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PRESENTATION

Operator

Good afternoon. My name is Lainy, and I will be your conference operator today. At this time, I would like to welcome everyone to the Columbia Sportswear first quarter 2007 financial results conference call.

All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question and answer session.

(OPERATOR INSTRUCTIONS)

Thank you. Mr. Kiser, you may begin the conference.

David Kiser - Columbia Sportswear - Director of IR

Thank you, Lainy. Good afternoon, and welcome to Columbia Sportswear's first quarter 2007 financial results conference call. With me are Tim Boyle, Columbia's President and CEO, Bryan Timm, Columbia's CFO, Pat Anderson, Columbia's COO, and Peter
Bragdon, Columbia’s General Counsel. Gert Boyle, the Company’s Chairwoman and a normal participant on our quarterly calls is attending some personal matters this afternoon and is not available to join us today.

On our call we will review the results of the first quarter, provide some guidance on future periods, and field any questions you might have. You can access a copy of the earnings release at our company’s website. We encourage you to ask as many questions during the call as you feel are necessary to understand the Company’s business. As a courtesy to all participants, we request that you to limit your initial follow-up to to one or two additional questions to allow all parties the opportunity to ask questions. We invite you to reenter the queue if you have additional follow-up questions.

Before we begin I would like to remind everyone that this conference call will contain forward-looking statements regarding Columbia’s business opportunities and the anticipated results of operations. Please bear in mind that forward-looking information is subject to many risks and uncertainties, and actual results may differ materially from what is projected. Many of these risks and uncertainties are described in Columbia’s annual report on Form 10K for the year ended December 31, 2006. Forward-looking statements in the conference call are based on our current expectations and beliefs, and we do not undertake any duty to update any of the forward-looking statements after the date of this conference call, (inaudible) forward-looking statements to actual results or changes in our expectation.

At this point I will hand the call over to Tim Boyle who will provide an overview of significant developments that occurred during the Company’s first quarter of 2007. Tim?

Timothy Boyle  - Columbia Sportswear - President & CEO

Thanks, David. Welcome, everyone and thank you for joining us this afternoon.

Over the past several years, we have made significant investments in our business to support our long-term strategies and to continue to excel operationally for our customers. Leveraging these investments to improve the Company’s operating profits and returns on invested capital has a very strong focus of our management team. I am pleased to report that strong revenue growth in our first Spring business and expanding gross margins and operating margins drove record first quarter results for the Company.

Q1 2007 net sales increased 11.3% year-over-year to $289.6 million, a first quarter record. Gross margins expanded 80 basis points to 43.7%, and operating margins expanded 220 basis points to 12.9%. Net income for the first quarter was a record $26.1 million a 33.8% year-over-year increase. Diluted earnings per share for the first quarter were $0.71 compared to $0.52 for the first quarter last year.

Turning first to the backlog reported in the press release today, as of March 31, 2007 consolidated Fall and Spring backlog increased 4.7% to $888.7 million. Of this total, Fall product backlog at March 31, 2007 was $742.1 million, a 3% increase when compared to the prior year. Excluding changes in currency exchange rates, Fall backlog increased 1.6%.

Let me give you some color on Fall backlog by product category. Global Fall Sportswear orders increased double digits driven by continued strength in the U.S. and international distributor markets. In the U.S. Men’s Sportswear continued to have steady growth and bookings for Women’s and Youth Sportswear was also very good. Sport wear orders in international distributor markets were exceptional.

Growth in Global Sportswear continues to reduce our cold weather dependency. Global Outerwear orders were essentially flat. We are pleased to report that U.S. orders of Columbia brand outerwear increased double digits despite the warm weather conditions in the U.S. last Fall. Reflecting our continued efforts to remerchandise our core Columbia Outerwear line.
Fall Outerwear orders in international distributor markets were also very strong, however, U.S. orders of Pacific Trail Outerwear and European Outerwear orders decreased significantly offsetting the Outerwear growth in the core Columbia brand in the U.S. and distributor markets. Global Fall Footwear orders decreased slightly at March 31 due to warm winter weather conditions in key cold weather footwear markets in North America and Europe, and due also to a generally less compelling Fall 2007 Footwear product line.

Overall weather had a negative impact on our total Fall season order book most particularly in Europe and on our cold weather footwear business globally. However, we are pleased with the continued strength of our less weather dependent sportswear product and the resurgence of our remerchandise Columbia Outerwear category in the U.S. As you will see from the financial guidance provided today we are particularly pleased with the anticipated improvements in profitability despite the negative impact of the difficult weather conditions we had on total backlog.

Next, let me give you a Footwear update. As we discussed previously. We have made significant improvements to our Footwear organization over the past six months. We believe that we have built a strong team and have a portfolio of authentic outdoor brands to execute our footwear strategies.

We have organized interdisciplinary footwear product creation teams to align product creation more closely with the consumer and retail market place, and to leverage the strengths of our brand. Each product creation team is aligned by brand and product category, trail and hiking, water, cold weather and outdoor lifestyle. They draw from the key footwear development disciplines including design, development, merchandising, sales, marketing and costing. We are also drawing on outside design talent to supplement our product creation teams.

We have strengthened our Footwear sourcing and development processes and personnel to execute our sourcing and product delivery initiatives. Our Spring 2008 Footwear product line has benefited significantly from these Footwear organizational changes and the new team will have complete responsibility for the Fall 2008 product offering.

