

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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

**Date of Report (Date of earliest event reported): July 25, 2013**

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**COLUMBIA SPORTSWEAR COMPANY**  
(Exact name of registrant as specified in its charter)

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**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)

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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))

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**ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

On July 25, 2013, Columbia Sportswear Company (the "Company") issued a press release reporting its second quarter 2013 financial results and the outlook for the third quarter 2013 and fiscal year 2013. 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 second quarter 2013 and forward-looking statements relating to the third quarter and fiscal year 2013 as posted on the company's investor website, <http://investor.columbia.com>, on July 25, 2013. 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 July 25, 2013 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 August 29, 2013 to its shareholders of record on August 15, 2013.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

(d) Exhibits

- 99.1 Press release dated July 25, 2013 (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 July 25, 2013 (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: July 25, 2013

By: /s/ Thomas B. Cusick  
Thomas B. Cusick  
Senior Vice President of Finance and Chief Financial  
Officer

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**EXHIBIT INDEX**

<u>Exhibit</u>	<u>Description</u>
99.1	Press release dated July 25, 2013 (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 July 25, 2013 (furnished pursuant to Items 2.02 and 7.01 hereof).

**Contact:**

Ron Parham  
 Sr. Director of Investor Relations  
 & Corporate Communications  
 Columbia Sportswear Company  
 (503) 985-4584  
[rparham@columbia.com](mailto:rparham@columbia.com)

**COLUMBIA SPORTSWEAR COMPANY REPORTS SECOND QUARTER RESULTS;  
 UPDATES FULL YEAR 2013 SALES AND EARNINGS OUTLOOK**

**Second Quarter 2013 Highlights:**

- Consolidated net sales decreased 3 percent to \$280.5 million, compared with second quarter 2012 net sales of \$290.4 million.
- Net loss totaled \$7.1 million, or \$(0.21) per diluted share, compared with second quarter 2012 net loss of \$7.9 million, or \$(0.23) per diluted share.
- The board of directors approved a quarterly dividend of \$0.22 per share, payable on August 29, 2013 to shareholders of record on August 15, 2013.

**Updated Full Year 2013 Outlook:**

- Consolidated net sales expected to decline up to 2.5 percent.
- Operating margin is expected to be approximately 6.8 percent, including restructuring charges and the effects of pre-operating costs and deferral of income related to the previously announced plan to transition to a joint venture in China commencing January 1, 2014. Operating margin is expected to be approximately 7.6 percent excluding the effects of those items.

**PORTLAND, Ore.** — July 25, 2013 — Columbia Sportswear Company (NASDAQ: COLM), a leading innovator in the active outdoor apparel and footwear industries, today announced net sales of \$280.5 million for the quarter ended June 30, 2013, a 3 percent decrease compared with net sales of \$290.4 million for the same period in 2012, including a 1 percentage point negative effect from changes in currency exchange rates.

Second quarter net loss improved 10 percent to \$7.1 million, or \$(0.21) per diluted share, compared with net loss of \$7.9 million, or \$(0.23) per diluted share, for the same period in 2012.

Tim Boyle, Columbia's president and chief executive officer, commented, "During the second quarter, we successfully launched our Omni-Freeze® Zero and Cool.Q® Zero active cooling technology. Sell-through of our spring season products improved as our marketing programs drove consumer awareness and warm weather arrived in key markets. Operationally, we improved our inventory flow and continued to demonstrate focused expense management."

Boyle continued, "We also recently announced three important additions to our senior leadership team, bringing on seasoned veterans to refine and expand our global direct-to-consumer business, reenergize our North American wholesale business, and to lead our new China joint

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venture expected to commence in January, 2014. Each of these areas is of strategic importance in our efforts to achieve renewed sales growth from our portfolio of brands and improve profitability over the long term.”

### **Second Quarter Results**

(All comparisons are between second quarter 2013 and second quarter 2012, unless otherwise noted.)

The second quarter is the company’s smallest revenue quarter, historically accounting for approximately 15 percent of annual net sales. As a result, regional, category and brand net sales results often produce large percentage variances in relation to the prior year’s comparable period due to the small base of comparison and shifts in the timing of shipments.

