

# FINAL TRANSCRIPT

**Thomson StreetEvents<sup>SM</sup>**

## **COLM - Q3 2008 Columbia Sportswear Earnings Conference Call**

Event Date/Time: Oct. 23, 2008 / 5:00PM ET

Oct. 23. 2008 / 5:00PM, COLM - Q3 2008 Columbia Sportswear Earnings Conference Call

## CORPORATE PARTICIPANTS

**Ron Parham**

*Columbia Sportswear - Director, IR*

**Gert Boyle**

*Columbia Sportswear - Chairman of the Board*

**Tim Boyle**

*Columbia Sportswear - President, CEO & Director*

**Bryan Timm**

*Columbia Sportswear - COO & Interim CFO*

## CONFERENCE CALL PARTICIPANTS

**Reed Anderson**

*D.A. Davidson - Analyst*

**Kate McShane**

*Citigroup - Analyst*

**Bob Drbul**

*Barclays Capital - Analyst*

**Kevin Kim**

*Robert W. Baird - Analyst*

**John Shanley**

*Susquehanna International - Analyst*

## PRESENTATION

**Operator**

Good afternoon, my name is Chanel and I will be your conference operator today. At this time, I would like to welcome everyone to the Columbia Sportswear reports third-quarter 2008 results 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 will now turn the call over to Ron Parham, Director of Investor Relations.

---

**Ron Parham** - *Columbia Sportswear - Director, IR*

Good afternoon, everyone, 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 third quarter, upward revised guidance for 2008 earnings-per-share, and Spring 2009 backlog. With me today to discuss announcements and answer your questions are Columbia's Chairman Gert Boyle, President and CEO Tim Boyle, Executive Vice President and Chief Operating Officer and Acting CFO Bryan Timm, and General Counsel Peter Bragdon.

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

---

**Gert Boyle** - *Columbia Sportswear - Chairman of the Board*

Good afternoon, I would 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

Oct. 23. 2008 / 5:00PM, COLM - Q3 2008 Columbia Sportswear Earnings Conference Call

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 quarterly report on Form 10-K for the year ending December 31, 2007, and subsequent filing with the SEC.

Forward-looking statements 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 statement to actual results or to change in our expectations. Thank you.

---

**Ron Parham** - Columbia Sportswear - Director, IR

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

---

**Tim Boyle** - Columbia Sportswear - President, CEO & Director

Thanks, Ron. Welcome, everyone, and thank you for joining us this afternoon. Before reviewing the results of our third quarter, I want to spend the first few minutes of my remarks reminding listeners about our commitment to investing in several long-term strategies. In these volatile times, it is easy for investors to lose sight of the Company's long-term direction and to get lost in the near term chaos of the global financial markets and the weak retail environment.

While these factors have certainly presented us with a challenging backdrop in which to operate for the moment, we have always based our company around a set of key principles that have served us well through good times and challenging times. These principles are to focus on the outdoor market, to make authentic innovative products that will help active outdoor enthusiasts enjoy their outdoor lifestyles more comfortably for longer periods, to design products from a distinctly American point of view, and to offer products that consumers recognize as representing great value.

During economic periods like the one we are currently experiencing, staying true to those values is even more important. One year ago we communicated our plans to begin investing in two long-term strategies in 2008. First, expanding our direct-to-consumer business by building a network of branded and outlet retail stores. And second, increasing our investment in marketing and advertising. The goals of these investments are to elevate our brands, to increase consumer and retailer awareness of the full depth and breadth of our offerings, and to build stronger emotional connections with consumers over time.

Our fortress balance sheet has provided us with the confidence and flexibility to move forward on those strategies without having to rely on the troubled credit markets for funding or letting the near-term turmoil distract our focus. In November we will open four new first-line branded retail stores consisting of Columbia-branded stores at the Portland International Airport and at the Mall of America in Minneapolis, and a Columbia-branded store with an adjacent Mountain Hardwear-branded store in the heart of Seattle's downtown retail district at Third and Pine.

We have also announced plans to open a Chicago-branded store next fall on Michigan Avenue in Chicago and are actively negotiating on what we believe are outstanding locations in several other major metropolitan cities in the US, Canada, and Europe, where we expect to open another 10 to 15 branded stores over the next several years.

