

**MANAGEMENT DISCUSSION SECTION**

Operator: Good afternoon. My name is Ashley and I will be your conference operator today. At this time, I would like to welcome everyone to the First Quarter 2009 Earnings Release Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I would now like to turn the conference call over to Ron Parham, Director of Investor Relations. Sir, you may begin your conference.

**Ron Parham, Senior Director of Investor Relations and Corporate Communications**

Thanks Ashley. Good afternoon and thanks for joining us on today's call. Earlier this afternoon, we issued an earnings release and financial schedules covering the results of our first quarter of 2009. With me today to discuss those results and answer your questions are Columbia's Chairman Gert Boyle; President and CEO Tim Boyle; Vice President of Finance and Chief Financial Officer, Tom Cusick; and Vice President and General Counsel, Peter Bragdon.

Before we begin, our Chairman, Gert Boyle, has an important reminder.

**Gertrude Boyle, Chairman**

Good afternoon. I'd like to remind everyone that this conference call will contain forward-looking statements regarding Columbia's business opportunities and 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 10-K for the year ending December 31, '08, and subsequent filing with the SEC.

Forward-looking statement in this 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 to conform the forward-looking statements to actual results or to changes in our expectations.

**Ron Parham, Senior Director of Investor Relations and Corporate Communications**

Thank you, Gert. I'll hand the call over to Tim.

**Timothy P. Boyle, President and Chief Executive Officer**

Thanks, Ron. For those of you who have listened to our calls in the past, you'll recognize Bryan Timm is not with us today. He is traveling in Asia with members of his team as – in his role as Chief Operating Officer.

So welcome everyone and thanks for joining us this afternoon to discuss the results of our first quarter and how we see 2009 playing out based on fall backlog and our current assessment of a very unpredictable market.

I'll start by saying that we're pleased with how we managed our business in the first quarter, producing operating income of 10.4 million and earnings per share of \$0.20, which is \$0.14 per

share above the midpoint of the outlook we provided in January. Tom will go into detail on what drove that performance, but I want to focus my comments on the conditions of the external retail environment and on the progress we believe we're making internally to return to growth.

Looking at the external environment, I'm not telling you anything you don't already know when I say that business remains challenging and that those challenges have spread well beyond the US over the past several months. While the first quarter got off – got us off to a slightly better start than we anticipated, the fall backlog decline of 15% that we reported with today's Q1 results suggest that we will continue to see deterioration in our top line over the remainder of the year.

As a category, apparel continues to be one of the weakest discretionary consumer spending sectors in the economy and we are working closely with our retail partners to plan our business under the assumption that things will remain challenging throughout 2009.

In addition, within the apparel segment, department stores, especially those that are mall-based, have been the weakest channel for more than 12 months. Over the past five to seven years, department stores have grown to represent approximately 30% of our US wholesale revenue base. Consequently, this channel has presented the biggest challenge for us as they have taken steps to significantly reduce inventories and to raise cash to mitigate the effects of tight credit markets.

So far, none of our large national department store partners has been forced into bankruptcy or liquidation, but a few of our large and longest running regional retail chain partners have not fared as well over the past couple of months. We are working very closely with a number of retailers around the world to manage their credit limits and plan their payments and shipments very carefully in order to keep our products on their shelves and available to consumers without incurring undue credit risks.

What is happening in the US is also playing out in key markets across Europe, some of which have been among our best growth markets over the past decade. In addition, several economies in our distributor base business are under severe stress, suffering steep declines in consumer spending, currency devaluation and even more troubled credit markets than here in the US. As a result, we have seen significant declines in many of these markets.

Canada's credit market seems to be in better shape than the US, but consumers there have caught a bit of the US consumers' spending contagion as the Canadian dollar has weakened against the US dollar by roughly 20% over the past six months.

Japan and Korea remain relative bright spots for us. Korea's reported Q1 net sales were punished by a greater than 30% decline in the value of the won against the dollar, more than offsetting the mid-teens growth rate they achieved in local currency for the quarter. Conversely, Japan generated mid single-digit local currency growth and benefited further from the strengthening of the yen against the US dollar to produce reported growth of more than 20% in the first quarter.

