

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

April 26, 2012

COLUMBIA SPORTSWEAR COMPANY

(Exact name of registrant as specified in its charter)

Oregon
(State or other jurisdiction of
incorporation)

000-23939
(Commission
File Number)

93-0498284
(I.R.S. Employer
Identification No.)

**14375 Northwest Science Park Drive
Portland, Oregon 97229**

(Address of principal executive offices) (Zip code)

(503) 985-4000

(Registrant's telephone number, including area code)

No Change

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On April 26, 2012, Columbia Sportswear Company (the “Company”) issued a press release reporting its first quarter 2012 financial results and outlook for 2012. A copy of the Company’s press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference. The information in this report shall not be treated as filed for purposes of the Securities Exchange Act of 1934, as amended.

Attached hereto as Exhibit 99.2 and incorporated by reference herein is financial information and commentary by Thomas B. Cusick, Senior Vice President of Finance and Chief Financial Officer of Columbia Sportswear Company, for the quarter ended March 31, 2012 and forward-looking statements relating to 2012 and the second quarter of 2012 as posted on the company’s investor website, <http://investor.columbia.com>, on April 26, 2012. The information in this report shall not be treated as filed for purposes of the Securities Exchange Act of 1934, as amended.

ITEM 7.01 REGULATION FD DISCLOSURE

In its April 26, 2012 press release, the Company also announced that its board of directors approved a dividend of \$0.22 per share of common stock to be paid on May 31, 2012 to its shareholders of record on May 17, 2012.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

- 99.1 Press release dated April 26, 2012 (furnished pursuant to Items 2.02 and 7.01 hereof).
- 99.2 Commentary by Thomas B. Cusick, Senior Vice President of Finance and Chief Financial Officer of Columbia Sportswear Company dated April 26, 2012 (furnished pursuant to Items 2.02 and 7.01 hereof).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

COLUMBIA SPORTSWEAR COMPANY

Dated: April 26, 2012

By: /s/ Thomas B. Cusick

Thomas B. Cusick

Senior Vice President of Finance, Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
99.1	Press release dated April 26, 2012 (furnished pursuant to Items 2.02 and 7.01 hereof).
99.2	Commentary by Thomas B. Cusick, Senior Vice President of Finance and Chief Financial Officer of Columbia Sportswear Company dated April 26, 2012 (furnished pursuant to Items 2.02 and 7.01 hereof).

**Contact:**

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 Sr. Director of Investor Relations
 & Corporate Communications
 Columbia Sportswear Company
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**COLUMBIA SPORTSWEAR COMPANY REPORTS
 FIRST QUARTER 2012 FINANCIAL RESULTS;
 REFINES FY2012 FINANCIAL OUTLOOK**

First Quarter Highlights:

- First quarter 2012 consolidated net sales totaled \$333.1 million, equal to first quarter 2011 net sales.
- First quarter 2012 net income totaled \$3.9 million, or \$0.11 per diluted share, including restructuring charges of approximately \$2.8 million, net of tax, or \$0.08 per diluted share, compared with first quarter 2011 net income of \$12.8 million, or \$0.37 per diluted share.
- The board of directors approved a quarterly dividend of \$0.22 per share, payable on May 31, 2012 to shareholders of record on May 17, 2012.

Refined 2012 Outlook:

- Net sales growth of up to 1 percent.
- Operating margin, including restructuring charges, expected to approximate 2011 operating margin of 8.1 percent; expects slight operating margin leverage excluding restructuring charges.

PORTLAND, Ore. — April 26, 2012 — Columbia Sportswear Company (NASDAQ: COLM), a leading innovator in the active outdoor apparel and footwear industries, today announced net sales of \$333.1 million for the quarter ended March 31, 2012, essentially equal to net sales for the same period of 2011, including less than 1 percentage point negative effect from changes in foreign currency exchange rates.

First quarter net income totaled \$3.9 million, or \$0.11 per diluted share, including restructuring charges of approximately \$2.8 million net of tax, or \$0.08 per diluted share, compared with net income of \$12.8 million, or \$0.37 per diluted share, for the same period of 2011.

Tim Boyle, Columbia's president and chief executive officer, commented, "As expected, our first quarter results and 2012 outlook reflect muted sales growth due to the lingering effects of the warm winter globally and continued economic weakness across Europe. During the quarter, we implemented difficult but necessary cost containment measures designed to maintain our profitability while we work to liquidate excess inventory levels."

