories, meaning our replenishment for orders were reduced.

And in the first quarter of 2010, there was significantly better spring weather. There was an early Easter season and more commercial activities in Q1 behind the Schwinn brand, making that quarter particularly strong. Gross margins were unchanged over the year. SGNA expenses

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increased by 2 percent or 6.4 million to 32.3 million compared to last year's, 30.4 million.

Moving over to Home Furnishing. Our revenues increased by 8.9 million or 6.9 percent at 237.7 million in 2011. Operating profit, 7.8 million compared to 10.7 million in the prior year; a decrease of 2.9 million or 27.6 percent. Revenue increase was as several major customers and was led primarily by increase sales of upholstered furniture and futons.

Online sales continue to growth an importance for this segment; and revenues from this channel nearly doubles, compared to the first quarter of 2010. Gross margins were 12.5 percent, a decline of 290 basis points, from 15.4 percent recorded last year. The segment was most affected by increase input cost in 2011 with steel, and polyester experiencing the most dramatic increase.

Year-over-year higher freight rate also reduced earnings, as did the weaken in US dollar, which increased the cost for the segment US functional currency businesses that located in Canada.

The end of 2010, we experienced a significant increase in inventory levels, as sales fell short of expectations in the fourth quarter; and inventories rose about normal level. Therefore, as expected in the first quarter of '11 our inventories declined from 510 million the end of last

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year, to 493 million. The decline was as expected in Juvenile and Home Furnishing with a combined decrease of over 10 percent. However, partially offsetting that was an increase in Recreation and Leisure which brought in significant amounts of bike anticipating second quarter shipping, which is the strongest quarter for the Recreation and Leisure business.

The much higher inventory levels as of March; these were much higher than the inventory levels of last year, which was 273 million. The 2011 inventories are much more in line with requirements. We might still be a little bit high on them; but last year's number was way too low and caused us a lot of pain throughout the balance of the year. And people, remember, we ended up a significant inventories at the end of June, because we brought in so much stuff, because we were panicking with not having inventory at the end of Q1.

So, although again, we are a little bit high in this area, I feel that, you know, we're going to bring that down throughout the second quarter. We are still in a much better place to do our business that we were last year at this time.

Account receivables increased by 31 percent from the year-end numbers and improved by — account receivables increased by 31 percent from year-end and sales improved by 13 percent from the fourth quarter.

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The sales also in 2011 were weighted towards the month of March, meaning the receivable percentage increased — exceeds the sales increase for the quarter.

In cash flow standpoint, we used company's 20.8 million, compared to getting a source of cash of 28.6 million last year. It's not uncommon; the first quarter did not generate positive cash flow. This happens to a number of times to Dorel. But this will reverse as we move to the 2011, and still expect to have a nice strong cash flow for this year.

With that, I'll pass the (inaudible).

MARTIN SCHWARTZ: In terms of our outlook, the retail environment in the States, particularly in Juvenile, continues to pose challenges. As evidence by lower margins in Juvenile and Home Furnishing, we are still dealing with high input cost and the majority are being absorbed by the Company.

Recreation/Leisure, we expect the solid start to the year to continue with an overall improved performance over 2010. Dorel has invested heavily in its bicycle brands and with the enthusiastic acceptance of new models; we are seeing continued growth in the IBD dealer network. We are optimistic for the balance of the year in the mass merchant channel; as point of sale activities has improved in recent weeks.

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As clearly evidenced with the development of FlexTech, our next generation crash force energy management technology, Dorel is committed to new product developments as well strategic brand support.

Other important car seat research is underway and I'll have more to say about this at next week's AGM. We realize that the successfully navigated environment of rising cost and prudent consumers, we must promote our brands and bring new exciting products to market. That will create demand, allowing us to improve profitability.

As expected Q1 inventory was reduced and will continue to come down to appropriate levels. Therefore we fully anticipate that cash flow will increase significantly through the year.

We now invite your questions. I'd ask you to kindly limit your first round to two questions only. Operator, please open up the lines for questions.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct a question and answer session. If you have a question, please press the star, followed by the one on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they're received. Please ensure you lift the handset if you're using a

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speaker phone before pressing any keys. One moment for your first question.

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

JESSY HAYEM: Thank you. Good afternoon. Starting with the Juvenile segment, Jeffrey or Martin I guess. Just trying to get an understanding of what was the, I guess the cause of some of the weakness that you're seeing on the top line. Again we've heard obviously similar comments from some of your competitors, that the environment just remains very weak. So, aside from maybe retailers being hesitant taking in inventories, I assume there is a consumer driven weakness as well that's continuing from what you're seeing?