Net sales in the U.S. increased \$7.7 million, or 6 percent, to \$139.8 million; Latin America/Asia Pacific (LAAP) region net sales decreased \$2.9 million, or 3 percent, to \$81.2 million, including a 5 percentage point negative effect from changes in currency exchange rates; Europe/Middle East/Africa (EMEA) region net sales declined \$16.9 million, or 24 percent, to \$53.1 million, including a less-than-1-percent negative effect from changes in currency exchanges rates; net sales in Canada, increased \$2.2 million, or 52 percent, to \$6.4 million, including a 6 percentage point negative effect from changes in currency exchanges rates. (See “Geographical Net Sales” table below.)

Apparel, Accessories & Equipment net sales decreased \$5.2 million, or 2 percent, to \$235.7 million. Footwear net sales of \$44.8 million were down \$4.7 million, or 9 percent. (See “Categorical Net Sales” table below.)

Columbia brand net sales decreased \$8.2 million, or 3 percent, to \$252.5 million, and Mountain Hardwear net sales declined \$1.2 million, or 5 percent, to \$22.5 million. (See “Brand Net Sales” table below.)

### **Balance Sheet**

The company ended the second quarter with \$430.6 million in cash and short-term investments, compared with \$228.5 million at June 30, 2012. Approximately 43 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 inventories totaled \$423.8 million at June 30, 2013, a reduction of \$99.3 million, or 19 percent, compared with \$523.1 million at June 30, 2012. Reduced inventory purchases, primarily reflecting the planned later receipt of Fall inventory to be more aligned with delivery dates requested by wholesale customers, and lower Fall 2013 advance wholesale orders, combined with lower end-of-season Spring inventory, accounted for the vast majority of the favorable decline.

### **Updated Full Year 2013 Financial Outlook**

The company expects 2013 net sales to decline up to 2.5 percent compared to 2012, including an approximate 2 percentage point negative effect of anticipated changes in foreign currency exchange rates.

Full year 2013 gross margin is expected to improve by up to 10 basis points compared to 2012, including the effect of deferring approximately \$2.3 million of gross profit into 2014 as a result of the previously announced plan to transition to a joint venture in China, effective January 1, 2014, from the current independent distributor arrangement.

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Full year 2013 selling, general and administrative expenses are expected to increase approximately 1.5 percent, including approximately \$3.5 million in pre-operating expenses related to the China joint venture and pre-tax restructuring charges of approximately \$4.8 million, resulting in approximately 140 basis points of SG&A expense deleverage.

Full year 2013 licensing income is expected to be comparable to 2012, including the effect of deferring approximately \$3.9 million of licensing income into 2014 in conjunction with the transition to the China joint venture.

As a result, full year 2013 operating margin is expected to be approximately 6.8 percent. Full year 2013 operating margin is expected to be approximately 7.6 percent if the following items are excluded: the anticipated \$4.8 million in restructuring charges, the deferral of approximately \$2.3 million of gross profit and \$3.9 million of licensing income into 2014 and pre-operating costs of approximately \$3.5 million related to the China joint venture.

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.

### **Third Quarter 2013 Financial Outlook**

The company expects third quarter net sales to decline up to 6.5 percent compared with the third quarter of 2012, driven by lower wholesale sales in the U.S. and Europe, due primarily to a slight shift in customers' requested delivery dates and lower advance orders, and lower sales to LAAP distributors, due primarily to import restrictions and currency constraints in key South American distributor markets and the transition to a new distributor in Australia. These declines are expected to be partially offset by a timing shift of shipments of EMEA distributors' Fall 2013 advance orders, and increased direct-to-consumer sales in North America.

An expected decline in third quarter gross margin of approximately 100 basis points and an anticipated 3 percent increase in SG&A expense, partially offset by increased license income, are expected to result in third quarter operating margin contraction of approximately 310 to 320 basis points compared with the third quarter of 2012. Excluding a total of approximately \$1.6 million of anticipated pre-operating costs and deferral of gross profit and licensing income related to the China joint venture, third quarter 2013 operating margin is expected to contract approximately 280 to 290 basis points.

The company's annual net sales are weighted more heavily toward the second half of the fiscal year, while operating expenses are more equally distributed, resulting in a highly seasonal profitability pattern weighted toward the second half.

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 Second Quarter 2013 Financial Results and 2013 Outlook**", available beginning at approximately 4:15pm EDT today on the company's investor relations website: <http://investor.columbia.com/results.cfm>.

