

COLUMBIA SPORTSWEAR CO

Form 10-Q

November 07, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended September 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-23939

COLUMBIA SPORTSWEAR COMPANY

(Exact name of registrant as specified in its charter)

Oregon

(State or other jurisdiction of
incorporation or organization)

14375 Northwest Science Park Drive

Portland, Oregon

(Address of principal executive offices)

(503) 985-4000

(Registrant's telephone number, including area code)

93-0498284

(IRS Employer
Identification Number)

97229

(Zip Code)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of Common Stock outstanding on October 24, 2014 was 69,686,802.

COLUMBIA SPORTSWEAR COMPANY
SEPTEMBER 30, 2014
INDEX TO FORM 10-Q

	PAGE NO.
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1 – Financial Statements – Columbia Sportswear Company (Unaudited)</u>	<u>2</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>2</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>3</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>21</u>
<u>Item 3 – Quantitative and Qualitative Disclosures About Market Risk</u>	<u>30</u>
<u>Item 4 – Controls and Procedures</u>	<u>30</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1 – Legal Proceedings</u>	<u>31</u>
<u>Item 1A – Risk Factors</u>	<u>31</u>
<u>Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>42</u>
<u>Item 6 – Exhibits</u>	<u>42</u>
<u>Signatures</u>	<u>44</u>

PART I. FINANCIAL INFORMATION

Item 1 – FINANCIAL STATEMENTS

COLUMBIA SPORTSWEAR COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	September 30, 2014	December 31, 2013	September 30, 2013
ASSETS			
Current Assets:			
Cash and cash equivalents	\$185,247	\$437,489	\$274,160
Short-term investments	537	91,755	29,049
Accounts receivable, net of allowance of \$7,778, \$8,282 and \$8,731, respectively	458,844	306,878	378,032
Inventories, net (Note 5)	494,795	329,228	410,111
Deferred income taxes	50,710	52,041	50,342
Prepaid expenses and other current assets	42,916	33,081	38,514
Total current assets	1,233,049	1,250,472	1,180,208
Property, plant and equipment, at cost, net of accumulated depreciation of \$346,929, \$326,380 and \$322,161, respectively	289,480	279,373	280,682
Intangible assets, net (Notes 3, 6)	146,184	36,288	36,620
Goodwill (Notes 3, 6)	68,594	14,438	14,438
Other non-current assets	24,570	25,017	22,354
Total assets	\$1,761,877	\$1,605,588	\$1,534,302
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term borrowings	\$2,185	\$—	\$—
Accounts payable	218,804	173,557	141,755
Accrued liabilities (Note 7)	140,660	120,397	119,654
Income taxes payable	18,922	7,251	9,257
Deferred income taxes	39	49	67
Total current liabilities	380,610	301,254	270,733
Note payable to related party (Note 15)	15,897	—	—
Income taxes payable	5,196	13,984	14,355
Deferred income taxes	218	7,959	1,849
Other long-term liabilities	33,421	29,527	27,643
Total liabilities	435,342	352,724	314,580
Commitments and contingencies (Note 13)			
Columbia Sportswear Company Shareholders' Equity:			
Preferred stock; 10,000 shares authorized; none issued and outstanding	—	—	—
Common stock (no par value); 250,000 shares authorized; 70,047, 69,190 and 68,956 issued and outstanding, respectively (Note 10)	79,029	52,325	44,371
Retained earnings	1,209,934	1,157,733	1,129,636
Accumulated other comprehensive income (Note 9)	27,096	35,360	37,905
Total Columbia Sportswear Company shareholders' equity	1,316,059	1,245,418	1,211,912
Non-controlling interest (Note 4)	10,476	7,446	7,810
Total equity	1,326,535	1,252,864	1,219,722
Total liabilities and equity	\$1,761,877	\$1,605,588	\$1,534,302

See accompanying notes to condensed consolidated financial statements.

COLUMBIA SPORTSWEAR COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September		Nine Months Ended September		
	30,		30,		
	2014	2013	2014	2013	
Net sales	\$675,296	\$523,084	\$1,423,626	\$1,151,886	
Cost of sales	368,515	290,735	775,734	645,949	
Gross profit	306,781	232,349	647,892	505,937	
Selling, general and administrative expenses	210,659	162,951	536,214	437,789	
Net licensing income	2,160	7,501	5,066	11,482	
Income from operations	98,282	76,899	116,744	79,630	
Interest income, net	238	56	861	403	
Interest expense on note payable to related party	(282	) —	(769) —	
Other non-operating income (expense)	666	417	161	(686)
Income before income tax	98,904	77,372	116,997	79,347	
Income tax expense	(30,972) (22,822) (32,127) (22,025)
Net income	67,932	54,550	84,870	57,322	
Net income (loss) attributable to non-controlling interest	2,288	(36) 3,300	(289)
Net income attributable to Columbia Sportswear Company	\$65,644	\$54,586	\$81,570	\$57,611	
Earnings per share attributable to Columbia Sportswear Company (Note 10):					
Basic	\$0.94	\$0.79	\$1.17	\$0.84	
Diluted	0.93	0.79	1.15	0.83	
Cash dividends per share	\$0.14	\$0.11	\$0.42	\$0.33	
Weighted average shares outstanding (Note 10):					
Basic	70,093	68,904	69,811	68,650	
Diluted	70,818	69,506	70,693	69,280	

See accompanying notes to condensed consolidated financial statements.

COLUMBIA SPORTSWEAR COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2014	2013	2014	2013
Net income	\$67,932	\$54,550	\$84,870	\$57,322
Other comprehensive income (loss):				
Unrealized holding gains (losses) on available-for-sale securities (net of tax expense of \$1, \$0, \$2 and \$4, respectively)	—	(9	) 4	7
Unrealized gains (losses) on derivative transactions (net of tax benefit (expense) of (\$924), \$1,372, (\$183), and \$223, respectively)	5,098	(3,204	) 4,289	(1,606
Foreign currency translation adjustments (net of tax benefit (expense) of \$590, (\$308), \$613 and (\$210), respectively)	(15,883	) 11,114	(12,827	) (7,060
Other comprehensive income (loss)	(10,785	) 7,901	(8,534	) (8,659
Comprehensive income	57,147	62,451	76,336	48,663
Comprehensive income (loss) attributable to non-controlling interest	2,482	(15	) 3,030	(190
Comprehensive income attributable to Columbia Sportswear Company	\$54,665	\$62,466	\$73,306	\$48,853

See accompanying notes to condensed consolidated financial statements.

COLUMBIA SPORTSWEAR COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net income	\$84,870	\$57,322
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	38,625	30,337
Loss on disposal or impairment of property, plant, and equipment	350	370
Deferred income taxes	82	2,173
Stock-based compensation	8,136	6,532
Excess tax benefit from employee stock plans	(4,029)	(1,083)
Changes in operating assets and liabilities:		
Accounts receivable	(139,578)	(43,712)
Inventories	(163,874)	(46,795)
Prepaid expenses and other current assets	(7,990)	114
Other assets	303	330
Accounts payable	44,775	(1,521)
Accrued liabilities	23,957	11,654
Income taxes payable	1,846	7,530
Other liabilities	3,998	472
Net cash provided by (used in) operating activities	(108,529)	23,723
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(188,467)	—
Purchases of short-term investments	(21,471)	(61,286)
Sales of short-term investments	112,895	77,166
Capital expenditures	(42,843)	(49,157)
Proceeds from sale of property, plant, and equipment	58	49
Net cash used in investing activities	(139,828)	(33,228)
Cash flows from financing activities:		
Proceeds from credit facilities	15,287	36,896
Repayments on credit facilities	(12,999)	(37,052)
Proceeds from issuance of common stock under employee stock plans	19,293	14,199
Tax payments related to restricted stock unit issuances	(2,969)	(2,144)
Excess tax benefit from employee stock plans	4,029	1,083
Repurchase of common stock	(7)	—
Proceeds from note payable to related party	16,072	—
Capital contribution from non-controlling interest	—	8,000
Cash dividends paid	(29,369)	(22,665)
Net cash provided by (used in) financing activities	9,337	(1,683)
Net effect of exchange rate changes on cash	(13,222)	(5,433)
Net decrease in cash and cash equivalents	(252,242)	(16,621)
Cash and cash equivalents, beginning of period	437,489	290,781
Cash and cash equivalents, end of period	\$185,247	\$274,160
Supplemental disclosures of cash flow information:		
Cash paid during the period for income taxes	\$28,040	\$7,867
Supplemental disclosures of non-cash investing and financing activities:		

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Capital expenditures incurred but not yet paid	\$5,796	\$1,259
Repurchase of common stock not yet paid	1,950	—
See accompanying notes to condensed consolidated financial statements.		

COLUMBIA SPORTSWEAR COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1—BASIS OF PRESENTATION AND ORGANIZATION

The accompanying unaudited condensed consolidated financial statements have been prepared by the management of Columbia Sportswear Company (together with its wholly owned subsidiaries and entities in which it maintains a controlling financial interest, the "Company") and in the opinion of management include all normal recurring material adjustments necessary to present fairly the Company's financial position as of September 30, 2014 and 2013, the results of operations for the three and nine months ended September 30, 2014 and 2013 and cash flows for the nine months ended September 30, 2014 and 2013. The December 31, 2013 financial information was derived from the Company's audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. A significant part of the Company's business is of a seasonal nature; therefore, results of operations for the three and nine months ended September 30, 2014 are not necessarily indicative of results to be expected for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission.

