EVENT:	DOREL INDUSTRIES Q4 RESULTS CONFERENCE CALL
TIME:	13H00 E.T.
REFERENCE:	CNW GROUP
LENGTH:	APPROXIMATELY 64 MINUTES
DATE:	MARCH 11, 2009

OPERATOR: Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to Dorel Industries fourth quarter and year end 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 star followed by 0 for operator assistance at any time.

Before turning the meeting over to management, please be advised that this conference call will contain statements that are forward looking and subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. I would also like to remind everyone that this conference call is being recorded on Wednesday, March 11th, 2009.

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

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

Good afternoon, everyone, and welcome to Dorel's fourth quarter and year end 2008 conference call. With me today are Jeffrey Schwartz and Frank Rana. Following our comments we will be pleased to take your questions, and a reminder that all figures quoted today are in U.S. dollars.

I am pleased to say that Dorel's 2008 performance was the best ever. We achieved record net income and record sales despite a number of challenges which intensified through the year and had the most serious impact in the fourth quarter. Rapidly rising commodity prices affected all of our divisions for a good part of the year. We were successful in passing some of these higher input costs on to retailers without significantly weakening POF levels of our products.

Dorel's products continue to demonstrate that they are in demand by consumers, even in times when retail sales as a whole declined. We were on track for an even better year; however, several things hit us simultaneously in the fourth quarter. As the economy took a nosedive retailers reacted, or maybe over-reacted, and materially reduced their in stock levels. For Dorel this resulted in lower sales, lower earnings, and record high inventory levels, which impacted cash flow.

The cutbacks on retailers were not strategic. They stopped buying without analyzing what was still selling in store as Dorel's POS levels remained firm. Our juvenile and home furnishings sales decline far exceeded what was really happening at the consumer level. Our goods continue to sell at retail. Also, sales of Dorel home products, our futon and accessory unit, fell in the quarter by 50 percent over 2007, despite retail sales remaining steady compared to prior year.

The recreational leisure segment was able to grow sales organically in this environment but they were still lower than expectations. Margins on the inventory we did sell in Q4 were squeezed, as they carried the higher input costs from earlier in the year and we did not have the normal higher volumes to lessen this impact. The year-end surge of the U.S. dollar and our foreign exchange contracts were additional Q4 issues which Jeffrey will address.

What we are seeing in early 2009 is that a number of negatives that hurt us in Q4 are disappearing. We can face the poor economy with our recession-resistant products. Retailers are increasingly asking us for more opening- to mid-price-point goods and that is where we have always excelled.

There are several positive factors that are expected to benefit Dorel in '09 and I will detail more of this after an overview of our segments. Notwithstanding the weaker fourth quarter, again largely due to the unprecedented low retailer orders, the juvenile segment had its most successful year. All markets experienced sales increases and, excluding the effect of foreign exchange, organic sales growth was five percent in North America and seven in Europe. In North America sales of travel systems, car seats and strollers were solid. Overall sales grew at the majority of our largest customers, indicating good acceptance of new products and continued strength in the service we provide.

Gains in Europe were prompted by progress in car seats and strollers, their two major product categories. Dorel Europe also posted sales increases in other categories such as safety items. The majority of these increases were in the U.K. and Germany, as well as in export sales to several smaller European countries. Sales in France, our largest European market, also improved over '07.

There is a great deal of product development currently underway and we are very excited about some of the announcements we will be making in the second half of this year. The increase in recreational leisure revenue is principally due to last year's acquisition of Cannondale, SUGOI and PTI. The increase is also driven by the core bicycle business, with sales gains at the majority of the mass merchants.

Earnings from operations were up very nicely for the year but dropped in the fourth quarter due to several factors. Margins were affected by product mix, and SUGOI's seasonality usually results in the fourth quarter operating at a loss, which was the case in '08. Higher costs were also incurred as we focused on building the right infrastructure and re-engineering certain aspects of the operations. We also spent considerably on marketing and advertising to take advantage of promotional opportunities. While it was too late to pull back on these costs last year, we are looking far more closely at these expenditures in '09.

There were two distinct highlights in home furnishings in '08. Sales and earnings from operations of Ameriwood's domestically produced RTA furniture were both up strongly for the year. This is a result of the excellent work that has been done at Ameriwood over the past couple of years to turn things around. Even in the worst days of RTA we said we would not abandon this sector, as it is one we know well. We did what had to be done and the results continue to speak for themselves.

Costco home and office suffered badly through '08. The downward trend in sales and extremely low margins of Costco's metal folding furniture experienced in the first nine months of '08 continued into the fourth quarter, accounting for the majority of the segment's lower Q4 earnings. Costco was the most affected by the steep rise in commodity prices and other cost pressures through the year. The inability to pass on these cost increases resulted in extremely low margins on some items.

Costco accounted for approximately 80 percent of the drop in earnings from operations for the year. Much has been done to address the issues at Costco and intensive work continues.

We have selectively reduced the top line by dropping money-losing product lines, have reduced head counts from 40 to under 25, and for 2009 we've added new items. Costco's core products continue to be strongly supported by the major retailers.

Our futon business at DHP did not do well in '08, but that is mainly because of the Q4 cutback in orders from retailers. To be clear, there is nothing fundamentally wrong with that business and we look for improvements there this year. Raw material cost, particularly steel, is much more stable. Freight costs are down and they will benefit from the weaker Canadian dollar as much of DHP sales are to the U.S.

A new line of baby mattresses is now being produced at the futon factory, which carries strong margins and has been introduced with good reaction from retailers. Going into 2009 this division has had a good start.

Entering 2009, the home furnishings segment, with its focus on reasonably priced furniture sold at mass merchants is the one most likely to see substantially improved earnings in the current environment. This segment benefits from a stronger U.S. dollar as two Canadian plants service customers in the U.S. and a stable cost environment will help both the domestic manufacturing and import division. We are experiencing steady to improved sales at retail in the first two months of the year, and management is confident about this segment's profitability outlook.