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**Dividend**

The board of directors authorized a third quarter dividend of \$0.22 per share, payable on August 29, 2013 to shareholders of record on August 15, 2013.

**CFO's Second Quarter Financial Commentary Available Online**

At approximately 4:15 p.m. EDT today, a commentary by Tom Cusick, senior vice president and chief financial officer, reviewing the company's second quarter 2013 financial results and third quarter and full year 2013 financial 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, July 25, 2013 at 5:00 p.m. EDT to review its second quarter financial results and full year 2013 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 July 25, 2014.

**Third Quarter 2013 Reporting Schedule**

Columbia Sportswear plans to report financial results for third quarter 2013 on Thursday, October 24, 2013 at approximately 4:00 p.m. EDT. Following issuance of the earnings release, a commentary reviewing the company's third quarter financial results and full year 2013 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](http://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®, Montrail® and OutDry®. To learn more, please visit the company's websites at [www.columbia.com](http://www.columbia.com), [www.mountainhardwear.com](http://www.mountainhardwear.com), [www.sorel.com](http://www.sorel.com), [www.montrail.com](http://www.montrail.com) and [www.outdry.com](http://www.outdry.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, effects of changes in foreign currency exchange rates, licensing income, product innovations, joint venture results, tax rates, and cost containment measures 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 document, those described in the company's Annual Report on Form 10-K for the year ended December 31, 2012 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

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forward-looking statements in this document include: unfavorable economic conditions generally and weakness in consumer confidence and spending rates; our ability to effectively and timely implement our IT infrastructure, data management and business process initiatives, failure of which could result in material unanticipated expenses and/or disruptions to our business; the operations of our computer systems and third party computer systems; 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; 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 document 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)

	June 30,	
	2013	2012
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 340,428	\$ 193,245
Short-term investments	90,181	35,266
Accounts receivable, net	180,937	203,157
Inventories, net	423,765	523,078
Deferred income taxes	47,884	52,180
Prepaid expenses and other current assets	47,074	45,446
Total current assets	1,130,269	1,052,372
Property, plant and equipment, net	273,016	253,009
Intangibles and other non-current assets	73,749	80,714
Total assets	<u>\$1,477,034</u>	<u>\$1,386,095</u>
<b>Current Liabilities:</b>		
Accounts payable	\$ 185,984	\$ 196,478
Accrued liabilities	84,878	84,242
Income taxes payable	3,895	5,020
Deferred income taxes	18	941
Total current liabilities	274,775	286,681
Other long-term liabilities	42,803	40,696
Shareholders' equity	1,151,631	1,058,718
Noncontrolling interest	7,825	—
Total liabilities and equity	<u>\$1,477,034</u>	<u>\$1,386,095</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net sales	\$ 280,495	\$ 290,357	\$628,802	\$623,498
Cost of sales	160,211	172,489	355,214	357,694
Gross profit	120,284	117,868	273,588	265,804
	42.9%	40.6%	43.5%	42.6%
Selling, general, and administrative expenses	131,935	133,171	274,838	277,727
Net licensing income	1,654	4,555	3,981	6,530
Income (loss) from operations	(9,997)	(10,748)	2,731	(5,393)
Interest income, net	215	191	347	438
Other nonoperating expense	(473)	—	(1,103)	—
Income (loss) before income tax	(10,255)	(10,557)	1,975	(4,955)
Income tax benefit	2,925	2,656	797	952
Net income (loss)	(7,330)	(7,901)	2,772	(4,003)
Net loss attributable to noncontrolling interest	(253)	—	(253)	—
Net income (loss) attributable to Columbia Sportswear Company	<u>\$ (7,077)</u>	<u>\$ (7,901)</u>	<u>\$ 3,025</u>	<u>\$ (4,003)</u>
<b>Earnings (loss) per share:</b>				
Basic	\$ (0.21)	\$ (0.23)	\$ 0.09	\$ (0.12)
Diluted	(0.21)	(0.23)	0.09	(0.12)
<b>Weighted average shares outstanding:</b>				
Basic	34,353	33,780	34,260	33,743
Diluted	34,353	33,780	34,561	33,743