"These near-term challenges deepen our long-term resolve to continue to elevate each of our brands and strengthen their year-round presence in the marketplace. With Omni-Heat firmly established as a leading warmth technology, our innovation pipeline for 2013 features new visible cooling technologies that will be offered in both our Columbia and Mountain Hardwear brands."

Boyle concluded, "We remain focused on our strategic priorities – driving innovation, transforming our supply chain and ERP platform, managing inventory and expenses and, above all else, nurturing stronger emotional connections with consumers to drive long-term growth."

First Quarter 2012 Results

(All comparisons are between first quarter 2012 and first quarter 2011, unless otherwise noted.)

First quarter 2012 U.S. net sales of \$193.0 million were essentially unchanged from first quarter 2011. Latin America and Asia Pacific (LAAP) region net sales grew 14 percent to \$76.8 million, including a 2 percentage point benefit from changes in currency exchange rates. Europe, Middle East, and Africa (EMEA) region net sales decreased 14 percent to \$38.1 million, including a 3 percentage point negative effect from changes in currency exchange rates. Canada net sales decreased 13 percent to \$25.2 million, including a 2 percentage point negative effect from changes in currency exchange rates. (See "Geographical Net Sales" table below.)

First quarter apparel, accessories & equipment net sales increased 2 percent to \$284.3 million. Footwear net sales decreased 10 percent to \$48.8 million. (See "Categorical Net Sales" table below.)

First quarter Columbia brand net sales increased \$5.0 million, or 2 percent, to \$293.1 million, offset by a \$3.9 million, or 38 percent, decline in Sorel net sales to \$6.4 million, and a \$1.0 million, or 3 percent, decline in Mountain Hardwear net sales to \$30.7 million. (See "Brand Net Sales" table below.)

Balance Sheet

The company ended the quarter with \$252.8 million in cash and short-term investments, compared with \$243.9 million at December 31, 2011 and \$335.3 million at March 31, 2011.

Consolidated inventories totaled \$366.6 million at March 31, 2012, compared with \$303.1 million at March 31, 2011, reflecting the effects of the warm winter, changes in product mix and higher average unit costs on 7 percent fewer units. A majority of the excess inventory is being held for disposition through our direct-to-consumer channels.

2012 Financial Outlook

The company currently expects net sales growth of up to 1 percent in 2012 compared to 2011, with higher direct-to-consumer sales in the U.S., Korea and Japan and increased wholesale sales in its Japan and international distributor businesses, largely offset by lower wholesale sales in Europe, Canada and the U.S.

Full year 2012 gross margin is expected to contract 30 to 50 basis points, reflecting an inventory liquidation strategy involving a higher proportion of promotional and close-out sales at lower gross margins and higher input costs, partially offset by favorable foreign currency hedge rates and reduced air freight costs.

Full year 2012 selling, general and administrative expenses, including restructuring charges, are expected to increase at a rate comparable to net sales growth.

2012 operating margin, including restructuring charges and anticipated higher licensing income, is expected to be comparable to 2011 operating margin of 8.1 percent. Excluding restructuring charges, the company expects slight operating margin improvement over 2011. The company is modeling a full year effective tax rate of 26 percent; however, the actual rate could differ, perhaps significantly, based on the status of tax uncertainties, the geographic mix of pre-tax income, as well as other discrete events that may occur during the year.

The company's annual net sales are weighted more heavily toward the fall/winter season, while operating expenses are more equally distributed throughout the year, resulting in a highly seasonal profitability pattern weighted toward the second half of the fiscal year. In addition, the company's cost containment measures are expected to benefit the second half of 2012 more significantly than the first half, resulting in operating margin deleverage during the first half of 2012, offset by operating margin leverage in the second half of 2012.

Second Quarter 2012 Outlook

The second quarter is the company's lowest volume quarter, which amplifies the effect of changes in the timing of shipments and the fixed costs of the company's operations.

The company expects a high single-digit percentage increase in second quarter 2012 net sales compared with second quarter 2011, primarily reflecting earlier shipment of international distributors' increased Fall 2012 advance orders and increased direct-to-consumer sales.