There are many factors to take into account as we look forward to the rest of '09. The biggest challenge is trying to accurately foresee what lies ahead. However, at this point we do know several things. Much of our earnings are generated outside the U.S. and are translated to the U.S. dollar, the company's reporting currency. Obviously we have no control over currency fluctuations. That being said, and despite the current economic environment, there are several positive factors that we are very comfortable in saying will benefit Dorel.

Since the beginning of this year POS figures for Dorel products have only been moderately affected, and in some cases are up over last year. For example, so far in 2009 sales in home furnishings are flat to moderately increasing. This again underlines the recession-resistant nature of Dorel's products.

New listings are another positive factor. We are winning several new placements in many of our categories, often at the expense of competition. In addition, our retail customers are shying away from direct imports, seeking the added value of reliable domestic supply-chain partners like Dorel. With these unprecedented difficult economic times, consumers tend to lower their discretionary spending and look for lower-cost alternatives.

I think it's safe to say we are all doing that these days. Therefore Dorel expects a greater percentage of its sales to be in the opening- to mid-price-point products. While this may place some pressure on margins, we are seeing a very definite trend of retailers increasing their listings of the opening- to mid-price-point products. Dorel is a leader in these categories and we expect to increase our market share as a result.

Regarding input costs, we do not expect to face the volatile cost environment of '08 which took its toll on margins. The stable-to-lower costs being seen thus far in '09 will materially benefit the company. As a general comment on margins, late last year we implemented a minimum margin requirement program. What this means is that we are walking away from business that does not meet this threshold. This will raise overall margins as demand remains strong for our product.

Cash flow will be significantly stronger this year as inventories are reduced. Since the vast majority of Dorel's products are non-seasonal, accumulated inventories will be sold and we will see significant reductions over the next few months. Lower inventory levels are already being seen at our divisions.

Interest rate costs are also expected to be lower compared to last year. There is also a great deal happening this year in product development. Expect to see new products launched later this year and into 2010, a number with new technology that the market has never seen before. Many of our products are what I would term essential and are in line with what people want in terms of price point and value. This is why retailers turn to Dorel and are doing so even more as they seek innovative solutions in price points where we can deliver value added products.

They also know they can count on Dorel as a reliable supplier, particularly during the current turbulence. In turn, Dorel's main suppliers in Asia are strong and also can be relied upon. Extreme attention is being directed to purchasing. Our science (phon) permits us to negotiate strongly. We insist on cross-functionality among Dorel's supply-chain groups in order to buy better and to realize significant savings. As bad as things are, there are also opportunities for financially strong companies such as Dorel. We intend to capitalize on such opportunities, as evidenced by the two transactions we made in January.

We have established Dorel Brazil, a new operating division of the juvenile segment. Brazil holds much promise and we are well positioned with a local partner to benefit from the excellent market opportunities there.

We have also acquired a Belgian company which markets innovative high-style juvenile products and accessories, products which will reinforce Dorel Europe's current offerings. This acquisition is particularly meaningful as it provides us with a range of one-of-a-kind specialty juvenile products for the many European markets where Dorel operates. These moves will further secure Dorel's dominance as a global leader in the juvenile product industry.

The new management structure put in place in mid-'08 has already provided positive benefits. Programs are being developed more rapidly and are being implemented faster than in the past. The structure also provides the ability to focus on all three of Dorel's segments simultaneously and sets the stage for a new important chapter in Dorel's evolution. Notwithstanding current market conditions, we still expect a decent year. Our recession-resilient product line and other factors I have outlined place Dorel in an admirable position as we face '09. We are gaining market share in many categories and are expecting a strong performance in home furnishings.

A clear mandate for all divisions is to reduce inventory, which will significantly strengthen our cash flow situation.

I will now hand the call over to Jeffrey. Jeffrey.

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

We've got a lot of stuff to cover here. We've got year end, quarter end, and a little bit of Q1. So bear with me. I'm going to try and touch on a lot of issues and I might miss a few here and there, which I'm sure will be pointed out in the question period.

Okay, overall, for fiscal 2008 Dorel recorded revenues of 2.1 billion, an increase of 20.3 percent over last year. The most substantial increase came from the recreational leisure group, which increased by 71.8 percent over 2007, benefiting from both the Cannondale and PTI acquisitions, as well as internal growth. Increases in revenues has also occurred at the juvenile and home furnishings segments, by 9.1 percent and 1.5 percent respectively.

The net impact of exchange rate variations was to positively impact the 2008 numbers by 24 million. Organic sales, as Martin mentioned I think, overall grew by 6 percent in 2008. Gross margins for the year, 24.3 percent, were consistent with the 24.2 recorded the previous year. The

2008 year was characterized by a steep increase in commodities throughout most of the year. This resulted in higher raw material costs for Dorel, as well as costing pressures from its finished-good suppliers as they attempted to manage these higher input costs.

These costs increase were across all segments, and while Dorel was successful in negotiating certain price increases to customers, it was not possible to recover all of these higher costs through either the timing of achieving these increases or retailer resistance.

Helping to offset these costs increases was the impact of variations in foreign exchange rates versus the U.S. dollar. As an example, the Euro was worth an average of 1.47 in 2008, versus 1.37 in 2007, which helped margins in Europe. In addition, the company recognized unrealized gains recognized on foreign exchange hedging instruments in the year, which also helped to offset these higher costs and keep margins consistent with the prior year.

Operating results in the prior year include significant costs related to the closure of production facilities necessitated by strategic shifts of domestic production to overseas supplier, specifically in the home furnishings segment and in the juvenile segment as well in Italy and France.