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

	<u>Six Months Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income (loss)	\$ 2,772	\$ (4,003)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	19,891	21,044
Loss on disposal or impairment of property, plant and equipment	299	186
Deferred income taxes	3,185	777
Stock-based compensation	4,282	4,303
Excess tax benefit from employee stock plans	(925)	(270)
Changes in operating assets and liabilities:		
Accounts receivable	153,383	147,995
Inventories	(60,449)	(160,057)
Prepaid expenses and other current assets	(8,446)	(9,287)
Other assets	116	(89)
Accounts payable and accrued liabilities	19,928	25,949
Income taxes payable	1,017	(9,681)
Other liabilities	650	1,832
Net cash provided by operating activities	<u>135,703</u>	<u>18,699</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net purchases of short-term investments	(44,849)	(32,313)
Capital expenditures	(31,502)	(21,400)
Proceeds from sale of property, plant, and equipment	45	—
Net cash used in investing activities	<u>(76,306)</u>	<u>(53,713)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from credit facilities	4,075	8,304
Repayments on credit facilities	(4,231)	(8,304)
Proceeds from issuance of common stock under employee stock plans	11,050	4,199
Tax payments related to restricted stock unit issuances	(2,019)	(1,197)
Excess tax benefit from employee stock plans	925	270
Repurchases of common stock	—	(206)
Capital contribution from noncontrolling interest	8,000	—
Cash dividends paid	(15,081)	(14,849)
Net cash provided by (used in) financing activities	<u>2,719</u>	<u>(11,783)</u>
<b>NET EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<u>(12,469)</u>	<u>(992)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	49,647	(47,789)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>290,781</u>	<u>241,034</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$340,428</u>	<u>\$ 193,245</u>
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING ACTIVITIES:</b>		
Capital expenditures incurred but not yet paid	\$ 3,885	\$ 1,972

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

	<u>Three Months Ended June 30,</u>			<u>Six Months Ended June 30,</u>		
	<u>2013</u>	<u>2012</u>	<u>% Change</u>	<u>2013</u>	<u>2012</u>	<u>% Change</u>
<b>Geographical Net Sales:</b>						
United States	\$139.8	\$132.1	6%	\$340.3	\$325.1	5%
Latin America & Asia Pacific	81.2	84.1	(3)%	164.3	160.9	2%
Europe, Middle East, & Africa	53.1	70.0	(24)%	94.0	108.1	(13)%
Canada	6.4	4.2	52%	30.2	29.4	3%
Total	<u>\$280.5</u>	<u>\$290.4</u>	(3)%	<u>\$628.8</u>	<u>\$623.5</u>	1%
<b>Categorical Net Sales:</b>						
Apparel, Accessories and Equipment	\$235.7	\$240.9	(2)%	\$530.0	\$525.2	1%
Footwear	44.8	49.5	(9)%	98.8	98.3	1%
Total	<u>\$280.5</u>	<u>\$290.4</u>	(3)%	<u>\$628.8</u>	<u>\$623.5</u>	1%
<b>Brand Net Sales:</b>						
Columbia	\$252.5	\$260.7	(3)%	\$553.6	\$553.8	—
Mountain Hardwear	22.5	23.7	(5)%	54.6	54.4	—
Sorel	2.9	2.9	—	15.3	9.3	65%
Other	2.6	3.1	(16)%	5.3	6.0	(12)%
Total	<u>\$280.5</u>	<u>\$290.4</u>	(3)%	<u>\$628.8</u>	<u>\$623.5</u>	1%

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14375 NW Science Park Drive  
Portland, OR 97229

July 25, 2013

## **CFO Commentary on Second Quarter 2013 Financial Results and 2013 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, July 25, 2013 at 5:00 p.m. EDT to review its second quarter results and 2013 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 July 25, 2014.

### **Summary**

Net sales decreased 3 percent to \$280.5 million compared with net sales of \$290.4 million for the second quarter of 2012. Gross margin expanded approximately 230 basis points, while selling, general & administrative (SG&A) expenses declined \$1.3 million, or 1 percent (including second quarter 2013 restructuring charges of approximately \$2.3 million, pre-tax). Second quarter 2013 operating loss improved \$0.7 million, or 7 percent, to \$10.0 million, compared with an operating loss of \$10.7 million in last year's second quarter. Second quarter 2013 net loss (after subtracting a net loss of \$0.3 million attributable to the China joint venture minority interest) improved by \$0.8 million, or 10 percent, to \$7.1 million, or \$(0.21) per diluted share, including restructuring charges of approximately \$1.7 million, or \$0.05 per diluted share, net of tax, compared to a net loss of \$7.9 million, or \$(0.23) per diluted share, for the second quarter of 2012.

