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OPERATOR: Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to Dorel Industries second quarter results conference call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press the * 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 Thursday, August 7th, 2008.

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

MARTIN SCHWARTZ (President and Chief Executive Officer, Dorel Industries Inc.): Thank you.

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Good afternoon, everyone, and welcome to Dorel's second quarter 2008 conference call. With me are Jeffrey Schwartz, Frank Rana and Cam Lisio.

Following our comments we will be pleased to take your questions. And again a reminder that all figures quoted are in U.S. dollars.

Like most of you out there, I read the papers or watch the news on a daily basis. We all hear or see about problems in the economy, problems in retail, and all sorts of other problems. But I listen to all of this and see the results other companies are having, I am very proud and excited about Dorel's position this year.

I know that a strong and diverse product line, as well as a motivated team of people world-wide have combined to allow us to report our best first half ever, with both six months revenue and net income the highest in our history. Considering the difficult North American economic environment and the continuing negativity around consumer spending, all three of our business segments have performed extraordinarily well.

These results, once again, are proof that Dorel's combination of varied businesses and price points are resistant to a significant swing in the economy.

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People will always require juvenile products. Higher fuel prices, environmental concerns and a desire to be fit are increasing the popularity of bicycles. And in addition our home furnishing products feature exceptional value at reasonable prices at a time when consumers want the most for their dollars. Clearly there is a continued strong demand for Dorel's products.

While input costs have been on the increase, most of these increases have been passed along to the retailer. Both Dorel and our retail customer base were concerned about the impact of higher retail prices on the consumer. However, from what we have seen thus far, for the most part demand at the retail level has not been affected by the higher price points now in stores.

Our juvenile segment continues to perform very well globally. Overall revenues increased by 19 per cent, coming in at 291 million for the second quarter. Excluding restructuring, earnings from operations rose over 18 per cent to almost 31 million. The six months juvenile revenues were 609 million, up 20 per cent, and again excluding restructuring, earnings from operations increased 10 per cent to 68.7 million.

Results in Europe continued to be most favourable, with market share gains in many countries. To a degree linked to greater supply as

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production capacity has increased. In addition to considerable gains in the U.K., Germany and Poland, France, Belgium and the Netherlands are further increasing their already dominant position, primarily due to Bébé Confort car seats, as well as Maxi-Cosi and Bébé Confort strollers. While Maxi-Cosi, Bébé Confort and Quinny will continue to be the main drivers abroad, there's also considerable energy being devoted to building the mass merchant accounts in Europe, where we see a number of opportunities.

In North America sales increased more than 11 per cent for both the quarter and 17 per cent year to date. Consumers are turning more to the big box retailers for our valued price products, especially during the U.S. economic downturn, and our juvenile sales are benefiting.

The Scenera car seat in a bag continues to have strong success and several new similar packaged car seats are being launched. This concept is also being expanded across major accounts.

The European product push into the U.S. continues to progress nicely as well. While small in top line when compared to the overall business, this segment is strategic to Dorel's juvenile's future development and market positioning. And Dorel Distribution Canada is doing well, and also Australia remains on plan. There are two major juvenile trade shows

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next month, the ABC in Vegas and the Cologne show in Germany. Dorel will be prominent at both.

Strong sell-through in bikes, as well as a full quarter of Cannondale and SUGOI drove recreational leisure segment revenues higher by 60 per cent to 191.7 million, while earnings from operations were up 27 per cent to 17.7 million. First half revenues were almost 328 million, while earnings from operations climbed 54 per cent to 32.6 million. We continued to position ourselves as a major force in the bicycle industry.

In June, Pacific Cycle acquired the assets of PTI Sports, a leading U.S. designer, manufacturer and distributor of bicycle parts, helmets and many other accessories. PTI has widespread distribution at key mass and sporting good retailers throughout North America and their brand portfolio is the strongest in the industry. The transaction is immediately accretive to earnings and sales in their last full year were 65 million.