That's a quick review of the external environment and only focusing on that could be pretty discouraging. While those macroeconomic realities have certainly had an impact on how we are managing our business in the near term, our strong balance sheet has provided us with the financial flexibility to continue investing in our strategic initiatives to position our brands for when the global economy recovers. We are continuing to build a multi-channel, multi-brand business model, and the related operational capacities that we believe will provide sustainable profitable growth platforms. We are using our technology portfolio to continue creating differentiated products with clear benefits and at a great value for a wide variety of outdoor consumers.

We're continuing to invest in our direct-to-consumer business in the form of additional branded stores and outlet stores. We are also building e-commerce platforms for our Columbia and Sorel brands that are slated to launch in the second half of 2009. All three of these direct-to-consumer

channels are important avenues for us to communicate our innovation, demonstrate the benefits of our technologies, build excitement around the brands, and to drive consumer demand.

We are continuing to invest in our footwear business and believe there is a substantial opportunity to grow our Columbia, Sorel and Montrail franchises. The global outdoor footwear business is estimated at somewhere around \$7 billion annually. That means we currently have less than 4% market share. We think the investments we have made, and continue to make, to attract top footwear industry talent may begin to pay back as early as 2010 and offer great long-term potential.

Finally, we are continuing to invest in integrated marketing programs that will drive consumer demand for each of our brands.

Now I'll turn the call over to Tom to review the financial results.

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**Thomas B. Cusick, Vice President Finance and Chief Financial Officer**

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Thank you, Tim, and good afternoon everyone. I will begin with a brief overview of the income statement and balance sheet. First quarter net sales decreased 9% to \$272 million, with changes in foreign currency exchange rates contributing five percentage points of that decrease.

Looking at Q1 2009 net sales on a regional basis compared with Q1 2008, US sales increased less than 1% to \$156.3 million. US retail sales more than doubled as there were approximately 20 more US based retail stores operating in Q1 2009 compared to the same period last year. US wholesale sales showed a high single-digit percentage decline, primarily attributable to the Columbia brand and concentrated in our sportswear and footwear categories, which typically account for the majority of our spring season business. EMEA sales declined 24% to \$49.8 million, including an 8% drag from foreign currency exchange rates.

Net sales in our EMEA direct business showed a high 20s percent decline, including a 10% negative effect from foreign currency exchange rates, reflecting the difficult macroeconomic conditions, the soft spring order book, and the misaligned product assortments and market positioning in a region that we've mentioned in previous calls. We expect fall 2009 to continue to be challenging for us in this region.

Our EMEA distributor business declined mid single-digits, which is due to a shift in the timing of shipments. Advance orders for spring 2009 actually increased in the low double-digits for this channel. However, a higher percentage of the business shipped in December of 2008 and was recorded as revenue in Q4 of 2008 compared to spring 2008 shipments which shipped in January 2008 and were recorded as revenue in Q1 2008.

These timing shifts are common because the vast majority of our distributor shipments for both the EMEA and LAAP regions are factory-direct, with revenue being recognized on the cargo vessel's departure date over which we generally have little control. The majority of our spring season shipments to distributors occur in the months of December and January, while most fall distributor shipments occur in June and July. Given the peak shipping periods overlap quarters, the quarterly sales for this channel are less predictable than our direct businesses.

Net sales in Canada declined 26% including an 18% currency headwind primarily due to planned reductions in some channels of distribution. Net sales in our LAAP region decreased 6%. Foreign currency exchange rates played a strong role in our Japan and Korea businesses in this region. Low 20s percentage growth in our Japan business was aided by mid-teens percentage growth from the effect of currency. Conversely, the effects of currency on our Korea business turned high-teens percentage constant dollar growth into a 20% decline for the quarter.

Net sales to our LAAP distributors showed a mid 20s percentage decline, which is consistent with our EMEA distributors, predominantly due to the timing of shipments as a higher proportion of spring 2009 orders shipped in December compared to spring 2008. Advance orders for spring 2009 from our LAAP distributors were up low teens.

