
**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):
July 24, 2014

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))
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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On July 24, 2014, Columbia Sportswear Company (the "Company") issued a press release reporting its second quarter 2014 financial results and updated outlook for 2014. 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 of 2014 and forward-looking statements relating to the outlook for 2014, as posted on the Company's investor website, <http://investor.columbia.com>, on July 24, 2014. 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 24, 2014 press release, the Company also announced that its board of directors approved a cash dividend of \$0.28 per share of common stock to be paid on August 28, 2014 to its shareholders of record on August 14, 2014.

ITEM 8.01 OTHER EVENTS

The Company further announced in its July 24, 2014 press release that its board of directors declared a 2-for-1 stock split, to be effected in the form of a share dividend, on the Company's issued and outstanding common stock. As a result of the stock split, shareholders of record as of the close of business on September 8, 2014 will receive one additional share of common stock for every share of common stock held. The share dividend will be payable on September 26, 2014.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

- 99.1 Press Release, dated July 24, 2014 (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 24, 2014 (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 24, 2014

By: /s/ THOMAS B. CUSICK

Thomas B. Cusick
Senior Vice President of Finance, Chief Financial
Officer and Treasurer

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
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99.2	Commentary by Thomas B. Cusick, Senior Vice President of Finance and Chief Financial Officer of Columbia Sportswear Company dated July 24, 2014 (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

**COLUMBIA SPORTSWEAR COMPANY REPORTS SECOND QUARTER RESULTS;
RAISES FULL YEAR 2014 EARNINGS OUTLOOK;
ANNOUNCES TWO-FOR-ONE STOCK SPLIT**

Second Quarter 2014 Highlights:

- Consolidated net sales increased \$43.7 million, or 16 percent, to a second-quarter record \$324.2 million, compared with second quarter 2013 net sales of \$280.5 million.
- Net loss totaled \$6.3 million, or \$(0.18) per share, including a non-recurring tax benefit of approximately \$5.6 million, or \$0.16 per share, compared with net loss of \$7.1 million, or \$(0.21) per share, in the second quarter 2013. Second quarter 2014 net loss included the effects of one-time acquisition costs and purchase accounting amortization and integration costs related to the previously-announced acquisition of prAna Living, LLC, totaling approximately \$2.9 million net of tax, or \$(0.08) per share.
- The board of directors approved a regular quarterly cash dividend of \$0.28 per share, payable on August 28, 2014 to shareholders of record on August 14, 2014.
- The board of directors also approved a two-for-one stock split in the form of a 100 percent stock dividend payable on September 26, 2014 to shareholders of record on September 8, 2014.

Fiscal Year 2014 Outlook Updated:

- The company now anticipates full year 2014 net sales growth of 19 to 21 percent to between \$2.01 billion and \$2.04 billion, including incremental net sales of approximately \$155 million from the new China joint venture (JV) and incremental net sales of approximately \$55 million from the newly-acquired prAna brand, compared with 2013 net sales of \$1.68 billion.
- The company expects full year 2014 operating margin of up to 8.3 percent, compared with 2013 operating margin of 7.8 percent. This equates to full year 2014 operating margin of up to 8.8 percent, excluding the financial effects of the prAna acquisition.
- Full year 2014 earnings per diluted share, net of non-controlling interest, is expected to be approximately \$3.22 to \$3.38, including acquisition costs and purchase accounting amortization and integration costs related to the prAna acquisition totaling approximately \$7.1 million net of tax, or \$(0.20) per diluted share. This compares to fiscal year 2013 earnings of \$2.72 per diluted share, which included a non-cash asset impairment charge of \$9.0 million, equal to \$5.6 million net of tax, or \$(0.16) per diluted share.

PORTLAND, Ore. — July 24, 2014 — Columbia Sportswear Company (NASDAQ: COLM), a leading innovator in the active outdoor apparel and footwear industries, today announced net sales grew \$43.7 million, or 16 percent, to a second-quarter record \$324.2 million for the quarter ended June 30, 2014, compared with net sales of \$280.5 million for the same period in 2013, including a less than 1 percentage point benefit from changes in currency exchange rates.

Second quarter 2014 net loss totaled \$6.3 million, or \$(0.18) per share, including a net tax benefit of \$5.6 million, or \$0.16 per share, resulting from the favorable resolution of uncertain tax positions from prior years. During the quarter, the company incurred approximately \$3.4 million of non-recurring transaction costs related to the prAna acquisition, and approximately \$1.3 million in amortization of certain acquired assets and other integration costs which, combined, equated to \$2.9 million net of tax, or \$(0.08) per share. Second quarter 2013 net loss totaled \$7.1 million, or \$(0.21) per share.