If we look at the quarter on a global basis, the economic events of the last three months, as Martin said, were pretty much unprecedented. Again, I might repeat some of the stuff but, you know, the retailers around the world were halting orders from their suppliers across the board to reduce their stock levels. This was generally done to bring, you know, weeks of inventory down. As an example, you know, retailers might be carrying 12 weeks of inventory in a commodity, now they're carrying eight weeks.

The biggest example that we have, Dorel home products, which fell by 50 percent in sales in Q4, while the PLS sales remained pretty consistent with the previous year, so that's probably the biggest example that we have. In Q1, you know, Dorel home products, as Martin mentioned, is back to levels – the orders from our retailers are back to levels very, very similar to last year and the company is pretty busy.

As we mentioned, since the beginning of 2009 point of sale figures for Dorel continue to be moderately affected in most cases, and in some cases we actually have some nice gains over last year at the same time. Specifically the juvenile and home furnishings segments experienced deep declines in the fourth quarter compared to last year. In juvenile, compounding this problem was the strength of the U.S. dollar in the fourth quarter, which had an impact of reducing European sales on conversion.

Throughout the fourth quarter the Euro and the British pound versus the U.S. dollar was worth approximately 10 percent and 23 percent less respectively than in the prior year. The recreation and leisure segment was able to grow organically in this environment but was still lower than our expectation. As such, despite sales increases, inventories rose to record levels. Revenues in the fourth quarter were 479.9 million, compared to 458.9 million a year ago, an increase of 4.6 percent. Revenues within the rec and leisure group in the fourth quarter were up 79.2 percent. While the increase is primarily due to the business acquisition, organic sales in the rec and leisure group was approximately 10 percent. Therefore the recreation and leisure segment increases more than offset the declines in the juvenilia and home furnishings.

Lower sales volumes and a slightly less favourable product mix caused gross margins to decrease from 24.1 percent to 22.7 percent in 2008.

Now moving over to the segments, I'm going to touch again a bit on the quarter, a bit on the year, and a little bit on Q1.

The juvenile segment, revenues declined in the fourth quarter, were 11.2. That occurred in both North America and Europe. Stated orders from retailers dropped to unprecedented levels as they began to adjust their inventory to what they believed were the new appropriate levels heading into 2009. We saw more of that in the United States than we did in Europe in Q4. In many cases these orders were excessive as sales at retail have continued at a reasonable case.

In Europe sales declined 6.5 percent organically but again that was spotty. As an example, in the United Kingdom sales increased by 35 percent in Q4 despite the problems in their economy. However, the increase in the value of the U.S. dollar versus the Euro and pound meant that reported revenues in Europe declined by 12 percent.

Juvenile gross margins were also negatively affected by lower sales levels, less profitable product mix, higher input costs at the majority of the segment. Counteracting these negatives was the fact that the segment recorded operational foreign exchange gains of approximately $3 million. These gains are a combination of losses due to the surge of value of the U.S. dollar, offset by recognition of unrealized gains on foreign exchange contracts.

Another negative impact on margins was the recording of just over $2 million in the quarter as an estimate of the costs to comply with recent U.S. legislation that regulates the use of lead and thalytes (phon) in children's products. These new laws outline maximum levels of substance that can be included in the products sold to the consumer. We've been forced to remove all products from both our warehouses and the marketplace that would be affected by those rules. We've done that and we've costed it in at $2 million.

From a yearly look, Dorel's continued the growth it had in the juvenile sector, finishing its most successful year in its history with revenues reaching 1.1 billion and earnings from operations 128.2 million. As a percent of revenues earnings were 11.6 percent, an improvement from 11.2 percent in 2007. However, 2007 did include restructuring costs that were as a result of the closure of our facilities in Italy and France.

Excluding those costs, earnings in 2008 were 11.7 percent as compared to 11.8 in the prior year. Sales growth was seen in all markets and was further increased by the effect of the exchange on non-U.S. denominated sales. Excluding this foreign exchange benefit, organic sales were 5 percent in North America and up 7 percent in Europe.

Gross margins for the segment were 29.2 percent in 2008 as compared to 30.4 percent in 2007.

Higher input costs and less profitable product mix were to blame for the decline in virtually all divisions. However, as in the fourth quarter, the full year includes the benefit of recognition of the unrealized gains on foreign exchange contracts.

Looking forward, some of the big things that are going to impact this segment is certainly the foreign exchange, particularly on places like Canada, Australia and Europe. Other areas that we're seeing on the positive side, however, we are getting a lot more placement, a lot more listings than we planned a few months ago. Most of those are at the opening-price and mid-price-point level, as retailers are moving more in that direction as their customers are looking for that. And then again lower costs, just not having to go through that inflationary period that we went through last year, having stability of knowing your costs and not having to go to the retailer and asking for increases, is going to have a major effect on us.

The minimum margin requirement program that we've set up in all the segments is going to move our margins up as we get out of high-volume, low- or no-margin business that we incurred in 2008, and in addition we're taking advantage of spot buys that we find in the marketplace, whether it be on board or on steel or on cartons, whatever it is. We're out there looking to see if we can buy some good spot buys. So those are things to look forward to in 2009.

Recreational, for the quarter the segment was up by 81.6 percent. Earnings, however, were hampered by several factors. Product mix had a negative impact on margins, as did the fact that the apparel component of the segment has a unique seasonality that usually results in a fourth quarter operation loss, and that's what happened in 2008. Additionally, as Dorel focuses on building the right organization and re-engineering certain aspects of its operations, higher costs were incurred.

Finally, selling and marketing costs were higher due to the timing of certain promotional expenses that occurred during that period, although the excess purchase price allocation which was completed for both Cannondale and PTI and as such the depreciation and amortization was increased by $2 million versus the prior year.