JEFFREY SCHWARTZ: Yes. You know, unit sales are not down as much as the top line. So, people are tending towards more promotional activities. I do find that a little strange, the weakness. That's lasted for so many months now and haven't it too often like this. But it is an industry wide phenomenon right now and for whatever reason, people are holding back or they're just buying, you know, a lower price product. And you know, we're trying to respond with more offering in the OPP/MPP range and, you know, more interesting, new and innovative products. And we

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think that, you know, I have no idea how long this is going to last, but I don't believe this is permanent slowdown. I think, you know, people are going to get back to spending money on their babies like (inaudible).

JESSY HAYEM: Okay. And then, you know, on that, we have heard comments from Newell and their bid to be, I guess, more aggressive; going up to the value conscious consumer and with OPP products maybe stepping up some of the promotional activity there. Anything you can tell us, I guess, what you're seeing and what your positioning would be, given, I guess, their intend to get more into your...in a new area of growth, of?

JEFFREY SCHWARTZ: Well, we are — we believe we're the low cost producer in the industry. You know, we certainly, I believe at a lowest cost car seat factory out there. You know, we're in that space and we're going to continue — we do well in that space and we're going to continue to defend that space. So, you know, I don't know what they're doing, you know. But we're going to, you know, that's. We're comfortable there.

JESSY HAYEM: Okay. Just one more before I sure go back on just making sure I'm clear on something. You mentioned in Juvenile that, essentially the environment is making the acceptance of price increases difficult. But in the Home Furnishing segment, you mentioned there is a

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lag or delay in putting through price increases. So, you know, is it clear that pretty much in the Juvenile you are not able to pass through price increases, where as in Home Furnishing this is just delayed. Is that?

JEFFREY SCHWARTZ: No. I'd say, we are putting some price increases through in Juvenile, it's just difficult. And the environment is also difficult in Home Furnishing. I wouldn't compare the two, I mean. Often it's a case by case basis. We've gotten price increases on certain items, with certain accounts in Juvenile and not on other items of other accounts and. But there is no sort of bracket direction on those two.

JESSY HAYEM: Okay.

JEFFREY SCHWARTZ: They're both relatively difficult.

JESSY HAYEM: Okay. I'll circle back for one more thing.

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

ANTHONY ZICHA: Hi, good afternoon. Jeffrey, could you give us an idea following Jessy's question, order of magnitude of the price increases, and which categories experience the largest increases?

JEFFREY SCHWARTZ: No. We don't comment on specific, we — what price increases we put in and because I can't comment on that's competitive information.

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ANTHONY ZICHA: Okay. Can you give us an idea with reference to the organic growth in the Recreational division, you know, at 10 percent growth. Can you give us an idea? Was it more volume, was it price?

JEFFREY SCHWARTZ: I would think, it's volume. Yes, I would think it's definitely volume. Particularly on the IBD side.

MARTIN SCHWARTZ: But you know, to some extent, our higher price Cannondale bike are selling lot better this year than last year.

ANTHONY ZICHA: And those, Martin, would be the bikes that are above \$2,000 or — what would be the?

JEFFREY SCHWARTZ: It's funny, the mass market, it's tough out there, but the — I mean, if we have any luxury goods in Dorel Industry, I think it would be the IBD bike brand. And those seem to be performing quite well. So, you know, it's interesting comment on the general economy.

ANTHONY ZICHA: Okay. And are there any challenges with the eBike, can you give us an idea on the progress?

JEFFREY SCHWARTZ: I believe we're introducing the eBike in Europe in this quarter. So, I don't know if they hit to store yet, but it's imminent. And again it's only in Europe, this is small scale, but you know

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it's — I believe it's this quarter. It could be off by a month or two, it's imminent

ANTHONY ZICHA: And a last question. With reference to your inventory levels, so you're quite comfortable. And then, you mentioned, your inventories are high on the Recreational/Leisure side. So, is there any risk of margin compression going forward?

JEFFREY SCHWARTZ: No, I mean, I think it's. No, I mean, you've got to ship so many bikes, you know, let's say in April and May, that we might have, you know, \$10-20 million on the water. You know, that's the type of environment that you're in during that time of year. It's not like our warehouses are bursting with goods, there's just a lot of good coming in. I mean it's the season. If we don't have inventory, or we don't have bike coming now in April and May, then we are going to have a problem.

ANTHONY ZICHA: Okay. And any relief on the shipping cost?