On the marketing front, we launched Columbia's greater outdoors TV and print campaign in early October, inviting and inspiring people of all abilities to enjoy the outdoors on their own terms, at their own level of intensity, and across the wide variety of environments that the outdoor offers. This campaign represents the first step towards our goal of engaging consumers in an ongoing dialogue about what it means to be an outdoor pioneer and how Columbia's portfolio of brands and innovative products enable them to continually find new ways to experience the outdoors.

Oct. 23. 2008 / 5:00PM, COLM - Q3 2008 Columbia Sportswear Earnings Conference Call

We are in the early investment phase of these multiyear strategies and believe the next 12 months will require increased discipline on many fronts. We believe we are positioning the Company for profitable, sustainable growth when the economy begins to eventually recover.

Now let's take a closer look at our Q3 results and outlook for the near future. Our third-quarter net sales are typically dominated by the sell-in of our fall product line to wholesale accounts. For fall '08 our seasonal product and marketing initiatives are centered around waterproof, breathable Omni-Tech fabrics across our outerwear and footwear lines, and Teclite cushioning technology in our winter footwear line.

The 4% decline in our third-quarter net sales compared to Q3 2007 was in line with our previous guidance and was not affected materially by currency exchange rates. Drilling down into the third-quarter net sales on a regional basis, compared with Q3 '07 US sales declined 5% to \$271.3 million as a high single-digit percentage decline in wholesale sales was partially offset by a doubling of retail sales thanks primarily to the opening of 11 new outlet store through September. We remain on pace to open a total of 15 new US outlets this year, which will bring us to 28 outlets in operations for the holiday.

EMEA sales declined 10% to \$78.2 million including 6% benefit for foreign currency exchange rates. Sales through our EMEA direct subsidiaries declined high single-digits on a percentage basis. We have talked at length previously about the management of our product assortment and marketing in Europe direct countries and the resulting weak sell-through that we experienced over the past several seasons. We expect fall '08 and spring '09 to continue to be challenging for us in those markets. However, we believe our fall '09 line contains innovations and designs that will help us reestablish our proper brand position and set a firm foundation from which we will expect to begin growing our EMEA direct business in 2010.

In our EMEA distributor business, as we discussed last quarter, a greater proportion of our fall product shipments to those distributors occurred during the second quarter of '08 versus the third quarter of '07. That timing shift resulted in low teen percentage decline in third-quarter sales to EMEA distributors. Combining Q2 and Q3 of '08, net sales to EMEA distributors were up over 10% over the second and third quarters of '07.

Net sales in Canada declined 2%, including a 1% currency benefit. Net sales in our LAAP region increased by 10%, fueled by double-digit percentage growth in our Japan and Korea subsidiaries. The exchange rates differences were immaterial to the comparison.

Looking at third-quarter net sales by category compared with Q3 '07, Footwear experienced the largest decline in both dollars and on a percentage basis, declining \$7.8 million or 11%. Most of that decline was due to a combination of the shift in timing of the shipments to EMEA distributors and lower initial orders in our EMEA direct markets. Outerwear net sales declined \$7.2 million, or 3%, in the third quarter with lower Columbia and Pacific Trail brand sales partially offset by an increase at Mountain Hardwear. Sportswear net sales declined \$4.4 million, or 3%, as lower Columbia brand sales were also partially offset by gains at Mountain Hardwear.

From a brand perspective, the 4% decline in third-quarter net sales can be primarily isolated to the Columbia Brand, which was down \$23 million or 5%, partially offset by a \$5.7 million or 19% increase at Mountain Hardwear. Mountain Hardwear has demonstrated strong, consistent growth driven by increased penetration in the strategic US specialty channel, where it's becoming increasingly recognized by retailers and consumers as the premier top of Mountain Brand.

I would like to focus the rest of my comments on our spring '09 backlog, which totals \$370.9 million, 11% lower than our spring '08 backlog. As was the case in the second quarter, most of our largest retail partners have reported negative sales comps through the third quarter and have stated their intentions to continue managing their consolidated inventories lower over the course of '08 and into '09. We are also managing our wholesale inventories more conservatively and our increasing base of outlet stores provides us with a more profitable and brand-enhancing alternative to liquidate end-of-season products as necessary.

Oct. 23. 2008 / 5:00PM, COLM - Q3 2008 Columbia Sportswear Earnings Conference Call

You will recall spring '08 was the first season that we focused on our Omni-Shade sun protective apparel as our primary seasonal marketing initiative. While cool spring weather and a weakening retail environment ultimately resulted in unusually high cancellations near the end of Spring '08 season, US retailers told us that Omni-Shade products were among their best performers in the sportswear category. We have increased our Omni-Shade offerings for spring '09 and are encouraged that Omni-Shade bookings are up 8% in the US and represent 60% of spring '09 apparel bookings versus 48% of spring '08 bookings.