Tim Boyle, Columbia's president and chief executive officer, commented, "We are very pleased with our performance through the first half of 2014 and anticipate strong Columbia and Sorel brand momentum in the second half, particularly in North America. In addition, our brands continued to stabilize in the key Europe-direct markets that are a focal point of our ongoing efforts to drive renewed growth and improved profitability.

"With the successful completion of our previously announced acquisition of prAna during the second quarter, we enter the second half of 2014 with a new exciting brand in our portfolio, which we expect to be accretive in 2015."

Boyle concluded, "Our first half performance, coupled with the confidence we have in our brands, our line-up of innovative products, and our global team, led us to increase our full year 2014 financial outlook. We believe we are beginning to make meaningful, sustainable progress toward our goal of improving our profitability."

Second Quarter Results

(All comparisons are between second quarter 2014 and second quarter 2013, unless otherwise noted.)

The second quarter is the company's smallest revenue quarter, historically accounting for a mid-teens percentage 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 \$6.5 million, or 5 percent, to \$146.3 million, including \$5.5 million of incremental prAna net sales. Latin America/Asia Pacific (LAAP) region net sales increased \$14.9 million, or 18 percent, to \$96.1 million, including incremental sales from the company's new China joint venture and a neutral effect of changes in currency exchange rates. Europe/Middle East/Africa (EMEA) region net sales increased \$19.8 million, or 37 percent, to \$72.9 million, including a 2 percentage point benefit from changes in currency exchanges rates. Net sales in Canada increased \$2.5 million, or 39 percent, to \$8.9 million, including a 10 percentage point negative effect from changes in currency exchanges rates. (See "Geographical Net Sales" table below.)

Apparel, Accessories & Equipment net sales increased \$27.3 million, or 12 percent, to \$263.0 million. Footwear net sales increased \$16.4 million, or 37 percent, to \$61.2 million. (See “Categorical Net Sales” table below.)

Columbia brand net sales increased \$38.5 million, or 15 percent, to \$291.0 million, and the newly-acquired prAna brand contributed \$5.5 million of incremental net sales. (See “Brand Net Sales” table below.)

Balance Sheet

During the second quarter, the company completed its previously announced acquisition of prAna Living LLC for \$188.5 million, net of acquired cash. The company ended the second quarter with \$394.4 million in cash and short-term investments, compared with \$430.6 million at June 30, 2013. Approximately 54 percent of cash and short-term investments was 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 of \$456.4 million at June 30, 2014 were approximately 8 percent higher than the \$423.8 million balance at June 30, 2013.

Updated 2014 Financial Outlook

All projections related to anticipated future results are forward-looking in nature and are subject to risks and uncertainties that may cause actual results to differ, perhaps materially. 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 of the fiscal year.

All per-share amounts in the following outlook are based on projected outstanding shares prior to the effect of the pending two-for-one stock split scheduled to take effect after the close of business on September 26, 2014.

Anticipated Fiscal 2014 Effects of prAna Acquisition

The company expects to recognize incremental prAna net sales of approximately \$55 million during fiscal year 2014, which is expected to contribute low double-digit operating margin to consolidated 2014 results, excluding one-time transaction costs of approximately \$3.4 million and purchase accounting amortization and other integration costs expected to total approximately \$8.0 million. Combined, these excluded costs are expected to equate to approximately \$7.1 million net of tax, or \$(0.20) per diluted share.

Consolidated FY2014 Financial Outlook

Including prAna’s anticipated operating results for the June through December period, as well as the non-recurring transaction costs and amortization of certain acquired assets and other integration costs described above, we expect our full year 2014 financial results to include:

- global net sales of approximately \$2.01 billion to \$2.04 billion, representing 19 to 21 percent growth over 2013 net sales of \$1.68 billion. The anticipated growth of approximately \$320 million to \$355 million includes incremental net sales of approximately \$155 million from the new China JV and approximately \$55 million from the newly-acquired prAna brand, coupled with high single-digit percentage organic growth;
- gross margin expansion of up to 75 basis points compared with 2013;