With this new structure in place we are pleased to announce today that we have hired [Mark Neenow] as our new VP of Footwear. Mark will oversee all aspects of Footwear product creation for the Columbia, Sorel, and Montrail brands. Mark has 14 years of Footwear marketing and product line management experience primarily at Nike, where he held product line management responsibilities for several significant product categories including ACG Trail Running.

He joins Columbia from Brooks Sports where he held the position of VP Global Footwear Merchandising and oversaw all aspects of Footwear product creation. Prior to his Footwear career, Mark was a professional track and field athlete. We’re very pleased with the progress our Footwear organization is making and believe that Mark will play a key roll in executing our vision of creating a world class Footwear organization.

Next let me update you on distribution projects. Earlier this month we successfully brought online the capital improvements made to retrofit our Portland, Oregon apparel distribution center. We made these investments to upgrade equipment and to substantially increase the throughput capacity of the facility. We are pleased to report that the implementation is proceeding well, and processing and shipping are in the normal ramp up phase.

At this point, I’d like to hand the call to Bryan Timm, our CFO who will review first quarter financial results and will discuss the financial guidance we reported today. Bryan?

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Bryan Timm - Columbia Sportswear - CFO

Thanks, Tim, and good afternoon, everyone.
Let me begin with a brief review of the first quarter income statement. As Tim mentioned, net sales increased 11.3% to $289.6 million. Growth in consolidated net sales was driven by Sportswear product sales and by growth in other international and U.S. markets.

Excluding changes in currency exchange rates, consolidated net sales increased 9.6% in the first quarter. Our consolidated gross margins for the first quarter of 2007 expanded by 80 basis points to 43.7% compared to 42.9% for the first quarter of 2006. Gross margins increased due to the improvements in our Sportswear margins, easier comparisons due to the negative impact of marking the Montreal inventory to market upon acquisition, favorable impacts of foreign currency exchange rates, and lower costs associated with certain international promotional campaigns in Europe.

The increase in gross margins were offset in part by a higher volume of lower margin closeout product and international distributor sales. For the first quarter the Company’s SG&A expenses increased by 6.6% or $5.6 million in absolute basis to $90.4 million for the first quarter of 2007 versus $84.8 million for the comparable period in 2006. As a percentage of sale SG&A decreased 31.2% compared to 32.6% in the prior quarter.

(Inaudible) expenses increased in absolute dollars but decreased as a percentage of sales due primarily to lower commission expense. Operating expenses also increased in absolute dollars, but decreased as a percentage of sales. The increase in operating expenses was due primarily to additional personnel related costs and increased bad debt expense resulting from a favorable write-off experience last year.

Depreciation and amortization totalled $6.1 million for the first quarter of 2007 compared to $5.7 million at the same time last year. Net licensing income was flat at $1 million and net interest income increased 15.8% to $2.2 million. Our effective tax rate was 34% as compared to our first quarter 2006 effective tax rate of 34.5%.

We reported net income of $26.1 million or $0.71 per share for the first quarter of 2007 versus net income of $19.5 million or $0.52 per share for the first quarter of 2006 based on a diluted share count of 36.6 million and 37.3 million respectively. I'll quickly touch on key items in the balance sheet and again, I'll be comparing March 31, 2007 balances to March 31, 2006. The balance sheet remains very strong with cash and short term investments totaling $268.6 million versus $239 million at the same time last year.

Consolidated accounts receivable at March 31, 2007 were $234.3 million compared to $216.7 million last year, an 8.1% increase which is lower than the quarterly sales increase of 11.3% driven by strong cash collections. Consolidated inventories were $209.7 million compared to $194.6 million a year ago a 7.8% increase. We remain comfortable with our global inventory position, however, we are carrying higher than planned inventory levels in Europe and our direct Asian markets due to the unseasonably warm winter weather conditions.

The margin effects of the disposition of this inventory are included in our financial guidance. Capital expenditures were $6 million during the first quarter. The majority of which were to increase our distribution capacity. As Tim discussed in his opening remarks, the capital improvements made to the Portland distribution center came online at the beginning if th second quarter.

We expect depreciation amortization expense for the year to approximate $32 million. Including approximately $8 million of incremental depreciation associated with the Portland and European distribution center projects that came online this year. We currently anticipate approximately $35 million in total capital expenditures during 2007 consisting of approximately $15 million in maintenance CapEx and $20 million in CapEx for other capacity and growth initiatives.

Today we announced that the Columbia’s board of directors has approved a dividend $0.14 per share payable on May 31, 2007 to shareholders of record on May 17, 2007. During the first quarter we did not repurchase any shares under a share repurchase program.
Now let’s turn our attention to financial guidance. Given our results and Fall backlog we are in a position to give guidance for the second quarter and for the full year 2007. Please keep in mind that this information is forward-looking in nature and is therefore subject to risk factors, many of which are described in our annual report on Form 10K for the year ended December 31, 2006 and which were expressed in our opening comments.

Additionally, it is important to recall that the second quarter is our most volatile quarter as we wind down our Spring shipping and start our Fall business and variance can be amplified as it is our lowest volume quarter. Based on our current outlook we anticipate Q2 2007 consolidated revenue growth of approximately 6% when compared to the second quarter of 2006. An estimate EPS of approximately $0.18 per diluted share.

This model anticipates approximately 100 basis points of operating margin expansion consisting of approximately 200 basis points of gross margin expansion offset in part by approximately 100 basis points of SG&A expansion. Turning our attention to the full year 2007 considering the Fall backlog we recorded today, we expect consolidated revenue growth of approximately 5% for the full year 2007 when compared to 2006. And we estimate EPS to be approximately $3.65 per diluted share. This model anticipates approximately 50 basis points of operating margin expansion consisting of approximately 100 basis points of gross margin expansion offset in part by approximately 50 basis points of SG&A expansion.