PTI is being integrated into Pacific Cycle, our mass merchant division, and the process is well under way. There are significant synergies between Pacific and PTI that will provide additional innovative solutions to our customers. While this transaction will have little impact on our IBD business, PTI fits perfectly with Pacific. We can now go to the major chains and offer integrated buying with both bicycles and bicycle accessories.

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With the Beijing Olympics set to begin tomorrow, there has been extensive activity within the Cannondale Sports Group. A total of 23 Cannondale Sports Group riders are competing in various cycling events, including road, mountain, triathlon and BMX, riding both Cannondale and GT bikes.

And the Chinese national team will also be competing on Mongoose BMX bikes. All of this has the potential of significant added exposure for these brands. In other events the Cannondale-sponsored Liquigas team had a total of four stage wins and came fourth overall in the Giro d'Italia while in the Tour de France, there was a strong team showing in what is the most prestigious bicycle race in the world. The Liquigas team also had an impressive showing at the Tour de Suisse, in fact, winning the event.

In terms of advocacy, the Cannondale Sports Group recently made a major financial commitment to Bikes Belong, a bicycle advocacy group. Part of the donation will help them enhance the efforts of state and city bicycle advocacy groups and part will back a new bicycle facility design standards project to help transportation planners and engineers build seamless, convenient and appealing cycle routes. More places to ride safely and conveniently will undoubtedly lead to more bike sales.

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Cannondale has also formed what it is calling the Advanced Product Division. Their mission is to focus on delivering breakthrough technology, advanced materials, design, manufacturing and production methods to further improve bicycle development.

Continuing improvement at Ameriwood was the impetus for a better second quarter, with revenues up 17 per cent to 110 million and excluding the restructuring charge, earnings from operations rose 15 per cent to 4 million. Year-to-date revenue in the home furnishing is up 8 per cent to 213 million and excluding restructuring, earnings from operations have grown 65 per cent to 5.7 million.

I'm again pleased to say that the most recent quarter was another good one for Ameriwood. Sales of RTA furniture were strong despite the overall slowdown in home furnishing retail sales. Big box retailers continue to focus on value-driven RTA products, such as electronic applications, basic bookcases and storage. The efforts to streamline factory operations initiated in 2007 have definitely begun to pay off. Ameriwood will be launching new business through the second half of the year in the multipurpose and garage storage segment. This new product will continue to grow throughout 2009 and significantly broadens our product assortment outside of the traditional electronics and home office segment.

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Looking ahead, our strong first half will allow for solid 2008 full year results. The pace of earnings improvements of the six months will not be repeated in the second half mainly because of the seasonality, specifically recreation and leisure. The majority of the earnings in bikes occur in the first half, particularly in the independent bicycle dealer channel.

Meantime, both juvenile and home furnishing earnings are expected to remain strong for the balance of the year. We continue to operate in a rising input cost environment on items such as crude oil, certain commodities, as well as the increasing cost of goods sourced in China.

For the most part we have offset these increases. However, the effects of further cost increases at the retail level cannot be determined with any degree of certainty. Despite the higher retail prices, demand for Dorel's products has remained strong in all three of the company's segments.

I will now ask Jeffrey to provide further financial highlights.

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

Revenues for the second quarter ended June 30th increased by 134.7 million or 29.3 per cent, to 593 million. This compares to 459 million a year ago. After-tax earnings increased by 20 million to 31.3 from

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10.8 million. Diluted earnings per share were \$0.94 versus \$0.32 in 2007. It should be noted, however, in 2007 that we had a significant amount of restructuring costs related to the closure of manufacturing operations in the U.S. and in Europe. These costs total 13.5 million and had an after-tax impact of 8.9 million, or \$0.27 per diluted share. Therefore EPS in the prior year's second quarter was \$0.59 excluding the restructuring costs.

For six months ended June 30th revenues increased by 235 million, or 25.7 per cent to 1.15 billion from 914 million the year before.