The second quarter is the company's smallest revenue quarter, historically accounting for approximately 15 percent of annual net sales. As a result, year-over-year regional, category and brand net sales comparisons often produce large percentage variances due to the small base of comparison, while changes in the timing of shipments, coupled with the company's fixed cost structure, can have an amplified effect on operating results.

We refined our FY2013 outlook to anticipate a net sales decline of up to 2.5 percent in 2013 compared to 2012, including an approximate 2 percentage point negative effect of anticipated changes in foreign currency exchange rates. We now anticipate 2013 operating margin of approximately 6.8 percent, including pre-tax restructuring charges of approximately \$4.8 million, and the effects of pre-operating costs of approximately \$3.5 million and income deferral of approximately \$6.2 million related to the anticipated January 1, 2014 transition to a joint venture with our current independent distributor in China. Excluding the effect of those items, full year 2013 operating margin is expected to be approximately 7.6 percent. The **Full Year 2013 Outlook** section beginning on page 5 below contains a more detailed discussion of the factors contributing to this outlook.

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## **Second Quarter Financial Results**

All comparisons are between second quarter 2013 and second quarter 2012, unless otherwise noted.

### **Net Sales:**

Cool, wet spring weather in North America and key European markets delayed consumer demand for sportswear and warm-weather footwear during the early portion of the quarter. In addition, a timing shift from the second quarter into the third quarter of shipments of independent distributors' Fall 2013 advance orders in our Europe, Middle East, Africa (EMEA) region, coupled with reduced advance Fall season orders from independent distributors in our Latin America, Asia Pacific (LAAP) region, resulted in a 3 percent decline in second quarter net sales. The timing shift related to EMEA distributor shipments is expected to reverse in the third quarter. Changes in foreign currency exchange rates negatively affected consolidated second quarter sales comparisons by approximately one percent.

### **Regions: Growth in two of four regions**

- U.S. net sales grew \$7.7 million, or 6 percent, to \$139.8 million, driven by increased direct-to-consumer net sales, partially offset by lower U.S. wholesale net sales. The company operated 65 U.S. retail stores during the second quarter of 2013 compared with 55 during the same period in 2012.
- Net sales in the LAAP region decreased \$2.9 million, or 3 percent, to \$81.2 million, including a 5 percentage point negative effect from changes in currency exchange rates. Lower net sales to LAAP distributors reflected lower Fall 2013 advance orders compared to Fall 2012. Net sales increased in Korea, reflecting an increased retail store base and favorable changes in currency exchange rates. Net sales in Japan decreased due to unfavorable changes in currency exchange rates which more than offset an increase in net sales in local currency.
- Net sales in the EMEA region decreased \$16.9 million, or 24 percent, to \$53.1 million, including a neutral effect from changes in currency exchange rates. Net sales to EMEA distributors decreased, primarily due to a timing shift from the second quarter into the third quarter of shipments of increased Fall 2013 advance orders. This decrease was partially offset by a slight net sales increase in EMEA direct markets.
- Net sales in Canada increased \$2.2 million, or 52 percent, to \$6.4 million, including a 6 percentage point negative effect from changes in currency exchange rates.

### **Product Categories: Declines in both categories**

- Global Apparel, Accessories & Equipment net sales decreased \$5.2 million, or 2 percent, with declines in both the Columbia and Mountain Hardwear brands.
- Global Footwear net sales decreased \$4.7 million, or 9 percent, consisting primarily of lower sales of Columbia brand footwear.

### **Brands: Small declines in two of four brands**

- Columbia brand net sales decreased \$8.2 million, or 3 percent, to \$252.5 million, primarily attributable to a timing shift in EMEA distributors' Fall 2013 advance orders, partially offset by increased net sales in the U.S.
- Mountain Hardwear brand net sales declined \$1.2 million, or 5 percent, to \$22.5 million, with decreases in the U.S., LAAP region and Canada, partially offset by increased net sales in the EMEA region.
- In what is historically a low volume quarter for the Sorel brand, net sales remained essentially unchanged at \$2.9 million.