This tells us that we have established Omni-Shade in the US market as a group of meaningful, innovative technologies that our retail partners are placing higher reliance upon. That is a positive outcome in any economy and we intend to continue building on that with better execution across all marketing platforms designed to create consumer demand and generate improved sales turns and margins for our retail partners.

I will turn it over to Brian now to cover the rest of the income statement and balance sheet in more detail.

---

**Bryan Timm** - Columbia Sportswear - COO & Interim CFO

Thanks, Tim, and good afternoon, everyone. Tim covered the highlights on our top line, so I will start with gross margins and quickly work down the rest of the income statement, balance sheet, and cash flow. Third-quarter 2008 gross margins increased 150 basis points compared to last year's third quarter to 44.7%, primarily due to improved Sportswear and Footwear product margins, favorable foreign currency hedge rates, and a lower volume of closeout products sales at better comparative margins.

SG&A expenses increased over last year's third quarter by \$8.6 million, or 290 basis points, to \$120.8 million, or 26.7% of sales. This SG&A increase was in line with our previously communicated plans to increase marketing investments to drive consumer demand for our brands and to fund the startup costs of our new retail stores.

We applied a tax rate of 31.3% in the third quarter, due in part to the recognition of one-time tax benefits. This compares to a 33.9% tax rate from last year's third quarter. We now expect our full year 2008 tax rate to approximate 32%.

Net income for the quarter was \$58.3 million, or \$1.69 per diluted share, versus net income of \$62.6 million, or \$1.72 per diluted share, in the prior year. Given the macroeconomic environment, we are pleased with these better than planned results which were aided primarily by better gross margins, reduced share count, diligent expense control, and a lower tax rate.

Our balance sheet continues to be very strong, free of any long-term debt, and with cash and short-term investments of \$145.3 million compared to \$115.8 million one year ago. Almost all in highly liquid cash and cash equivalents. As Tim already noted, our balance sheet gives us the confidence and flexibility to continue investing in our strategic initiatives during this economic cycle to position the company for sustainable, profitable long-term growth.

We delivered on our plan to reduce inventory levels on a year-over-year basis ending the quarter down 6% at \$301.4 million versus \$320.6 million last year. We continue to reduce our inventory levels, and based on our current sales expectation and production plans expect to finish 2008 with lower inventory compared to December 31, 2007. In addition to lower inventories, our cash flow also benefited from a 7% reduction in consolidated accounts receivable to \$366.2 million at September 30.

Capital expenditures were approximately \$12 million during the third quarter of 2008 and \$40.4 million through September 30, primarily reflecting our US retail expansion. During the third quarter and in the first few days of October, we repurchased approximately 1,014,000 shares at an aggregate price of \$39.3 million, effectively completing the Board's previous aggregate share repurchase authorizations of \$400 million.

At last week's meeting, the Board authorized the repurchase up to an additional \$100 million of Columbia's common stock. The Board also approved a fourth-quarter dividend of \$0.16 per share.

Oct. 23. 2008 / 5:00PM, COLM - Q3 2008 Columbia Sportswear Earnings Conference Call

Turning now to financial guidance, please keep in mind that this information is forward-looking in nature and is therefore subject to certain risk factors. Visibility is currently hindered by unpredictability of the global economy, its impact on consumer purchasing behavior, and retailers' behavior related to order cancellations and seasonal reorders. We believe that we have appropriately factored into fourth-quarter guidance our historical experiences, current retail expectations, incremental sales from our new retail stores, and the estimated effect of foreign currency exchange rate differences.

Historically, our results in the fourth quarter are more variable than in the third quarter because they rely more heavily on fall weather patterns and the pace of retail sell-through to stimulate customer reorders. In this challenging economic environment, we are also mindful of our reliance on the overall financial health of our customers and their ability to continue to access credit markets to fund their purchases and their day-to-day operations.