We are very pleased with our expected ability to leverage our operating model this year despite a disappointing Fall order book largely attributable to the unseasonably warm winter weather we experienced in 2006. This is a result of a refined and more targeted apparel line plan, modest increases in our average selling prices, favorable hedge currency rate, and diligent cost management. Again, please understand that the information is forward-looking in nature and is therefore subject to the risk factors as previously mentioned.

I will now hand the call back to Tim to review our business environment by brand, product category, and geography. Tim?

Timothy Boyle - Columbia Sportswear - President & CEO

Thanks, Bryan.

I will begin with a review of the first quarter 2007 consolidated sales by brand with comparisons to the first quarter of ‘06. Columbia, $262.9 million, an 11.2% increase. Columbia brand sales increased in all key markets globally during the first quarter. Shipments of Columbia brand Sportswear in the U.S., Europe, and international distributor markets drove growth for the brand. Outerwear shipments in the U.S. and distributor markets also contributed to Columbia brand growth in the quarter. Sorel, $3.5 million a 12.9% increase. Mountain Hardware, $17.7 million a 9.9% increase. Montrail, $4.9 million, an 8.9% increase. Pacific Trail had sales $600,000 in the first quarter.

I will now review the first quarter categorical sales results with comparisons to the first quarter of 2006. Sportswear, $163.1 million a 15% increase. Sportswear was our largest and fastest growing product category in the first quarter. Strong growth in knit and woven tops, shorts and pants drove growth in the category. Sportswear growth was strong in the U.S., Europe, and international distributor markets.

Outerwear, $59.8 million an 8.3% increase. Shipments of rainwear and soft shells drove growth in the category. Outerwear shipments in international distributor markets led global sales in the product category during the first quarter. Footwear, $52.9 million a 4.3% increase.

First quarter shipments Spring land sandals and close outs of cold weather boots drove growth in the first quarter Footwear sales. Footwear sales in international distributor markets led the growth in the category during the first quarter. Accessories and equipment, $13.8 million a 10.4% increase. Geographical sales.
Let me give you some additional geographic sales commentary for the first quarter with comparison to the same period of '06. U.S. A., sales of $155.5 million a 7.7% increase. Continued strong demand for our Spring Sportswear products drove domestic sales growth during the first quarter. Shipments of Spring knit and woven tops and shorts were strong. U.S. Spring Sportswear shipments continue to be the primary driver of first quarter sales growth.

First quarter U.S. A. Outerwear shipments—excuse me, sales increased in all Outerwear brands led by closeout shipments of Fall Pacific Trail, and Mountain Hardware Outerwear. Footwear sales decreased slightly domestically with softness in Columbia brands styles offset in an increase in close outs of cold weather Sorel styles.

U.S. Spring Sportswear sell through rates started slowly in many parts of the U.S. this year due to unseasonably cool weather conditions. In regions not affected by unseasonable weather, sell through rates have generally been good particularly in shorts and sandals. It is very early in the season to predict overall Spring retail sell through rates.

Turning our attention to Fall orders in the U.S. Total U.S Fall orders increased at a rate consistent with the corporate average. Sportswear bookings for Fall 2007 increased double digits as retail in consumer demand for our Sportswear products continues to increase. Backlog growth for Men's Sportswear continues to be steady, and Women's and Youth Sportswear orders were very strong. Growth in the Sportswear category continues to reduce our cold weather dependence and we are very pleased with the continued strength of our U.S. Sportswear business.

U.S. Fall Footwear bookings as of March 31, were soft due to the negative impact of warm weather conditions on our cold weather Footwear styles and a less appealing Fall 2007 Footwear offering. We expect Global Fall 2007 full price Columbia brand Footwear sales to be essentially flat when compared to Fall 2006. Fall Outerwear bookings increased slightly in the U.S., we are pleased to report that our Fall 2007 Columbia Outerwear line was well received, and retailers placed double digit increases in Fall orders for Columbia brand Outerwear despite the warm weather conditions in the U.S. As you recall for Fall 2007 we designed and merchandised a more targeted Outerwear offering to gain efficiencies in sourcing and to enhance Outerwear gross margins.

U.S. Pacific Trail outerwear orders decreased significantly for Fall 2007, reducing overall growth in Outerwear orders in the U.S. As we reported previously we acquired an unsettled Fall 2006 order book for Pacific Trail brands in an expedited bankruptcy auction last year. While we successfully delivered the orders acquired from the bankruptcy court, the fall 2006 product at retail did not sell well in some channels. This fall 2007 line was also unappealing and not well received by our customers.

In addition we experienced challenges in effectively integrating sales operations. We have made substantial changes to the Pacific Trail sales management and product development teams. We believe the Pacific Trail brand offers significant long-term growth opportunities.

Now that we have concluded our primary Fall booking season we have completed our analysis to determine the appropriate unsold inventory levels to carry into the Fall 2007 season. Our level of unsold inventory for Fall 2007 is expected to be within the historical ranges based on channel inventory level and our increasing emphasis on replenishment and promotional programs.

Europe, first quarter sales of $54.1 million an increase of 12.7%, or 2.7% excluding changes in currency exchange rates. Sales of Columbia brand Spring Sportswear were the primary drivers of growth in Europe during the first quarter, and retail sell through rates of Spring Sportswear are starting out better than last year in Europe.