The Company, however, believes that the disclosures contained in this report comply with the requirements of Section 13(a) of the Securities Exchange Act of 1934 for a Quarterly Report on Form 10-Q and are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

On September 26, 2014, the Company completed a two-for-one stock split paid in the form of a 100% stock dividend. All references made to share or per share amounts in the accompanying condensed consolidated financial statements and notes thereto have been retroactively adjusted to reflect the stock split.

Principles of consolidation:

The condensed consolidated financial statements include the accounts of Columbia Sportswear Company, its wholly owned subsidiaries and entities in which it maintains a controlling financial interest. All significant intercompany balances and transactions have been eliminated in consolidation.

Estimates and assumptions:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumptions. Some of these more significant estimates relate to revenue recognition, including sales returns and miscellaneous claims from customers, allowance for doubtful accounts, excess, slow-moving and closeout inventories, product warranty, long-lived and intangible assets, goodwill, income taxes and stock-based compensation.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no significant changes to the Company's significant accounting policies as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Recent Accounting Pronouncements:

In March 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. This ASU provides clarification regarding the release of any cumulative translation adjustment when the parent ceases to have a controlling financial interest in a business or group of assets held within a foreign entity. The amendment is effective on a prospective basis for interim and annual periods beginning after December 15, 2013. The Company adopted the new guidance as of January 1, 2014. The adoption of this standard did not have a material

effect on the Company's financial position, results of operations or cash flows.

6

COLUMBIA SPORTSWEAR COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers: Topic 606. This ASU outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. This accounting standard is effective for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Early adoption is not permitted. The Company is currently evaluating the impact this accounting standard will have on the Company's financial position, results of operations or cash flows.

NOTE 3—BUSINESS ACQUISITION

On May 30, 2014, the Company purchased 100% of the equity interest in prAna Living LLC (“prAna”) for \$188,467,000 net of acquired cash of \$4,946,000. PrAna is a lifestyle apparel brand sold through approximately 1,400 select specialty and online retailers across North America, as well as through five company-owned retail stores, an e-commerce site and direct-mail catalogs. The acquisition of prAna strengthens and diversifies the Company's brand portfolio and generally offsets some of the more seasonal sales effects found within existing Columbia brands. The acquisition was funded with cash on hand.

PrAna contributed net sales of \$33,655,000 and net loss, including amortization of acquired assets, of \$443,000 to the Company from May 31, 2014 to September 30, 2014. In addition, the Company incurred transaction costs of \$3,382,000 during the nine months ended September 30, 2014. These acquisition and integration costs are included in Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations for the nine months ended September 30, 2014.

Purchase price allocation

Acquired assets and liabilities were recorded at estimated fair value as of the acquisition date. The excess of the purchase price over the estimated fair value of identifiable net assets resulted in the recognition of goodwill of \$54,156,000, all of which was assigned to the United States segment, and is attributable to future growth opportunities and any intangible assets that did not qualify for separate recognition. The goodwill is expected to be deductible for tax purposes.

The following table summarizes the preliminary estimated fair value of the net assets acquired and liabilities assumed and measurement period adjustments since May 30, 2014, the acquisition date (in thousands):

	Initial valuation at May 30, 2014	Measurement period adjustments	Adjusted preliminary valuation at September 30, 2014
Cash	\$4,946	\$—	\$4,946
Accounts receivable	10,021	—	10,021
Inventories	9,641	—	9,641
Other current assets	2,229	302	2,531
Property, plant and equipment	5,192	—	5,192
Acquired intangible assets	114,500	—	114,500
Other non-current assets	258	—	258
Total assets acquired	146,787	302	147,089
Accounts payable	2,803	—	2,803
Other current liabilities	5,390	(361)	5,029
Total liabilities assumed	8,193	(361)	7,832

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Net identifiable assets acquired	138,594	663	139,257
Goodwill	54,819	(663)) 54,156
Net assets acquired	\$193,413	\$—	\$193,413

The allocation of the purchase price is preliminary and is based upon valuation information available and estimates and assumptions made at September 30, 2014. The Company is still in the process of verifying data and finalizing information related

7

COLUMBIA SPORTSWEAR COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (Unaudited)

to the valuation and recording of property, plant and equipment, identified intangible assets, accrued liabilities and the resulting effects on the amount of recognized goodwill.

The following table sets forth the components of identifiable intangible assets and their estimated useful lives as of May 30, 2014, the acquisition date (in thousands, except for estimated useful lives, in years):

	Estimated fair value	Estimated useful life, in years
Trade name	\$88,000	Indefinite
Customer relationships	23,000	3-10 years
Order backlog	3,500	Less than 1 year
Total	\$114,500	

At the time of acquisition, the value of acquired inventory was increased by \$1,600,000 based on its estimated fair value. This valuation adjustment was charged to cost of sales in the second and third quarters of 2014.

Summary of Unaudited Pro forma Information

The following table reflects the unaudited pro forma consolidated results of operations for the periods presented, as though the acquisition of prAna had occurred on January 1, 2013 (in thousands):

	(Unaudited)			
	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Net sales	\$675,296	\$546,676	\$1,467,059	\$1,218,100
Net income attributable to Columbia Sportswear Company	67,492	56,175	89,146	58,765
Earnings per share attributable to Columbia Sportswear Company:				
Basic	\$0.96	\$0.82	\$1.28	\$0.86
Diluted	0.95	0.81	1.26	0.85

The unaudited pro forma financial information is presented for illustrative purposes only and is not indicative of the results of operations that would have been realized if the acquisition had been completed on the date indicated, nor is it indicative of future operating results. The unaudited pro forma consolidated net income includes differences in the amount and timing of amortization of acquired intangible assets and the fair value adjustment for acquired inventory. As a result, under the assumed pro forma acquisition date of January 1, 2013, net income for the nine months ended September 30, 2014 and 2013 includes pre-tax purchase accounting amortization of \$2,863,000 and \$7,963,000, respectively. The pro forma net income attributable to the Company excludes nonrecurring transaction costs of \$3,382,000. The pro forma results also do not include, among other items, the effects of anticipated synergies from combining the two companies or differences in the combined Company's operating cost structure.

NOTE 4—NON-CONTROLLING INTEREST

The Company owns a 60% controlling interest in a joint venture formed with Swire Resources, Limited ("Swire") to support the development and operation of the Company's business in China. The joint venture was in a formation and start-up phase during 2013 and began operations on January 1, 2014. The accounts of the joint venture are included in the Condensed Consolidated Balance Sheets as of September 30, 2014 and 2013, and December 31, 2013. Swire's share of net income (loss) from the joint venture is included in Net income (loss) attributable to non-controlling interest in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and 2013. The non-controlling equity interest in this entity is included in total equity as Non-controlling interest on the Condensed Consolidated Balance Sheets as of September 30, 2014 and 2013, and December 31, 2013.

The following table presents the changes in Columbia Sportswear Company shareholders' equity and non-controlling interest for the nine months ended September 30, 2014 (in thousands, except per share amounts):

8

COLUMBIA SPORTSWEAR COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (Unaudited)

	Columbia Sportswear Company	Non-Controlling Interest	Total
Balance at December 31, 2013	\$ 1,245,418	\$ 7,446	\$ 1,252,864
Net income	81,570	3,300	84,870
Other comprehensive income (loss), net of tax:			
Unrealized holding gains on available-for-sale securities	4	—	4
Derivative holding losses	4,289	—	4,289
Foreign currency translation adjustments	(12,557	) (270	) (12,827
Cash dividends (\$0.42 per share)	(29,369	) —	(29,369
Issuance of common stock under employee stock plans, net	16,324	—	16,324
Tax adjustment from stock plans	4,201	—	4,201
Stock-based compensation expense	8,136	—	8,136
Repurchase of common stock	(1,957	) —	(1,957
Balance at September 30, 2014	\$ 1,316,059	\$ 10,476	\$ 1,326,535

The following table presents the changes in Columbia Sportswear Company shareholders' equity and non-controlling interest for the nine months ended September 30, 2013 (in thousands, except per share amounts):

	Columbia Sportswear Company	Non-Controlling Interest	Total
Balance at December 31, 2012	\$ 1,166,167	\$ —	\$ 1,166,167
Net income (loss)	57,611	(289	) 57,322
Other comprehensive income (loss), net of tax:			
Unrealized holding gains on available-for-sale securities	7	—	7
Derivative holding gains	(1,606	) —	(1,606
Foreign currency translation adjustments	(7,159	) 99	(7,060
Cash dividends (\$0.33 per share)	(22,665	) —	(22,665
Issuance of common stock under employee stock plans, net	12,055	—	12,055
Capital contribution from non-controlling interest	—	8,000	8,000
Tax adjustment from stock plans	970	—	970
Stock-based compensation expense	6,532	—	6,532
Balance at September 30, 2013	\$ 1,211,912	\$ 7,810	\$ 1,219,722

NOTE 5—INVENTORIES, NET

Inventories are carried at the lower of cost or market. Cost is determined using the first-in, first-out method. The Company periodically reviews its inventory for excess, closeout and slow moving items and makes provisions as necessary to properly reflect inventory value.