For the year the recreational and leisure group was up 73 percent to 650.7 million compared to 374.8 million. This increase was principally due to the acquisition of Cannondale, SUGOI and PTI. However, we did also incur organic sales growth. Sales increase was driven by the core bicycle business with sales gains at the majority of the mass merchant customers. Gross margins rose to 23.4 percent from 19.5 due principally to the contribution of higher-margin products sold by Cannondale and SUGOI. The parts and accessory business now sold by the segment to the mass merchants also attracts a higher margin than bicycles, which also contributed to higher margins.

Selling costs, of course, that are required to support Cannondale sports group's higher margins have the impact of increasing SG&A costs as a percent of sales to 15.7 from 10.2 percent. At Pacific Cycle, the segment's mass merchants supplier, an additional two million was spent in the year on advertising and promotional activities to support its brand. In general the company is investing in the segment's infrastructure and this has had an impact of increasing costs in the category, while we still wait for those sales to come in future periods.

If we look at the outlook going forward, again we're looking at stable costs to lowering costs. However, given the buildup that we have in inventory we will not likely see those input cost reductions until later in the year. We are also looking to build our infrastructure and re-engineer the business and that's important for the longer term, so we are working on that. Fortunately, if we look at POS sales at the mass level, those seem to be fairly steady this year. I will say the inventory reduction effect that hit us in Q4 in most of our categories did continue a little bit into Q1 in the bicycle business. So we did get hit for a longer period in bicycles than we did on the juvenile and home furnishings segment.

However, having said all that, we do see ourselves at sales levels that are very similar to last year at this time. So overall, even though, you know, we are selling bikes at the higher end right through to the bottom, business seems to remain steady, so far. We're about ten weeks into the year, and that's all the visibility we really have on the bicycle side.

In home furnishings, quickly, revenues were again usually affected by the retailers' order reductions, resulting in a 15.1 percent reduction in Q4. The declines were steepest in the metal furniture and the futon divisions. Actually domestically made RTA actually improved by single digits and significantly in earnings in Q4, but these improvements were not enough to offset the declines in the other divisions. Again, the worst part is the downward trend in sales and extremely low margins of Costco home and office that was experienced in the first nine months of 2008 continued into the fourth quarter. Of the earnings decline in the quarter the majority of the lower earnings was attributed to Costco home and office.

For the year home furnishing revenue increased by 2.1 percent, from 438.9 million to 429 million. Sales of furniture by Ameriwood, Ultra (phon), Dorel Asia, both domestic and imported, increased over the previous year. However, sales of metal furniture and futons decreased.

The downward trend in the sales of metal folding furniture and ladders at Costco home and office was experienced in the first nine months, whereas the futon sales reduction was a fourth quarter event, again brought on by the severe reduction in inventory by our customer. Of all the Dorel units, again Costco was the most affected by the steep rise in commodity prices and other cost pressures. This was the one business that we were not able to even remotely pass on all of the increases, so it had a severe impact. I would say that's probably one of the largest reasons for the drop, the huge drop in the gross margins of that product.

If we look forward in the division we're seeing steady customer demand, as we pointed out. People are moving down the scale, out of I guess the furniture stores into the lower-priced furniture product. We are very pleased with where we are so far in the sales and can confirm that we're busy, actually quite busy at this time of year in all the factories. We will benefit here from the foreign exchange. As I mentioned before, Canada on the juvenile side is hurting because of foreign exchange. We are, however, benefiting from a busy factory in Canada that is exporting its product primarily into the U.S.

So overall we're actually quite bullish on the home furnishings sector, which is the first time I think we can say that in many years. But absolutely I think people are going to be very pleased with Q1.

In general foreign exchange has become a huge thing for this year. Again, we're multi-national, foreign exchange rates have a big impact on us. Over the past several years we've benefited from a weak U.S. dollar. This trend was abruptly reversed in the fourth quarter. We do use hedging instruments, which helped us, stabilized the impact, especially in Europe as we had a lot of contracts in place for 2009.

However, because we do not apply hedge accounting, the benefit of these contracts are being recognized in 2008 as opposed to 2009, in the amount of 10.5 million pre-tax or 7.4 million after tax. As far as interest rates, interest costs were higher in 2008 by about $1 million, higher borrowings offset by the lower average rate. Our income tax expense was .4 million in the fourth quarter compared to 6.2 million in the previous year. The causes of this low rate were again the mix that was generated in certain lower tax jurisdictions. Additionally, we recognized the tax benefit of 1.8 million pertaining to a prior year's estimated tax position. Excluding this out-of-period benefit the company’s tax rate for the quarter would have been 11.2 percent. As a result, net income for the fourth quarter, as a result of everything, was 19.2 million, a decrease from 22.3 million in 2007.

The last subject I wanted to talk about is inventory; certainly up significantly. There’s really three components to that. There would be the amount that we acquired in the acquisition. There is also, if we take that out, there is an actual increase of about $122 million of inventory. Of that 122 million about just over 25 percent of that is attributable to higher cost of goods that we are carrying now, so for example, you know, if a bicycle cost $50 in ’07, it cost $55 in ’08, our inventory is up 10 percent, we’re still carrying one bicycle.

So if we remove that, you know, we’re left with somewhere in the area of 90 million, which we attribute mostly to the slowdown in Q4. We are taking that as probably our most significant task in the next six months. We’ve made great progress in that area. I don't have a number to commit but we’re going to see a sizeable portion, maybe not half of it but maybe close to half of it, up to half of it, being reduced in the first quarter. We’ll see how March goes. We’ve done quite well up to the end of February. March looks pretty promising and we expect to be back to I would say a normal level by somewhere in the third quarter.

Based on that I'll pass it back to Martin.

MARTIN SCHWARTZ: Okay, thanks, Jeffrey. I would now like to ask the conference operator to open up the lines for your questions. As always, please try to limit your first-round questions to two questions, which will allow everybody to get on. So, Operator, please go ahead.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question please press 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 that they are received. Please ensure you lift the handset if you are using a speakerphone before pressing any keys.