The company expects second quarter 2012 operating margin to improve by 50 to 100 basis points compared to second quarter 2011. The second quarter outlook anticipates approximately 275 to 325 basis points of SG&A expense leverage, partially offset by gross margin contraction of approximately 200 basis points and slightly lower licensing income. The contraction in second quarter gross margin incorporates increased promotional and close-out sales at lower gross margins, a higher proportion of distributor shipments which carry lower gross margins, and higher input costs, partially offset by favorable foreign currency hedge rates.

The company is modeling an effective income tax rate for the second quarter of 40 percent, which is driven primarily by the anticipated pre-tax loss and the geographic mix of income.

All projections related to anticipated future results are forward-looking in nature and are subject to risks and uncertainties which may cause actual results to differ, perhaps significantly.

A more detailed version of the company's financial outlook can be found in the "**CFO Commentary on First Quarter Financial Results and 2012 Outlook**", available on the company's investor relations website at <http://investor.columbia.com/results.cfm>.

Dividend

The board of directors authorized a quarterly dividend of \$0.22 per share, payable on May 31, 2012 to shareholders of record on May 17, 2012.

CFO's First Quarter Financial Commentary Available Online

At approximately 4:15 p.m. EDT today, a commentary by Tom Cusick, senior vice president of finance and chief financial officer, reviewing the company's first quarter 2012 results and full year 2012 outlook will be furnished to the SEC on Form 8-K and published on the company's website at <http://investor.columbia.com/results.cfm>. Analysts and investors are encouraged to review this commentary prior to participating in the conference call.

Conference Call

The company will host a conference call on Thursday, April 26, 2012 at 5:00 p.m. EDT to review its first quarter results and 2012 financial outlook. Dial 877-407-9205 to participate. The call will also be webcast live on the Investor Relations section of the Company's website at <http://investor.columbia.com> where it will remain available until April 25, 2013.

Second Quarter 2012 Reporting Schedule

Columbia Sportswear plans to report financial results for second quarter 2012 on Thursday, July 26, 2012 at approximately 4:00 p.m. EDT. Following issuance of the earnings release, a commentary reviewing the company's second quarter financial results and fiscal 2012 financial outlook will be furnished to the SEC on Form 8-K and published on the investor relations section of the company's website at <http://investor.columbia.com/results.cfm>. A public webcast of Columbia's earnings conference call will follow at 5:00 p.m. EDT at www.columbia.com.

About Columbia Sportswear

Columbia Sportswear Company is a leading innovator in the global outdoor apparel, footwear, accessories and equipment industry. Founded in 1938 in Portland, Oregon, Columbia products are sold in approximately 100 countries and have earned an international reputation for innovation, quality and performance. Columbia products feature innovative technologies and designs that protect outdoor enthusiasts from the elements, increase comfort, and make outdoor activities more enjoyable. In addition to the Columbia® brand, Columbia Sportswear Company also owns outdoor brands Mountain Hardwear®, Sorel®, and Montrail®. To learn more, please visit the company's websites at www.columbia.com, www.mountainhardwear.com, www.sorel.com, and www.montrail.com.

Forward-Looking Statements

This document contains forward-looking statements within the meaning of the federal securities laws, including statements regarding anticipated results, net sales, gross margins, operating costs, operating margins, SG&A and other expenses, licensing income, tax rates, currency hedge rates, product innovations, cost containment measures, restructuring costs, supply chain management, information technology initiatives and marketing plans in future periods. Actual results could differ materially from those projected in these and other forward-looking statements. The company's expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis; however, each forward-looking statement involves a number of risks and uncertainties, including those set forth in this release, those described in the company's Annual Report on Form 10-K for the year ended December 31, 2011 under the heading "Risk Factors," and other risks and uncertainties that have been or may be described from time to time in other reports filed by the company, including reports on Form 8-K, Form 10-Q and Form 10-K. Potential risks and uncertainties that may affect our future revenues, earnings and performance and could cause the actual results of operations or financial condition of the company to differ materially from those expressed or implied by forward-looking statements in this release include: unfavorable economic conditions generally and weakness in consumer confidence and spending rates; changes in international, federal and/or state tax policies and rates, which we expect to increase; international risks, including changes in import limitations and tariffs or other duties, political instability in foreign markets, exchange rate fluctuations, and trade disruptions; our ability to attract and retain key employees; the financial health of our customers and their continued ability to access credit markets to fund their ongoing operations; higher than expected rates of order cancellations; increased consolidation of our retail customers; our ability to effectively source and deliver our products to customers in a timely manner, the