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- selling, general and administrative expense leverage of up to 20 basis points compared with 2013;
 - licensing income of approximately \$6 million;
 - operating margin of up to 8.3 percent, compared with 2013 operating margin of 7.8 percent;
 - adjusted operating margin of 8.8 percent, excluding prAna's anticipated operating results, approximately \$3.4 million of non-recurring transaction costs and \$8.0 million in amortization of certain acquired assets and other integration costs related to the prAna acquisition. This compares to 2013 adjusted operating margin of 8.4 percent, which excluded a \$9.0 million non-cash asset impairment charge;
 - a full year tax rate of approximately 27.0 percent, which could differ based on the resolution and status of tax uncertainties, the geographic mix of pre-tax income, and other discrete events that may occur during the year;
 - net income after non-controlling interest of approximately \$114 million to \$120 million, or \$3.22 to \$3.38 per diluted share, compared to \$94.3 million, or \$2.72 per diluted share, in 2013. Fiscal year 2014 net income includes the expected effects of:
 - one-time acquisition costs and first-year purchase accounting amortization and integration costs related to the prAna acquisition totaling approximately \$7.1 million net of tax, or \$(0.20) per diluted share;
 - approximately \$0.15 incremental diluted earnings per share from the new China JV, after interest, taxes and non-controlling interest;

A more detailed version of the company's 2014 financial outlook, including pro-forma comparisons of anticipated 2014 and actual 2013 operating results adjusted for non-recurring items, can be found in the "**CFO Commentary on Second Quarter 2014 Financial Results and Upward-Revised 2014 Outlook**", available on the company's investor relations website: <http://investor.columbia.com/results.cfm>.

Regular Quarterly Cash Dividend

The board of directors authorized a third quarter dividend of \$0.28 per share, payable on August 28, 2014 to shareholders of record on August 14, 2014.

Two-for-One Stock Split

The board of directors authorized a two-for-one stock split, payable on September 26, 2014 to shareholders of record on September 8, 2014.

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 2014 financial results and upward-revised full year 2014 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 24, 2014 at 5:00 p.m. EDT to review its second quarter financial results and full year 2014 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 23, 2015.

Third Quarter 2014 Reporting Schedule

Columbia Sportswear plans to report financial results for third quarter 2014 on Thursday, October 30, 2014 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 2014 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 lifestyle brands Mountain Hardwear®, Sorel®, prAna®, Montrail® and OutDry®. To learn more, please visit the company's websites at www.columbia.com, www.mountainhardwear.com, www.sorel.com, www.pranacom.com, www.montrail.com, and 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 expenses and leverage, licensing income, operating income, operating margins, anticipated acquisition effects (including accretive earnings, operating margins, projected net sales, transaction and integration expenses, and purchase accounting amortization), tax rates, performance of our China joint venture in future periods, and net income. 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, 2013 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: the ability to realize the forecasted benefits of the prAna acquisition on a timely basis or at all; the ability to combine Columbia's business operations with prAna successfully or in a timely and cost-efficient manner; the degree of business disruption to Columbia and/or to prAna that may result from the acquisition and related integration efforts; loss of key customer accounts; the ability to successfully develop prAna's brand and business globally; 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 significant disruptions to our business; 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; unfavorable economic conditions generally and weakness in consumer confidence and spending rates; 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 the cost of raw materials, such as cotton, natural down, 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; 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, cyberattacks, 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,	
	2014	2013
Current Assets:		
Cash and cash equivalents	\$ 367,165	\$ 340,428
Short-term investments	27,238	90,181
Accounts receivable, net	204,527	180,937
Inventories, net	456,448	423,765
Deferred income taxes	52,202	47,884
Prepaid expenses and other current assets	42,551	47,074
Total current assets	<u>1,150,131</u>	<u>1,130,269</u>
Property, plant and equipment, net	291,270	273,016
Intangibles and other non-current assets	243,890	73,749
Total assets	<u>\$1,685,291</u>	<u>\$1,477,034</u>
Current Liabilities:		
Accounts payable	\$ 239,906	\$ 185,984
Accrued liabilities	104,332	84,878
Income taxes payable	3,315	3,895
Deferred income taxes	66	18
Total current liabilities	<u>347,619</u>	<u>274,775</u>
Note payable to related party	15,734	—
Other long-term liabilities	43,973	42,803
Equity:		
Columbia Sportswear Company shareholders' equity	1,269,971	1,151,631
Non-controlling interest	7,994	7,825
Total equity	<u>1,277,965</u>	<u>1,159,456</u>
Total liabilities and equity	<u>\$1,685,291</u>	<u>\$1,477,034</u>