Year-to-date after-tax increased by 71.4 per cent to 66 million. Diluted earnings per share were \$1.99 in 2008 versus \$1.17 in 2007. The first half of 2007 had restructuring costs of 15.6 million and had an after-tax impact of 10.3 million, or \$0.31 per share. Therefore the EPS for the prior year's first half was \$1.47 excluding restructuring charges.

Revenue growth occurred in all three segments, with the greatest contribution coming from recreational and leisure, which increased 60 per cent in the quarter and 57.9 per cent year to date. Juvenile also showed strong revenue growth at 19.1 per cent for the quarter and 19.6 for year-to-date. And home furnishings revenues grew 17.1 per cent in the quarter and year-to-date revenue increases are at 7.6 per cent.

I'd like to point out organic growth for the quarter was 11 per cent.

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In the quarter gross margins were consistent with prior year's levels of 24.1 per cent, as compared to 24 per cent in the previous year. Year-to-date gross margins have increased moderately by 60 basis points to 24.8 per cent.

Interest costs in 2008 remained below 2007 despite the company's two acquisitions, benefiting from the current low interest rate environment. And the tax rate in the quarter was 20.2 per cent and the year-to-date number is 18.7 per cent, all in line with our projections.

The juvenile segment. As in the first quarter, the company has reclassified certain figures from the home furnishing segment to the juvenile segment. To allow for better year-over-year comparability, prior year comparative segment figures have been restated. For the quarter revenues of 9.9 million and earnings from operations of 2.2 million have been reclassified from the home furnishing to the juvenile. Year-to-date figures are 27 million in sales and 4.7 million in earnings from operations.

As we pointed out, second quarter revenues were up 19.1 per cent, or 46.7 million. Earnings from operations were 29.8 million, an increase of 34.5 per cent from the 22.2 million in 2007. However, 2.9 million of the increase is due to lower restructuring costs. Excluding those figures, the earnings improvements were 4.7 million, or 18.4 per cent.

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Year-to-date revenues increased by 99.8 million to reach 609 million. Earnings from operation in the first half were 67.1 million versus 56.5 million. Of the \$10.6 million increase, 4.2 was due to restructuring costs. Therefore, excluding the variations, earnings from operations increased by 6.4 million, or 10.2 per cent.

Revenue increases are both in North America and in Europe, with Europe accounting for 60 per cent of the improvement. Organic sales growth in Europe in the quarter was over 13 per cent. Of course, the stronger Euro was also a contributor to revenue growth.

In North America sales improved over last year, increasing by over 11 per cent for the quarter and 16 per cent year to date. This growth is primarily driven by Dorel Juvenile Group U.S.A., although Canada has had a very strong year again this year.

Going through the costs, product liability costs, we were over budget in the first quarter, under budget in the second quarter. So year to date we are very comfortable to what we spent in 2007, being only about \$1 million more than we spent last year.

Over the recreational and leisure side, second quarter revenue increased by 71 million or 60 per cent, as we noted. Year-to-date increases are 120 million, or 57.9 per cent. The majority of the increase is

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due, of course, to the acquisition. However, sales at the segment mass merchant business, which is Pacific Cycle, also increased both in the quarter and year to date.

Gross margins for the quarter in this group were 23.9 per cent versus 20.6 per cent for the quarter, or 24.3 per cent versus 20 per cent in 2007 for the year to date. The higher margins are related primarily to the fact that both SUGOI and Cannondale do sell their products at a higher gross margin.

Earnings from operations, percentage wise we are down from last year 9.1 per cent in 2008 versus 11.6 per cent in 2007; and for the year to date, 9.8 per cent for the year this year versus 10.2 per cent versus last year.

We still have some work to do obviously in improving the profitability at Cannondale Group. We just started there, and we're confident that we'll be able to bring that up, which in turn will bring up the earnings from operations for the whole segment.