Looking at first quarter net sales by product category compared with Q1 2008, Sportswear's net sales declined \$22.9 million or 14%, mostly related to Columbia brand net sales declines in both the EMEA direct and US wholesale businesses. Outerwear net sales increased \$7.2 million or 10% in the first quarter. The increase was primarily driven by a higher volume of fall 2008 closeout product sales in the US. Footwear net sales declined \$11.3 million or 22%, mostly due to EMEA direct and US wholesale shipments as expected based on our lower spring order backlog. In addition, the US decline was further magnified by a shift in the timing of shipments into the second quarter. Accessories and equipment net sales increased \$1.6 million or 10%.

From a brand perspective, the 9% decline in first quarter net sales can be primarily isolated to the Columbia brand, which was down \$25.6 million or 10%. Mountain Hardwear net sales grew 6%. Sorel, Montrail and Pacific Trail net sales were insignificant in the first quarter of each year.

Gross margins decreased by 330 basis points in the first quarter, primarily due to an increased volume of fall 2008 closeout product sales at lower competitive margins, resulting from higher than normal order cancellations and a more promotional retail environment.

SG&A expense decreased 2% to \$102 million, representing 37.5% of first quarter net sales, compared to 34.9% in last year's first quarter. In absolute dollars, this decrease was driven by cost reductions initiatives executed over the past several months to mitigate further erosion in our operating profitability. The cost reduction initiatives which began in mid-2008 included reductions in head count, incentive compensations, benefits and other discretionary cost, as well as our planned marketing spend for 2009. Costs associated with our direct-to-consumer initiatives essentially offset these cost savings measures.

As a percentage of sales, the SG&A expense de-leverage is largely a result of revenue contraction in our wholesale businesses in the US and Europe, coupled with an increased fixed cost base resulting from our expanded retail business.

Operating income for the first quarter of 2009 was \$10.4 million or 3.8% of net sales, compared to 9.2% of net sales for the comparable quarter in 2008.

Income tax expense for the first quarter of 2009 was \$4.4 million, equating to a 39% tax rate, compared to \$9.8 million or a 33% tax rate for the first quarter of 2008. The increase in our first quarter of 2009 tax rate was due to a higher expected full-year mix of US income, which is generally taxed at a higher rate than international income.

Net income for the first quarter 2009 was \$6.9 million or \$0.20 per diluted share, compared to \$19.9 million or \$0.56 per diluted share for the first quarter of 2008.

Turning to the balance sheet and comparing March 31, 2009 balances to March 31, 2008, the balance sheet remains very strong with cash and short-term investments totaling \$299.8 million versus \$278.1 million at the same time last year. Consolidated accounts receivable at March 31, 2009 declined 13% to \$213.5 million versus \$246.2 million a year ago. This decrease was largely related to the decrease in our wholesale sales for the quarter.

Consolidated DSO decreased to 71 days from 75 days at March 31, 2008. During the first quarter of this year, we wrote off approximately \$2.5 million in uncollectable accounts receivable related to customers in bankruptcy. We continue to actively manage our credit risk and cash collections, and

have slightly increased our reserve for doubtful accounts to approximately 4% of accounts receivable.

Consolidated inventories decreased 6% to \$223.7 million compared to \$238.1 million last year. This decrease is largely attributable to lower finished goods inventory on hand in the US and Europe. We expect the consolidated inventory levels will continue to decline on a year-over-year comparative basis through the end of the year as we believe we have bought more tightly for fall 2009.

During the first quarter, we generated approximately \$58.8 million in cash from operations compared to \$60.9 million in Q1 2008. CapEx was \$10.3 million for the first quarter of 2009 compared to \$14.2 million in the same period last year, with the majority of our current year CapEx related to our retail expansion in the US and Europe.

Depreciation and amortization expense for the quarter was \$8.2 million versus \$7.9 million in last year's first quarter.

Today we announced that Columbia's Board of Directors approved the second quarter dividend of \$0.16 per share.

Now let's turn our attention to the outlook for 2009. The worldwide economic environment has created a high degree of uncertainty around consumer demand and other factors that affect our business, significantly limiting our visibility. Therefore, we are not providing as much detail about our expectations for the rest of the full year as we have in the past. However, we will discuss how we are managing our business today and how we intend to manage it through this period of uncertainty under the assumption that the global economy does not deteriorate further from current levels.