JEFFREY SCHWARTZ: I think costs are fairly stable.

ANTHONY ZICHA: Okay.

JEFFREY SCHWARTZ: But they're still higher than they were a few months ago, but they're stable.

ANTHONY ZICHA: They're stable. Okay. Well, thank you gentlemen.

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OPERATOR: Your next question comes from Mark Petrie from CIBC World Market. Please go ahead.

MARK PETRIE: Hi, good afternoon. Could you just talk a little bit about the SGNA trends, each business unit; if there was sort of anything one-time affecting those lines in Q1, and particularly in the Rec. & and Leisure business, where teams (phon) like expenses levelled-off a little bit, relative to the pace we've seen in previous quarters?

FRANK SCHWARTZ: Well I think. I can talk most about the Rec. and Leisure. You know, we needed to wrap-up the stand in that area to be competitive in the environment, to where we wanted to be. We're getting up there now. I don't know that we need to continue our increase in stands, like we use to. We do have some big categories this year; we've got Schwinn, we've got, you know — and now we're, as Martin pointed out, we're sponsoring the Liquigaz-Cannondale team; which is, you know, on the top professional team in the world. So yes, we are spending a little bit more there, but I think it's stable now. You know, I think these are good areas where you'll see us in the future.

MARK PETRIE: Okay, thanks. And could you just give us a bit of a sense of that 25 percent growth in IBD channel. How that breaks down regionally?

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FRANK SCHWARTZ: I can't, you know, we don't want to give out to much, but like I said, Europe was very, I think every country is up. I mean, I don't think there is anything that's not up. But Europe was up significantly, and that's a big number; we do a good job in Europe. Australia was up a lot; however Australia is a small country. But you know, even the US, Canada is up. I mean, we're globally doing very well.

MARK PETRIE: Okay thanks. And just in terms of the — you talked about sort of a bad mix, product mix within the US, in the juvenile products segment. Just wondering if you could talk a little bit about how much of that is shift to lower margin product; and how much of that is sort of shift towards, you know, maybe promotional product, as opposed to regular price?

JEFFREY SCHWARTZ: I think it's more a shift, I don't that we do a lot of, let's say, what you would call promotional where we sell the same good at discount. We do certainly some of that. I think more of it is a mix to selling more and more OPP product, which carries lower margin. So, you know, we're selling a lot of car seats but, you know, our margin is slipping because they're buying more OPP as opposed to MPP or (inaudible) high price point. I think the majority of that would be product.

MARK PETRIE: Okay. That is all. So thank you.

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

HUGUES BOURGEOIS: Yes, good afternoon. Just a question on the Recreational side of things. Q4 seemed to have been a little weak for the Apparel and Footwear Group. Can you comment on their performance in Q1?

JEFFREY SCHWARTZ: Yes. I mean, it was still hard this year there. I mean, the performance improved, you know, significantly compared to Q4. But, you know, we're still not pleased with the way everything is running right now. So, there's still a lot of work to get it, to be where it is. But it did get better.

HUGUES BOURGEOIS: Okay. And we saw a 2 percent contraction (phon) in Europe, and that seems to be a reversal from the performance you had there in the last few quarters; anything under just the economy or the mix there?

JEFFREY SCHWARTZ: I mean it still a little bit tough, but, I mean, Q4 was good. I think we shipped a lot of goods in Q4. I mean 2 percent, you know, is not tremendous. I don't believe it's (inaudible), you know, I don't think we're trending negative. We've got a lot of new stuff coming out, we're doing well in a lot of accounts; we're growing in a lot in the

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Northern countries. So, I'm much more optimistic on the way things are going.

I think we're also going to see better, a little bit better margins as the year goes on, because we're — our contracts to purchase US dollars improved throughout the year. I think we're going to see some, you know, I'm much more optimistic about Europe than necessarily waiting for that turn in the US. I mean that what we're kind of waiting for, and I don't have a date as to when it's going to turn. But we think it will.

HUGUES BOURGEOIS: Okay, but for Europe there, you're pretty positive and you should be in the (inaudible).

JEFFREY SCHWARTZ: Yes.

HUGUES BOURGEOIS: Black and as early as Q2?

JEFFREY SCHWARTZ: Yes. It could be. I mean, look at the Q2 last year, and remember you had some — we had a great first half last year, there is no question. I mean, they're all came shutting out of a gate extremely fast. And then, there was a difficult second half and you know, it's a tough comps this in the first half, but I'm hoping that you know, that second half looks a lot easier for us and that we could built some momentum and do better in that second half.