Over in home furnishings revenue increased 17.1 per cent to reach 110 million, up from 94.4 million. For the first half revenues are up 7.6 per cent to 212 million versus 197 million the year before. With the exception

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of sales of metal folding furniture, all of the segment's divisions have posted improved sales over 2007, both for the quarter and year to date.

Earnings from operations for the quarter were 4 million, an increase 10.2 million. However, of the increase, 9.7 of that 10.2 was related to restructuring charges in 2007.

Offsetting this, also in 2007, we did have an insurance recovery of 2.2 million which was related to a prior period. So if we exclude both the amounts, the insurance settlement on the positive side, the restructuring on the negative, we actually had an increase in earnings of 2.8 million for the quarter and 4.4 million for the year to date.

Gross margins were 13.5 per cent, an improvement over the 10.1 per cent recorded in the prior year. Again, if we take out the two factors of restructuring and the insurance settlement, the true gross margin in 2007, comparing apples and apples, is 11.6 per cent. So therefore, our increase in gross margin is 190 basis points when we compare the two.

Moving over to some other expenses, like I said interest on long-term debt in the second quarter was 5.3 million compared to 6 million in 2007. Year-to-date figures, 10 million versus 12.6 million. The company's second quarter interest rate was approximately 4.7 compared to 6.5 per cent in 2007. The reduced expense was achieved despite higher average

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borrowings, which were required when we acquired both Cannondale and PTI.

From the cash flow, during the first half of 2008, cash flow from operations before changes in non-cash balance related to operations were 92.2 million versus an increase... I'm sorry. The increase was 92 million, which is an increase over the 67.5 million recorded the year before. After changes in non-cash balances related to operations, cash flow from operations were 63.9 million this year versus 50.4 million in 2007.

And of course, we did need to finance and increased our long-term debt by 200.3 million for the acquisitions of Cannondale and PTI.

I hope I touched on a lot of the financial elements. I will pass it back to Martin.

MARTIN SCHWARTZ: Okay, thanks, Jeffrey. I'm now going to ask the conference operator to open up the lines for questions that you might have. And again, I would like to ask everybody to limit your first round of questions to two questions, which would allow as many people as possible to get their questions in.

Operator, please open the lines.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please

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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 Jessy Hayem, from TD Securities. Please go ahead.

JESSY HAYEM: Thank you, good afternoon. First, a general question for all three divisions. If I recall correctly, most of the price increases that you were putting through to offset some of the higher costs you were seeing were coming through in June, is that correct?

JEFFREY SCHWARTZ: I think it would be safer to say that by June virtually all the price increases had taken effect.

JESSY HAYEM: Okay, so but by the same I guess token, that means that the benefit of that has yet to be fully captured.

JEFFREY SCHWARTZ: True. However, we've also received additional cost increases throughout the period. So...

JESSY HAYEM: Okay, that leads into my next question, I guess. Do you feel you may have to go back with another round, in some categories at least?

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JEFFREY SCHWARTZ: Yes, depending on the category, depending on what's happening, that is a fairly good possibility, yes.

JESSY HAYEM: Okay, and then moving onto juvenile, you've obviously had a pretty solid top line growth, obviously strong demand for your products, but also it seems good launches in the first half. Can we expect some of that growth to taper down or are there some new product launches that could keep this growth going, assuming, of course, the trends that we're seeing on the consumer spend don't change?

CAMILLO LISIO (Vice-President, Chief Operating Officer, Dorel Industries Inc.): Well, I'll answer that, Jessy. I think that Cologne is the launching pad for Europe, as you know, in terms of the new product launches, but we will see the full benefit of that mostly in the first quarter of 2009.

What we do see is demand to be sustained in the coming months, in the current quarter or next quarter, final quarter of the year. But we're very... I mean, we're cautious about those because there are some issues in Europe in terms of the economy, in terms of the things that are affecting it, but we feel that we've got great products and great acceptance from the marketplace.

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JESSY HAYEM: Okay, great, just I guess, regarding what you touched on on the economy in Europe, we have been reading that there's been some slowdown in Germany, but you guys still seem to be doing pretty well. Is that what you were referring to?