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net sales	\$ 324,246	\$ 280,495	\$ 748,330	\$ 628,802
Cost of sales	<u>180,221</u>	<u>160,211</u>	<u>407,219</u>	<u>355,214</u>
Gross profit	144,025	120,284	341,111	273,588
	44.4%	42.9%	45.6%	43.5%
Selling, general and administrative expenses	162,196	131,935	325,555	274,838
Net licensing income	<u>1,182</u>	<u>1,654</u>	<u>2,906</u>	<u>3,981</u>
Income (loss) from operations	(16,989)	(9,997)	18,462	2,731
Interest income, net	384	215	623	347
Interest expense on note payable to related party	(277)	—	(487)	—
Other non-operating expense	<u>(149)</u>	<u>(473)</u>	<u>(505)</u>	<u>(1,103)</u>
Income (loss) before income tax	(17,031)	(10,255)	18,093	1,975
Income tax benefit (expense)	<u>10,293</u>	<u>2,925</u>	<u>(1,155)</u>	<u>797</u>
Net income (loss)	(6,738)	(7,330)	16,938	2,772
Net income (loss) attributable to non-controlling interest	<u>(409)</u>	<u>(253)</u>	<u>1,012</u>	<u>(253)</u>
Net income (loss) attributable to Columbia Sportswear Company	<u>\$ (6,329)</u>	<u>\$ (7,077)</u>	<u>\$ 15,926</u>	<u>\$ 3,025</u>
Earnings (loss) per share attributable to Columbia Sportswear Company:				
Basic	\$ (0.18)	\$ (0.21)	\$ 0.46	\$ 0.09
Diluted	(0.18)	(0.21)	0.45	0.09
Weighted average shares outstanding:				
Basic	34,958	34,353	34,834	34,260
Diluted	34,958	34,353	35,301	34,561

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

	Six Months Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 16,938	\$ 2,772
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,234	19,891
Loss on disposal or impairment of property, plant and equipment	229	299
Deferred income taxes	5,601	3,185
Stock-based compensation	5,208	4,282
Excess tax benefit from employee stock plans	(3,951)	(925)
Changes in operating assets and liabilities:		
Accounts receivable	112,340	153,383
Inventories	(114,716)	(60,449)
Prepaid expenses and other current assets	(7,357)	(8,446)
Other assets	297	116
Accounts payable and accrued liabilities	36,994	19,928
Income taxes payable	(13,596)	1,017
Other liabilities	1,733	650
Net cash provided by operating activities	<u>62,954</u>	<u>135,703</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of business, net of cash acquired	(188,467)	—
Net sales (purchases) of short-term investments	64,735	(44,849)
Capital expenditures	(24,964)	(31,502)
Proceeds from sale of property, plant, and equipment	16	45
Net cash used in investing activities	<u>(148,680)</u>	<u>(76,306)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from credit facilities	1,045	4,075
Repayments on credit facilities	(1,045)	(4,231)
Proceeds from issuance of common stock under employee stock plans	19,017	11,050
Tax payments related to restricted stock unit issuances	(2,881)	(2,019)
Excess tax benefit from employee stock plans	3,951	925
Proceeds from related party note payable	16,072	—
Capital contribution from non-controlling interest	—	8,000
Cash dividends paid	(19,556)	(15,081)
Net cash provided by financing activities	<u>16,603</u>	<u>2,719</u>
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>(1,201)</u>	<u>(12,469)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(70,324)</u>	<u>49,647</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>437,489</u>	<u>290,781</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 367,165</u>	<u>\$ 340,428</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING ACTIVITIES:		
Capital expenditures incurred but not yet paid	\$ 8,145	\$ 3,885

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

	<u>Three Months Ended June 30,</u>			<u>Six Months Ended June 30,</u>		
	<u>2014</u>	<u>2013</u>	<u>% Change</u>	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Geographical Net Sales:						
United States	\$146.3	\$139.8	5%	\$387.5	\$340.3	14%
Latin America & Asia Pacific	96.1	81.2	18%	212.9	164.3	30%
Europe, Middle East, & Africa	72.9	53.1	37%	112.1	94.0	19%
Canada	8.9	6.4	39%	35.8	30.2	19%
Total	<u>\$324.2</u>	<u>\$280.5</u>	16%	<u>\$748.3</u>	<u>\$628.8</u>	19%
Categorical Net Sales:						
Apparel, Accessories and Equipment	\$263.0	\$235.7	12%	\$616.7	\$530.0	16%
Footwear	61.2	44.8	37%	131.6	98.8	33%
Total	<u>\$324.2</u>	<u>\$280.5</u>	16%	<u>\$748.3</u>	<u>\$628.8</u>	19%
Brand Net Sales:						
Columbia	\$291.0	\$252.5	15%	\$667.0	\$553.6	20%
Mountain Hardware	21.8	22.5	(3)%	54.2	54.6	(1)%
Sorel	3.0	2.9	3%	15.9	15.3	4%
prAna	5.5	—	—	5.5	—	—
Other	2.9	2.6	12%	5.7	5.3	8%
Total	<u>\$324.2</u>	<u>\$280.5</u>	16%	<u>\$748.3</u>	<u>\$628.8</u>	19%

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14375 NW Science Park Drive
Portland, OR 97229
July 24, 2014

**CFO Commentary on Second Quarter 2014 Financial Results
and Upward-Revised 2014 Financial Outlook**

Related Information

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

Conference Call

The company will host a conference call on Thursday, July 24, 2014 at 5:00 p.m. ET to review second quarter results and its upward-revised FY2014 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 24, 2015.