Inventories, net, consisted of the following (in thousands):

	September 30, 2014	December 31, 2013	September 30, 2013
Raw materials	\$ 1,366	\$ 1,130	\$ 941
Work in process	549	1,203	1,271

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Finished goods	492,880	326,895	407,899
	\$494,795	\$329,228	\$410,111

9

COLUMBIA SPORTSWEAR COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (Unaudited)

NOTE 6—INTANGIBLE ASSETS, NET AND GOODWILL

Intangible assets that are determined to have finite lives include patents, purchased technology, customer relationships and order backlog and are amortized over their estimated useful lives, which range from less than one year to approximately 10 years, and are measured for impairment only when events or circumstances indicate the carrying value may be impaired. Goodwill and intangible assets with indefinite useful lives, including trademarks and trade names, are not amortized but are periodically evaluated for impairment.

Intangible assets

The following table summarizes the Company's identifiable intangible assets balance (in thousands):

	September 30, 2014	December 31, 2013	September 30, 2013
Intangible assets subject to amortization:			
Patents and purchased technology	\$ 14,198	\$ 14,198	\$ 14,198
Customer relationships	23,000	—	—
Order backlog	3,500	—	—
Gross carrying amount	40,698	14,198	14,198
Accumulated amortization:			
Patents and purchased technology	(6,329	) (5,331	) (4,999
Customer relationships	(1,272) —	—
Order backlog	(2,334) —	—
Total accumulated amortization	(9,935	) (5,331	) (4,999
Net carrying amount	30,763	8,867	9,199
Intangible assets not subject to amortization	115,421	27,421	27,421
Intangible assets, net	\$ 146,184	\$ 36,288	\$ 36,620

Amortization expense for intangible assets subject to amortization was \$3,037,000 and \$332,000 for the three months ended September 30, 2014 and 2013, respectively, and was \$4,604,000 and \$998,000 for the nine months ended September 30, 2014 and 2013, respectively. Annual amortization expense is estimated to be \$7,056,000 in 2014, \$5,147,000 in 2015 and 2016, \$3,883,000 in 2017 and \$2,980,000 in 2018.

Goodwill

Goodwill was \$68,594,000 at September 30, 2014, and \$14,438,000 at December 31, 2013 and September 30, 2013. During the nine months ended September 30, 2014, goodwill increased \$54,156,000, net of a remeasurement period adjustment of \$663,000, related to the prAna acquisition (see Note 3).

NOTE 7—PRODUCT WARRANTY

Some of the Company's products carry limited warranty provisions for defects in quality and workmanship. A warranty reserve is established at the time of sale to cover estimated costs based on the Company's history of warranty repairs and replacements and is recorded in cost of sales. The warranty reserve is included in Accrued liabilities in the Condensed Consolidated Balance Sheets.

A reconciliation of product warranties is as follows (in thousands):

COLUMBIA SPORTSWEAR COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Balance at beginning of period	\$10,680	\$9,665	\$10,768	\$10,209
Provision for warranty claims	1,088	1,154	3,242	3,938
Warranty claims	(542)	(806)	(2,807)	(3,976)
Other	(244)	126	(221)	(32)
Balance at end of period	\$10,982	\$10,139	\$10,982	\$10,139

NOTE 8—STOCK-BASED COMPENSATION

The Company's Stock Incentive Plan (the "Plan") allows for grants of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock units and other stock-based or cash-based awards. The majority of all stock options and restricted stock unit grants outstanding under the Plan were granted in the first quarter of each fiscal year.

Stock-based compensation expense consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Stock options	\$909	\$873	\$2,652	\$2,583
Restricted stock units	2,019	1,377	5,484	3,949
Total	\$2,928	\$2,250	\$8,136	\$6,532

Stock Options

The Company estimates the fair value of stock options using the Black-Scholes model. Key inputs and assumptions used to estimate the fair value of stock options include the exercise price of the award, the expected option term, the expected stock price volatility of the Company's stock over the option's expected term, the risk-free interest rate over the option's expected term, and the Company's expected annual dividend yield.

The following table presents the weighted average assumptions for stock options granted in the periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Expected option term	4.41 years	4.49 years	4.70 years	4.71 years
Expected stock price volatility	27.24%	26.87%	27.65%	30.63%
Risk-free interest rate	1.32%	1.01%	1.22%	0.70%
Expected annual dividend yield	1.49%	1.38%	1.34%	1.62%
Weighted average grant date fair value	\$7.84	\$6.52	\$8.72	\$6.17

During the nine months ended September 30, 2014 and 2013, the Company granted a total of 493,630 and 684,716 stock options, respectively. At September 30, 2014, unrecognized costs related to outstanding stock options totaled approximately \$6,553,000, before any related tax benefit. The unrecognized costs related to stock options are amortized over the related vesting period using the straight-line attribution method. Unrecognized costs related to stock options at September 30, 2014 are expected to be recognized over a weighted average period of 2.35 years.

Restricted Stock Units

The Company estimates the fair value of service-based and performance-based restricted stock units using the Black-Scholes model. Key inputs and assumptions used to estimate the fair value of restricted stock units include the vesting period, expected annual dividend yield and closing price of the Company's common stock on the date of grant.

The following table presents the weighted average assumptions for restricted stock units granted in the periods:

COLUMBIA SPORTSWEAR COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Vesting period	4.01 years	4.01 years	3.83 years	3.93 years
Expected annual dividend yield	1.49%	1.38%	1.33%	1.59%
Estimated average grant date fair value per restricted stock unit	\$35.47	\$30.14	\$39.02	\$25.99

During the nine months ended September 30, 2014 and 2013, the Company granted 268,499 and 295,180 restricted stock units, respectively. At September 30, 2014, unrecognized costs related to outstanding restricted stock units totaled approximately \$14,714,000, before any related tax benefit. The unrecognized costs related to restricted stock units are being amortized over the related vesting period using the straight-line attribution method. These unrecognized costs at September 30, 2014 are expected to be recognized over a weighted average period of 2.35 years.

NOTE 9—ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income, net of applicable taxes, reported on the Company's Condensed Consolidated Balance Sheets consists of unrealized holding gains and losses on available-for-sale securities, unrealized gains and losses on certain derivative transactions and foreign currency translation adjustments.

The following table sets forth the changes in accumulated other comprehensive income attributable to Columbia Sportswear Company, net of tax, for the three months ended September 30, 2014 (in thousands):

	Unrealized losses on available-for-sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at June 30, 2014	\$ (2)	\$435	\$37,642	\$38,075
Other comprehensive income (loss) before reclassifications	—	5,404	(16,077)	(10,673)
Amounts reclassified from other comprehensive income	—	(306)	—	(306)
Net other comprehensive income (loss) during the period	—	5,098	(16,077)	(10,979)
Balance at September 30, 2014	\$ (2)	\$5,533	\$21,565	\$27,096

The following table sets forth the changes in accumulated other comprehensive income attributable to Columbia Sportswear Company, net of tax, for the three months ended September 30, 2013 (in thousands):

	Unrealized gains (losses) on available-for-sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at June 30, 2013	\$ 7	\$4,103	\$25,915	\$30,025
Other comprehensive income (loss) before reclassifications	(9)	(951)	11,093	10,133
Amounts reclassified from other comprehensive income	—	(2,253)	—	(2,253)
Net other comprehensive income (loss) during the period	(9)	(3,204)	11,093	7,880
Balance at September 30, 2013	\$ (2)	\$899	\$37,008	\$37,905

The following table sets forth the changes in accumulated other comprehensive income attributable to Columbia Sportswear Company, net of tax, for the nine months ended September 30, 2014 (in thousands):

12

COLUMBIA SPORTSWEAR COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (Unaudited)

	Unrealized gains (losses) on available-for-sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at December 31, 2013	\$ (6)	\$ 1,244	\$ 34,122	\$ 35,360
Other comprehensive income (loss) before reclassifications	4	5,474	(12,557)	(7,079)
Amounts reclassified from other comprehensive income	—	(1,185)	—	(1,185)
Net other comprehensive income (loss) during the period	4	4,289	(12,557)	(8,264)
Balance at September 30, 2014	\$ (2)	\$ 5,533	\$ 21,565	\$ 27,096

The following table sets forth the changes in accumulated other comprehensive income attributable to Columbia Sportswear Company, net of tax, for the nine months ended September 30, 2013 (in thousands):

	Unrealized gains (losses) on available-for-sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at December 31, 2012	\$ (9)	\$ 2,505	\$ 44,167	\$ 46,663
Other comprehensive income (loss) before reclassifications	7	1,929	(7,159)	(5,223)
Amounts reclassified from other comprehensive income	—	(3,535)	—	(3,535)
Net other comprehensive income (loss) during the period	7	(1,606)	(7,159)	(8,758)
Balance at September 30, 2013	\$ (2)	\$ 899	\$ 37,008	\$ 37,905

All reclassification adjustments related to derivative transactions are recorded in Cost of sales on the Condensed Consolidated Statements of Operations. See Note 12 for further information regarding derivative instrument reclassification adjustments.