CAMILLO LISIO: Well, there is a slowdown in Germany. There's a slowdown in Italy. There's a slowdown in some of the other countries of Europe.

JESSY HAYEM: Okay.

CAMILLO LISIO: But ultimately there's been acceptance from the marketplace, and as you can see from our growth, we're going way faster than the industry is growing in terms of... generally speaking, which is indicative of the designs that we're providing and the services that we're providing to our clients have gained the acceptance.

JESSY HAYEM: Right. Thank you. Great. Thank you all. I'll go back in queue for more.

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

SARA O'BRIEN: Hi, guys. Cam, just a question for you on the European juvenile products. I think, Martin, you alluded to something about

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product capacity that's increased in Europe. I just wanted a little bit of clarification on that.

CAMILLO LISIO: Well, at the beginning of the year we had some issues with capacity and especially in the Dutch operation. Those were addressed during the second quarter, and we saw the benefit of that fix in the result of the second quarter. There are no more issues as far as capacity is concerned in Europe for the time being.

SARA O'BRIEN: Okay, is that because there was glitches in production or some kind of expansion that went on?

CAMILLO LISIO: There as an unanticipated demand for some of our car seats.

SARA O'BRIEN: Okay, and so I mean how did you fix that... Oh, it's just in terms of like...

CAMILLO LISIO: We opened up a new line.

SARA O'BRIEN: Okay, and are you, like at this point, are you still seeing that demand continue?

CAMILLO LISIO: It's slowed down a little, but it's still there. I repeat, we're cautiously optimistic about the future in Europe because of the environment in which we're operating, not because of the product line.

SARA O'BRIEN: Mm-mmm.

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CAMILLO LISIO: But there was an environment which we do not control, and that environment will somehow affect us. It is difficult at this point to anticipate how it will affect us. We are confident that we have the products. We are confident that we are the leaders and any downturn will be, if there is a downturn we'll all participate. We'll probably be the ones which will be affected the least in comparison to our competition because of the product lines that we're offering and because of the service that we're offering to our people.

JEFFREY SCHWARTZ: But in saying that, as the European economy slows the juvenile products tend to slow less than other products in Europe. And we've seen that, out here in North America as demand stays. So, you know, we are cautious, as we were in the first and second quarter.

SARA O'BRIEN: And can you just clarify, Jeff, I mean, when... is it because the... Do people trade down in slower times in Europe or do you tend to see that the high-end stuff moves along?

CAMILLO LISIO: There is a tendency to trade down ultimately. But I repeat, it's very difficult to anticipate, and it's very difficult to predict how people will react to certain things. We are in a regulated environment. We are operating in an industry which is regulated by law in that a car seat is

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mandatory in Europe, as it is in North America and other areas of the world. So to that degree you are sort of sheltered from some of the economic downturns. But ultimately, people may trade down, ultimately people may not trade down. That all depends on the way they're going to react to disposable income, the way they will do.

JEFFREY SCHWARTZ: Some people when their disposable income goes down, will still buy the best...

CAMILLO LISIO: For their kids.

JEFFREY SCHWARTZ: ... car seat and stroller you can get for your new baby, and they just won't do something else. And, you know, we've seen that time and time again. And we still... it's not as if it's starting Q3 this is the reality.

CAMILLO LISIO: No.

JEFFREY SCHWARTZ: June was a tough time in Europe and we had a very good June, so we're just... we're cautious. We were cautious in the first quarter. We're cautious in the second quarter because of this environment. And I think Cam's saying we've got to be cautious going forward as well.

SARA O'BRIEN: Okay. And I mean, it looks like in North America the juvenile price point, opening price point has done quite well for you.

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Would you have that capability in Europe? If people were to trade down, could you open another product line or shift production to kind of a more economical value item?

CAMILLO LISIO: That's been a constant of ours. And actually some of our gains that we have in Europe come from the mass merchants because we've dedicated certain teams and some product development teams into the OPP products. We're doing some gains at that level also, and we intend on pursuing it because ultimately, we believe that we need to enter forcefully into that market segment.