failure of which could lead to increased costs and/or order cancellations; unforeseen increases and volatility in input costs, such as cotton and/or oil; our reliance on product acceptance by consumers; our reliance on product innovations, which may involve greater regulatory and manufacturing complexity and could pose greater risks of quality issues or supply disruptions; the effects of unseasonable weather (including, for example, warm weather in the winter and cold weather in the spring), which affects consumer demand for the company's products; our dependence on independent manufacturers and suppliers; our ability to source finished products and components at competitive prices from independent manufacturers in foreign countries that may experience unexpected periods of inflation, labor and materials shortages or other manufacturing disruptions; the effectiveness of our sales and marketing efforts; intense competition in the industry; business disruptions and acts of terrorism or military activities around the globe; our ability to effectively implement our IT infrastructure, data management and business process initiatives, failure of which could result in significant disruptions to our business; the operations of our computer systems and third party computer systems; and our ability to establish and protect our intellectual property. The company cautions that forward-looking statements are inherently less reliable than historical information. The company does not undertake any duty to update any of the forward-looking statements after the date of this release to conform them to actual results or to reflect changes in events, circumstances or its expectations. New factors emerge from time to time and it is not possible for the company to predict all such factors, nor can it assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

- Financial tables follow -

COLUMBIA SPORTSWEAR COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	March 31,	
	2012	2011
Current Assets:		
Cash and cash equivalents	\$ 240,725	\$ 234,982
Short-term investments	12,028	100,331
Accounts receivable, net	253,297	218,895
Inventories, net	366,564	303,086
Deferred income taxes	51,519	43,245
Prepaid expenses and other current assets	37,421	49,649
Total current assets	961,554	950,188
Property, plant and equipment, net	256,420	225,210
Intangibles and other non-current assets	82,098	80,635
Total assets	\$1,300,072	\$1,256,033
Current Liabilities:		
Accounts payable	\$ 90,665	\$ 92,356
Accrued liabilities	80,460	84,389
Income taxes payable	9,470	11,303
Deferred income taxes	986	1,192
Total current liabilities	181,581	189,240
Other long-term liabilities	39,980	41,889
Shareholders' equity	1,078,511	1,024,904
Total liabilities and shareholders' equity	\$1,300,072	\$1,256,033

COLUMBIA SPORTSWEAR COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Net sales	\$ 333,141	\$ 333,086
Cost of sales	185,205	183,550
Gross profit	147,936	149,536
	44.4%	44.9%
Selling, general, and administrative expenses	144,556	134,147
Net licensing income	1,975	2,531
Income from operations	5,355	17,920
Interest income, net	247	323
Income before income tax	5,602	18,243
Income tax expense	(1,704)	(5,473)
Net income	\$ 3,898	\$ 12,770
Earnings per share:		
Basic	\$ 0.12	\$ 0.38
Diluted	0.11	0.37
Weighted average shares outstanding:		
Basic	33,705	33,799
Diluted	33,953	34,288

COLUMBIA SPORTSWEAR COMPANY
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 3,898	\$ 12,770
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,018	10,466
Loss on disposal or impairment of property, plant and equipment	84	134
Deferred income taxes	571	3,543
Stock-based compensation	2,112	1,813
Excess tax benefit from employee stock plans	(225)	(1,371)
Changes in operating assets and liabilities:		
Accounts receivable	98,893	84,007
Inventories	(1,640)	13,704
Prepaid expenses and other current assets	(730)	(20,989)
Other assets	(820)	(873)
Accounts payable and accrued liabilities	(86,911)	(62,643)
Income taxes payable	(5,105)	(5,544)
Other liabilities	1,068	1,337
Net cash provided by operating activities	<u>22,213</u>	<u>36,354</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net purchases of short-term investments	(9,150)	(31,461)
Capital expenditures	(12,004)	(9,043)
Proceeds from sale of property, plant, and equipment	—	33
Net cash used in investing activities	<u>(21,154)</u>	<u>(40,471)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock under employee stock plans	3,475	5,843
Tax payments related to restricted stock unit issuances	(1,116)	(2,770)
Excess tax benefit from employee stock plans	225	1,371
Cash dividends paid	(7,419)	(6,762)
Net cash used in financing activities	<u>(4,835)</u>	<u>(2,318)</u>
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>3,467</u>	<u>7,160</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(309)	725
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>241,034</u>	<u>234,257</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 240,725</u>	<u>\$ 234,982</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Capital expenditures incurred but not yet paid	\$ 2,236	\$ 1,445