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

JESSY HAYEM: Thank you, good afternoon. The first question is a clarification on the juvenile side. You incurred about two million costs, $2 million in costs to comply with new child safety rules with respect to the lead and (inaudible). I'm just wondering, are there any additional costs that we can expect into 2009 or are you pretty much done with regards to compliance there?

MARTIN SCHWARTZ: I would say they're, I mean obviously the cost of running your compliance, which is built into our pricing, exists and will exist forever going forward, but any material cost in dealing with existing inventories is all put into Q4. So there won't be any –

JESSY HAYEM: So then you're telling me that the majority of it is Q4 but we should see a bit of uptake, I guess, in the quarters –

MARTIN SCHWARTZ: No, no, no. I'm saying that if we have to do more testing obviously that's an additional cost, but then that's built in to the cost of the product just like a box or plastic is. But we have dealt with the whole problem and it is all in Q4.

JESSY HAYEM: Okay, moving on to recreational, I guess just looking to get a bit more colour, you mentioned about a ten percent organic growth on obviously the mass merchant side. Looking to get any colour you can provide us on the Cannondale side and how the business would have performed, I guess, relative to some of the pro forma numbers that you provided at the time of acquisition throughout the year.

MARTIN SCHWARTZ: Yes, I mean it's, I'll tell you, that's the most difficult area to predict right now. What we're seeing is fairly steady business, you know, but we all have our concerns going forward, are we going to sell as many expensive road bikes as we did in the previous year.

I mean, that's just natural given this environment. But we haven't really seen those numbers drop off yet but we haven't really hit the bicycle season yet.

JESSY HAYEM: So in 2008 for the year relative to – I think a pro forma number at the time of about 200 million in revenues in 200 --

MARTIN SCHWARTZ: Oh, you're talking about 2008. Yes, no, we were definitely behind on -- as you remembered in Q3, we ran into a big delivery problem on the higher-end bikes.

JESSY HAYEM: Right.

MARTIN SCHWARTZ: So we ended up shipping, we ended up shipping almost as many bikes as we predicted but the mix was not what we anticipated at the time or purchase.

JESSY HAYEM: Okay, and then final question, can you just give us a bit more colour on what you mean by building the right infrastructure and the costs that are associated with that, still within recreational?

MARTIN SCHWARTZ: I don't have time to do that right now. That's a big discussion. I mean, we're rebuilding a IBD (phon) company with multi brands and multi, you know, countries, and we're doing all the stuff we talked about doing over the last year, about building an IBD company. So that's what I'm referring to here.

JESSY HAYEM: I guess my question would pertain to I guess an original accretion level that you had pointed out at the time of acquisition, of course, notwithstanding the current environment, had these costs been taken into account at the time that this accretion was provided, or are these over and above?

MARTIN SCHWARTZ: I'd have to see your numbers, what you're referring to. You're asking me to compare to the numbers that you have. I don't know what numbers you're referring to.

JESSY HAYEM: Sir, you had provided an estimated accretion of about $.09 for Cannondale.

MARTIN SCHWARTZ: Okay, I'd have to go back and look at that. I don't have that in front of me.

JESSY HAYEM: Fair enough. I'll circle back. Thank you.

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

SARA O'BRIEN: Hi, guys. Can you talk a little bit about your margin expectations? I mean, there's a lot of things happening here. You've got FX working against you, inputs working in your favour, you've got to get through some heavy costed inventory. So if we talk, like, juvenile in particular to start off with, are you expecting margins to be somewhat stable with your eleven and a half-ish kind of for ’08 or improvement or deterioration in ’09?

JEFFREY SCHWARTZ: Let me make one comment about margins prior to answering your question and that is I don't think anybody should look at Q4 and take anything away from that as to what’s going forward. You know, Q4 was really an abnormal quarter and that could work positive or negative. Like you’ve said, we have major help on the FX side because of contracts but we were just hammered in many cases with some of the worst margins we’ve seen because of low volumes and high input costs and higher overheads. We’re seeing quite a bit of change already in Q1 to the positive.

On the juvenile side, if you’ll bear with me for one minute, we’re looking at probably some reductions. Juvenile is probably going to be, because I guess with the FX more than anything else – I mean, more than anything else FX is going to have a big impact, but then that, of course, you’d need to determine where the U.S. dollar is going to be throughout the year --

SARA O'BRIEN: Okay, I guess --

JEFFREY SCHWARTZ: -- but FX has the biggest negative input, significantly bigger than demand, as an example. I mean, demand is not something that we sit around worrying about like most companies do. And FX is what it is, so it's kind of that one-year adjustment to wherever we're going to be at the end of this year.

SARA O'BRIEN: Okay, so that will be impacting both, like juvenile, obviously, most heavily, but also the bikes business will be impacted by that.

JEFFREY SCHWARTZ: Yes, but to a much lesser degree and therefore perhaps costs could become a bigger factor on the other side.

SARA O'BRIEN: As a positive.

JEFFREY SCHWARTZ: Yes. I mean, don't underestimate ,and a lot of people do, believe that our margins are going to be actually worse than previous years, FX aside, because, you know, again, we were really hit hard. It didn't come out, it didn't seem that way because we were able to do some other things and had some other pros going against it, but things have reversed now, and we were really, really hit hard last year on gross margins with the price increases that we had.

SARA O'BRIEN: Okay, and if you'd talk just a little bit more about your inventory and what you want to work through. Is this sourced inventory that you can shut off future orders from easily or do you have to slow down production on, like if it's car or Canada Bike, do you have to –

JEFFREY SCHWARTZ: I would say it's either – it's mostly source stuff that came from overseas or stuff that we weren't able – even when we said stop, there was stuff on the water and commitments made, so, yes, all you've got to do is stop buying.