SARA O'BRIEN: Okay. And when you say forcefully what do we mean there? Can you do that...

CAMILLO LISIO: We've got to be leaders in that market segment also.

SARA O'BRIEN: Okay, so you can do both in that market you think?

CAMILLO LISIO: Well, obviously we can, yes.

SARA O'BRIEN: Okay.

CAMILLO LISIO: We've got the brands and it's just a question of dedicating product development to address those brands and to address those price points that are required to conquer that segment.

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SARA O'BRIEN: And is there something you would expect for like early next year, or is there a timeframe you have?

CAMILLO LISIO: As soon as possible, but I think mid next year we should be a lot stronger in that segment.

SARA O'BRIEN: Okay. I will circle back in queue. Thanks.

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

ANTHONY ZICHA: Hi, good afternoon, gentlemen. With reference to the recreational division – hi, Jeffrey – if we were to exclude Cannondale and SUGOI and also take out the price increases, would you say that would be fair we saw an 11-per-cent increase internal growth rate?

JEFFREY SCHWARTZ: Probably not the right number, Anthony. I mean...

ANTHONY ZICHA: Oh, but in that range.

JEFFREY SCHWARTZ: Without the price... I don't... No, I mean, unit sales are up, let me put it that way. Unit sales, I think that's what you're asking?

ANTHONY ZICHA: Yes.

JEFFREY SCHWARTZ: Pacific Cycle, are their unit sales up? The answer is yes. I don't have the amount for you. I don't think it's 11 per cent.

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I don't think it's that high, but unit sales, despite the fact that we've increased prices, are up and that's a really good sign in this economy, because you can argue that discretionary... if you have less discretionary income you don't need a new bicycle. So we're pleased. We went in with expecting to have a hit in this economy on unit sales and unit sales are up.

ANTHONY ZICHA: Okay, and with reference to Cannondale, how is that progressing? Better than we expected?

JEFFREY SCHWARTZ: We pretty much... Yes, I would say slightly better than expected. They are organic growth... they have an organic growth, I think, so far this year, about at least 10 per cent. It's a great brand. We're very excited about the future there. There's a lot of growth opportunities. We're very busy in setting up our strategy. So, yes, I think we're very excited with the acquisition.

ANTHONY ZICHA: And with reference to the earnings from operation, there was a slight decline. Why is that? What would explain it?

JEFFREY SCHWARTZ: Well, over last year, you know, it's a whole mix issue now. I mean, Cannondale is not as profitable per se as the best, I would put it, the best quarter for Pacific is much more profitable quarter than the second quarter of Cannondale. So it's a mix issue.

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ANTHONY ZICHA: Okay. And last question, on the RTA side, what can you attribute to the major increases? Because we were winning market share, or is it because the Asian imports coming into the States were at a disadvantage because of the Blue Sky initiative in China?

JEFFREY SCHWARTZ: No, I don't think Blue Sky has anything to do with it. I don't think they make much furniture in that area because...

MARTIN SCHWARTZ: No, most of the furniture comes from the south. We were not affected anything that went on due to the Olympics. There's just been a much bigger demand for our type of RTA products, whether it's domestically manufactured or imported.

ANTHONY ZICHA: Okay, excellent. Thank you very much, Martin and Jeffrey.

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

HUGUES BOURGEOIS: Yes, good afternoon. Is there anything we can identify that can explain the increase in SG&A for recreational, let's say between the second quarter and the first, obviously, besides the fact that Cannondale was only with us for two months in Q1?

JEFFREY SCHWARTZ: I think that's pretty much it. I mean, whether or not we make any money in three quarters, we certainly spend money on

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SG&A in each. That would certainly be it, as well as perhaps currency as well. You know, Cannondale has a large European operation, spends a lot of money in Europe, and we've got an increase there as well.