Fall orders in Europe were very disappointing decreasing substantially year-over-year primarily due to extended periods of unseasonably warm weather conditions throughout Western Europe during the Fall And winter seasons. Retail sales through rates of weather dependent products were extremely poor creating a difficult inventory position for many retailers coming out of the season. Fall orders decreased in all product categories particularly in Outerwear and cold weather Footwear. Fall backlog decreases across Western Europe with significant decreases in Spain, Italy, Switzerland, and the United Kingdom.
Already underway is a process to more significantly include senior U.S. managers with their European colleagues that will be influential in the development and marketing of a regionally relevant Spring and Fall 2008 product line. I continue to believe that Europe is a very important growth opportunity among international markets. We have made very significant capital and personnel investments and we are committed to growing the market presence our brands in that region.

Canada, sales of $25.8 million a decrease of 2.3% for the first quarter were essentially flat excluding changes in currency exchange rates. First quarter Sportswear sales were healthy in Canada offset by softness in Footwear and Outerwear. Early cold weather has slowed the start of Spring sportswear selling at retail but has cleared Fall season cold weather inventory levels.

Fall bookings in Canada increased at approximately the corporate average with increases in Outerwear orders offset by softness in Footwear. Warm winter weather in the region negatively impacted bookings. In general, strong relationships with key retailers positions us well in the region.

Other international which consists of the collective geographic regions of Japan and Korea, where we sell direct and other international markets worldwide where we sell through distributor relationships recorded first quarter sales of $54.2 million an increase of 30.9% or 30.4% excluding changes in currency exchange rates. International distributors, a component of other international recorded sales of $30.2 million, a 49.5% increase. The vast majority of all sales to international distributors are denominated in U.S. dollars.

First quarter sales in international distributor markets were exceptional. All major product categories increased substantially with very strong growth in Sportswear. Sales growth was healthy in Russia, Argentina, and Hong Kong, China during the first quarter, but distributor growth was not limited to these regions. Sales increased in many other distributor markets globally.

Fall backlog in all product categories was exceptional. In international distributor markets with continued very strong growth in Russia and Hong Kong, China as well as exceptional growth in non-weather dependent markets in Central and South America, Australia, and New Zealand. We have very capable distributors who effectively manage the logistics, marketing and sales of our products in their respective regions. While international distributor sales produce lower gross margins for Columbia Sportswear, the sales generated are very accretive to our earnings as we have minimal overhead associated with the generation of these sales.

Japan, a component of other international, recorded first quarter sales of $13.1 million an increase of 5.6% or approximately 7.4% excluding changes in currency exchange rates. Sportswear and Footwear shipments were solid in Japan during the first quarter as our management team continues to make solid improvement in the recovering Japanese economic environment.

Fall orders increased ahead of the corporate average, particularly in Footwear and Sportswear despite warmer than normal winter weather conditions which negatively impacted the sell-through rates of our weather dependent products. We are optimistic about the prospects for growth in Japan as the economic conditions in that market continue to improve.

In closing, overall we are very pleased with our first quarter results. Our Spring Sportswear business continues to be very strong, and drove strong top line growth in the quarter. More importantly, gross and operating margins expanded significantly, generating significant increases in net earnings. While difficult weather conditions negatively impacted our Fall order book in many markets globally, we are pleased with our improvements in profitability and our anticipated ability to expand operating margins this year despite a softer top line and additional depreciation and amortization expected.

We remain focused on improving the Company’s operating margins and returns on invested capital in 2007 and beyond. We intend to do this through continued improvements in product design and merchandising and by taking a more measured approach to the fixed cost additions to our SG&A infrastructure.
Going forward our business strategy remains steady, and we are committed to growing the business through our key growth initiatives that we so frequently articulate. First, we will continue to enhance the channel productivity of our existing customers through effective operation of retail merchandising programs including concept shops and focus areas.

Second, we will continue to leverage our brands internationally. Third, we will continue to develop the Sportswear and Footwear merchandise categories and strengthen our core Outerwear business. Fourth, we will continue to selectively add distribution as we seek to grow our department store and specialty Footwear businesses. And finally, we will continue to seek out favorable licensing opportunities as we leverage the strengths of the brand.

That concludes our report. Thank you very much for listening in, we'd be happy to field any questions. Operator, could you please help us?

**QUESTIONS AND ANSWERS**

**Operator**

(OPERATOR INSTRUCTIONS)

And your first question comes from the line of Bob Drbul with Lehman Brothers.

**Bob Drbul - Lehman Brothers - Analyst**

Hi, good evening.

Tim, a couple of questions, and maybe for Bryan. When you look at your guidance for '06 and the backlog numbers, can you just help us understand as you incorporate the orders on Sportswear and Outerwear especially for '07, how is the margin or how have the margins changed around Sportswear and Outerwear? If you could maybe just lay out for us where that is going to shake out in Footwear, Sportswear, Outerwear, and any opportunities as you look forward now with this order book?

**Timothy Boyle - Columbia Sportswear - President & CEO**

Well, Bob, we are pleased with our ability in the first quarter to generate leverage on the business and we expect that over the course of the year that will continue. That has been a key focus for us. As it relates to overall environment in the margin category, I'm going to let Bryan speak more specifically to it, but I think we have seen some enhancement in margin in Sportswear and Outerwear, and to continued, I would describe it as weakness in our Footwear category through the merchandise that we are shipping. We are excited about the potential for the future going basically starting with '07--excuse me with '08 Spring but as it relates to specifics let me let Bryan talk to those.