With that as a backdrop, we expect fourth-quarter net sales to decrease approximately 6% to 10% compared with last year's fourth quarter. We expect fourth-quarter diluted earnings per share of approximately \$0.60 to \$0.70 compared to \$1.26 in last year's fourth quarter, which included a tax benefit of \$0.14 per diluted share. Included in our fourth-quarter outlook is gross margin contraction of approximately 120 basis points to 41%. We expect SG&A expansion of approximate 500 basis points to 32.6%, driven primarily by the previously discussed marketing investments and our new retail store opening.

For the full year 2008, we now expect revenues to decline approximately 3% to 4% from fiscal year 2007. In addition, we expect full-year 2008 consolidated gross margins to remain flat with 2007 levels at 42.8%. As Tim noted, we remain committed in investing and expanding our retail platform and incremental marketing to drive consumer demand for our brands. We expect full-year 2008 SG&A expenses as a percentage of consolidated net sales to increase by approximately 430 basis points compared to 2007 levels to 32.7% of sales.

Based on the above projections, we expect to generate operating margins of approximately 10.5% and diluted earnings per share of approximately \$2.80 to \$2.90 for the full year 2008 compared with our previous guidance of \$2.60 to \$2.70 per share. We are current planning approximately \$45 million to \$50 million in capital spending during 2008 with approximately \$30 million to \$35 million of that related to our retail expansion and \$15 million related to maintenance CapEx and to a lesser extent distributed capacity projects.

Turning to our outlook for the first quarter of 2009, while we are disappointed with our backlog, it's certainly an indicator of our wholesale revenue declines as we sell-in spring products into the first quarter. In addition, the effects of foreign currency exchange rates may also amplify our revenue decline if the US dollar continues to strengthen compared to our foreign currencies in our direct markets. We expect our retail revenues to partially offset some of this wholesale decline.

We expect first quarter 2009 gross margins to benefit slightly from an increased mix of higher-margin sales from the Company's own retail stores and favorable hedge currency rates. The estimated net effect of our spending plans for the first quarter and full year 2009 SG&A levels will be determined during the fourth quarter as we gain more visibility into the marketplace and complete the budgeting and planning process for next year. We expect to discuss these plans in greater detail in January 2009 when we will report the results of the fourth quarter and full year 2008.

I will now hand the call back to Tim for his closing comments.

---

**Tim Boyle** - Columbia Sportswear - President, CEO & Director

Thanks, Bryan. Before we turn the call over to your questions, I would like to summarize a few key takeaways. The US retail environment is more difficult and unpredictable than we have experienced. Key European and Asian markets are showing similar stresses. We feel confident about the investments we are making in new long-term growth platforms and the financial flexibility provided by our fortress balance sheet to make these investments during an otherwise difficult economic period.

Oct. 23. 2008 / 5:00PM, COLM - Q3 2008 Columbia Sportswear Earnings Conference Call

We are in the process of transforming our company from one that has historically concentrated primarily on the sell-in to retailers into a consumer-focused marketing-driven company with strong brands that consistently generate superior consumer demand and profitable retail sell-through. Making that transformation has implications across our entire company. It changes how we approach the creation of each season's product line, the manner in which we seek out and incorporate innovative technologies and construction in our products, the design aesthetic that captures and communicates our technologies, fit, and styling., the in-store fixtures and display that carry those messages to the retail floor and the marketing communications that convey our brand and seasonal initiatives through the medium and other promotional events.

The 15 to 20 first-line retail stores we plan to open in key metro markets in the US, Canada, and Europe over the next three to five years will provide stages on which to showcase the breadth of our innovative products and we believe inspire our retail partners to enhance their presentation of our brands as well. We also plan to add another 15 outlet stores next year to more profitably liquidate end-of-season products.

While the current economic environment makes it hard for anyone outside our company to discern whether or not our efforts are being successful, we are confident these efforts will eventually benefit our business worldwide. In the meantime, we will continue to take disciplined action to manage our expenses in order to maintain acceptable operating profitability and a fortress balance sheet. Thank you.

Operator, can you help us with questions?

---

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Reed Anderson, D.A. Davidson.

---

### Reed Anderson - D.A. Davidson - Analyst

Just a couple questions, on gross margins I am wondering if you could just give a little more detail within Footwear and Sportswear why they were up like that? Then secondly, just curious why we don't see any carrythrough into the fourth quarter and margins would be down.

---

### Tim Boyle - Columbia Sportswear - President, CEO & Director

Sure, with respect to the Q3, we had -- again as you mentioned, Footwear and Sportswear drove our gross margin, especially from a raw product standpoint. Again, a lot of our lines are priced early on in the year and from a sourcing perspective I don't think we saw a lot of cost increases necessarily on our fall 2008 goods. We just experienced some very good sell-in margins comparative to the previous year.