Summary

Several significant factors affected the company's second quarter 2014 financial results, financial position and comparisons to second quarter 2013, including:

- The company's previously announced acquisition of prAna Living LLC for \$188.5 million, net of acquired cash, which closed on May 30, 2014;
- Inclusion of the financial results of a China joint venture that commenced January 1, 2014;
- Increased depreciation and operating costs associated with the U.S. ERP implementation that occurred in April 2014; and
- A non-recurring tax benefit of \$5.6 million, or \$0.16 per diluted share, reflecting the favorable impact resulting from the resolution of specific uncertain tax positions.

These factors are reflected in the financial results reported herein except where specifically noted otherwise.

Second quarter consolidated net sales increased \$43.7 million, or 16 percent, to a second-quarter record \$324.2 million, compared with net sales of \$280.5 million for the second quarter of 2013. Second quarter 2014 net sales included incremental net sales of \$23.1 million from the company's new China joint venture (JV) and \$5.5 million from the newly-acquired prAna brand. Favorable changes in foreign currency exchange rates contributed less than 1 percentage point to net sales growth.

Gross margin expanded approximately 150 basis points to 44.4 percent of sales. Selling, general & administrative (SG&A) expenses increased \$30.3 million, or 23 percent, and represented 50.0 percent of sales compared with 47.0 percent of sales in last year's second quarter.

Second quarter 2014 operating loss totaled \$17.0 million, compared to operating loss of \$10.0 million in last year's second quarter. Net loss totaled \$6.3 million, or \$(0.18) per share, compared to second

quarter 2013 net loss of \$7.1 million, or \$(0.21) per share. The effective income tax rate for the second quarter of 2014 was 60.4 percent, compared to 28.5 percent for the second quarter of 2013. During the second quarter of 2014, we recorded a non-recurring tax benefit of \$5.6 million, or \$0.16 per diluted share, to reflect the favorable impact resulting from the resolution of specific uncertain tax positions. We continue to forecast a full year tax rate of approximately 27.0 percent.

Our updated full year 2014 financial outlook, including the effects of the prAna acquisition, anticipates:

- a 19 to 21 percent increase in net sales to between \$2.01 billion and \$2.04 billion;
- operating income to increase up to 28 percent compared with 2013 operating income, to between \$161 million and \$168 million, including prAna operating results, approximately \$3.4 million of prAna acquisition costs, and approximately \$8.0 million in purchase accounting amortization and integration costs related to the acquisition of prAna;
- operating margin of up to 8.3 percent, compared with 2013 operating margin of 7.8 percent, which included a non-cash asset impairment charge of approximately \$9.0 million;
- net income after non-controlling interest of between \$114 million and \$120 million, or \$3.22 to \$3.38 per diluted share, compared with full year 2013 net income after non-controlling interest of \$94.3 million, or \$2.72 per diluted share;

The **Updated 2014 Financial Outlook** section beginning on page 6 below contains a more detailed discussion of the factors contributing to this outlook and includes comparisons of anticipated 2014 and actual 2013 operating results, adjusted for non-recurring and exceptional items.

Second Quarter Financial Results

(All comparisons are between second quarter 2014 and second quarter 2013, unless otherwise noted.)

The second quarter is the company's smallest revenue quarter, historically accounting for a mid-teens percentage 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.

Net Sales

Consolidated net sales increased \$43.7 million, or 16 percent, to a second-quarter record \$324.2 million, compared with \$280.5 million, with all four geographic regions contributing growth. Changes in foreign currency exchange rates benefited consolidated second quarter sales comparisons by less than 1 percent.

Regions

- U.S. net sales increased \$6.5 million, or 5 percent, to \$146.3 million, driven by increased direct-to-consumer (DTC) sales, largely offset by lower wholesale sales. U.S. net sales included \$5.5 million of incremental prAna net sales. The decrease in wholesale sales primarily reflected a timing shift of approximately \$13 million of advance Spring wholesale orders originally scheduled for shipment during the second quarter of 2014. At the request of certain customers, these orders were shipped in the first quarter of 2014 in order to mitigate risks associated with the company's U.S. ERP implementation, which occurred in early April. The company operated 79 U.S. retail stores (66 outlet, 13 branded including 5 prAna) during the second quarter of 2014, compared with 65 stores (57 outlet, 8 branded) during the same period in 2013, plus 5 branded ecommerce sites.