Actual results could differ perhaps materially from our current outlook. Based on our earlier discussion of the 15% decline in our combined order backlog, we expect our full year wholesale business to decline in the mid-teens on a percentage basis, including anticipated negative effects of foreign currency exchange rates and to be slightly offset by growth in our direct-to-consumer business. As a result, we expect full year 2009 net sales to decline in the low double-digits on a percentage basis compare with 2008. We expect full year operating margins to decline approximately 300 to 350 basis points from 2008, including last year's impairment charge recorded in Q4. This decline is primarily due to SG&A de-leverage and to a lesser degree some contraction in gross margins. The SG&A de-leverage is primarily the result of the revenue contraction in our wholesale business in the US and Europe, as well as our international distributor business and an increasing fixed cost base resulting from our direct consumer initiatives. We are planning our marketing and advertising spend to just over 5% of sales for 2009, down slightly from 2008 levels.

The gross margin contraction is primarily due to a higher volume of close-out product sales, a more promotional retail environment and the negative effects of foreign currency hedge rates. We are currently estimating the full year income tax rate to be approximately 30%. However, it could be higher or lower than that in each of the remaining quarters of 2009 based on the geographic mix of taxable income and specific events occurring in each quarter. We are currently planning on approximately \$55 million in capital spending during 2009, essentially flat with 2008 with approximately \$35 million of that related to retail expansion and approximately \$20 million related to maintenance and infrastructure projects.

Looking specifically at Q2 which is our lowest volume and most volatile quarter of the year as we wind down spring shipments and begin fall deliveries, we expect net sales to contract in the low-to-mid-20% range due to the decrease in our quarter backlog reported today, timing shifts and a lower volume of international distributor shipments in the quarter. The de-leveraging of our fixed cost base coupled with continued investment in our direct to consumer initiatives will result in a

significantly higher operating loss in Q2 2009 as compared to last year's Q2. While our strategic initiatives will pressure profitability in the near-term, we firmly believe that that is the right thing to do and will be beneficial in the years to come.

That concludes my remarks and I will now hand the call back to Tim for his closing comments.

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**Timothy P. Boyle, President and Chief Executive Officer**

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Thanks, Tom. I'll close quickly by simply acknowledging that it's already quite clear that 2009 is not going to be remembered as a great year for Columbia Sportswear from a financial standpoint. But it's our intention that 2009 will be remembered as a year in which our strong financial position allowed us to continue investing in strategies that will help set us on a path toward renewed growth and profitability. We remain committed to using our fortress balance sheet and strong cash flows to pursue growth opportunities while reducing operating cost wherever possible. Thank you.

Operator, could you please begin the Q&A?

## — QUESTION AND ANSWER SECTION

Operator: [Operator Instructions]. We'll pause for just a moment to compile the Q&A roster. Our first question comes from Bob Drbul with Barclays Capital.

<Q – Robert Drbul>: Hi. Good afternoon.

<A – Timothy Boyle>: Good afternoon.

<Q – Robert Drbul>: Tim, just a couple of questions for you. First on the backlog, can you give us any ideas in terms of some of the commentary or feedback from the retailers? Was it – how much of it do you think was macro-related, this pricing versus the product? Any thoughts around that?

<A – Timothy Boyle>: Well I guess I would say that our – the overall mood of retailers globally is one of extreme caution. So that's definitely – it is very impactable on backlog this year. I had many retailers tell me that – in fact almost everyone said they intend to chase inventory throughout the balance of the year. Secondly, we lost a few customers due to bankruptcy here in the last quarter and we want to make sure that we have the appropriate caution our accounts receivable credit extensions. But we still have work to do on our product and we recognize that and many of the investments that we're making throughout the year are going to be to – to continue to improve the differentiation and quality of our products.

<Q – Robert Drbul>: And of the doors or the customers that you passed for 2009, can you give us an idea in terms of like how many less doors you're selling to or how many doors you lost as a percentage of the total?

<A – Timothy Boyle>: I think on a door count basis, it's probably not significant. We have so many doors we are selling to. But we have a number of strong regional players that we lost in the first quarter of '09. And – so it's not so significant on the door count, just another contributor to the impact of the reduced backlog.