COLUMBIA SPORTSWEAR COMPANY
(In millions, except percentage changes)
(Unaudited)

	<u>Three Months Ended March 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Geographical Net Sales:			
United States	\$193.0	\$192.5	—
Latin America & Asia Pacific	76.8	67.3	14%
Europe, Middle East, & Africa	38.1	44.4	(14)%
Canada	25.2	28.9	(13)%
Total	<u>\$333.1</u>	<u>\$333.1</u>	—
Categorical Net Sales:			
Apparel, Accessories and Equipment	\$284.3	\$278.7	2%
Footwear	48.8	54.4	(10)%
Total	<u>\$333.1</u>	<u>\$333.1</u>	—
Brand Net Sales:			
Columbia	\$293.1	\$288.1	2%
Mountain Hardwear	30.7	31.7	(3)%
Sorel	6.4	10.3	(38)%
Other	2.9	3.0	(3)%
Total	<u>\$333.1</u>	<u>\$333.1</u>	—

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14375 NW Science Park Drive
Portland, OR 97229

April 26, 2012

CFO Commentary on First Quarter 2012 Financial Results and 2012 Outlook

Financial Information

Please reference accompanying financial information in the corresponding earnings release at <http://investor.columbia.com/results.cfm>

Conference Call

The company will host a conference call on Thursday, April 26, 2012 at 5:00 p.m. EDT to review its first quarter results and 2012 financial outlook. To participate, please dial (877) 407-9205 in the U.S. The call will be webcast live on the Investor Relations section of the company's website <http://investor.columbia.com> where it will remain available until April 25, 2013.

Summary

The company's first quarter net sales of \$333.1 million were equal to net sales for the first quarter of 2011. Gross margin contracted approximately 50 basis points, while the company's cost containment efforts succeeded in limiting first quarter spending growth to approximately \$6.4 million, or 4.8 percent (before restructuring charges of approximately \$4.0 million). First quarter 2012 operating income (including restructuring charges) totaled \$5.4 million, compared to first quarter 2011 operating income of \$17.9 million. First quarter net income totaled \$3.9 million, or \$0.11 per diluted share, including restructuring charges of \$2.8 million, or \$0.08 per diluted share, net of tax, compared with first quarter 2011 net income of \$12.8 million, or \$0.37 per diluted share.

First Quarter Financial Results

(All comparisons are between first quarter 2012 and first quarter 2011, unless otherwise noted.)

Net Sales:

Unseasonably warm weather continued to mute demand for outerwear and cold-weather footwear in North America and Europe, resulting in lower comparative reorders from the company's wholesale customers, as well as weaker demand from the direct-to-consumer channel.

Regions: Mid-teen growth in LAAP and flat U.S. offset by declines in EMEA and Canada

- Net sales in the Latin America and Asia Pacific (LAAP) region increased \$9.5 million, or 14 percent, to \$76.8 million, including a 2 percentage point benefit from changes in currency exchange rates. Japan net sales increased 23 percent, driven primarily by the Columbia brand, and included a 6 percentage point benefit from changes in currency exchange rates. Net sales in Korea increased 14 percent, including a 1 percentage point negative currency effect. Net sales to LAAP distributors decreased 6 percent, reflecting proportionately greater shipments of Spring 2012 advance orders in the fourth quarter of 2011.

- U.S. net sales of \$193.0 million were essentially unchanged in comparison to the first quarter of 2011, as a mid-single-digit increase in direct-to-consumer sales was nearly offset by a low single-digit decrease in U.S. wholesale net sales. The company operated 51 U.S. retail stores during the first quarter of 2012 compared with 48 during the same period in 2011.
- Net sales in the Europe, Middle East, and Africa (EMEA) region decreased \$6.3 million, or 14 percent, to \$38.1 million, including a 3 percentage point negative effect from changes in currency exchange rates. A high-teen percentage decline in the Columbia brand was partially offset by growth in the Sorel brand. Net sales in EMEA direct markets declined 13 percent, including a 4 percent negative effect from currency exchange rates, while sales to EMEA distributors declined 20 percent.
- Net sales in Canada declined \$3.7 million, or 13 percent, to \$25.2 million, including a 2 percentage point negative effect from changes in currency exchange rates. The decline was concentrated primarily in the Columbia and Mountain Hardwear brands.