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- Net sales in the LAAP region increased \$14.9 million, or 18 percent, to \$96.1 million, including a neutral effect from changes in currency exchange rates. Incremental sales of \$23.1 million from the company's new China JV more than offset lower net sales to LAAP distributors resulting from on-going currency constraints that have severely restricted trade in Venezuela. Net sales declined in Korea, where the market has become highly competitive and increasingly promotional, partially offset by a benefit from 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 increased \$19.8 million, or 37 percent, to \$72.9 million, including a 2 percentage point benefit from changes in currency exchange rates. Increased net sales to EMEA distributors reflected a favorable timing shift into the second quarter of shipments of increased Fall 2014 advance orders. Net sales also increased in EMEA direct markets, reflecting strengthening of the company's Columbia brand in those markets and a benefit from favorable changes in currency exchange rates.
 - Net sales in Canada increased \$2.5 million, or 39 percent, to \$8.9 million, including a 10 percentage point negative effect from changes in currency exchange rates. The sales growth reflected increased wholesale and DTC sales, partially offset by a timing shift of approximately \$1 million of advance Spring wholesale orders shipped in the first quarter of 2014 at the request of certain customers in advance of the company's ERP implementation, which occurred in early April.

Brands

- Columbia brand net sales increased \$38.5 million, or 15 percent, to \$291.0 million. Incremental sales from the China JV, increased sales to EMEA distributors and increased U.S. DTC sales were partially offset by lower North American wholesale sales due to a timing shift of shipments of Spring 2014 advance orders, and lower sales to LAAP distributors.
- Mountain Hardwear brand net sales decreased \$0.7 million, or 3 percent, to \$21.8 million, primarily reflecting lower sales in Korea, partially offset by increased sales in the EMEA and Canada regions.
- prAna contributed \$5.5 million of incremental net sales, representing activity for the month of June, following its acquisition on May 30, 2014.
- Sorel brand net sales increased \$0.1 million, or 3 percent, to \$3.0 million, during its seasonally low period.

Product Categories

- Global Apparel, Accessories & Equipment net sales increased \$27.3 million, or 12 percent, to \$263.0 million, primarily due to increased Columbia brand net sales.
- Global Footwear net sales increased \$16.4 million, or 37 percent, to \$61.2 million, consisting primarily of higher Columbia brand net sales.

Gross Margin

Second quarter 2014 gross margins expanded 150 basis points to 44.4 percent, primarily reflecting:

- a more favorable mix of full-price/off-price U.S. wholesale sales,
- a less promotional U.S. DTC environment, and
- the effect of including in gross margin amounts that were previously recognized as licensing income prior to commencement of the China JV,

partially offset by:

- a higher proportion of sales to international distributors, which carry lower gross margins than wholesale and direct to consumer channels, and
- Unfavorable foreign currency hedge rates.

Selling, General and Administrative (SG&A) Expense

Second quarter 2014 SG&A expense increased \$30.3 million, or 23 percent, to \$162.2 million, or 50.0 percent of net sales, compared to 47.0 percent of net sales in last year's second quarter.

The increase was primarily the result of:

- incremental operating costs associated with the China JV,
- increased operating costs of our new ERP and related IT initiatives,
- incremental operating costs associated with the prAna brand for the month of June,
- non-recurring transaction costs and amortization of certain acquired assets related to the prAna acquisition,
- increased expenses related to the company's expanding DTC operations, and
- increased incentive compensation costs.

Our new ERP system and multiple ancillary systems went live in the U.S. in early April 2014, as phase 2 of a multi-year, global ERP implementation. We now have our North American wholesale business and the majority of our global supply chain operations functioning on the new platform. As a result, elevated SG&A expenses related to the April ERP go-live, comprising increased depreciation expense and reduced capitalization of ongoing implementation costs, commenced in the second quarter of 2014. We expect continued global ERP investments to enable improved supply chain efficiencies and inventory utilization, which we expect to positively affect operating cash flow and gross margins over time. The implementation occurred after the heaviest shipping period of our spring season and prior to the start of our larger fall wholesale and DTC season. We have been receiving and shipping inventory, invoicing customers, collecting receivables and paying vendors at volumes typical for this time of year, and are now entering our highest seasonal shipping period during the third quarter.

Operating Loss

Consolidated operating loss totaled \$17.0 million, or (5.2) percent of net sales, compared with second quarter 2013 operating loss of \$10.0 million, or (3.6) percent of net sales.

Excluding prAna's operating results for the month of June, as well as \$3.4 million of non-recurring transaction costs and approximately \$1.3 million of amortization of certain acquired assets and other integration costs related to the prAna acquisition, adjusted second quarter 2014 net operating loss totaled \$12.5 million, or (3.9) percent of net sales.