SARA O'BRIEN: Okay, so there's no negative margin impact other than what's already built into the inventory from higher costs?

JEFFREY SCHWARTZ: Right.

SARA O'BRIEN: Okay, and I just wondered, in your juvenile segment you talk about new listings as being a positive. Are you making inroads with, you know, opening price point to mid price point in like the Toys R Us or Babies R Us or is this mainly --\

MARTIN SCHWARTZ: Sarah, without, you know, mentioning the retailers, there are some retailers who in the past traditionally didn't want to even look at opening price point juvenile products.

SARA O'BRIEN: Mm-hmm.

MARTIN SCHWARTZ: In today's reality, that's what's selling. So we've had some new programs that we were able to put in place very quickly and we've, you know, we've already started shipping goods into these retailers and an OPP (phon) selection. So, you know, we're filling in areas and we're getting, you know, more business and more shelf space across the retail.

SARA O'BRIEN: Okay, so do you expect this to be, I mean in units anyway, that you're going to see a pretty important uptick in 2009?

MARTIN SCHWARTZ: Yes, except for the part that we've walked away from. Don't forget that minimum margin requirement program that we've set across various parts of our business. It started last year. It's taken effect. We've walked away from some units that we didn't make money on. And if we take that aside, let's assume the ones that we know that we did, that we walked away from, yes, we expect to sell more units this year.

SARA O'BRIEN: Okay, and maybe just to finish on that, so how much, I mean, can you quantify in dollar terms, like, what you expect to walk away from across all divisions? Is this material or is it –

MARTIN SCHWARTZ: Well ,no, I don't think it would be material in a – no, I'm not comfortable with doing that. I don't think it's a material number.

SARA O'BRIEN: Okay.

MARTIN SCHWARTZ: You know, it's a program here, a program there, but I think it's going to, instead of, let's say, growing some sales, we might not grow certain sales because –

SARA O'BRIEN: Okay, but it's not going to be like a hit of five percent to juvenile or something?

MARTIN SCHWARTZ: No. I mean, currency might be but that won't be, no.

SARA O'BRIEN: Okay, I'll circle back, thanks.

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

UNIDENTIFIED SPEAKER: Yes, this is George calling for Tony. Two quick questions. The first one is related to your currently high, elevated inventory levels. Can you give us an idea of which business segment they belong to and which segments you think will be hit the hardest as you guys blow them out?

JEFFREY SCHWARTZ: Okay, two things. One, the word "blow-out" I think means that we intend to reduce our prices on them. We don't. We are going to sell these at full margin. They're all good inventory that are listed. We just have too much of it. The retailers as of right now, as of March, are ordering virtually all of it. Some of it they're ordering at a pace faster than projected in the fall. So none of it is going to hit our earnings. To us it's more of a cash flow issue than it is an earnings issue. The bulk of it, I would say, not the bulk of it but the largest portion, is going to definitely be in Pacific Cycle and recreational and bikes, but, you know, nonetheless, we have some in other areas as well. There's home furnishings, there's juvenile, and a lot of it's down. I mean, we've seen it move already and not be – you know, and we're just not ordering, to keep that level down.

UNIDENTIFIED SPEAKER: Okay, thanks, and the next question (inaudible) is what do you guys see your normalized tax rate moving forward, in 2009?

JEFFREY SCHWARTZ: Well I think we're probably going to stick to that 15 to 20 percent; yes, 15 to 20 percent again.

UNIDENTIFIED SPEAKER: Okay, thank you.

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

CLAUDE PROULX: Thank you. Good afternoon. First question is on juvenile, civil liability, if you could provide what was the cost for the quarter.

MARTIN SCHWARTZ: For the quarter. Do we have the quarterly (inaudible). I know it was down. We had another good year.

JEFFREY SCHWARTZ: Corporately?

CLAUDE PROULX: Well, I mean, jeez, I mean, last year the number I have is something like 4.2 million and 18.9 million for the year, that's for 2007, and 4.2 is for Q4 '07.

JEFFREY SCHWARTZ: The Q4 number doesn't match up. The 18.9 matches up, so what we have – we finished the year at 16.4. So we're below last year but I don't, I have a different number from last year. I have a number closer to two million last year, and we're a few hundred thousand this year.

CLAUDE PROULX: Okay, that's good. Second question is can you break down the impact of the FOREX (phon) by quarter. I mean, we know it's about 3 million for Q4 but what about each of the first three quarters?

MARTIN SCHWARTZ: No, we don't have that. There's a lot of pieces there. We spent a lot of time, because it was so material in Q4, so no, it' s not something handy. Keep in mind that relates to a lot of operating issues at a lot of companies, so we don't have that.

CLAUDE PROULX: So it's not – I mean, I have been thinking that it was all in juvenile, so it's not all in juvenile.

MARTIN SCHWARTZ: Well there's a little bit in bikes, but mostly in juvenile. Yes, most of the contracts are in juvenile. The contracts in juvenile and the foreign exposure; for instance, you know, the operations in Canada, as the Canadian dollar goes down our juvenile operations in Canada get hit. Our RTA operations and exports, they benefit, but, you know, there's a lot of that going on in the company as well.

CLAUDE PROULX: But the 10.5 is, those are foreign exchange gain on forward contracts.

MARTIN SCHWARTZ: Correct.

CLAUDE PROULX: And that, you wouldn't be able to split it between quarters?

JEFFREY SCHWARTZ: Okay, but that's not what you asked. You asked a different question. The contracts are, what – yes, about four million Q3, six – the balance Q4.

CLAUDE PROULX: So there was nothing in the first half of the year?

MARTIN SCHWARTZ: No.

CLAUDE PROULX: Okay, thank you.

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

HUGUES BOURGEOIS: Yes, good afternoon. Just on the ten percent organic growth in the recreational segment, did I understand well, that's all mass retail?