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**Gross Margin: 230 basis point improvement driven by favorable channel mix and better margins on full-price sales**

Second quarter 2013 gross margins were 42.9 percent, a 230 basis point increase, driven by:

- a higher proportion of direct-to-consumer sales, which generate higher gross margins,
- a lower proportion of sales to international distributors, which carry lower gross margins, and
- increased margins on full-price sales of Spring 2013 products,

partially offset by:

- a higher proportion of close-out product sales.

**Selling, General and Administrative (SG&A) Expense:**

Second quarter 2013 SG&A expense decreased \$1.3 million, or 1 percent, to \$131.9 million, including restructuring charges of \$2.3 million in this year's second quarter. Excluding restructuring charges, SG&A expense decreased \$3.6 million, or 3 percent.

SG&A expense represented 47.0 percent of net sales, compared to 45.9 percent in last year's second quarter. Key variances within the SG&A expense comparison were:

- Lower current period expenses associated with the company's ongoing global ERP implementation, due to a higher capitalization rate of project expenditures,
- favorable foreign currency translation effect, and
- lower personnel and related expenses in our European business,

partially offset by:

- expanded direct-to-consumer operations globally, and
- restructuring charges related to our European business.

**Operating Loss: 7 percent improvement driven by higher gross margin and reduced SG&A expense**

Operating loss improved 7 percent to \$10.0 million, compared to an operating loss of \$10.7 million in the second quarter of 2012, driven primarily by a 230 basis point expansion of gross margin, partially offset by 110 basis points of SG&A deleverage.

**Income Tax Benefit**

The effective tax rate for the quarter was 28.5 percent, compared to a 25.2 percent rate in second quarter 2012. The increase in our effective tax rate resulted primarily from discrete expenses that were recognized in the second quarter of 2012 that did not recur in 2013.

**Net Loss: 10 percent improvement**

Net loss attributable to Columbia Sportswear Company improved 10 percent to \$7.1 million, or \$(0.21) per diluted share, compared with net loss of \$7.9 million, or \$(0.23) per diluted share, in second quarter 2012.

**Balance Sheet: Strong cash position, inventory down 19 percent on 19 percent fewer units, receivables down 11 percent**

The balance sheet remains strong with cash and short-term investments totaling \$430.6 million compared to \$228.5 million at the same time last year. At June 30, 2013, approximately 43 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 June 30, 2013 decreased \$22.3 million, or 11 percent, to \$180.9 million. Consolidated DSO decreased 5 days, reflecting the timing shift of shipments to international distributors and improved aging of receivables in our Europe direct business.

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Consolidated inventories at June 30, 2013 totaled \$423.8 million, a decrease of \$99.3 million, or 19 percent, on approximately 19 percent fewer units compared to the same time last year. This decrease reflects planned later receipt of inventory to be more aligned with planned timing of shipments of customers' Fall 2013 advance orders, combined with reduced Fall 2013 production orders in response to lower Fall 2013 advance wholesale orders compared to Fall 2012, and lower end-of-season Spring inventory. We expect inventory levels to remain below last year's comparable levels over the remaining quarters of 2013. Our December 31, 2013 consolidated inventory is expected to include approximately \$25 million of incremental inventory purchased by and transferred to our China joint venture ahead of its planned January 1, 2014 commencement. Actual year-end inventory levels will ultimately depend on sell-through of Fall season products and timing of Spring 2014 inventory receipts.

#### **Year-to-Date 2013 Cash Flow**

Net cash provided by operations for the six months ended June 30, 2013 was \$135.7 million, compared to \$18.7 million in the first half of 2012. The increase reflected lower inventory levels and increased net income during the period.

Capital expenditures through the first half of 2013 totaled \$35.4 million, compared to \$23.4 million in the first half of 2012.

The company paid quarterly cash dividends of \$15.1 million during the first half of 2013 and made no repurchases of common stock. Approximately \$58.6 million remains available under the current repurchase authorization.