HUGUES BOURGEOIS: Thank you.

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OPERATOR: Your next question comes from Taylor (phon) Louis from CIBC World Market. Please go ahead.

TAYLOR LOUIS: Hi, good morning, or good afternoon, I guess. I'm just wondering, you mentioned that, you know, the industry on the Juvenile side has gone through passes like this in the past. Do you have any sense of like, what sort of sparked the turn around. Like what drove the industry out of these patches in the past?

JEFFREY SCHWARTZ: Well, I think the biggest thing that we've got and that affect on (inaudible) too is that the customer or the economy at the mass market level. You know, I mean, you know who our customers are there. They're not coming, you know, they're struggling. I mean our customers are struggling at that level. And I think their customers are the problem. So, its, you know, things like employment, you know, lower income, people are paying a lot for gas now and more for food and maybe not spending as much on other goods. And that's really what we're looking for. You know, I mean I think that, that's our customer. In Europe, we sell, you know, mid- to high-price point and it's different. But I think when we see, you know, a turn at that level in the US, they're all going to respond likewise.

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TAYLOR LOUIS: Okay. And just to be clear of last thing. Q4 and (inaudible) I mean, you sort of said that you expected sales in operating earnings to be up year-over-year, sales wasn't repeated, but you know, there is a lot of different verbiage in there. So, I just, you know, like were you sort of backing off that statement or you know, given the uncertainty to date or you still sort of sticking by that.

JEFFREY SCHWARTZ: Yes, there is still a lot of uncertainty. So, now we are not, you know, I think we have no problems on the rep side, I mean everything is going really well; considering the economy. The Juvenile right now is the challenge. I mean, we got to see what happens at the end of Q2 and where we are and although we do have a lot, you know, a lot better comps coming up, like I said, in the second half. But the Juvenile business is a little more challenging this year, I mean. I'm sure a lot of you checked out what our competitors have done. Everybody is having a tough this year. So.

TAYLOR LOUIS: Okay. Just a last question for Juvenile. Key quarters for, you know, you talked about new product launches, when should we be expecting to see new products in the store?

JEFFREY SCHWARTZ: I think, definitely second half. You know, to be conservative Q4. You know, a lot of stuff gets shipped December,

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October. So, I don't know where exactly it's going to fall this year. But, you know, that's when we should see a lot of new stuff.

TAYLOR LOUIS: Okay. That's great. Thank you very much.

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

CLAUDE PROULX: Thank you. Good afternoon. Just one question. Your (inaudible) annual, on their call complained about, I guess, you know, low end competitors that are matching product, that are copying products, and they are taking legal action against those. Is that impacting you, and if so, are you looking also at taking action?

JEFFREY SCHWARTZ: I would say, overall, yes. It's impacting us. I don't know of too many cases where they've actually copied our product. I mean, it's possible that I'm not aware of it. But yes, I mean, it's just, it effects the environment. So what's happening is, you know, these people are coming in at a price, which is making a difficult to raise the prices. Because they're coming in with, you want to call it, you know, No Name product at low prices. And it's just keeping the environment down a bit. I think that — from that point, I can't comment from the actual, the copying and the legal action. I don't have a comment on that.

CLAUDE PROULX: Okay. Thank you.

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

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

JESSY HAYEM: Thank you. Just back on the Recreational/Leisure segment, with the mass merchant level, weakness that we're seeing; I mean, a lot of your comments seem to attribute some of the weakness, they're relating to weather; and seeing that, at least from what we're seeing here, that the weather has not really still been cooperative. I suppose this — if you spilling over into the current quarter, and with that in mind, are pretty much some of these sales lost; or is there a possibility to recoup some these bike sales that are — that were not done?

JEFFREY SCHWARTZ: It's a good question. I mean, that a question we don't have an answer to, can you recoup it. We certainly aren't losing market share. So it's not as if people are buying someone else's bike. Will they, if they buy a bike this week, will they come back and buy it next week because it's sunny? We hope so but, you know, difficult to answer that question.

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JESSY HAYEM: Okay.

JEFFREY SCHWARTZ: But the weather for sure. I mean, you know, at least Montreal, Toronto, this past week, this is May; this is bike season. You know how many people feel like going to buy a bike, you know in the last week? But, you know, it's not over yet; people might hit the weekend, and we have a lot of promotions in the US this coming weekend and stuff going through for the balance of the month. And June, you know, June is still a very strong bike month. So, not ready to through the towel (inaudible).

FRANK RANA: There is still a long bike season ahead this year.