Income Tax Benefit

The effective income tax rate for the second quarter of 2014 was 60.4 percent, compared to 28.5 percent for the second quarter of 2013. During the second quarter of 2014, we realized a non-recurring tax benefit of \$5.6 million, or \$0.16 per diluted share, to reflect the favorable impact resulting from the resolution of specific uncertain tax positions. We continue to forecast a full year tax rate of approximately 27.0 percent.

Net Loss

Consolidated net loss totaled \$6.3 million, or \$(0.18) per diluted share, compared with a net loss of \$7.1 million, or \$(0.21) per diluted share, in the second quarter of 2013.

Adjusted second quarter 2014 net loss totaled \$9.1 million, or \$(0.26) per diluted share, excluding:

- prAna's operating results for the month of June,
- non-recurring transaction costs of \$3.4 million, and
- amortization of certain acquired assets and other integration costs of approximately \$1.3 million,

which, combined, equate to approximately \$(0.08) per share net of tax, and also excluding

- the non-recurring tax benefit of \$5.6 million, or \$0.16 per diluted share.

Balance Sheet

During the second quarter, the company completed its previously announced acquisition of prAna Living LLC for \$188.5 million, net of acquired cash. At June 30, 2014, cash and short-term investments totaled \$394.4 million, compared to \$430.6 million at the same time last year. At June 30, 2014, approximately 54 percent of cash and short-term investments was 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, 2014 totaled \$204.5 million, a 13 percent increase on a 16 percent sales increase. Consolidated Days Sales Outstanding (DSO) at June 30, 2014 stood at 57 days, a decrease of 1 day compared with June 30, 2013.

Consolidated inventories of \$456.4 million at June 30, 2014 increased \$32.7 million, or 8 percent, compared to June 30, 2013.

Year-to-Date 2014 Cash Flow

Net cash provided by operations in the first half of 2014 was \$63.0 million, compared to \$135.7 million in the first half of 2013. The \$72.7 million decrease in operating cash flow was due primarily to increased inventory purchases and lower collections of receivables, partially offset by increased net income.

Capital expenditures through the first half of 2014 totaled \$25.0 million, compared to \$31.5 million in the first half of 2013. Capital expenditures in both periods were concentrated in the company's ongoing global ERP system implementation and related projects, as well as expansion of DTC operations.

The company paid regular quarterly cash dividends of \$19.6 million during the first half of 2014 and made no repurchases of common stock. Approximately \$58.6 million remains available under the current repurchase authorization.

Regular Quarterly Cash Dividend

At its regular board meeting on July 18, 2014, the board of directors authorized a regular quarterly cash dividend of \$0.28 per share, payable on August 28, 2014 to shareholders of record on August 14, 2014.

Two-for-One Stock Split

The board of directors also authorized a two-for-one stock split in the form of a 100 percent stock dividend, payable on September 26, 2014 to shareholders of record after the close of business on September 8, 2014.

Updated 2014 Financial Outlook

Our objective in providing a forward-looking financial outlook is to help investors understand our business and the variables that we consider when planning our business and evaluating our own performance.

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. However, among many risks inherent in our global business, our projected full year sales and profitability may be materially affected by unfavorable weather patterns and other factors that 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 DTC channels, particularly during the fourth quarter.

(Note: All per-share amounts in the following outlook are based on outstanding shares prior to the effect of the pending two-for-one stock split scheduled to take effect after the close of business on September 26, 2014.)

Anticipated Fiscal 2014 Effects of prAna Acquisition

During the second quarter, the company completed its previously announced acquisition of prAna Living LLC for \$188.5 million, net of acquired cash. The company expects to recognize incremental prAna net sales of approximately \$55 million during fiscal year 2014, which is expected to contribute low double-digit operating margin to Columbia's consolidated 2014 results, excluding one-time transaction costs of approximately \$3.4 million and purchase accounting amortization and other integration costs expected to total approximately \$8.0 million during 2014 which, combined, are expected to equate to approximately \$7.1 million net of tax, or \$(0.20) per diluted share.