**Bryan Timm - Columbia Sportswear - CFO**

Again, my comments, Bob, would be more around--I think we have been talking for close to a year now publicly about really an initiative here to really expand the operating margins. Obviously a big component of that is expanding our gross margins.

I think maybe we have gone about it, a little bit more fevered pitch than would have initially been expected, but again, it is--I think the Sportwear and Outerwear margins have certainly narrowed over time, I think what used to be a pretty good sized differential and gap between the two categories has narrowed. Really, it is all about our line planning for both the Spring '07
season as well as the Fall '07 season and really making sure in some of the areas where we have non-type of carryover type styles there may be some price elasticity to get a little bit better margins.

So I think I commented their ASPs have gone up, but again, very modestly. It is all incremental margin gain.

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**Bob Drbul - Lehman Brothers - Analyst**

Okay, and when you look at the guidance that you have given for '07 you talked about some inventory being higher than you’d liked I think in Europe and Asia, etc. What sort of sell throughs, do you have that marked at closeout sell throughs or how should we think about that as we consider your ‘07 guidance?

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**Bryan Timm - Columbia Sportswear - CFO**

I think--my comments really delve in those areas where they really didn't get a winter season. Europe, Japan being two primary examples. Again, there is not significant amount of inventory, but it is Fall of 2006 inventory. So, yes, I would say for modeling purposes we have modeled those in to go more into a discount kind of a channel.

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**Timothy Boyle - Columbia Sportswear - President & CEO**

Bob, for clarity, a good percentage of that stuff has already been sold, it just hasn't been shipped yet.

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**Bob Drbul - Lehman Brothers - Analyst**

Okay, great, and then just one final question, with no buy back this quarter and your cash balance looks pretty healthy here. Can you just, Tim, maybe give us your game plan or how you guys are looking at the use of this cash from a buy back perspective, and could you start to be a little bit more aggressive with the buy back program now?

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**Timothy Boyle - Columbia Sportswear - President & CEO**

Well, Bob, we still have authorization left on our board--from our board to acquire shares, and I think we spend some significant amount of time each quarter analyzing where we believe the best use of that capital is, so I would expect that we would continue to watch the shares and make those decisions all the way through the quarter as events necessitate.

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**Bob Drbul - Lehman Brothers - Analyst**

Okay, great, thank you very much.

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**Operator**

Our next question comes from the line of Jeffrey Edelman with UBC.

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**Jeffrey Edelman - UBS - Analyst**

UBS, thank you.
Tim, question on the Outerwear. Has the mix changed in your domestic sales more to, let’s say some department stores and away from some of the athletic chains?

Timothy Boyle - Columbia Sportswear - President & CEO

No, I think--well, the focus for the Company has been on growing our department store business, and so we have had healthy growth in that channel strategically with all good intentions for that. Then as we have seen consolidation happen in the sporting goods channel, our growth in that channel has not been as robust as it has been in the department store channel, but our largest customers in sporting goods remain to be those, and we've had growth there, although most of our growth has been in the Sportswear category and to a lesser extent the Outerwear category.

Jeffrey Edelman - UBS - Analyst

Right, okay, and then secondly, as we think about margins in the second half. Overall on the Outerwear, were you a little more aggressive in your pricing or were you a little bit more in all of the lines? I think you mentioned some of Europe was able to get some--a little more pricing, but I don't know if it was across the board.

Timothy Boyle - Columbia Sportswear - President & CEO

No, I think our focus on--for Fall '07 was to a certain extent price increases but more importantly efficiencies in line plan to offer our sourcing guys the opportunity to be more efficient and to have some significant improvements there.

Now, we are expecting that the initiatives that we undertook to make our lines more efficient and to narrow them down and to increase gross margin, that is a continuing effort, and so we would expect over the next several seasons to see just continued impact there.

Jeffrey Edelman - UBS - Analyst

Right, okay, and then finally, I guess we end up going through this every year at the beginning of the year. When we see conservative guidance based on orders and then ultimately the orders come in and then you scramble and get more inventory. With the softness in Europe because of the weather, you still have some extra inventory. It's reasonable to assume that upside in the sales number is probably more or less likely or less likely now than it had been in previous years?

Timothy Boyle - Columbia Sportswear - President & CEO

I would say our intention is really to guide our investors with the best information that we have at the time. We have taken that course as well during this guidance session. Our best--we have given you our best shot, so we are hopeful that we are reasonably close on that.

Jeffrey Edelman - UBS - Analyst

Okay, thank you.

Operator

Your next question comes from the line of Robby Ohmes with Banc Of America Securities.
Robert Ohmes - Banc of America Securities - Analyst

Thanks, guys, a couple of quick questions. First, on Europe given—I know it would be tough to figure out with the weather issues, but do you know if you lost market share in Europe or was there a response, if there was ever a cold day there this winter that was favorable the way you saw the good response to the new outerwear in the U.S.? That's my first question.

Second question is can you give us more detail on Pacific Trail? It seemed like there's not a lot of SKUs in that line, what exactly went wrong there, and how do you fix it? The third is just more detail on the new head of Footwear, is he a product development guy or an operations guy, what are his strengths? Hopefully you can remember those, let me know if you don't remember all three.

Timothy Boyle - Columbia Sportswear - President & CEO

I wrote them down, Robby, so I think I got them.