JESSY HAYEM: Okay. And then, I guess, keeping that in mind, Jeffrey, just trying, I guess, help me reconcile your confidence in pushing down inventories. Last quarter, I think on the call you (inaudible) a bit of a breakdown into what was sort of voluntary increases, because you brought in product earlier, and sort of what was, you know, sort of a starting point that was too low. Is there any kind of a breakdown that you can give us there, just to, maybe, illustrate a bit more the confidence you have in inventories (inaudible)?

JEFFREY SCHWARTZ: No. Other than, like I said, we brought our Juvenile and Home Furnishing inventories down 10 percent; which is, you

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know, pretty close to what we wanted. Could we do another few percent yet? But they're in good share, but we — I think I'm sure, but think I mentioned last quarter that the rec business wasn't out of sink; they did not have too much inventory.

And now, the natural parts for the year for them, is to raise their inventories now, because that's what they did. So, you know, we would have been, you know, maybe 20 million better, or so; which is kind of where around where we wanted to be.

But we're not far off from where we want to be, except for the fact that the bike business needs a lot of inventory at this of year.

JESSY HAYEM: Okay. Okay that's clear. And then, on the Home Furnishing side, I'm just wondering with sort of the top line increase that we saw on the quarter; and the fact that retailer had been, at least in the fourth quarter, reluctant to take an inventory. Is there — is some of that increase that we're seeing in the first quarter, some sort of a catch up that's happening; or is it through volume that's going through?

JEFFREY SCHWARTZ: I would think it's volume. Because I think to a certain extend, the retailers still are opening their doors to inventory. But we're still struggling to get orders through sometimes; they're still being stingy with inventory.

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JESSY HAYEM: Okay. And just a final question on, I guess, you know, given that you expect your free cash flow to improve through the year; you know, can we see be a little bit more aggressive (inaudible) on the buyback going forward; or maybe other uses of cash, dividend increase, anything that you can provide; some colour on that would be (inaudible)?

JEFFREY SCHWARTZ: Possibly, but I have nothing specific to tell you. So, you know, I would need authorization from the Board if we had a specific plan; but those are thing that are being discussed.

JESSY HAYEM: Okay. Thank you.

OPERATOR: Your next question comes from Leon Aghazarian from Industrial Alliance. Please go ahead.

PATRICK on behalf of LEON AGHAZARIAN: Hi, it's actually Patrick calling on behalf on Leon. And there is a pretty substantial increase in accounts receivable, which is somewhat above historical months (phon), even though like, accounts receivable for Q1 seems to be higher. Could you just give some colour on whether this was mostly caused by seasonality; or was there some difficulties collecting cash from some customers perhaps?

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JEFFREY SCHWARTZ: There is no difficulty collecting cash. It is seasonal. We did, let me try and think the different terms. First of all, the bike business does give longer terms than normal. But I think if you look at the days in receivable, Q1 of this year versus last year, you'll see they're about the same. So, the dollar number is up, we did again have a lot of March shipping. So, a lot of the goods are sitting — like lot of the receivables for the sales are sitting in receivables for the quarter, because March is very strong. But no, they're still — the quality issue are zero.

PATRICK on behalf of LEON AGHAZARIAN: Okay perfect. Thanks. And also in terms of inventory, is your target still around 450 million to 460 million for the second half of 2011?

JEFFREY SCHWARTZ: Yes.

PATRICK on behalf of LEON AGHAZARIAN: Okay, perfect. And maybe one last thing. In terms of the balance sheet, we see a decrease of 17 million, quarter-over-quarter. But on the balance sheet, it increases by 24 (inaudible). I'm just wondering the 7 million discrepancies?

JEFFREY SCHWARTZ: And what are we talking about here? The.

PATRICK on behalf of LEON AGHAZARIAN: On the balance sheet. The inventory decreases by roughly 17 million, quarter-over-quarter; but in terms of the cash flow statement, there is an increase of roughly 24 million.

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JEFFREY SCHWARTZ: (inaudible).

Unidentified Speaker: Foreign exchange.

JEFFREY SCHWARTZ: Sorry. Foreign exchange, yes.

PATRICK on behalf of LEON AGHAZARIAN: Foreign exchange.

Okay. Thank you.

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

JEFFREY SCHWARTZ: Okay. Well, I want to thank everybody for being with us this afternoon and want everybody to note that we're holding AGM, next Thursday morning at 10 o'clock at the Hemily (phon) Hotel, on Sherbrooke street here in Montreal. We look forward to seeing you there.

Thank you again and have a good afternoon.

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

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