NOTE 10—EARNINGS PER SHARE

Earnings per share (“EPS”) is presented on both a basic and diluted basis. Basic EPS is based on the weighted average number of common shares outstanding. Diluted EPS reflects the potential dilution that could occur if outstanding securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted EPS, the basic weighted average number of shares is increased by the dilutive effect of stock options and restricted stock units determined using the treasury stock method.

A reconciliation of common shares used in the denominator for computing basic and diluted EPS is as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Weighted average shares of common stock outstanding, used in computing basic earnings per share	70,093	68,904	69,811	68,650
Effect of dilutive stock options and restricted stock units	725	602	882	630
	70,818	69,506	70,693	69,280

Weighted average shares of common stock outstanding,
used in computing diluted earnings per share

Earnings per share of common stock attributable to
Columbia Sportswear Company:

Basic	\$0.94	\$0.79	\$1.17	\$0.84
Diluted	0.93	0.79	1.15	0.83

Stock options and service-based restricted stock units representing 467,288 and 787,986 shares of common stock for the three months ended September 30, 2014 and 2013, respectively, and 380,716 and 1,172,440 shares of common stock for the nine months ended September 30, 2014 and 2013, respectively, were outstanding but were excluded from the computation of diluted

COLUMBIA SPORTSWEAR COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

EPS because their effect would be anti-dilutive as a result of applying the treasury stock method. In addition, performance-based restricted stock units representing 140,596 and 21,120 shares of common stock for the three months ended September 30, 2014 and 2013, respectively, and 107,347 and 21,120 shares of common stock for the nine months ended September 30, 2014 and 2013, respectively, were outstanding but were excluded from the computation of diluted EPS because these shares were subject to performance conditions that had not been met. Since the inception of the Company's stock repurchase plan in 2004 through September 30, 2014, the Company's Board of Directors has authorized the repurchase of \$500,000,000 of the Company's common stock. Shares of the Company's common stock may be purchased in the open market or through privately negotiated transactions, subject to market conditions. The repurchase program does not obligate the Company to acquire any specific number of shares or to acquire shares over any specified period of time. As of September 30, 2014, the Company had repurchased 19,241,156 shares under this program at an aggregate purchase price of approximately \$443,400,000. During the nine months ended September 30, 2014, the Company repurchased 54,600 shares of the Company's common stock at an aggregate purchase price of \$1,957,000, including \$1,950,000 not yet settled. During the nine months ended September 30, 2013, the Company did not repurchase any shares of the Company's common stock.

NOTE 11—SEGMENT INFORMATION

The Company operates in four geographic segments: (1) United States, (2) Latin America and Asia Pacific ("LAAP"), (3) Europe, Middle East and Africa ("EMEA") and (4) Canada, which are reflective of the Company's internal organization, management, and oversight structure. Each geographic segment operates predominantly in one industry: the design, development, marketing and distribution of outdoor and active lifestyle apparel, footwear, accessories and equipment. Intersegment net sales and intersegment profits, which are recorded at a negotiated mark-up and eliminated in consolidation, are not material. Unallocated corporate expenses consist of expenses incurred by centrally-managed departments, including global information systems, finance and legal, executive compensation, unallocated benefit program expense and other miscellaneous costs.

In the first quarter of 2014, the Company reclassified its segment reporting to reflect changes in its internal management and oversight structure. Certain marketing, product creation and administrative costs incurred by the Company's corporate offices, previously included in the United States segment, have been allocated to other geographic regions based on relevant operational metrics. Other such costs not directly or indirectly allocable to regional segments are now shown below as unallocated corporate expenses. Prior year amounts have been adjusted to match current year presentation.

COLUMBIA SPORTSWEAR COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (Unaudited)

The geographic distribution of the Company's net sales and income from operations are summarized in the following table (in thousands) for the three and nine months ended September 30, 2014 and 2013.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net sales to unrelated entities:				
United States	\$406,172	\$323,120	\$793,729	\$663,407
LAAP	123,538	71,968	336,451	236,297
EMEA	78,846	78,102	190,935	172,056
Canada	66,740	49,894	102,511	80,126
	\$675,296	\$523,084	\$1,423,626	\$1,151,886
Segment income from operations:				
United States	\$100,771	\$73,571	\$147,307	\$104,533
LAAP	19,259	11,975	45,746	33,889
EMEA	8,406	10,215	10,677	3,084
Canada	14,200	9,919	13,815	9,372
Total segment income from operations	142,636	105,680	217,545	150,878
Unallocated corporate expenses	(44,354)	(28,781)	(100,801)	(71,248)
Interest income, net	238	56	861	403
Interest expense on note payable to related party	(282)	—	(769)	—
Other non-operating income (expense)	666	417	161	(686)
Income before income taxes	\$98,904	\$77,372	\$116,997	\$79,347

NOTE 12—FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In the normal course of business, the Company's financial position and results of operations are routinely subject to a variety of risks. These risks include risks associated with financial markets, primarily currency exchange rate risk, and, to a lesser extent, interest rate risk and equity market risk. The Company regularly assesses these risks and has established policies and business practices designed to mitigate them. The Company does not engage in speculative trading in any financial market.

The Company actively manages the risk of changes in functional currency equivalent cash flows resulting from anticipated non-functional currency denominated purchases and sales. Subsidiaries that use European euros, Canadian dollars, Japanese yen or Korean won as their functional currency are primarily exposed to changes in functional currency equivalent cash flows from anticipated U.S. dollar inventory purchases. Subsidiaries that use U.S. dollars as their functional currency are primarily exposed to anticipated Canadian dollar denominated sales. The Company manages these risks by using currency forward contracts formally designated and effective as cash flow hedges. Hedge effectiveness is determined by evaluating the ability of a hedging instrument's cumulative change in fair value to offset the cumulative change in the present value of expected cash flows on the underlying exposures. For forward contracts, the change in fair value attributable to changes in forward points is excluded from the determination of hedge effectiveness and included in current cost of sales for hedges of anticipated U.S. dollar inventory purchases and in net sales for hedges of anticipated Canadian dollar sales. Hedge ineffectiveness was not material during the three and nine months ended September 30, 2014 and 2013.

The Company also uses currency forward contracts not formally designated as hedges to manage the consolidated currency exchange rate risk associated with the remeasurement of non-functional currency denominated monetary assets and liabilities by subsidiaries that use European euros, Canadian dollars, Japanese yen, Korean won or Chinese

renminbi as their functional currency. Non-functional currency denominated monetary assets and liabilities consist primarily of cash and cash equivalents, short-term investments, payables and intercompany loans. The gains and losses generated on these currency forward contracts not formally designated as hedges are expected to be largely offset in other non-operating income (expense), net by the gains and losses generated from the remeasurement of the non-functional currency denominated monetary assets and liabilities.

The following table presents the gross notional amount of outstanding derivative instruments (in thousands):

15

COLUMBIA SPORTSWEAR COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (Unaudited)

	September 30, 2014	December 31, 2013	September 30, 2013
Derivative instruments designated as cash flow hedges:			
Currency forward contracts	\$ 103,000	\$ 99,000	\$ 84,500
Derivative instruments not designated as cash flow hedges:			
Currency forward contracts	62,837	109,000	65,900

At September 30, 2014, approximately \$5,202,000 of deferred net gains on both outstanding and matured derivatives accumulated in other comprehensive income are expected to be reclassified to net income during the next twelve months as a result of underlying hedged transactions also being recorded in net income. Actual amounts ultimately reclassified to net income are dependent on U.S. dollar exchange rates in effect against the European euro, Canadian dollar, Japanese yen and Korean won when outstanding derivative contracts mature.

At September 30, 2014, the Company's derivative contracts had a remaining maturity of less than two years. All the counterparties to these transactions had both long-term and short-term investment grade credit ratings and as a result, the Company does not require collateral to facilitate transactions. The maximum net exposure to any single counterparty, which is generally limited to the aggregate unrealized gain of all contracts with that counterparty, was less than \$3,000,000 at September 30, 2014. The Company is a party to master netting arrangements that contain features that allow counterparties to net settle amounts arising from multiple separate derivative transactions or net settle in the case of certain triggering events such as a bankruptcy or major default of one of the counterparties to the transaction. Finally, the Company has not pledged assets or posted collateral as a requirement for entering into or maintaining derivative positions.