Product Categories: Apparel, Accessories & Equipment growth offset by Footwear decline

- Global Apparel, Accessories & Equipment net sales increased \$5.6 million, or 2 percent, driven entirely by growth in the Columbia brand, partially offset by a decline in Mountain Hardwear net sales.
- Global Footwear net sales decreased \$5.6 million, or 10 percent, reflecting a 38 percent decline in Sorel brand net sales, as well as a mid-single-digit percentage decrease in Columbia brand footwear sales, primarily due to the effect of unseasonably warm weather.

Brands: Modest Columbia brand growth offset by declines in other brands

- Columbia brand net sales increased \$5.0 million, or 2 percent, to \$293.1 million, with low-teen and mid-single-digit percentage growth in the LAAP region and the U.S., respectively, offset by high-teen and low double-digit percentage declines in the EMEA region and Canada, respectively. A low single-digit percentage increase in net sales of Columbia apparel, accessories & equipment was partially offset by a mid-single-digit percentage decrease in net sales of Columbia footwear.
- In what is historically a low volume quarter for the Sorel brand, net sales decreased \$3.9 million, or 38 percent, to \$6.4 million, resulting primarily from declines in the U.S. and Canada, partially offset by increased net sales in the EMEA and LAAP regions. The unseasonably warm 2011 winter, compared with a very cold 2010 winter, accentuated this comparison.
- Mountain Hardwear brand net sales decreased \$1.0 million, or 3 percent, to \$30.7 million, resulting primarily from declines in the U.S. and Canada, partially offset by increased net sales in the LAAP and EMEA regions.
- Montrail brand net sales decreased 3 percent to \$2.9 million.

Gross Margin: 50 basis point contraction due to higher closeout sales volume

First quarter 2012 gross margins were 44.4 percent, a decrease of approximately 50 basis points, predominantly driven by:

- a higher volume of promotional and close-out product sales resulting from excess inventory exiting the unseasonably warm winter, and
- higher input costs,

partially offset by:

- favorable foreign currency hedge rates,
- lower air freight costs, and
- a shift in geographic and channel sales mix.

Selling, General and Administrative (SG&A) Expense: Cost containment measures limit SG&A growth

First quarter 2012 SG&A expense increased \$10.4 million, or 7.8 percent, to \$144.6 million, including restructuring charges of \$4.0 million. SG&A represented 43.4 percent of net sales, compared to 40.3 percent in last year's first quarter. The \$6.4 million increase, net of restructuring charges, was primarily the result of:

- expansion of direct-to-consumer operations globally,
- information technology initiatives, including our ongoing ERP implementation, and
- the anniversary effect of prior year additions to staff.

During the first quarter, management implemented a number of cost containment measures in an effort to limit full year SG&A expense growth to a rate comparable to anticipated net sales growth. These measures included an approximate 2 percent reduction in global headcount, curtailment of various compensation and benefit increases, and reductions in travel, events, and other discretionary spending.

Operating Income: Cost containment measures limit operating margin contraction on flat sales

Operating income totaled \$5.4 million, or 1.6 percent of net sales. Excluding restructuring charges of approximately \$4.0 million, operating income totaled \$9.4 million, or 2.8 percent of net sales, versus operating income of \$17.9 million, or 5.4 percent of net sales, in the first quarter of 2011.

Income tax expense equated to a 30.4 percent effective tax rate, compared to a 30.0 percent rate in the first quarter of 2011.

Net Income:

Net income totaled \$3.9 million, or \$0.11 per diluted share, including restructuring charges of approximately \$2.8 million, or \$0.08 per diluted share, net of tax, compared with net income of \$12.8 million, or \$0.37 per diluted share, in first quarter 2011.

Balance Sheet: Strong cash position, inventory up on higher unit costs, receivables up on extended terms of closeout sales

The balance sheet remains strong with cash and short-term investments totaling \$252.8 million compared to \$335.3 million at the same time last year. At March 31, 2012, approximately 37 percent of cash and short-term investments were held in foreign jurisdictions where a repatriation of those funds to the United States would likely result in a significant tax cost to the company.