<Q – Robert Drbul>: Okay. And then, with the cash on the balance sheet, can you just give us an idea in terms of – is acquisitions – are they still part of your game plan here going forward in terms of growth opportunities, can you update us on buyback thoughts, et cetera?

<A – Timothy Boyle>: Well Bob, in this environment it's – and with the bad news that we are talking about today, it's very comforting that we have the kind of balance sheet that we have today which we know will protect us and give us the opportunity to, first and foremost, focus on our existing business and brands and make sure that we're giving those businesses the proper investment which is going to be required and then frankly will be a positive for the company when other companies cannot invest. Secondly, we do have a strong balance sheet and it allows us to be opportunistic. So we'll be handling our plans as it relates to the future sort of in that order.

<Q – Robert Drbul>: Okay. And then, you said Tim you said a lot of your retailers are hoping to chase products in the back half, how are you approaching your inventory buys as figured those type of commentaries from your customers?

<A – Timothy Boyle>: Well, we've been much more conservative in terms of our approach to inventories as it relates to the back half of '09. So our hope is that the economy becomes more robust and that customers will take more inventory from us than they currently have on order. But we're not planning for that, we're planning that the business remains at about the same level and we really don't have any speculative, we have very little speculative inventory and it's much leaner than in prior periods.

<Q – Robert Drbul>: Great. Thank you very much. Good luck.

<A – Timothy Boyle>: Thanks, Bob.

Operator: Our next question comes from Michelle Tan with Goldman Sachs.

<Q – Michelle Tan>: Great. Thanks. Just following up on Bob's question on the regional players that were lost, I'm sorry if I missed this on the call, but were – is there still sales to those players in the 1Q numbers or was that something that was already basically gone by the time spring sales?

<A – Timothy Boyle>: So I think there probably were some sales in Q1 to those customers and they may not have been significant. I don't have that number with me. But we didn't have the bankruptcy notification until later in the quarter.

<Q – Michelle Tan>: Okay. Great. And then, as you look at the fall backlog relative to the first quarter sales trend, what do you think is the potential deterioration? Is it more on the side of retailers battenning down even more than they did for first quarter or where do you see the – the slide in the fall order book?

<A – Timothy Boyle>: Well, our – yeah. I am sorry. So our customers typically, in fact, are required if they want merchandise from us in the back half of the year they have to buy it early in the year. And so, our backlog reflects the – basically our future view of the business. Our customers have been cautious in their purchasing. They typically can come back to us and we encourage them once they've sold all of the merchandise that they bought to come back and buy more if we have it. In historical periods, we would have been more aggressive about carrying a larger inventory in the event of those orders. But we are taking a much more cautious approach this year than we ever have. And so it's our expectation that the outlook we've given you today is really what our view of the business for the balance of the year.

<Q – Michelle Tan>: Okay. That's that's helpful. And then, I guess my last question would be on the first quarter, the sales upside versus your plan, anything additional to call out there in terms of color?

<A – Thomas Cusick>: That was really just a function of timing, so it doesn't have any impact really on Q2 or rest of year.

<Q – Michelle Tan>: Okay. All right. Great. Thank you very much for the help and good luck.

<A – Timothy Boyle>: Thank you.

Operator: Our next question comes from Mitch Kummetz with Robert W. Baird.

<Q – Kevin Kim>: Hey, guys, thanks for taking this question. It's actually Kevin Kim calling in for Mitch. Just a quick question about the inventory number. I know going into the quarter you were planning on liquidating the excess fall inventory and it seems like you were successful in doing that. But how does that compare to your plans and how that or I guess – yeah, that's the question.

<A – Thomas Cusick>: Really, our close-out sales came in for Q1 as we planned the last time we talked – from both a sales perspective and a margin perspective.

<Q – Kevin Kim>: Okay. And then, you guys are continuing to expect improvements throughout the year?

<A – Thomas Cusick>: Relative to volume of close-outs?

<Q – Kevin Kim>: Just in terms of the inventory number, are you still planning on having improvements throughout the year?

<A – Thomas Cusick>: Yes. We currently expect inventory to comp down for the balance of the year.