Again, FX also had a significant impact on our gross margins in Q3. With respect to why those good factors don't carry on to Q4, I think we are just really stepping back in this environment and thinking that quarter four could get a little promotional with respect to the overall selling through of the remaining parts of fall 2008 goods that we have got.

---

### Reed Anderson - D.A. Davidson - Analyst

Okay, so it's really just conservative posture relative to pricing and that sort of thing. Then the other question I had was I was curious, Tim, in visiting a lot of stores and that sort of thing, you have seen a lot of new fixturing it looks like or signage maybe

Oct. 23. 2008 / 5:00PM, COLM - Q3 2008 Columbia Sportswear Earnings Conference Call

you want to call it. But you have augmented the fixturing in a lot of outdoor retailers, sporting goods retailers. It looks good and I am just curious -- I mean it's kind of the first wave. Any sense that that has helped or is this just a test? Are we going to see more of this? Just kind of curious qualitatively your thoughts there.

---

**Tim Boyle** - *Columbia Sportswear - President, CEO & Director*

Yes, I am glad you noticed. We have actually made a specific effort to change some of the colorations in our point-of-purchase material to make it more -- to stand out more. In the past, we had always had the outdoor flavor throughout our communication, including the colorways of the various marketing materials we had in store. I think our brighter, more vibrant point-of-purchase information is being seen more and it's having a significant impact on the sell-through, which we believe is stronger this season than it has been in prior seasons.

---

**Reed Anderson** - *D.A. Davidson - Analyst*

And that was pretty much pushed out just in the last quarter, is that right? Most of those signage packages?

---

**Tim Boyle** - *Columbia Sportswear - President, CEO & Director*

Yes, the signage packages for spring '09 were put in place, I want to say, in the first quarter. And then fall '09 was actually -- July and August we started placing those things in place.

---

**Reed Anderson** - *D.A. Davidson - Analyst*

Okay, great. That is all from me. Thanks. Good luck.

---

**Operator**

Kate McShane, Citi.

---

**Kate McShane** - *Citigroup - Analyst*

Good afternoon. Could you just remind us quickly how many full-price and how many outlet stores will you have open in the first quarter of '09?

---

**Tim Boyle** - *Columbia Sportswear - President, CEO & Director*

Yes, I am going to ask Bryan to make sure I don't screw up here. Maybe -- he has got the schedules here.

---

**Bryan Timm** - *Columbia Sportswear - COO & Interim CFO*

Yes, Kate, I would think that by the end of this year -- as you will recall we had about 13 outlets open at the end of last year and we will add about 15 to that plan for this year, which will put us about 28 exiting this year. Getting into quarter one, I don't specifically have exactly how many of those are going to come online in 2009. I think there is certainly some -- that are currently in process at this point in time that will go over year-end, so I would hesitate. But I think our plan at least for next year would be to reproduce that 15 number at least as we see it right now.



Oct. 23. 2008 / 5:00PM, COLM - Q3 2008 Columbia Sportswear Earnings Conference Call

**Kate McShane** - *Citigroup - Analyst*

For outlets?

**Bryan Timm** - *Columbia Sportswear - COO & Interim CFO*

That is for outlets.

**Kate McShane** - *Citigroup - Analyst*

Okay, and then going into first quarter you will still have the four full-price stores?

**Bryan Timm** - *Columbia Sportswear - COO & Interim CFO*

Right, I think we will have close to -- we will exit this year with probably close to six and that will -- depending on certain openings we will have the Mountain Hardwear store here in Portland. You will have the Portland Airport store, the Seattle store, a Minneapolis, as well as a Chicago store.

**Kate McShane** - *Citigroup - Analyst*

Okay, and are -- the initiatives with doing more direct-to-consumer, are there any plans to do e-commerce?

**Tim Boyle** - *Columbia Sportswear - President, CEO & Director*

Yes, Kate. This is Tim. We are in the process of establishing a protocol for e-commerce and would expect that we would be able to be selling direct-to-consumers in that way around the middle of 2009.

**Kate McShane** - *Citigroup - Analyst*

Okay, that's great. Bryan, I was wondering can you quantify how much of that gross margin improvement we saw during the quarter was from foreign exchange?