HUGUES BOURGEOIS: Okay, perfect. And on Cannondale you're saying it's progressing well. Maybe more specifically, have you started cross-selling the Cannondale products at your, let's say, legacy IBD clients and inversely also the GT products at the Cannondale dealers?

MARTIN SCHWARTZ: We have not, no. We're still setting up that system. We have started to set up in Europe. We've selected a number of countries, such as France, in which we did not have a GT distributor. Cannondale, as of today, is distributing GT products as well as SUGOI products in France. So that's probably our first move in that direction.

But no, we're still working on organizing that.

HUGUES BOURGEOIS: Perfect. And last question, you mentioned recently that you were going to take a decision regarding the gas scooter business. Have you reached a decision?

MARTIN SCHWARTZ: Yes, that's a good question and probably we forgot to talk about that. Something, you know, something strange... Not something strange, but major events that have happened since I guess the last conference call is demand has skyrocketed for those gas scooters.

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CAMILLO LISIO: World-wide demand.

MARTIN SCHWARTZ: Yes. So right now we're trying to get as much product as we can to the market, and we have to re-evaluate our position from three to four months ago because of the demand for the product, and we think the growth in this channel.

HUGUES BOURGEOIS: Okay, well, thank you very much.

MARTIN SCHWARTZ: Okay.

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

CLAUDE PROULX: Thank you. Good afternoon. First a housekeeping question. In the cash flow statement it shows that the inventory is much higher... it went up a lot, or more cash was used for inventory in the first half, in the quarter than last year. Any colour you can give on this?

JEFFREY SCHWARTZ: Yes, well our actual... I'm just trying to see. I'll look at the right number, to make sure we have the number. What's the number? I know why, but I just want..

CLAUDE PROULX: It's 25 point...

JEFFREY SCHWARTZ: Okay, that's a real number. We've bought ahead in a number of areas where we feel that the commodity prices are

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going to be rising. You know, things like board, things like resin. So we've bought ahead in a number of categories like that. Some finished goods. We have a few things. All of this is stuff that's going to be used in the third quarter. And we do believe by buying ahead we'll be able to reduce our costs slightly.

CLAUDE PROULX: Okay. Second question is when we look at Pacific Cycle, or your business pre-Cannondale and PTI acquisition, when we looked at the margin in percentage year over year, is it stable, has it gone up or gone down?

JEFFREY SCHWARTZ: The margin of Pacific...

CLAUDE PROULX: The EBIT margin of Pacific Cycle, like the non-Cannondale...

JEFFREY SCHWARTZ: It's gone up. From last year? Year to date, it's gone up slightly. For the quarter, it's pretty flat.

CLAUDE PROULX: Okay, that's good. Thank you.

JEFFREY SCHWARTZ: Okay.

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.

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

JESSY HAYEM: Thank you. I just had a follow-on on the juvenile gross margins that were lower year over year. Was it mainly a mix issue or are you seeing any trade-downs, or does it also relate to the, I guess, additional penetration of mass market in Europe?

JEFFREY SCHWARTZ: No, not to the last point. The primary, you know, there's a number of issues that are there. Mix is certainly one. Input costs, that's probably something. You know, again just because we pass on the increases it doesn't mean we get it at the same time. So there's that lag effect. That would be another major contributor.

But no, I wouldn't say... I think what Cam was saying is that if people start switching to the mass market, we will be able to do it. I don't think people have started yet.

JESSY HAYEM: Okay.

JEFFREY SCHWARTZ: We don't know that they will, but...

CAMILLO LISIO: It's mostly a cost input issue.

JEFFREY SCHWARTZ: Yes.

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JESSY HAYEM: Okay. And then as far as your liability costs for the rest of the year, or should we still expect the same levels as last year, as you had alluded to in the past?

JEFFREY SCHWARTZ: Yes, yes. That's going very well.