The following table presents the balance sheet classification and fair value of derivative instruments (in thousands):

	Balance Sheet Classification	September 30, 2014	December 31, 2013	September 30, 2013
Derivative instruments designated as cash flow hedges:				
Derivative instruments in asset positions:				
Currency forward contracts	Prepaid expenses and other current assets	\$ 5,986	\$ 1,936	\$ 1,526
Currency forward contracts	Other non-current assets	—	24	—
Derivative instruments in liability positions:				
Currency forward contracts	Accrued liabilities	—	872	573
Currency forward contracts	Other long-term liabilities	—	95	—
Derivative instruments not designated as cash flow hedges:				
Derivative instruments in asset positions:				
Currency forward contracts	Prepaid expenses and other current assets	2,708	2,956	403
Derivative instruments in liability positions:				
Currency forward contracts	Accrued liabilities	—	280	26

The following table presents the statement of operations effect and classification of derivative instruments (in thousands):

COLUMBIA SPORTSWEAR COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (Unaudited)

	Statement of Operations Classification	Three Months Ended September 30,		Nine Months Ended September 30,	
		2014	2013	2014	2013
Currency Forward Contracts:					
Derivative instruments designated as cash flow hedges:					
Gain (loss) recognized in other comprehensive income or loss	—	\$5,404	\$(951)	\$5,474	\$1,929
Gain reclassified from accumulated other comprehensive income or loss to income for the effective portion	Cost of sales	556	3,217	2,055	4,843
Loss recognized in income for amount excluded from effectiveness testing and for the ineffective portion	Net sales	(13)	—	(13)	—
Gain (loss) recognized in income for amount excluded from effectiveness testing and for the ineffective portion	Cost of sales	(120)	8	(328)	(37)
Derivative instruments not designated as cash flow hedges:					
Gain recognized in income	Other non-operating income (expense)	5,368	137	3,397	6,149

NOTE 13—COMMITMENTS AND CONTINGENCIES

Operating Leases

Future minimum operating lease payments for the remaining terms of the leases, including rent escalation clauses, were \$341,668,000 and \$275,687,000 at September 30, 2014 and December 31, 2013, respectively. In addition, the Company is obligated for percentage rent, real estate taxes, insurance, common area maintenance and other periodic costs under the lease agreements.

Inventory Purchase Obligations

Inventory purchase obligations consist of open production purchase orders and other commitments for raw materials and sourced apparel, footwear, accessories and equipment. At September 30, 2014, inventory purchase obligations were \$312,599,000.

Litigation

The Company is a party to various legal claims, actions and complaints from time to time. Although the ultimate resolution of legal proceedings cannot be predicted with certainty, management believes that disposition of these matters will not have a material adverse effect on the Company's consolidated financial statements.

NOTE 14—FAIR VALUE MEASURES

Certain assets and liabilities are reported at fair value on either a recurring or nonrecurring basis. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, under a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value as follows:

- Level 1 – observable inputs such as quoted prices for identical assets or liabilities in active liquid markets; inputs, other than the quoted market prices in active markets, that are observable, either directly or
- Level 2 – indirectly; or observable market prices in markets with insufficient volume and/or infrequent transactions; and
- Level 3 – unobservable inputs for which there is little or no market data available, that require the reporting entity to

develop its own assumptions.

Assets and liabilities measured at fair value on a recurring basis at September 30, 2014 are as follows (in thousands):

17

COLUMBIA SPORTSWEAR COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (Unaudited)

	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents				
Money market funds	\$79,266	\$—	\$—	\$79,266
Time deposits	25,167	—	—	25,167
Short-term investments				
Mutual fund shares	537	—	—	537
Other current assets				
Derivative financial instruments (Note 12)	—	8,694	—	8,694
Other non-current assets				
Mutual fund shares	5,247	—	—	5,247
Total assets measured at fair value	\$110,217	\$8,694	\$—	\$118,911
Assets and liabilities measured at fair value on a recurring basis at December 31, 2013 are as follows (in thousands):				
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents				
Money market funds	\$175,624	\$—	\$—	\$175,624
Time deposits	25,111	9,526	—	34,637
Certificates of deposit	—	735	—	735
Reverse repurchase agreements	—	45,000	—	45,000
U.S. Government-backed municipal bonds	—	9,898	—	9,898
Available-for-sale short-term investments ⁽¹⁾				
Short-term municipal bond fund	15,004	—	—	15,004
Certificates of deposit	—	9,546	—	9,546
Variable-rate demand notes	—	52,105	—	52,105
U.S. Government-backed municipal bonds	—	14,764	—	14,764
Other short-term investments				
Mutual fund shares	336	—	—	336
Other current assets				
Derivative financial instruments (Note 12)	—	4,892	—	4,892
Non-current assets				
Derivative financial instruments (Note 12)	—	24	—	24
Mutual fund shares	4,855	—	—	4,855
Total assets measured at fair value	\$220,930	\$146,490	\$—	\$367,420
Liabilities:				
Accrued liabilities				
Derivative financial instruments (Note 12)	\$—	\$1,152	\$—	\$1,152
Other long-term liabilities				
Derivative financial instruments (Note 12)	—	95	—	95
Total liabilities measured at fair value	\$—	\$1,247	\$—	\$1,247

COLUMBIA SPORTSWEAR COMPANY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
 (Unaudited)

Assets and liabilities measured at fair value on a recurring basis at September 30, 2013 are as follows (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents				
Money market funds	\$ 153,382	\$—	\$—	\$ 153,382
Time deposits	25,092	—	—	25,092
U.S. Government-backed repurchase agreements	—	25,000	—	25,000
U.S. Government-backed municipal bonds	—	3,218	—	3,218
Available-for-sale short-term investments ⁽¹⁾				
Certificates of deposit	—	1,470	—	1,470
Variable-rate demand notes	—	27,320	—	27,320
Other short-term investments				
Mutual funds shares	259	—	—	259
Other current assets				
Derivative financial instruments (Note 12)	—	1,929	—	1,929
Other non-current assets				
Mutual fund shares	4,560	—	—	4,560
Total assets measured at fair value	\$ 183,293	\$ 58,937	\$—	\$ 242,230
Liabilities:				
Accrued liabilities				
Derivative financial instruments (Note 12)	\$—	\$ 599	\$—	\$ 599
Total liabilities measured at fair value	\$—	\$ 599	\$—	\$ 599

(1) Investments have remaining maturities greater than three months but less than two years and are available for use in current operations.

Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from inputs, other than quoted market prices in active markets, that are directly or indirectly observable in the marketplace and quoted prices in markets with limited volume or infrequent transactions.

Non-recurring fair value measurements:

During the fourth quarter of 2013, the Company recorded an impairment in its EMEA segment for its European distribution center in Cambrai, France, writing the assets down to their estimated fair value of \$19,300,000.

Significant factors and estimates used in the evaluation and fair value determination include management's plans for future operations, recent operating results, projected cash flows and third-party valuation estimates. This nonrecurring fair value measurement was developed using significant unobservable inputs (Level 3). Third-party valuation estimates were developed using local market data for sales transactions of similar facilities.

There were no material assets and liabilities measured at fair value on a nonrecurring basis as of September 30, 2014 or 2013.

NOTE 15—RELATED PARTY TRANSACTIONS

On January 1, 2014, the Company commenced operations of a majority-owned joint venture in mainland China. Upon commencement, the joint venture entered into Transition Services Agreements ("TSAs") with Swire, the non-controlling shareholder in the joint venture, under which Swire renders administrative and information technology services and operates certain retail stores on behalf of the joint venture. The joint venture incurred service

fees, valued under the TSAs at Swire's cost, of \$2,194,000 and \$7,075,000 during the three and nine months ended September 30, 2014, respectively. These fees are included in Selling, general and administrative expenses on the Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2014. In addition, the joint venture pays Swire sourcing fees related to the purchase of certain inventory.

COLUMBIA SPORTSWEAR COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

These sourcing fees are capitalized into Inventories and charged to Cost of sales as the inventories are sold. For the three and nine months ended September 30, 2014, the joint venture incurred sourcing fees of \$81,000 and \$374,000, respectively.

During the three months ended March 31, 2014, both the Company and Swire funded long-term loans to the joint venture. The Company's loan has been eliminated in consolidation, while the Swire loan is reflected as Note payable to related party on the Condensed Consolidated Balance Sheet as of September 30, 2014. The note with Swire, in the principal amount of 97,600,000 RMB (US\$15,897,000), matures on December 31, 2018 and bears interest at a fixed annual rate of 7%. Interest expense related to this note was \$282,000 and \$769,000 for the three and nine months ended September 30, 2014, respectively.

As of September 30, 2014, payables to Swire for service fees and interest expense totaled \$4,062,000 and were included in Accounts payable on the Condensed Consolidated Balance Sheets.

In addition to the transactions described above, Swire is also a third-party distributor of the Company's brands in certain regions outside of mainland China and purchases products from the Company under the Company's normal third-party distributor terms and pricing.

Item 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This quarterly report contains forward-looking statements. Forward-looking statements include any statements related to our expectations regarding future performance or market position, including any statements regarding anticipated sales, gross margins and operating margins across markets, including from the operations of our China joint venture and prAna subsidiary, profitability and the effect of specified factors on profitability for 2014, expenses, input costs, effects of unseasonable weather on our results of operations, inventory levels, investments in our business, investments in and implementation of our information technology systems, our direct-to-consumer channels and other capital expenditures, reclassification of deferred net gains, access to raw materials and factory capacity, financing and working capital requirements and resources, tax rates and pre-tax income, the effect of any legal proceedings in which we may be involved, and our exposure to market risk associated with interest rates and foreign currency exchange rates.

These forward-looking statements, and others we make from time to time, are subject to a number of risks and uncertainties. Many factors may cause actual results to differ materially from those projected in forward-looking statements, including the risks described below in Part II, Item 1A, Risk Factors. We do not undertake any duty to update forward-looking statements after the date they are made or to conform them to actual results or to changes in circumstances or expectations.