**Bryan Timm** - *Columbia Sportswear - COO & Interim CFO*

Roughly half. Our gross margin improved, I believe, 150 basis points in Q3 and I would equate close to 75 of that due to foreign currency hedged rates in Europe, Canada, and other markets.

**Kate McShane** - *Citigroup - Analyst*

Okay, my very last question is can you update us on the CFO search?

**Tim Boyle** - *Columbia Sportswear - President, CEO & Director*

Certainly. We have several solid candidates. We are down to the last few where we will be deciding here over the next quick period of time and certainly expect to have an announcement prior to year-end.

Oct. 23. 2008 / 5:00PM, COLM - Q3 2008 Columbia Sportswear Earnings Conference Call

**Kate McShane** - *Citigroup - Analyst*

Okay, thank you.

**Operator**

Bob Drbul, Barclays Capital.

**Bob Drbul** - *Barclays Capital - Analyst*

Good evening. A couple questions, Tim. First, when you look at the full year '08, the marketing spend as a percentage of sales, can you just give us an idea of where that is going to shake out? I guess as you look to that first quarter in the spring, maybe the trend as you consider it from that perspective year-over-year.

The second question that I have is in the spring order book that you have now, in terms of price increases do you think that any of the price increases even at that level first and then -- is that a big discussion point as you took orders from many of your retail partners?

**Tim Boyle** - *Columbia Sportswear - President, CEO & Director*

Absolutely. So as it relates to the full-year advertising spend for '08, I think we are going to end up in the 5.5% range. I would expect that that in the first quarter of '09 would also be carried through in that area. As it relates to price increases and its impact on the business for '09, our price increases were I would say moderate in '09 spring, but we did have some challenging categories mostly in the cotton goods area, where we were -- we suffered some losses just due to price increases. But I would say in the areas of strength for the Company, the Omni-Shade and the higher average unit retail prices actually were stronger.

**Bob Drbul** - *Barclays Capital - Analyst*

Great, thank you very much.

**Operator**

Mitch Kummetz, Robert W. Baird.

**Kevin Kim** - *Robert W. Baird - Analyst*

This is actually Kevin Kim calling for Mitch. Just a couple quick questions, as far as FX, when is going to become a negative on gross margin in FY '09 the way you guys are hedged out?

**Bryan Timm** - *Columbia Sportswear - COO & Interim CFO*

Well, as Tim mentioned, at least in the Spring 2009 we would have been able to capture close to the same kind of hedge rates that we had in spring '08, so I wouldn't expect a great deal of FX. It would be more of a tailwind than a headwind for spring.

As it relates to fall, as you know, we are going to market here in the next week here in the US and we will follow that up with sales meetings and kickoffs for some of the international markets later in November. So we are just now, at least in some regions,

Oct. 23. 2008 / 5:00PM, COLM - Q3 2008 Columbia Sportswear Earnings Conference Call

starting to protect from a currency hedge rate perspective. So there may be a little bit of weakness as we look into the back half of next year depending on whether the dollar continues to strengthen as it has over the course of the last 25 days.

**Kevin Kim** - *Robert W. Baird - Analyst*

Okay, that is helpful, Bryan. As far as retail comps, can you say anything about your stores, how it played out in Q3 and what your outlook is for Q4 and Q1?

**Tim Boyle** - *Columbia Sportswear - President, CEO & Director*

You know, since we are not a retail company, our primary focus will continue to be a wholesale company and that is where the bulk of the revenues will be generated. We are not going to really report comp store sales. We have been pleased with the results, but we are not going to be releasing that variable at this time.

**Kevin Kim** - *Robert W. Baird - Analyst*

Okay, and last question, as far as production costs what are you expecting for fall of '09? Do you have any more visibility on passing those increases on to the consumer, if there are any?

**Tim Boyle** - *Columbia Sportswear - President, CEO & Director*

Well, the expectation is that there may be some price increases. I would certainly say that the global demand for apparel and footwear products looks to be reduced. And so we have yet to understand the impacts of how that reduced demand is going to play out throughout the balance of the year. But our expectation is that our gross margin lines will be reasonably intact as we go forward in pricing for fall '09.

**Kevin Kim** - *Robert W. Baird - Analyst*

Thank you so much, guys.

**Operator**

John Shanley, Susquehanna International.

**John Shanley** - *Susquehanna International - Analyst*

Good evening, everybody. Tim, can you tell us the number of full-line stores that are planned for '09? I know you mentioned 15 outlet stores, but how many full-line stores?