As it relates to Europe I don't think it was a market share loss, I think the business there was just significantly impacted by the lack of cold weather. We feel very strongly that the brand is strong there and our customers are strong. It is just that we didn't have the kind of sell throughs there that we needed. It was impactful not only in the Outerwear but also in the cold weather Footwear.

We believe that we are continuing to push, we made big investments there not only in facilities but also people, and it is our expectation that at some point in time will be our largest market. Frankly, I am disappointed that it hasn't happened sooner.

The issues there were not exclusive to weather. As we said in the script, we are focusing time with our senior executives here on the merchandising side to make sure that we've got the right offering there, and continue to spend a lot of time on that market which is critical.

As it relates to Pacific Trail, just to summarize the discussions we had earlier in the script. Frankly, the products that we made and shipped to customers in 2006 were products that were designed by the former team. We just manufactured them and distributed them, and they were successful in some channels and unsuccessful in other channels.

We didn't go out with a Fall line in an environment that was hungry for Pacific Trail. And in fact, our merchandise that we offered and designed here was not our best effort, and so we stumbled on the product side and then we really, frankly are still learning the discount channel and believe that there are significant opportunities there, but we needed to add personnel who were very conversant in that channel and had relationships with the people who were making decisions in that channel.

We have done that, we've made a complete change not only in the merchandising teams that are focussed on that, but also in the sales team and the chief merchants that are working on that product category, so it's our expectation that that's going to be a very big business for us at some point in time. Regarding Mark Neenow, I guess I would describe Mark as really a product guy.

In the period of time where we have had a vacancy in our general merchant there, our VP of Footwear, we've made a number of changes including significantly enhancing what I would call the back room of the business. That is everything from development all the way through sourcing and manufacturing, management. We have significantly improved the functionality of that group.

At the same time we have also made some changes in our general management on a brand specific area here in Columbia, and made improvements we believe in the design team and just the effectiveness and efficiency of that team. So our expectations is that Mark Neenow with his product background is really going to be helping us to cultivate and continue to encourage a
high degree of creativity specifically following our five key words, and it is our expectation that the products will just continue
to get better.

They are already vastly improved for our Spring '08 offering. It's our expectation that Mark is going to fit in very well here and
help us to create some really spectacular

Robert Ohmes - Banc of America Securities - Analyst
Terrific, thanks a lot, Tim.

Operator
Your next question comes from Virginia Genereux with Merrill Lynch.

Virginia Genereux - Merrill Lynch - Analyst
Thank you. I think maybe, Tim, just following up on Robby's question. Europe, I feel like the math if U.S. Outerwear was up
double digits and Sportswear was up double digits then Europe must have been down. I know Footwear and Japan and stuff.
Europe must have been down pretty big double digits. Is that fair?

Timothy Boyle - Columbia Sportswear - President & CEO
Well, in keeping with our historical process we try to really focus on sales with specificity on brand and geography and not so
much on backlog, but we were very disappointed in our European business. It is an area where the Company has made significant
investments, again, not only in people but in facilities, and the expectation is for much, much better results, so it was very
disappointing, and the focus of the entire team here is going to be on helping our European colleagues to really maximize the
opportunity there which is significant. It was very disappointing,

Virginia Genereux - Merrill Lynch - Analyst
Do you feel like you have and you also mentioned that sort of some U.S. managers partnering with the European guys. Do you
feel like you the right--do you have it sort of figured out there, do you think you have the right people on the ground or you
know what I mean? Do you think you know--you have sort of a solution to the fact that it has been a little tougher market for
you?

Timothy Boyle - Columbia Sportswear - President & CEO
We have a high degree of confidence in our team not only in Portland, but our team in Europe, and frankly, we can give them
some more help. If you look at how the Company's business has changed over the last, call it 10 years, our largest and most
rapid growth has been internationally.

There have been periods of time when we've had issues in various geographies, but overall our significant growth has been
outside the U.S. So our international team I believe is very strong and we believe with some help that from here in Portland that
they will be able to pick up the heavy lifting and make us really reward the Company for the investments we have made.
Virginia Genereux - Merrill Lynch - Analyst

Okay, I understand, sir. The Europe growth has been slower for a couple of years. The international distributor markets have been ripping, but for the investments you have made and the changes you have made it has been a little slow and it sounds like you are working on it.

My second question is Sportswear, and the great growth you've had there. As you think about that business it is going to be approaching $600 million this year. How much bigger can it get do you think, or what's going to drive—it know the market share opportunity's endless, but what is going to drive that growth?

Timothy Boyle - Columbia Sportswear - President & CEO

I would have to say that there is two good things happening in Sportswear. One is our product continues to get better and number two the scale continues to increase, so we are continuing to see improvements in the product that allows us to sell more, it gives us the opportunity to have lower prices and both improved margin and also become more competitive on pricing. I really see those two things happening together and driving the business.

Now, the U.S. A. Outerwear business we believe is around a $3 billion business and the Sportswear business is around $35 billion. So the key for us is just to continue to improve the product and continue to execute on deliveries.

Lastly, as the brand becomes stronger where Sportswear has—there is less opportunity for technological items to help the business expand, we really have to rely on the brand, and as the brand gets stronger it ends up pulling the whole the business along further. Then I would say lastly on the international front, the opportunity for us to expand in markets that are warm weather just continues to get better. We have a significant growth in warm weather markets, and that's really a testament to the products wide distribution here in the U.S. and continued improvement.

Virginia Genereux - Merrill Lynch - Analyst

Thank you.

Operator

Your next question comes from Kate McShane with Citigroup.

Kate McShane - Citigroup - Analyst

Hi, good afternoon.