Consolidated FY2014 Financial Outlook

Including prAna's anticipated operating results for the June through December period, as well as the non-recurring transaction costs and amortization of certain acquired assets and other integration costs described above, we expect our full year 2014 financial results to include:

- global net sales of approximately \$2.01 billion to \$2.04 billion, representing 19 to 21 percent growth over 2013 net sales of \$1.68 billion;
- gross margin expansion of up to 75 basis points compared with 2013;
- SG&A expense leverage of up to 20 basis points compared with 2013;
- licensing income of approximately \$6 million;
- operating margin up to 8.3 percent, compared with 2013 operating margin of 7.8 percent;
- adjusted operating margin of 8.8 percent, excluding prAna's anticipated operating results, and approximately \$3.4 million of non-recurring transaction costs and \$8.0 million in amortization of certain acquired assets and other integration costs related to the prAna acquisition, compared to 2013 adjusted operating margin of 8.4 percent, which excludes a \$9.0 million non-cash asset impairment charge;

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- a full year tax rate of approximately 27.0 percent, which could differ based on the resolution and status of tax uncertainties, the geographic mix of pre-tax income, and other discrete events that may occur during the year;
 - net income after non-controlling interest of approximately \$114 million to \$120 million, or \$3.22 to \$3.38 per diluted share, compared to \$94.3 million, or \$2.72 per diluted share, in 2013. Fiscal year 2014 net income includes the expected effects of:
 - one-time acquisition costs and first-year purchase accounting amortization and integration costs related to the prAna acquisition totaling approximately \$7.1 million net of tax, or \$(0.20) per diluted share;
 - approximately \$0.15 incremental diluted earnings per share from the new China JV, after interest, taxes and non-controlling interest;
 - inventory expected to increase in the second half of the year at a rate slower than anticipated sales growth, including incremental China JV and prAna inventory;
 - capital expenditures of approximately \$65 to \$70 million, comprising investments in DTC business expansion, ERP and IT-related initiatives, and other project-based and maintenance capital.

FY 2014 Outlook Assumptions Related to Existing/Organic Brand Portfolio

The consolidated fiscal year 2014 outlook below excludes the anticipated effects of the prAna acquisition:

- net sales growth of approximately 16 to 18 percent compared to 2013, including:
 - increased sales in the LAAP region consisting primarily of approximately \$155 million in incremental sales from the new China JV, which we expect to contribute high single-digit operating margin. That increase is expected to be partially offset by the effects of continuing currency constraints in Venezuela, import restrictions in Argentina, and lower sales in Korea;
 - increased sales in the U.S. and Canada, driven by renewed growth in our wholesale businesses combined with growth from our DTC businesses; and
 - increased sales in the EMEA region, primarily reflecting increased sales to EMEA distributors, coupled with renewed growth in our European direct business.
- gross margin expansion of up to 75 basis points compared with 2013, reflecting:
 - the addition of China JV wholesale and retail sales, which are anticipated to carry higher gross margins than our previous China distributor business, including recording in gross margin amounts previously reported as licensing income;
 - a higher proportion of wholesale sales, which generate higher gross margins than sales to international distributors; and
 - a higher proportion of full-price product sales, reflecting less close-out/excess inventory;

partially offset by:

- unfavorable foreign currency hedge rates.
- SG&A expense leverage of up to 75 basis points compared with 2013. The implied increase in projected SG&A expenses of approximately \$100 million consists primarily of:
 - approximately \$45 million of incremental operating costs of the China JV,

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- increased demand creation costs to approximately 5.1 percent of net sales compared to 4.6 percent of net sales in 2013, including planned marketing investments of approximately 10 percent of the China JV's net sales;
 - approximately \$20 million to support continued global expansion and operations of our DTC business;
 - approximately \$15 million of increased operating costs related to our new ERP and related systems in the U.S., which went live in April 2014; and
 - approximately \$10 million in increased personnel and other variable costs;

partially offset by:

- anticipated non-recurrence of asset impairment charges recognized in 2013; and
- favorable foreign currency exchange translation.

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 expenses and leverage, operating income, operating margins, operating cash flow, tax rates, effects of changes in foreign currency exchange rates, anticipated acquisition effects (including projected accretive earnings, operating margins, projected net sales, transaction and integration expenses, and purchase accounting amortization), licensing income, inventory levels, incremental diluted earnings per share, improved supply chain efficiencies, inventory utilization, market conditions, currency constraints, DTC business expansion, joint venture costs and results, asset impairment charges, tax rates, capital expenditures, global ERP platform implementation and related costs, and net income. 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, 2013 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: the ability to realize the forecasted benefits of the prAna acquisition on a timely basis or at all; the ability to combine Columbia's business operations with prAna successfully or in a timely and cost-efficient manner; the degree of business disruption to Columbia and/or to prAna that may result from the acquisition and related integration efforts; loss of key customer accounts; the ability to successfully develop prAna's brand and business globally; 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 significant disruptions to our business; 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; unfavorable economic conditions generally and weakness in consumer confidence and spending rates; the operations of our computer systems and third party computer systems; changes in international, federal and/or state tax policies and rates; 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 the cost of raw materials, such as cotton, natural down, 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; 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, cyberattacks, 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.