**Tim Boyle** - *Columbia Sportswear - President, CEO & Director*

John, I think we have got approximately 10 additions in '09 and that would assume that we can button up our lease negotiations in a timely way to put ourselves in a good position for openings. So that is a fluid number, but I would think that would be in that range globally.

Oct. 23. 2008 / 5:00PM, COLM - Q3 2008 Columbia Sportswear Earnings Conference Call

**John Shanley** - *Susquehanna International - Analyst*

How many of those full-line and the 15 outlet stores have actually had leases signed?

**Tim Boyle** - *Columbia Sportswear - President, CEO & Director*

We have announced everything that -- where we have signed a lease, so that would be Chicago and -- what else am I missing here?

**Bryan Timm** - *Columbia Sportswear - COO & Interim CFO*

Minneapolis.

**Tim Boyle** - *Columbia Sportswear - President, CEO & Director*

Seattle is open in '08.

**John Shanley** - *Susquehanna International - Analyst*

Great, is there any possibility that if business conditions continue to be difficult at retail, that you may be able to pull back on some of the store openings? Or are you pretty much committed to opening as many stores as you have indicated?

**Tim Boyle** - *Columbia Sportswear - President, CEO & Director*

You know, John, we will make sure we monitor this every day. But, frankly, our balance sheet is so strong it puts us in a position that we can really take advantage of weakness in the retail sector and make some great deals with landlords based on our strength. So we will make sure we are doing the right thing, but frankly we think we are in a terrific position to be able to open some high-volume first-line stores that will be very accretive to the business and help our marketing.

**John Shanley** - *Susquehanna International - Analyst*

That is great to hear. Bryan, can you give us an indication of what you have hedged the dollar against the euro? Are you at \$1.30 or something in that range?

**Bryan Timm** - *Columbia Sportswear - COO & Interim CFO*

Again, John, for the spring I think we are pretty much covered and I say that because I don't think at any one time we are 100% hedged. As it relates to the back half of '09, we do have some forward contracts taken out against the euro for our production, but certainly not completely covered at this time. There is certainly other markets where their currency has moved very quickly against the US dollar in short order, namely being the Canadian market and the Canadian dollar. So we again -- a lot of these going to market will happen sometime in November and therefore we are not 100% buttoned up at this point.

**John Shanley** - *Susquehanna International - Analyst*

Is it realistic to expect that you will get the same type of 175 basis point improvement in gross margins due to FX in '09 as you did so far this year?

Oct. 23. 2008 / 5:00PM, COLM - Q3 2008 Columbia Sportswear Earnings Conference Call

**Bryan Timm** - *Columbia Sportswear - COO & Interim CFO*

Not at the present time. Not seeing the rates move where they have the last 25 days. I wouldn't say that you should expect the same kind of a tailwind that we experienced in '08 for '09 as it relates to FX.

**John Shanley** - *Susquehanna International - Analyst*

Okay, fair enough. The last question I have is do you have any exposure to bad debt from some of the bankruptcy filings, the Mervyns and Boscov's and folks like that?

**Tim Boyle** - *Columbia Sportswear - President, CEO & Director*

Well, at least in two of those accounts we did do business with both. But I would say the numbers are certainly not material, at least as it relates to both of those accounts. I would say the exposure is somewhere close to about \$500,000.

**John Shanley** - *Susquehanna International - Analyst*

Are there any other accounts that are in a similar dollar amount?

**Tim Boyle** - *Columbia Sportswear - President, CEO & Director*

Certainly we have customers that we are watching and trying to make sure that we have appropriate and conservative credit extensions at the current time. It's obviously a very difficult market out there, but no accounts were -- again, we have a few accounts that we are certainly watching very closely, but no accounts that we know of at this time that have filed Chapter 11 and --

**John Shanley** - *Susquehanna International - Analyst*

Okay, fair enough. Thank you very much.

**Operator**

(Operator Instructions) There are no further questions at this time.

**Ron Parham** - *Columbia Sportswear - Director, IR*

Well, I want to thank you all for listening in and we will be looking forward to talking to you in January when we report our fourth-quarter results.

**Operator**

This concludes today's conference call. You may now disconnect.

Oct. 23. 2008 / 5:00PM, COLM - Q3 2008 Columbia Sportswear Earnings Conference Call

**DISCLAIMER**

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2008, Thomson Financial. All Rights Reserved.