Our Business

As one of the largest outdoor and active lifestyle apparel and footwear companies in the world, we design, source, market and distribute active outdoor and lifestyle apparel, footwear, accessories and equipment under the Columbia, Mountain Hardwear, Sorel, prAna and Montrail brands. Our products are sold through a mix of wholesale distribution channels, independent distributors, and our own direct-to-consumer channels. In addition, we license some of our trademarks across a range of apparel, footwear, accessories and equipment.

The popularity of outdoor activities, active lifestyles, weather, changing design trends, consumer adoption of innovative performance technologies and the availability and desirability of competitor alternatives affect consumer desire for our products. Therefore, we seek to drive, anticipate and respond to trends and shifts in consumer preferences by adjusting the mix and price points of available product offerings, developing new products with innovative performance features and designs, and creating persuasive and memorable marketing communications to generate consumer awareness, demand and retention. Failure to anticipate or respond to consumer needs and preferences in a timely and adequate manner could have a material adverse effect on our sales and profitability.

Business Developments

On January 1, 2014 we commenced operations of a majority-owned joint venture in mainland China with Swire Resources Limited ("Swire"). As a 60% majority-owned entity, the joint venture's operations are included in our consolidated financial results.

On May 30, 2014, we purchased 100% of the equity interest in prAna Living LLC ("prAna") for \$188.5 million, net of acquired cash. PrAna is a lifestyle apparel brand sold through approximately 1,400 select specialty and online retailers across North America, as well as through five company-owned retail stores, an e-commerce site and direct-mail catalogs. The acquisition of prAna strengthens and diversifies our brand portfolio and generally offsets some of the more seasonal sales effects found within our existing Columbia brands. The acquisition was funded with cash on hand.

Business Outlook

Our business is affected by the general seasonal trends common to the industry and is heavily dependent upon seasonal weather and discretionary consumer shopping and spending patterns. Our products are marketed on a seasonal basis and our sales are weighted substantially toward the third and fourth quarters, while our operating costs are more equally distributed throughout the year. The expansion of our direct-to-consumer operations has increased the proportion of sales, profits and cash flows that we generate in the fourth calendar quarter. As a result, our sales and profits tend to be highest in the third and fourth calendar quarters. In 2013, approximately 63 percent of our net sales and nearly all of our profitability were realized in the second half of the year, illustrating our dependence upon sales results in the second half of the year, as well as the less seasonal nature of our operating costs.

We generally solicit orders from wholesale customers and independent distributors for the fall and spring seasons based on seasonal ordering deadlines that we establish to aid our efforts to plan manufacturing volumes to meet demand. We typically ship the majority of our advance fall season orders to customers beginning in July and continuing through December. Similarly, the

21

majority of our advance spring season orders ship to customers beginning in January and continuing through June. Generally, orders are subject to cancellation prior to the date of shipment.

Results of operations in any period should not be considered indicative of the results to be expected for any future period, particularly in light of persistent volatility of global economic and geopolitical conditions. Sales of our products are subject to substantial cyclical fluctuation, the effects of unseasonable weather conditions, the relative popularity of competitors' brands, and the continued popularity of outdoor and active lifestyles in key markets. Volatile economic and geopolitical environments in key markets, seasonal weather patterns and inflationary or volatile input costs reduce the predictability of our business.

We expect 2014 profitability to be affected by the following major factors:

- Incremental sales, operating costs and profits from our new China joint venture;
 - Financial effects from our acquisition of prAna on May 30, 2014, including transaction costs and incorporation of prAna operating results and purchase accounting amortization into our financial results;
 - Continued growth and increased investment in our global direct-to-consumer businesses;
 - Renewed growth in our wholesale businesses;
 - Increased demand creation costs; and
- Incremental depreciation expense, training and post go-live support costs related to our United States enterprise resource planning ("ERP") system implementation, as well as ongoing project costs in connection with the next phase of our global ERP system initiative.

Consistent with the historical seasonality of the business, we anticipate 2014 profitability to be heavily concentrated in the second half of the year.

We implemented our new ERP system in the United States in early April 2014 which, when combined with our Canadian operation, brings our North American wholesale business and the majority of our global supply chain operations onto our new platform. The next planned phase of our global ERP system initiative is to transition our global distributor business to our new ERP system in 2015.

Factors that could significantly affect our full year 2014 outlook include:

- Unseasonable weather conditions or other unforeseen factors affecting consumer demand and the resulting effect on order cancellations, sales returns, customer accommodations, reorders, direct-to-consumer sales and suppressed demand in subsequent seasons;
- Macroeconomic trends affecting consumer traffic and spending in brick and mortar retail channels;
- The rate of new store expansion and performance of our existing stores and e-commerce sites in our global direct-to-consumer operations;
- Changes in mix and volume of full price sales in relation to closeout product sales and promotional sales activity;
- Production capacity constraints and associated risks, including timely delivery, quality and non-compliance;
- Costs and business interruption risks related to our supply chain and information technology infrastructure investments and projects, including our multi-year global ERP system implementation;
- Our ability to effectively manage operating costs;
- Continued political and economic uncertainty, which is creating headwinds in key global markets; and
- Fluctuating currency exchange rates.

These factors and others may have a material effect on our financial condition, results of operations or cash flows, particularly with respect to quarterly comparisons.

We remain focused on driving sustainable, profitable sales growth by providing innovative products at accessible prices, transforming our global supply chain and information technology platforms, managing inventory, and nurturing stronger emotional connections with consumers through compelling marketing communications.

Results of Operations

The following discussion of our results of operations and liquidity and capital resources should be read in conjunction with the Condensed Consolidated Financial Statements and accompanying Notes that appear elsewhere in this quarterly report. All references to quarters relate to the quarter ended September 30th of the particular year. Highlights of the Third Quarter of 2014

Net sales for the third quarter of 2014 increased \$152.2 million, or 29%, to \$675.3 million from \$523.1 million for the third quarter of 2013. Changes in foreign currency exchange rates compared with the third quarter of 2013 negatively affected the consolidated net sales comparison by less than one percentage point.

Net income attributable to Columbia Sportswear Company for the third quarter of 2014 increased 20% to \$65.6 million, or \$0.93 per diluted share, compared to net income of \$54.6 million, or \$0.79 per diluted share, for the third quarter of 2013.

We paid a quarterly cash dividend of \$0.14 per share, or \$9.8 million, in the third quarter of 2014.

The following table sets forth, for the periods indicated, the percentage relationship to net sales of specified items in our Condensed Consolidated Statements of Operations:

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2014	2013	2014	2013	
Net sales	100.0	% 100.0	% 100.0	% 100.0	%
Cost of sales	54.6	55.6	54.5	56.1	
Gross profit	45.4	44.4	45.5	43.9	
Selling, general and administrative expenses	31.2	31.2	37.7	38.0	
Net licensing income	0.4	1.5	0.4	1.0	
Income from operations	14.6	14.7	8.2	6.9	
Interest income, net	—	—	0.1	—	
Interest expense on note payable to related party	—	—	(0.1) —	
Other non-operating income (expense)	—	0.1	—	—	
Income before income tax	14.6	14.8	8.2	6.9	
Income tax expense	(4.6	) (4.4	) (2.3	) (1.9)
Net income	10.0	10.4	5.9	5.0	
Net income (loss) attributable to non-controlling interest	0.3	—	0.2	—	
Net income attributable to Columbia Sportswear Company	9.7	% 10.4	% 5.7	% 5.0	%

Quarter Ended September 30, 2014 Compared to Quarter Ended September 30, 2013

Net Sales: Consolidated net sales increased \$152.2 million, or 29%, to \$675.3 million for the third quarter of 2014 from \$523.1 million for the comparable period in 2013. Changes in foreign currency exchange rates compared with the third quarter of 2013 negatively affected the consolidated net sales comparison by less than one percentage point.

Sales by Geographic Region

Net sales by geographic region are summarized in the following table:

	Three Months Ended September 30,		
	2014	2013	% Change
	(In millions, except for percentage changes)		
United States	\$406.3	\$323.1	26%
LAAP	123.5	72.0	72%
EMEA	78.8	78.1	1%
Canada	66.7	49.9	34%
	\$675.3	\$523.1	29%

Net sales in the United States increased \$83.2 million, or 26%, to \$406.3 million for the third quarter of 2014 from \$323.1 million for the comparable period in 2013. The increase in net sales in the United States was led by a net sales increase in apparel,

accessories and equipment, followed by footwear. The United States net sales increase consisted of an increase in net sales in our wholesale business, \$28.2 million of incremental prAna brand net sales, and an increase in net sales in our direct-to-consumer business. The net sales increase in our wholesale business was primarily due to shipments of increased fall 2014 advance orders. The net sales increase in our direct-to-consumer business was primarily concentrated in the Columbia brand, and was led by increased net sales within our retail stores, followed by increased e-commerce net sales. At September 30, 2014, we operated 84 retail stores, including 5 prAna branded stores, compared with 68 at September 30, 2013.

Net sales in the LAAP region increased \$51.5 million, or 72%, to \$123.5 million for the third quarter of 2014 from \$72.0 million for the comparable period in 2013. Changes in foreign currency exchange rates compared with the third quarter of 2013 contributed one percentage point of benefit to the LAAP net sales comparison. The LAAP net sales increase primarily consisted of \$50.7 million of incremental net sales by our new joint venture in China. The net sales increase in the LAAP region was concentrated in the Columbia brand and was led by apparel, accessories and equipment, followed by footwear.