Two quick questions, most of mine have been answered. But Bryan, are you willing to give us out of the list you gave us of positive gross margin contributors, can you give us what maybe was the biggest driver of gross margins this quarter? Then secondly could you talk a little bit about the sourcing environment right now what you are seeing in terms of cost pressures and or cost relief when compared to last year?

Bryan Timm - Columbia Sportswear - CFO

First, from respected in terms of what drove our gross margins in Q1, Kate, it really was in terms of mentioning just the entire—kind of the whole game approach to the way that we aligned a plan, to the way that for certain product categories where we had
Quite a bit of innovation. There were price points that really allowed us to give more margin to our retailers and also take a small piece for ourselves, and really, the Sportswear gross margins for the most part drove the business in Q1.

There is certainly a little bit of help from currency rates on a hedged basis season over season, and that's also a contributor, but the lion's share was really just the pricing of the line and the line itself which drove the gross margins in Q1, and will continue to drive the margins in Q2.

**Timothy Boyle** - Columbia Sportswear - President & CEO

Yes, Kate, we have heard in the sourcing environment let me segregate that maybe from the apparel side and the Footwear side, and I can give just a little color, but we've got Pat Anderson here, whose responsibility is the sourcing area, so he can maybe speak more fully, but I would say that we continue to hear about labor increases from our factories.

The expectation is that we don't have a lot of reduced costs from the straight labor content. However, as we continue to improve or business in Footwear, I would expect that we will become a better customer and a customer with—that has more favorable pricing as our business improves in Footwear. I'll let Pat maybe speak to the specifics.

**Patrick Anderson** - Columbia Sportswear - COO

Yes, I would agree with that, Tim, and then on the—maybe speaking to the apparel. We still continue to see constant pressure from labor, exchange rates, some capacity in the factories and then throwing in maybe the anti-dumping uncertainty from Vietnam, but to handle that we do have a pretty extensive sourcing structure in Asia which really allows us to move our product around and maximize, or minimize those effects I should say. Overall I think we are in pretty good shape, but we are—I think the deflationary days are kind of a thing of the past at least for now.

**Kate McShane** - Citigroup - Analyst

Okay, thank you.

**Operator**

Our next question is from John Shanley with Susquehanna.

**John Shanley** - Susquehanna Financial Group / SIG - Analyst

Thanks, and good afternoon folks.

Tim, I wonder if you can drill down for us a little bit more on your comments about the double digit increase in forward orders in the U.S. Outerwear business, is that being precipitated by distributing into the same channels you have traditionally sold the product in, and I wonder if you can compare the product margins that you're getting for Fall '07 delivery versus what Outerwear was able to command in Fall '06?

**Timothy Boyle** - Columbia Sportswear - President & CEO

Sure, yes, so the channels have not changed at all on the Fall '07 Outerwear. It is still primarily sporting goods operations and department stores to a lesser extent, certainly with the Outerwear. Gross margins have improved somewhat, I would say that our mix of soft shell products with knitted categories is probably continuing to increase as that product gets wider acceptance,
and the expectation is based on the success of many styles. We should look at some good sell throughs once the season starts in the Fall.

**John Shanley - Susquehanna Financial Group / SIG - Analyst**

Are those margins comparable, Tim, to what you traditionally have had in your Outerwear product categories?

**Timothy Boyle - Columbia Sportswear - President & CEO**

Well, as you know, the focus was on becoming more efficient, and I believe we had some improvement in our gross margins as well from prior periods.

**John Shanley - Susquehanna Financial Group / SIG - Analyst**

For Fall ’07 it is going to improve? What I am struggling with is you had a really good first quarter, the indications you’re giving us for the second quarter looked pretty good, certainly above current consensus estimates.

The back half to give us an earnings expectation of 265, you would think with all of these things happening in Outerwear and Sportswear and so on, the back half would also be fairly robust, yet the expectation is that it is not going to keep the same momentum that you were able to generate in the first quarter. I wonder if you could kind of explain that, is it just because you're not going to be able to get the leverage off the sales based on the 1.5% increase in forward orders, is that the primary reason for the expectation for the full fiscal year earnings.

**Timothy Boyle - Columbia Sportswear - President & CEO**

I am sort of overriding is that we have a heavy dependence on Winter apparel and Footwear in the back half, and that has been impacted by these warm winters that we have had, so our guidance is tempered by the fact that we've seen those kinds of activities happen.

**Bryan Timm - Columbia Sportswear - CFO**

Yes, also John, this is Bryan. In terms of--as you say the front half versus the back half. I guess I would say more of the Spring versus a Fall season.

Again, when we look at the Spring business and the things that affected our gross margins in Q1 and are expected to affect usQ2, I think we need to also remember that from a comparative standpoint, we did have some negatives happening in Q1 of last year and also Q2 of last year, so the comparability of our margin does get a little bit easier in Q1 of this year and is expected also in Q2.

That comparability, however, is probably not as major of a factor in the back half of this year, but again, there are two different seasons. I think where currency rates also go can impact our margins. We have seen great hedged rates for the Spring season and certainly we hope to have some upside in the back half and that is also included in our guidance.

**John Shanley - Susquehanna Financial Group / SIG - Analyst**

That’s helpful, Bryan, appreciate it.
The next question I have is on the inventory levels, you said that, Tim, I think that most of it they did inventory was spoken for. Can you give us a sense of how much overhang of unspoken for inventory from the Fall and Winter '06 season you have, and are you rolling any of that inventory over into next Fall?