#### **Transition to China Joint Venture**

As we have discussed, our previously announced joint venture in mainland China with Swire Resources, Inc. is expected to commence operations effective January 1, 2014, subject to regulatory approval in the People's Republic of China and other conditions customary in transactions of this size and type. During 2013, our financial results will be affected as we transition from our current third-party distributor relationship with Swire as follows:

- We expect to incur organizational and other pre-operating SG&A expenses totaling approximately \$3.5 million during 2013, of which approximately \$1.3 million has been expensed during the first half of 2013. The additional anticipated pre-operating costs will be accounted for similarly as they are incurred during the remainder of 2013. These costs include personnel, professional fees and selling-related expenses.
- On or about December 31, 2013, Swire's remaining inventory of Fall 2013 and prior seasons will be transferred to the joint venture. We will defer the profits related to this inventory and recognize those profits as the inventory is sold by the joint venture in future periods to wholesale customers and consumers. In the first half of 2013, we deferred gross margin and licensing income of approximately \$0.9 million related to Spring 2013 and prior inventory that we estimate will be transferred to the joint venture at December 31, 2013. In the third and fourth quarters of 2013, we will defer profit from shipments of Fall 2013 inventory that occur during those periods and that we estimate will be transferred to the joint venture at December 31, 2013.
- Similarly, our shipments of Spring 2014 inventory for the China market, anticipated to begin in the fourth quarter of 2013, will be sold directly to the joint venture entity. The related sales,

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gross margin, and licensing income, which we would have recognized in the fourth quarter of 2013 under the distributor model, will be deferred as part of our financial consolidation and recognized in future periods as the joint venture sells that inventory to wholesale customers and consumers.

- The combination of these profit deferrals is currently estimated to total approximately \$6.2 million in 2013 (including approximately \$3.9 million in deferred licensing income), the majority of which is expected to be recognized by the joint venture and incorporated in our consolidated financial results in 2014 as the inventory is sold to customers and consumers. Please note that the actual amount of profit deferred into future periods will depend on the volume of Spring 2014 inventory purchased by the joint venture in the fourth quarter of 2013 and the actual remaining balance of prior season inventory transferred to the joint venture at December 31, 2013.
- Initial capital totaling \$20 million was contributed by the joint venture shareholders in the second quarter of 2013 in proportion to their respective ownership interests. Additional capital will be provided in the second half of 2013 in the form of proportionate shareholder loans totaling up to \$40 million. Columbia's capital contributions will be funded with cash that is domiciled outside the U.S. These capital contributions represent the initial working capital necessary to fund the joint venture's operations and will be included in our consolidated financial statements in the periods during which they occur.

### **Full Year 2013 Outlook**

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 sales and profitability pattern weighted toward the second half of the fiscal year.

Fall season advance wholesale orders typically drive a significant portion of our annual sales and, as such, are one of several significant factors we use to formulate our full year outlook. Following two consecutive mild North American winters, U.S. wholesale customers were cautious in placing advance orders for Fall 2013 cold-weather products. As evidenced by each of the last two years, our projected full year sales may be materially impacted by unfavorable weather patterns and other factors which affect consumer demand and lead to higher-than-anticipated order cancellations and lower reorders by our wholesale customers and/or lower-than-projected sales through our direct-to-consumer channels, particularly during the fourth quarter.

The company intends to continue managing discretionary costs diligently with the goal of limiting the growth of SG&A expense as a percentage of net sales, while we remain focused on driving growth by providing innovative products at accessible prices, transforming our supply chain, managing inventory, and nurturing stronger emotional connections with consumers through compelling marketing communications.

Our current fiscal year 2013 outlook assumes:

- a net sales decline of up to 2.5 percent compared to 2012, including a decline in North America wholesale net sales resulting from cautious Fall 2013 advance orders following mild winter weather in 2012 and declines in Europe primarily due to continued product assortment and macro-economic challenges that have hampered our ongoing efforts to revitalize our brands in



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key European markets. We also expect net sales to decline in the LAAP region following two years of rapid growth, driven by a decline in Japan resulting primarily from a significantly weaker yen, the effects of transitioning to a joint venture in China, import restrictions and currency constraints in key South American distributor markets, and the transition to a new distributor in Australia. These declines are expected to be partially offset by expansion of the company's global direct-to-consumer business;