Consolidated accounts receivable at March 31, 2012 increased 16 percent, to \$253.3 million, compared to \$218.9 million a year ago, reflecting significant close-out and distributor sales late in the fourth quarter of 2011 with longer than average terms that are scheduled to come due early in the second quarter of 2012.

Consolidated inventories at March 31, 2012 totaled \$366.6 million, an increase of \$63.5 million, or 21 percent, from the same time last year. This increase was due, in part, to the warm winter, changes in product mix and higher average unit costs on 7 percent fewer units. A majority of the excess inventory is being held for disposition through our direct-to-consumer channels. We expect second quarter

inventory levels to remain elevated at a rate comparable to the 21 percent year-over-year comparison at the end of the first quarter, including the effect of earlier anticipated receipts of Fall 2012 inventory purchases. We expect inventory levels at the end of the third and fourth quarters to be comparable to last year. Actual year-end inventory levels will ultimately be dependent on winter weather and corresponding sell-through, Spring 2013 growth rates, timing of inventory receipts, and the overall stability of macro economic conditions.

Year-to-date 2012 Cash Flow

Net cash provided by operations in the first quarter of 2012 was \$22.2 million, compared to \$36.4 million in the first quarter of 2011. The decline was primarily the result of lower net income in the first quarter of 2012.

Capital expenditures totaled \$14.2 million, compared to \$10.5 million in the first quarter of 2011.

The company paid quarterly cash dividends of \$7.4 million during the first quarter of 2012 and made no repurchases of common stock. Approximately \$58.8 million remains under the current repurchase authorization.

2012 Outlook

Our fiscal year 2012 outlook assumes:

- up to 1 percent growth in net sales, with higher direct-to-consumer sales in the U.S., (including the planned addition of 11 outlet stores), Korea and Japan, and increased wholesale sales in our Japan and international distributor businesses, largely offset by lower wholesale sales in Europe, Canada and the U.S.;
- gross margin contraction of 30 to 50 basis points, reflecting an inventory liquidation strategy that is expected to generate a higher proportion of promotional and close-out sales at lower gross margins and higher input costs, partially offset by favorable foreign currency hedge rates and reduced air freight costs; and
- slight SG&A leverage (excluding restructuring charges incurred in the first quarter)

Full year operating margin, including restructuring charges and higher anticipated licensing income, is expected to be comparable to 2011 operating margin of 8.1 percent. Excluding restructuring charges, the company expects slight operating margin improvement compared with 2011.

We implemented cost containment measures during the first quarter with the goal of limiting 2012 selling, general and administrative expense growth to a rate comparable to anticipated 2012 sales growth. These measures are expected to generate operating margin leverage in the second half of 2012, offsetting the operating margin deleverage expected during the first half of the year.

The company is modeling a full year effective tax rate of 26 percent; however, the actual rate could differ, perhaps significantly, based on the status of tax uncertainties, the geographic mix of pre-tax income, as well as other discrete events that may occur during the year.

We are currently projecting 2012 capital expenditures of approximately \$65 million, comprising information technology, project-based and maintenance capital, and direct-to-consumer expansion.

We remain focused on driving innovation, transforming our supply chain, managing inventory and expense, and nurturing stronger emotional connections with consumers to drive long-term growth.

Second Quarter 2012 Outlook

We expect a high single-digit increase in second quarter 2012 net sales compared with second quarter 2011, driven by earlier shipments of international distributors' increased Fall 2012 advance orders and increased direct-to-consumer sales globally, partially offset by decreased wholesale sales in the U.S., Europe and Canada.

We expect second quarter 2012 operating margin to improve by 50 to 100 basis points compared to second quarter 2011. The improved operating margin outlook anticipates approximately 275 to 325 basis points of SG&A expense leverage, partially offset by gross margin contraction of approximately 200 basis points. The anticipated SG&A leverage reflects the expected high single-digit sales growth, driven primarily by our international distributor business, and effects of the cost containment measures implemented during the first quarter. The expected contraction in second quarter gross margin anticipates increased promotional and close-out sales at lower gross margins, a higher proportion of distributor shipments which carry lower gross margins, and higher input costs, partially offset by favorable foreign currency hedge rates.

The company is modeling an effective income tax rate for the second quarter of 40 percent, which is driven primarily by the anticipated pre-tax loss and the geographic mix of income.