MARTIN SCHWARTZ: It is virtually all mass retail, yes.

HUGUES BOURGEOIS: Okay, so no growth in terms of Cannondale. Did you catch up a little bit from Q3? Sequentially was there organic growth?

JEFFREY SCHWARTZ: We did, but of course you've got to remember Q4 is not a big quarter for that group, but also, you know, with the earthquake we had in the economy, even IBD retailers were not looking to stock up on inventory till they figured out what was going on, so we did not grow but I would say that's the primary reason we did not grow, just the economy there.

HUGUES BOURGEOIS: Okay, and you also mentioned about building this IBD business. Can you paint a little picture of what's – where you are right now? I understand that when you acquired Cannondale, Cannondale was selling to about 1,000 IBDL sets, and so was the legacy business, the high-end business and there was little cross-selling there. So, you know, how are you progressing on the cross-selling opportunities and product (inaudible) and so on?

JEFFREY SCHWARTZ: Again that's a whole, you know, we can sit there for two hours, but we'll deal with that primarily, well Martin is going to talk about it at an investors day that we're going to deal with, and that's exactly the type of stuff we're going to deal with. So I don't have the matrixes here, I don't have the numbers for you here, but we are making progress and that's what everybody is working to do. You know, I mean, some of the things I know, we do have bikes in – we have GT bikes in France and Italy that are in the market today that weren't there last year, that are being sold by Cannondale salespeople. So that's something that's already in the market, not just a plan to do. You know, that was one of our low-hanging (inaudible) and we've accomplished that already, so there are things that are done, there are things to be done.

HUGUES BOURGEOIS: All right, thanks, I'll be looking forward to the investor day. Thank you.

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 are using a speaker phone please lift the handset before pressing the key.

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

SARA O'BRIEN: Hi. Jeff, you talked about Pacific Cycle being the majority of the inventory buildup. So it's the mass bikes or is there Cannondale stuff that's been building up there?

JEFFREY SCHWARTZ: Cannondale also. I mean, I'm just looking at a list. I don't see anybody who's not on the list. So in other words every business that we had had a buildup of inventory at the end of the year.

SARA O'BRIEN: I just wonder, though, from Cannondale, given that you had shipment delays in Q3, there's a pretty seasonal business here, I mean, is it possible you get stuck with too much, you know, high-end Cannondale and then, you know, the –

JEFFREY SCHWARTZ: No, I don't, I mean, I think there's a normal build for Cannondale anyways at this time of year. I'm not sure of the numbers that Cannondale built, I'm not sure that that is, you know, a pushback of inventory. I know, you know, orders have been good. So far, we're ten weeks into the year, we have not seen a decline in orders versus last year.

SARA O'BRIEN: Okay, and there's no, I mean, trend difference on the brand (inaudible), because I remember, you know, last call I guess you were talking about if you miss a certain period of delivery then IBD's want the next generation of the bike. I just wondered if you'd –

JEFFREY SCHWARTZ: Correct. We don't see, I mean, we've gone through this, obviously this inventory thing is huge. We've gone through this. We don't see, like I said, any inventory that was built up that is not going to be sold, and at its normal prices. We're just sitting on too much but all it meant was stop ordering for a few months. I'm sure we're still ordering goods that are not too high in inventory but for the most we've just ordered less and it goes through the system and we'll be back to normal in a few months.

SARA O'BRIEN: Okay, and now that you've been through like a full year almost with Cannondale, I mean, what is the season? When shall we expect to see if these, you know, this inventory is really selling through the way it should be?

JEFFREY SCHWARTZ: Q2 is the big, big quarter. There's no question that, you know, that's when we're going to see (inaudible) the money and selling what we're supposed to be selling. March is a big month, but Q2 is going to be important.

SARA O'BRIEN: Okay, and then just maybe lastly, on your share price has been, you know, beaten down pretty hard, and if your expectation is for some significant free cash flow are you looking to put in a share buyback program and be aggressive on that front? Or what do you do with the cash flow?

JEFFREY SCHWARTZ: That's an option, and I can't really comment on it but that's absolutely an option, although I do believe that in this marketplace having better liquidity and having less debt and more flexibility is probably a huge asset and that's our intention for 2008. We want to come out of this year with a really great balance sheet compared to where it is right now and we're pretty comfortable we're going to be able to do it. It's almost as if we're going to have most of the free cash flow from 2008 and the free cash flow from 2009 all coming into this year, so we're expecting a lot this year.

SARA O'BRIEN: Okay, and then just, I think you hinted that there were some acquisition opportunities. Are you talking sort of smaller scale than what –

JEFFREY SCHWARTZ: I would say that at this point, yes. I mean, I think we have to realize that the market out there is not flush with cash to borrow so we'll have to operate within what's out there. We're looking at smaller deals. We're looking at some stuff. Nothing is imminent. Nothing is really important. We're focused this year on having a good solid year, on bringing in a lot of cash, you know, keeping the inventories down, coming out of the year with more market share. And that's a big thing. We didn't really talk about that on this call but, you know, the retailers are looking for the strong players, and, you know, a lot of retailers aren't running over to China the way they used to. I'm not saying they're not but there's a lot of risk, you know, f you're going to import a product you've got to worry about, is your supplier going to be in business, carrying the inventory, does it meet the lead testing, does it meet the phalay (phon) testing, does it meet the next set of testing that we don't even know what it's going to be.

There's a lot of challenges today out there to retailers to go direct. And we're seeing more and more of them coming and saying, you know what, Dorel adds value and we're going to buy, you know, we're ready to buy those products and give Dorel, you know, some type of margin in order to protect us.

SARA O'BRIEN: Okay, super, thanks.

OPERATOR: Your next question comes from Jessy Hayem of TD Securities. Please go ahead.