Net sales in the EMEA region increased \$0.7 million, or 1%, to \$78.8 million for the third quarter of 2014 from \$78.1 million for the comparable period in 2013. Changes in foreign currency exchange rates compared with the third quarter of 2013 contributed one percentage point of benefit to the EMEA net sales comparison. The net sales increase in the EMEA region was concentrated in the Columbia brand and consisted of a net sales increase in our EMEA direct business, partially offset by a net sales decrease in our EMEA distributor business. The increase in net sales in our EMEA direct business was concentrated in the Columbia brand and reflected shipments of increased fall 2014 advance orders for the brand in those markets. The EMEA distributor net sales decrease was primarily due to a shift in the timing of shipments as a higher percentage of increased fall 2014 advance orders shipped in the second quarter of 2014, while a higher percentage of fall 2013 advance orders shipped in the third quarter of 2013.

Net sales in Canada increased \$16.8 million, or 34%, to \$66.7 million for the third quarter of 2014 from \$49.9 million for the comparable period in 2013. Changes in foreign currency exchange rates compared with the third quarter of 2013 negatively affected the net sales comparison by approximately six percentage points. The increase in net sales in Canada was led by the Columbia brand, followed by the Sorel brand, and consisted of increases in both wholesale and direct-to-consumer net sales.

Sales by Product Category

Net sales by product category are summarized in the following table:

	Three Months Ended September 30,		
	2014	2013	% Change
	(In millions, except for percentage changes)		
Apparel, Accessories and Equipment	\$549.4	\$428.6	28%
Footwear	125.9	94.5	33%
	\$675.3	\$523.1	29%

Net sales of apparel, accessories and equipment increased \$120.8 million, or 28%, to \$549.4 million for the third quarter of 2014 from \$428.6 million for the comparable period in 2013. The increase in apparel, accessories and equipment net sales was concentrated in the Columbia brand, and was led by the United States, followed by the LAAP region, Canada and the EMEA region. The apparel, accessories and equipment net sales increase in the United States was led by the Columbia brand and incremental prAna brand net sales. The apparel, accessories and equipment net sales increase in the LAAP region primarily consisted of incremental net sales by our China joint venture.

Net sales of footwear increased \$31.4 million, or 33%, to \$125.9 million for the third quarter of 2014 compared to \$94.5 million for the comparable period in 2013. The increase in footwear net sales was led by the Columbia brand, followed by the Sorel brand. The increase in footwear net sales was led by the LAAP region, followed by the United States, Canada and the EMEA region. The increase in footwear net sales in the LAAP region primarily consisted of incremental sales by our China joint venture.

Sales by Brand

Net sales by brand are summarized in the following table:

	Three Months Ended September 30,		
	2014	2013	% Change
	(In millions, except for percentage changes)		
Columbia	\$555.4	\$431.5	29%
Mountain Hardwear	31.0	40.6	(24)%
Sorel	58.2	47.4	23%
prAna	28.2	—	—
Other	2.5	3.6	(31)%
	\$675.3	\$523.1	29%

The net sales increase for the third quarter of 2014 compared to the third quarter of 2013 was led by the Columbia brand, followed by incremental net sales of the newly acquired prAna brand and increased Sorel brand net sales, partially offset by a decrease in Mountain Hardwear brand net sales. The Columbia brand net sales increase was led by the United States, followed by the LAAP region, Canada and the EMEA region.

Gross Profit: Gross profit, as a percentage of net sales, increased to 45.4% for the third quarter of 2014 from 44.4% for the comparable period in 2013. Gross profit expansion was primarily due to:

- A higher proportion of full-price wholesale and direct-to-consumer sales;

- The effect of including in gross profit amounts that were previously recognized as licensing income prior to commencement of the China joint venture; and

- A lower proportion of net sales to international distributors, which generate lower gross margins than wholesale and direct-to-consumer sales;

partially offset by:

- Unfavorable foreign currency hedge rates.

Our gross profit as a percentage of sales may not be comparable to that of other companies in our industry because some include costs related to both their distribution network and retail store occupancy in cost of sales while we, like many others, include these expenses as a component of selling, general and administrative ("SG&A") expense.

Selling, General and Administrative Expense: SG&A expense includes all costs associated with design, merchandising, marketing, distribution and corporate functions, including related depreciation and amortization.

SG&A expense increased \$47.7 million, or 29%, to \$210.7 million, or 31.2% of net sales, for the third quarter of 2014 from \$163.0 million, or 31.2% of net sales, for the comparable period in 2013. The SG&A expense increase was primarily due to:

- Incremental operating costs associated with the China joint venture and prAna;

- Expansion of our direct-to-consumer operations globally;

- Increased demand creation expenses;

- Increased operating costs of our new ERP and related initiatives including incremental depreciation on systems placed in service during the second quarter of 2014; and

- Increased personnel and incentive compensation costs.

Depreciation and amortization included in SG&A expense totaled \$13.3 million for the third quarter of 2014, compared to \$10.1 million for the same period in 2013.

Net Licensing Income: Net licensing income decreased \$5.3 million to \$2.2 million for the third quarter of 2014 compared to \$7.5 million for the same period in 2013. The decrease in net licensing income was concentrated in the LAAP region and was a result of the effect of including in gross profit amounts that were previously recognized as licensing income prior to commencement of the China joint venture.

Income Tax Expense: Income tax expense increased to \$31.0 million for the third quarter of 2014 from \$22.8 million for the comparable period in 2013. Our effective income tax rate was 31.3% for the third quarter of 2014 compared to 29.5% for the same period in 2013. Our effective income tax rate increased primarily because Congress had not reinstated the research and development tax credit for 2014, which had been reinstated at September 30 last year. Many factors could cause our annual effective tax rate to differ materially from our quarterly effective tax rates, including changes in the geographic mix of taxable income and discrete events in future periods.

Net Income Attributable to Columbia Sportswear Company: Net income increased \$11.0 million, or 20%, to \$65.6 million, or \$0.93 per diluted share, for the third quarter of 2014 from \$54.6 million, or \$0.79 per diluted share for the

comparable period in 2013.

25

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Net Sales: Consolidated net sales increased \$271.7 million, or 24%, to \$1,423.6 million for the nine months ended September 30, 2014 from \$1,151.9 million for the comparable period in 2013. Changes in foreign currency exchange rates compared with the nine months ended September 30, 2013 negatively affected the consolidated net sales comparison by less than one percentage point.

Sales by Geographic Region

Net sales by geographic region are summarized in the following table:

	Nine Months Ended September 30,		
	2014	2013	% Change
	(In millions, except for percentage changes)		
United States	\$793.8	\$663.4	20%
LAAP	336.4	236.3	42%
EMEA	190.9	172.1	11%
Canada	102.5	80.1	28%
	\$1,423.6	\$1,151.9	24%

Net sales in the United States increased \$130.4 million, or 20%, to \$793.8 million for the nine months ended September 30, 2014 from \$663.4 million for the comparable period in 2013. The increase in net sales in the United States was led by a net sales increase in apparel, accessories and equipment, followed by footwear. The United States net sales increase consisted of an increase in net sales in our wholesale business, followed by our direct-to-consumer business, and \$33.7 million of incremental prAna brand net sales. The net sales increase in our wholesale business was primarily due to shipments of increased fall 2014 advance orders. The net sales increase in our direct-to-consumer business was primarily attributable to the Columbia brand, and was led by increased net sales within our retail stores, followed by increased e-commerce net sales. At September 30, 2014, we operated 84 retail stores, including 5 prAna branded stores, compared with 68 at September 30, 2013.

Net sales in the LAAP region increased \$100.1 million, or 42%, to \$336.4 million for the nine months ended September 30, 2014 from \$236.3 million for the comparable period in 2013. Changes in foreign currency exchange rates compared with the nine months ended September 30, 2013 negatively affected the LAAP net sales comparison by approximately two percentage points. The net sales increase in the LAAP region was concentrated in the Columbia brand and was led by apparel, accessories and equipment, followed by footwear. The LAAP net sales increase consisted of \$117.3 million of incremental net sales by our new joint venture in China, partially offset by net sales decreases in our LAAP distributor business, Korea and Japan. The LAAP distributor net sales decrease was primarily due to ongoing currency constraints in key South American distributor markets that have severely restricted trade.

Net sales in the EMEA region increased \$18.8 million, or 11%, to \$190.9 million for the nine months ended September 30, 2014 from \$172.1 million for the comparable period in 2013. Changes in foreign currency exchange rates compared with the nine months ended September 30, 2013 contributed two percentage points of benefit to the EMEA net sales comparison. The net sales increase in the EMEA region was primarily attributable to the Columbia brand and was led by footwear, followed by apparel, accessories and equipment. The increase in net sales in the EMEA region was led by an increase in net sales to our EMEA distributors, primarily due to shipments of increased fall 2014 advance orders, followed by a net sales increase in our EMEA direct business.