- gross margin expansion of approximately 10 basis points compared with 2012, reflecting a higher proportion of direct-to-consumer sales and less promotional activity, partially offset by the effect of deferring approximately \$2.3 million of gross profit into 2014 as a result of the transition to a joint venture in China, and unfavorable foreign currency hedge rates;
- SG&A expenses approximately 1.5 percent higher than 2012, resulting in SG&A expense deleverage of approximately 140 basis points. The slight increase in projected SG&A expense includes pre-tax restructuring charges of approximately \$4.8 million, primarily related to employee termination and lease exit costs in our European operation, and \$3.5 million in pre-operating expenses related to the China joint venture. The drivers of increased SG&A expense include expansion of our direct-to-consumer platform, compensation and benefit increases, and continued investment in information technology and ERP implementation, partially offset by favorable foreign currency exchange translation and reduced expenses from our EMEA direct business.
- licensing income comparable to 2012, including the effect of deferring approximately \$3.9 million of licensing income into 2014 in conjunction with the transition to the China joint venture;
- the year-over-year differences in currency exchange rates, particularly the Japanese yen, are anticipated to negatively impact net sales and operating income by approximately 2 percent and 3 percent, respectively;
- a full year tax rate of approximately 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;
- 2013 capital expenditures of approximately \$65 million, comprising information technology, project-based and maintenance capital, and direct-to-consumer expansion.

The combination of the above assumptions leads us to anticipate 2013 operating margin of approximately 6.8 percent. Full year 2013 operating margins are expected to be approximately 7.6 percent if the following items are excluded: anticipated restructuring charges of approximately \$4.8 million, the effects of pre-operating costs of approximately \$3.5 million and income deferral of approximately \$6.2 million related to transitioning to the China joint venture. We continue to evaluate all areas of our business in order to streamline and improve operating results.

### **Third Quarter 2013 Outlook**

We expect third quarter 2013 net sales to decline up to 6.5 percent compared with third quarter 2012, driven by lower wholesale sales in the U.S. and Europe, due primarily to a slight shift in customers' requested delivery dates and lower advance orders, and lower sales to LAAP distributors, due primarily to import restrictions and currency constraints in key South American distributor markets and the transition to a new distributor in Australia. These declines are expected to be partially offset by a timing shift of shipments of EMEA distributors' Fall 2013 advance orders, and increased direct-to-consumer sales in North America.

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We expect third quarter 2013 operating margin to contract by approximately 310 to 320 basis points compared to third quarter 2012, including a total of approximately \$1.6 million of impact from pre-operating costs and deferral of gross profit and licensing income related to transitioning to the China joint venture. Excluding those items related to the joint venture, we expect third quarter 2013 operating margin to contract by approximately 280 to 290 basis points.

Our third quarter operating margin outlook anticipates approximately 100 basis points of gross margin contraction and 300 basis points of SG&A expense deleverage, partially offset by higher licensing income.

The expected contraction in third quarter gross margin anticipates unfavorable foreign currency hedge rates and channel mix, in particular, a higher proportion of close-out product sales and sales to independent distributors, both of which carry lower gross margins, in relation to wholesale and direct-to-consumer sales which carry higher gross margins. The anticipated increase in third quarter licensing income reflects an expected timing shift of delivery of Fall 2013 advance orders to our independent distributor in China, partially offset by the deferral noted above.

The anticipated SG&A expense deleverage primarily reflects lower sales and an approximate 3 percent increase in SG&A expense, including growth in our global retail platform, the effect of 2013 compensation and benefit increases, increased expenses related to our ongoing global ERP implementation, and China joint venture pre-operating costs, partially offset by favorable foreign currency translation and decreased restructuring charges.

The company is modeling an effective income tax rate for the third quarter of 28 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.

### **Dividends**

At its regular board meeting on July 19, 2013, the board of directors authorized a quarterly dividend of \$0.22 per share, payable on August 29, 2013 to shareholders of record on August 15, 2013.

### **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, effects of changes in foreign currency exchange rates, licensing income, product innovations, joint venture results, tax rates, and cost containment measures 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 document, those described in the company's Annual Report on Form 10-K for the year ended December 31, 2012 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 document include: unfavorable economic conditions generally and weakness in consumer confidence and spending rates; our ability to effectively and timely

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implement our IT infrastructure, data management and business process initiatives, failure of which could result in material unanticipated expenses and/or disruptions to our business; the operations of our computer systems and third party computer systems; 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; 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 document 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.