JESSY HAYEM: Okay, and then the final one on the home furnishings, in your write-up somewhere you mentioned that obviously demand for domestic products are rising dramatically. And of course, I suspect that aside from the value features that come with that, there is renewed interest in domestic product versus Asia due to the rising costs. Do you feel you have the sufficient capacity to address this increased demand?

JEFFREY SCHWARTZ: Yes, I mean... Before we answer that question, there is still an increased demand for imported product as well. So I don't want this to sound like everybody's switching from imported products to domestic.

JESSY HAYEM: Right.

JEFFREY SCHWARTZ: I think that the actual space in itself is growing. I think demand for RTA is growing. There are less suppliers out there. That's something we've been talking about for a long time. That's finally kicked in. But, yes, we still have extra capacity we're working on.

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And we're working on filling all the orders and moving forward. But, yes, we still can get more capacity out of our system.

JESSY HAYEM: Okay, and just a final question, on the organic growth that you mentioned in your opening remarks, Jeff, 11 per cent, that was on an overall basis?

JEFFREY SCHWARTZ: Yes, correct.

JESSY HAYEM: Okay, thank you.

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

SARA O'BRIEN: Hi. Jeff, just some clarification on the seasonality of the bikes. Do you have an idea of how much of Cannondale sales are weighed to the front half of the year versus the back half of the overall percentage?

JEFFREY SCHWARTZ: On sales? Yes, just a second. It's probably 60/40, 60-65 at the beginning. But you do have a lot of costs in the second half that you don't have in the first half – a lot of marketing costs, trade shows, items like that – which keep the earnings from being anywhere close to equal.

SARA O'BRIEN: Okay, so there's a disproportionate margin squeeze in the back half.

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JEFFREY SCHWARTZ: Yes.

SARA O'BRIEN: Okay, fair enough. And I just wonder, do you have an idea of the growth of Cannondale in Europe versus North America on an organic basis in Q2?

JEFFREY SCHWARTZ: Yes, about the same. Yes, I think it's approximately the same.

SARA O'BRIEN: And did you give that percentage out, because I missed it.

JEFFREY SCHWARTZ: No, I think we're up... we're up somewhere around 10 per cent. It should be around... I know both numbers are fairly similar.

SARA O'BRIEN: Okay. And I just wonder, just based on your comments of buying up some raw materials ahead of time and beefing up your inventory with that, and the fact that you've got your first round of price increases through by June 1st, it sounds like we've got some commodity prices coming off now. Is it possible that you actually get a margin improvements instead of a crimping down in the back half of the year? I just wonder if... you're sounding a little cautious, but it sounds like you've made the right moves to...

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JEFFREY SCHWARTZ: Yes, maybe. We looked around the table saying it's... This is again, I'll say the same thing we've said the first quarter and I think our year end. It's a really difficult year to look forward. You're fight, for the first time we're sort of seeing, we'll say a slowdown in the increase on commodities. We've seen a number of commodities here and there actually going down a little bit. You've got the Chinese currency that for now seems to have stabilized.

So, those are all good signs, but that could change next week. And again, I wouldn't say if we stopped today we're still a little bit behind where we need to get, so we still need price increases.

SARA O'BRIEN: Okay.

JEFFREY SCHWARTZ: But, you know, if you're right and things start to taper down then we won't need to go after as much as we would have otherwise.

SARA O'BRIEN: Okay. And when is your idea for, or when's the general plan to put through, like a general...

JEFFREY SCHWARTZ: I can't. You know what? That's not something I can disclose here.

SARA O'BRIEN: Okay. Thank you very much.

JEFFREY SCHWARTZ: Okay.

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

MARTIN SCHWARTZ: Okay, I want to thank everybody for joining us today. I think as you can hear, we're excited with what we've achieved this year under considerable challenging conditions. This again speaks to our ability to develop the right products at the right price. We are growing in our key segments of juvenile and recreational leisure and with home furnishings contributing as well. We will continue to be creative and agile in managing our businesses and our confidence for 2008.

Thank you again, and have a good afternoon, everybody.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. You may now disconnect your line.

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