<Q – Kevin Kim>: Okay. And as far as the NCs and cancellation rate during at the quarter, how does that compare to what you saw during Q4, just as bad or has that gotten better?

<A – Thomas Cusick>: Are you speaking specifically to spring?

<Q – Kevin Kim>: Yes.

<A – Thomas Cusick>: I would say our cancel rates have picked up somewhat from normal levels.

<Q – Kevin Kim>: Okay.

<A – Thomas Cusick>: To date this spring.

<Q – Kevin Kim>: And how does that compare to the levels that you saw in Q4?

<A – Thomas Cusick>: Well Q4 was really – was a fall phenomena and we're now into spring.

<Q – Kevin Kim>: Okay. And then, just one last quick question as far as FX impact in Q1 on EPS?

<A – Thomas Cusick>: I am sorry, can you repeat that question?

<Q – Kevin Kim>: Just one last question. What was the FX impact on the EPS?

<A – Thomas Cusick>: Oh it was roughly – yeah, it was roughly \$0.05.

<Q – Kevin Kim>: Okay. All right. Thanks guys.

<A – Thomas Cusick>: Thank you.

Operator: Our next question comes from Bill Dezellem with Tieton Capital Management.

<Q – William Dezellem>: Thank you. It's Tieton Capital Management, and a couple of questions. First of all, the shoe business was down significantly and given the opportunity that you see there, would you discuss what happened here in this quarter that made the shoe business worse than the other areas? And then number two, how would you characterize the retailers' inventory at this point in time?

<A – Timothy Boyle>: Certainly. Well, footwear we believe is one of the biggest opportunities for the company on a product category and frankly we have been talking about it for some time. And we have had a number of different teams working on footwear over the last several years; we have a team working on it now that we have a high degree of confidence in. The bulk of our reduction in volumes was – it was related to our international business and our distributor business shifting periods against last year. So while we don't have the kinds of robust growth that we would expect in footwear, a portion of that shortfall was the function of timing against prior periods. And I forgot, I'm sorry, I forgot the second part of your question.

<Q – William Dezellem>: Retailer inventory?

<A – Timothy Boyle>: The retail, yes, I believe that certainly on a look-forward basis as we talk about fall which is really the balance of our year, our retailers have very clean inventories, I would

suggest. So the expectation is that we are not looking at a bunch of carry over inventories sitting in retailer shelves, they are very clean.

<Q – William Dezellem>: And one final question if I may. In the past you have highlighted the retailers' interest in your technology-based products. How – in this environment what has their level of interest been in those products relative to the less sophisticated products?

<A – Timothy Boyle>: Well, our business has continued to grow in those differentiated products from us. And when I say differentiated that's primarily differentiated by technology. So that continues to be a bigger part of our business and a stronger part – the more commodity products have been under pressure frankly from it.

<Q – William Dezellem>: Thanks.

<A – Timothy Boyle>: Yep.

Operator: Our next question comes from Steven Martin with Slater Capital.

<Q – Steven Martin>: Hi Tim. I got on a little late but I just want to clarify the guidance for '09, when you say that it's a 300, 350 basis point operating margin decline from '08 you are talking '08 the operating profit dollars being 118.7, not the 143 which excluded the impairment charge, correct?

<A – Timothy Boyle>: Yeah, that comparative includes the prior year impairment charge.

<Q – Steven Martin>: Okay. So-

<A – Timothy Boyle>: If you exclude it – it would be – I think that charge is roughly 187 basis points. So that would be additive.

<Q – Steven Martin>: Right. So with the charge in there, the operating margin was almost exactly 9%?

<A – Timothy Boyle>: Correct.

<Q – Steven Martin>: So you are saying that the operating margin will be between 5.5 and 6?

<A – Timothy Boyle>: Correct.

<Q – Steven Martin>: Fine. I just wanted to make sure I had the inclusion-exclusion.

<A – Timothy Boyle>: Right.

<Q – Steven Martin>: Okay, thanks a lot.

<A – Timothy Boyle>: Sure.

Operator: Our next question comes from Sam Poser with Sterne Agee.