JESSY HAYEM: Thank you. I just have a couple of housekeeping questions, please. First of all, on the SG&A expenses as a percentage of sales in your recreational division, they were significantly up in the second half and I understand you mentioned there was some timing of promotional events. I'm just wondering if these kind of events recur every year such that we should expect the second half SG&A to be higher typically?

JEFFREY SCHWARTZ: Yes, without question. I mean, all the shows are in the second half, but you end up selling a lot of it. A lot of your product sold sort of between February and June, and, you know, you spend money throughout the whole year, so that's really the reason for that.

JESSY HAYEM: Okay, and then what kind of CAPEX should we forecast or look for in 2009?

JEFFREY SCHWARTZ: We're probably looking at somewhere around 50 million.

JESSY HAYEM: Okay, and then can you confirm what your percentage of revenues and maybe operating cross-stabilities (phon) now derive from Europe overall?

MARTIN SCHWARTZ: For what period?

JESSY HAYEM: In general, per year, your percentage of your business that comes fro Europe.

MARTIN SCHWARTZ: No, I understand, but are you talking about '08 or going forwards?

JESSY HAYEM: Sure, for ’08 -- or going forward, actually.

MARTIN SCHWARTZ: Going forward.

JEFFREY SCHWARTZ: (Unintelligible) you know, I don't have that now, Jessy, I can get it to you later. We’ve just got to do some calculations. I don't think it’s sitting on anybody’s desk right now.

JESSY HAYEM: Okay. I’ll follow up after the call. And just one final one; the review of I guess the metal folding furniture line, is that still ongoing, and I guess, will we get some more colour on that, maybe on the investor day or?

JEFFREY SCHWARTZ: Yes, I would think so. Obviously that’s a huge topic. I think it’s safe to say, Martin, that we have no intention of continuing to lose a lot of money there. We’ve taken a lot of steps forward. We like what’s happening. I think just the relief we’re going to get on costs, you know, we’re not -- obviously not looking to raise prices in that sector anymore, but costs have come down a lot to the point where we, you know, we’re making some money again. We sold a lot of goods at practically no margin last year. We have a lot of warehousing.

MARTIN SCHWARTZ: In our core business we have more listings than we’ve had in the past, and at the same time we’re doing internal cost cutting, cutting back on our distribution costs, our footprint, you know, in the warehouses. There's a major program going on to bring that business back up to profitability as soon as it can. Everybody who wants to attend the investors day will hear directly from the president of the home furnishing division what we're doing there.

JESSY HAYEM: Okay, sorry, one more; just, I suppose that you would have probably done the goodwill impairment test at year-end and should there have been anything to report it would have been done, is that correct?

MARTIN SCHWARTZ: That's correct.

JESSY HAYEM: Thank you.

OPERATOR: The next question comes from Peter Imhoff (phon) of Sprott Asset Management. Go ahead.

ALAN JACOBS (Phon): Hi, it's Alan Jacobs at Sprott. I guess my question is on the SG&A in the juvenile sector, in the fourth quarter it's down really materially. Is that some kind of FOREX thing or what exactly is that?

MARTIN SCHWARTZ: Yes, I think that probably product liability is probably the biggest thing because we've – and foreign – oh, yes, product liability would be one because there was very little compared to earlier in the year where we only have to expense it as it occurs. Then foreign exchange, as we converted the Euro, where we spend more money on SG&A in Europe than we do in the U.S., that was converted at a lower rate.

ALAN JACOBS: Okay, thanks.

OPERATOR: Your next question comes from Mike Morgan of Howser and Satersall (phon), Private Asset Management. Please go ahead.

MIKE MORGAN: Yes, thank you. I just had a quick question on your bank covenants. Can you sort of run through what those are, whether they're earnings-based, asset-based?

JEFFREY SCHWARTZ: Yes, I mean, we're in one, I don't recall ever going through that on a conference call other than we're in line, I mean, they are the pretty standard ones. You know, I don't think that we, you know, there's obviously an indebtness to EBITDA, that's probably the biggest one. But there's not a whole lot of them. But, you know, that's probably the biggest one that we've got.

MIKE MORGAN: All right, but you're not prepared to—

JEFFREY SCHWARTZ: Not to go through all of them, no. I mean, they're all within the, you know, confidence and we're fine with all those.

MIKE MORGAN: Okay, fair enough. And just on the goodwill, do you have that broken by segment at all? Is that anything you're wiling to give us?

MARTIN SCHWARTZ: It should be –

JEFFREY SCHWARTZ: It will be in the notes. The notes will be out shortly. You'll be able to see it.

MIKE MORGAN: Okay, thank you.

OPERATOR: We have no further questions at this time. Please continue.

MARTIN SCHWARTZ: Okay, thank you. Well, as Jeffrey and I have outlined, we strongly feel Dorel is very well positioned to meet the realities of 2009. We refuse to allow pessimism to take control. As bad as the economy is, there are and will be opportunities and we will profit from them. This was the theme during intensive sessions at the mid-February three-day Dorel executive conference. Over 50 members of Dorel's top management from around the world attended, including for the first time our entire Board of Directors.

Everyone came away extremely positive and motivated. Our management teams are charged and ready to face '09. We filled in some vacancies in product development, marketing and sales. Our management is focused on cost cutting throughout the corporation, while still allowing for smooth running of our businesses. Our new management structure of three segment presidents is a big plus as they head up the teams.

In summary, Dorel has a great deal going. We are very strong financially with a healthy balance sheet and solid banking arrangements into 2010. We'll put all of this to work to provide the results that our shareholders expect. Dorel will hold an investor day in Montreal on March 25th, where are our three segment presidents will be on hand to outline their businesses and answer your questions. This will be an excellent opportunity to meet these people and to hear directly from them on their vision, their plans and their expectations. We will webcast this event and we will be issuing a press release a couple of days prior to provide the necessary information.

Thank you for joining us today and have a good afternoon.

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

*****