**Timothy Boyle - Columbia Sportswear - President & CEO**

I would say that the unsold portion of the Fall '06 and older is diminishus, there's very minimal left that is not sold. We are going to liquidate all of it, so it is for sale, and we will continue to liquidate it until it is gone, but the remainder is basically--is very small.

**John Shanley - Susquehanna Financial Group / SIG - Analyst**

Great. That is good to hear. Thank you very much.

**Operator**

Your next question from [Brad Craggen] with Goldman Sachs.

**Brad Craggen - Goldman Sachs - Analyst**

Yes, just one question, can you talk about how you are thinking about your positioning for speculative inventory coming up in the Fall in light of your orders and your experience last year?

**Timothy Boyle - Columbia Sportswear - President & CEO**

Yes, Brad, I think we said in the script that we are looking at it on a sort of normal basis I would say in the very narrow range of what we did last year. That is how I categorize it.

**Brad Craggen - Goldman Sachs - Analyst**

Okay, thank you.

**Operator**

Your next question from Julie Brian with Jennifer Black.

**Julie Brian - Julie Black - Analyst**

Hi guys. Just a couple of questions.

Back to with the Fall backlog as it is, have you made any changes to what your SG&A spend is going to be for the back half of the year relative to the first half whereas maybe you were going to spend a larger amount for the whole year, you have been able to cut some of that out or is that not in your thinking at all? And as well, can you talk about any of the progress that you have made in increased distribution into department stores because that sounded like that's one of your major strategies that you have been looking at?
The last thing is on—back to Pacific Trail for one second, when can you have a meaningful impact on sales given the whole change in the team there particularly the merchandising team?

Timothy Boyle - Columbia Sportswear - President & CEO

Okay, thanks. Well let me give you the first one. The first question as it relates to SG&A because the business model has—gives us a high degree of visibility to the future, there are some areas that we can manage in variable costs, and those, the Company is quite good at doing that. We are very focused on making sure that as we discussed in the past, making '06 a trough year for us in gross margins and creating leverage that we really focused on managing those expenditures to the best we could.

So I think you saw from our guidance that we have done what is necessary to make sure that the business is going to be solid and with our hope that has leverage for the back half of the year—for the whole year. As you mentioned department store our successes continue to be strong there especially in regional department stores and that would include folks like (inaudible) and the Got Shocks, and the Carson’s and others, so our department store strategy appears to be working well and it is continuing to expand.

As it relates to Pacific Trail we have basically moved much of the responsibility for merchandising to teams that are here in the building already, and we believe that we have people on staff that can make an immediate impact on that business, and so the expectation is that from a merchandise offering standpoint we can make quick movements and quick adjustments, and then we have also added a senior sales executive who’s very familiar with this channel trade, and can help us almost immediately.

Our expectation is that we will see improvement quickly. Because it’s mainly an Outerwear brand we probably won’t see the maximum input until Fall '08.

Julie Brian - Julie Black - Analyst

Okay, terrific, thanks so much.

Operator

Your next question comes from Virginia Genereux with Merrill Lynch.

Virginia Genereux - Merrill Lynch - Analyst

I'm sorry, just one really quick. Everybody is like "go home".

Bryan, you said something in answer to John Shanley’s question about the margins, I was just looking at— you were talking about easy comparisons, is this a business—do you have the margin opportunity—do you have much margin opportunity in the back half? Because I am looking at your margins relative to history, but you have actually seen a lot more decline going back to the peak levels in the back half? Obviously related to sort of Outerwear.

Is it—is your Outerwear business just lower margin today such that you are not—should we look for more of the margin expansion going forward to basically be first half—front half loaded?

Bryan Timm - Columbia Sportswear - CFO

I would say, Virginia, that my comments earlier are—stand, I think it's definitely been part of—a part of all of our efforts at the Company since last May when we basically priced Spring '07 and then certainly into the October timeframe when we priced
Fall '07 that we are doing many different things from a line planning perspective, pricing perspective, some efficiencies are gained from some of that, so yes, in terms of the guidance that we provided does suggest that we get close to about a full point in the back half in terms of gross margin and at least from our order book and from the signs that we have already seen in terms of the condition of that order book we feel pretty comfortable with margins increasing in the back half of the year. But absolutely, you are correct, the last couple of Fall seasons we haven't experienced that, but again, I can't under estimate the amount of attention that's got at this Company to date.

**Virginia Genereux - Merrill Lynch - Analyst**

You answered my question, which is that you see 100 bits of gross margin expansion in the back half and that it's the lesser margin expansion is really related to SG&A delevering on the lower sales.

**Bryan Timm - Columbia Sportswear - CFO**

Right, actually if you point to a good one. In terms of SG&A if you strip out the depreciation, we actually get leverage so it is a conscious effort to an earlier question that we are very much watching our costs and containing those costs and that is not just in the front half but extend back to the back half, and of course, again, we are putting on significant depreciation effectively in Q2, and that will carry forward to the back half.

**Virginia Genereux - Merrill Lynch - Analyst**

Yes, well, it's great the U.S. Outerwear business is up so much. Congratulations!

**Operator**

You have no further questions at this time.

**Timothy Boyle - Columbia Sportswear - President & CEO**

All right, thanks everyone for listening in. We look forward to talking to you at various times during the year, and especially at the end of the next quarter. Thank you.

**Operator**

This concludes today's teleconference, you may now disconnect.
April 26, 2007 / 5:00PM, COLM - Q1 2007 Columbia Sportswear Earnings Conference Call

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