<Q – Ken Stumphauzer>: Thanks for taking the call. This is actually Ken Stumphauzer for Sam Poser. I was wondering if you guys could just maybe give us a little bit of color about opportunity to cut cost and SG&A over the balance of 2009? If we could expect to maybe see comparable clients as we saw in the first quarter and then further whether you have any – if FX gives you any kind of beneficial impact on that spend?

<A – Thomas Cusick>: Sure. So with regard to FX and as we look at the back half of the year we expect FX currently to be less detrimental than it will be for first half as we anniversary the devaluation of the Canadian dollar as well as the won, and then just really how we – the seasonality of the different regions of our business plays a big factor in to – to that as well.

<Q – Ken Stumphauzer>: Okay. And then as far as cost cutting goes though, over the course of the year could we expect to see similar declines in absolute terms that we saw on the first quarter? Or do you think that we might actually see a tick up?

<A – Thomas Cusick>: As we look at SG&A for the balance of the year I think the guidance would imply that it's up very slightly year-over-year.

<Q – Ken Stumphauzer>: Okay.

<A – Thomas Cusick>: And our current plans are that the economy is not going to get any worse than it is currently; to the extent that it does then we will have to re-evaluate our SG&A spend for the year.

<Q – Ken Stumphauzer>: And so the nominal increase is largely a function of increased retail store base?

<A – Thomas Cusick>: Yeah. So when we look at SG&A change year-over-year we've got a decrease happening in our variable selling cost as a result of the decline in sales. And that's essentially offset by the investment in the retail expansion direct-to-consumer initiatives.

<Q – Ken Stumphauzer>: Okay. And then finally just if you could talk about – you might have mentioned this and if you did I apologize, but the cadence of the direct-to-consumer over the balance of the year for the store openings, excuse me?

<A – Thomas Cusick>: Sure. So as we look at the US, we've got – for the second quarter we've got one store planned, five in Q3 and two in Q4.

<Q – Ken Stumphauzer>: Okay. Thanks for taking the call.

<A – Thomas Cusick>: Sure.

<A – Timothy Boyle>: Thank you.

Operator: [Operator Instructions]. And we do have a question from the line of Sara Hasan with McAdams Wright Ragen.

<Q – Sara Hasan>: I'm just wondering if you could talk about the impact of the decline in labor and commodity costs and how that's impacting your cost of goods and where it's being offset in the gross margin.

<A – Timothy Boyle>: Sure. Sara, that's – this is Tim. Well, we've talked a lot about from a historical basis the price increases and I think we've been pretty clear that our philosophy is that the demand will have much more impact on these price increases than any of the commodity costs. And I think what we're seeing today, as our operations peoples are in Asia, that we should not expect any price increases. In fact we are very likely to start seeing some price decreases. Now, strategically for us, whether or not we keep those lower cost as gross margin for the company or whether or not we pass them to be more competitive, we haven't yet determined that. But certainly we will have the ability to make that decision here I believe because I think the costs are going to be moderating, in fact, falling.

<Q – Sara Hasan>: Thanks.

Operator: And there are no further questions in the queue at this time. I'm sorry. We do have one from the line of Kara Gary with RBC Capital Markets.

<Q>: Hi, thanks for taking my call. I just have a quick question about the product innovations. I know you just launched Omni – I think it's Omni-Shield. Anything else that we can look forward to the – for the remainder of this season and specifically maybe in sportswear anything new that we can look forward to? Thanks.

<A – Timothy Boyle>: Certainly, well we've – Omni-Shield was really the focus for the company for this coming season, meaning fall '09 as it related to our improvements in our sportswear business and it's been well received by our customers. We have two or three more specific technologies in the pipeline which are in the process of being tested, but those will be for future seasons primarily for spring '10 and beyond. But it looks like right now there's – there will be a significant amount over the next call it 12 months that we can talk to our – talk about. But right now we're focusing on Omni-Shield and Omni-Tech components for fall '09.

<Q>: Okay, great. Thanks so much. Good luck.

Operator: Okay. And there are no further questions at this time, sir.

#### Timothy P. Boyle, President and Chief Executive Officer

Well, thank you very much for listening in. We look forward to seeing all of you over the next quarter and then talking to you again at the end of the quarter.

Operator: This concludes today's first quarter 2009 earnings release conference call. You may now disconnect.

#### Disclaimer

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