The second quarter is the company's lowest volume quarter, which amplifies the effect of changes in the timing of shipments and the incremental fixed costs of the company's operations. All projections related to anticipated future results are forward-looking in nature and may change, perhaps significantly. Our annual net sales are weighted more heavily toward the Fall/Winter season, while operating expenses are more equally distributed throughout the year, resulting in a highly seasonal profitability pattern weighted toward the second half of the fiscal year.

Important Change in the Company's Financial Outlook Protocol Implemented This Quarter

Our business and internal management processes have evolved significantly in recent years, including a broader geographic scope, larger international distributor and direct-to-consumer operations, increased automatic replenishment programs and changes in the multiple data points we use to plan our business.

In evaluating and modifying business processes in connection with our planned ERP implementation, we have concluded that providing two seasonal backlog reports at March 31 and September 30 is not material to an understanding of our company and our future expectations. Accordingly, we have modified our outlook protocol in an effort to bring our public disclosures in line with how we internally plan, forecast and manage our business and to provide greater clarity for investors.

Beginning with first quarter results reported today, the company has discontinued providing semi-annual backlog, but will continue its established practice of communicating future financial expectations by providing an annual outlook, updated quarterly, along with a detailed outlook for the ensuing fiscal quarter that includes, among other things, the most up-to-date assessment of customer commitments, retailer sell-through and consumer trends. These annual and quarterly financial outlooks provide relevant GAAP-basis information about anticipated sales, gross margins, SG&A expenses, operating margin, tax rate, cash flows and working capital for the respective periods, and incorporate the wide range of variables we consider in our internal management and forecasting processes.

Dividends

At its regular board meeting on April 20, 2012, the board of directors authorized a quarterly dividend of \$0.22 per share payable on May 31, 2012 to shareholders of record on May 17, 2012.

Forward-Looking Statements

This document contains forward-looking statements within the meaning of the federal securities laws, including statements regarding anticipated results, net sales, gross margins, operating costs, operating margins, SG&A and other expenses, licensing income, tax rates, currency hedge rates, product innovations, cost containment measures, restructuring costs, supply chain management, information technology initiatives and marketing plans in future periods. Actual results could differ materially from those projected in these and other forward-looking statements. The company's expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis; however, each forward-looking statement involves a number of risks and uncertainties, including those set forth in this commentary, those described in the company's Annual Report on Form 10-K for the year ended December 31, 2011 under the heading "Risk Factors," and other risks and uncertainties that have been or may be described from time to time in other reports filed by the company, including reports on Form 8-K, Form 10-Q and Form 10-K. Potential risks and uncertainties that may affect our future revenues, earnings and performance and could cause the actual results of operations or financial condition of the company to differ materially from those expressed or implied by forward-looking statements in this commentary include: unfavorable economic conditions generally and weakness in consumer confidence and spending rates; changes in international, federal and/or state tax policies and rates, which we expect to increase; international risks, including changes in import limitations and tariffs or other duties, political instability in foreign markets, exchange rate fluctuations, and trade disruptions; our ability to attract and retain key employees; the financial health of our customers and their continued ability to access credit markets to fund their ongoing operations; higher than expected rates of order cancellations; increased consolidation of our retail customers; our ability to effectively source and deliver our products to customers in a timely manner, the failure of which could lead to increased costs and/or order cancellations; unforeseen increases and volatility in input costs, such as cotton and/or oil; our reliance on product acceptance by consumers; our reliance on product innovations, which may involve greater regulatory and manufacturing complexity and could pose greater risks of quality issues or supply disruptions; the effects of unseasonable weather (including, for example, warm weather in the winter and cold weather in the spring), which affects consumer demand for the company's products; our dependence on independent manufacturers and suppliers; our ability to source finished products and components at competitive prices from independent manufacturers in foreign countries that may experience unexpected periods of inflation, labor and materials shortages or other manufacturing disruptions; the effectiveness of our sales and marketing efforts; intense competition in the industry; business disruptions and acts of terrorism or military activities around the globe; our ability to effectively implement our IT infrastructure, data management and business process initiatives, failure of which could result in significant disruptions to our business; the operations of our computer systems and third party computer systems; and our ability to establish and protect our intellectual property. The company cautions that forward-looking statements are inherently less reliable than historical information. The company does not undertake any duty to update any of the forward-looking statements after the date of this commentary to conform them to actual results or to reflect changes in events, circumstances or its expectations. New factors emerge from time to time and it is not possible for the company to predict all such factors, nor can it assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.