Net sales in Canada increased \$22.4 million, or 28%, to \$102.5 million for the nine months ended September 30, 2014 from \$80.1 million for the comparable period in 2013. Changes in foreign currency exchange rates compared with the nine months ended September 30, 2013 negatively affected the net sales comparison by approximately eight percentage points. The increase in net sales in Canada was led by the Columbia brand, followed by the Sorel brand, and consisted of increases in both wholesale and direct-to-consumer net sales.

Sales by Product Category

Net sales by product category are summarized in the following table:

	Nine Months Ended September 30,		
	2014	2013	% Change
	(In millions, except for percentage changes)		
Apparel, Accessories and Equipment	\$ 1,166.1	\$ 958.6	22%
Footwear	257.5	193.3	33%
	\$ 1,423.6	\$ 1,151.9	24%

Net sales of apparel, accessories and equipment increased \$207.5 million, or 22%, to \$1,166.1 million for the nine months ended September 30, 2014 from \$958.6 million for the comparable period in 2013. The increase in apparel, accessories and equipment net sales was concentrated in the Columbia brand and was led by the United States, followed by the LAAP region, Canada and the EMEA region. The apparel, accessories and equipment net sales increase in the United States was led by our wholesale business, followed by our direct-to-consumer business. The increase in apparel, accessories and equipment net sales in the LAAP region consisted of incremental sales by our China joint venture, partially offset by lower sales in our LAAP distributor business, Japan and Korea.

Net sales of footwear increased \$64.2 million, or 33%, to \$257.5 million for the nine months ended September 30, 2014 compared to \$193.3 million for the comparable period in 2013. The increase in footwear net sales was led by a net sales increase in the Columbia brand, followed by the Sorel brand. The increase in footwear net sales was led by the LAAP region, followed by the United States, the EMEA region and Canada. The increase in footwear net sales in the LAAP region consisted of incremental sales by our China joint venture.

Sales by Brand

Net sales by brand are summarized in the following table:

	Nine Months Ended September 30,		
	2014	2013	% Change
	(In millions, except for percentage changes)		
Columbia	\$ 1,222.4	\$ 985.1	24%
Mountain Hardwear	85.2	95.2	(11)%
Sorel	74.1	62.7	18%
prAna	33.7	—	—
Other	8.2	8.9	(8)%
	\$ 1,423.6	\$ 1,151.9	24%

The net sales increase for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 was led by the Columbia brand, followed by incremental net sales of the newly acquired prAna brand and the Sorel brand. The Columbia brand net sales increase was led by the LAAP region, followed by the United States, Canada, and the EMEA region.

Gross Profit: Gross profit, as a percentage of net sales, increased to 45.5% for the nine months ended September 30, 2014 from 43.9% for the comparable period in 2013. Gross profit expansion was primarily due to:

- The effect of including in gross profit amounts that were previously recognized as licensing income prior to commencement of the China joint venture;

- A higher proportion of full-price wholesale and direct-to-consumer sales; and

- A lower proportion of sales to international distributors, which generate lower gross profits than wholesale and direct-to-consumer sales;

partially offset by:

- Unfavorable foreign currency hedge rates.

Selling, General and Administrative Expense: SG&A expense increased \$98.4 million, or 22%, to \$536.2 million, or 37.7% of net sales, for the nine months ended September 30, 2014 from \$437.8 million, or 38.0% of net sales, for the comparable period in 2013. The SG&A expense increase was primarily due to:

- Incremental operating costs associated with the China joint venture and prAna;

- Expansion of our direct-to-consumer operations globally;

- Increased operating costs of our new ERP and related information technology initiatives;

- Increased demand creation costs; and

Increased personnel and incentive compensation costs.

27

Depreciation and amortization included in SG&A expense totaled \$35.3 million for the nine months ended September 30, 2014, compared to \$29.5 million for the same period in 2013.

Net Licensing Income: Net licensing income decreased \$6.4 million to \$5.1 million for the nine months ended September 30, 2014 compared to \$11.5 million for the same period in 2013. The decrease in net licensing income was concentrated in the LAAP region and was a result of the effect of including in gross profit amounts that were previously recognized as licensing income prior to commencement of the China joint venture.

Income Tax Expense: Income tax expense increased to \$32.1 million for the nine months ended September 30, 2014 from \$22.0 million for the comparable period in 2013. Our effective income tax rate was 27.5% for the nine months ended September 30, 2014 compared to 27.8% for the same period in 2013. Income tax expense for the nine months ended September 30, 2014 benefited from a non-recurring \$5.6 million tax benefit from the favorable resolution of uncertain tax positions, which was partially offset because Congress had not reinstated the research and development tax credit for 2014. Income tax expense for the nine months ended September 30, 2013 was affected by the U.S. legislative reinstatement of the research and development tax credit in the first quarter of 2013, which resulted in us recognizing the benefit of our 2012 and 2013 research and development tax credits in 2013.

Net Income Attributable to Columbia Sportswear Company: Net income increased \$24.0 million, or 42%, to \$81.6 million, or \$1.15 per diluted share, for the nine months ended September 30, 2014 from \$57.6 million, or \$0.83 per diluted share, for the comparable period in 2013.

Liquidity and Capital Resources

Our primary ongoing funding requirements are for working capital, investing activities associated with our ongoing ERP system implementation, general corporate needs and the expansion of our global operations, including our joint venture in China. On May 30, 2014, we acquired prAna for \$188.5 million, net of acquired cash. At September 30, 2014, we had total cash and cash equivalents of \$185.2 million, compared to \$437.5 million at December 31, 2013 and \$274.2 million at September 30, 2013. In addition, we had short-term investments of \$0.5 million at September 30, 2014, compared to \$91.8 million at December 31, 2013 and \$29.0 million at September 30, 2013. At September 30, 2014, approximately 76% of our cash and short-term investments were held by foreign subsidiaries where a repatriation of those funds to the United States would likely result in a significant tax expense for us. However, based on the capital and liquidity needs of our foreign operations, as well as the status of current tax law, we intend to indefinitely reinvest these funds outside the United States. In addition, our United States operations do not require the repatriation of these funds to meet our currently projected liquidity needs.

Net cash used in operating activities was \$108.5 million for the nine months ended September 30, 2014, compared to net cash provided by operating activities of \$23.7 million for the same period in 2013. The increase in cash used in operating activities was primarily due to increased inventory purchases and lower collections of receivables during the nine months ended September 30, 2014, compared to the same period in 2013, partially offset by lower payments for accounts payable and accrued liabilities, and increased net income.

Net cash used in investing activities was \$139.8 million for the nine months ended September 30, 2014, compared to \$33.2 million for the comparable period in 2013. For the 2014 period, net cash used in investing activities primarily consisted of \$188.5 million for the net cash purchase of prAna and \$42.8 million for capital expenditures, partially offset by \$91.4 million from net sales of short-term investments. For the same period in 2013, net cash used in investing activities primarily consisted of \$49.2 million for capital expenditures, partially offset by \$15.9 million of net sales of short-term investments.

Net cash provided by financing activities was \$9.3 million for the nine months ended September 30, 2014, compared to net cash used in financing activities of \$1.7 million for the comparable period in 2013. For the 2014 period, net cash provided by financing activities primarily consisted of net proceeds from stock plan activity of \$16.3 million and proceeds from a related party note payable of \$16.1 million, partially offset by dividend payments of \$29.4 million. For the same period in 2013, net cash used in financing activities primarily consisted of dividend payments of \$22.7 million, partially offset by net proceeds from stock plan activity of \$12.1 million and an \$8.0 million capital contribution from our joint venture partner.

Short-term borrowings and credit lines

We have an unsecured, committed \$125.0 million revolving line of credit available to fund our domestic working capital requirements. At September 30, 2014, no balance was outstanding under this line of credit. At September 30,

2014, we were in compliance with all associated covenants. Internationally, our subsidiaries have operating lines in place guaranteed by the parent company with a combined limit of approximately \$98.4 million at September 30, 2014, of which \$2.9 million is designated as a European customs guarantee. At September 30, 2014, \$2.2 million was outstanding under these subsidiary lines of credit.

We expect to fund our future capital expenditures with existing cash, operating cash flows and credit facilities. If the need arises, we may seek additional funding. Our ability to obtain additional financing will depend on many factors, including prevailing market conditions, our financial condition, and our ability to negotiate favorable terms and conditions. Financing may not be available on terms that are acceptable or favorable to us, if at all.

Our operations are affected by seasonal trends typical in the outdoor apparel industry and have historically resulted in higher sales and profits in the third and fourth calendar quarters. This pattern has resulted primarily from the timing of shipments of fall season products to wholesale customers and proportionally higher sales from our direct-to-consumer operations in the fourth quarter, combined with an expense base that is more consistent throughout the year. We believe that our liquidity requirements for at least the next 12 months will be adequately covered by existing cash, cash provided by operations and existing short-term borrowing arrangements.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles. The preparation of these financial statements requires us to make various estimates and judgments that affect reported amounts of assets, liabilities, sales, cost of sales and expenses and related disclosure of contingent assets and liabilities. We believe that the estimates, assumptions and judgments involved in the accounting policies referred to in our Annual Report on Form 10-K for the year ended December 31, 2013 have the greatest potential effect on our financial statements, so we consider these to be our critical accounting policies and estimates. Because of the uncertainty inherent in these matters, actual results may differ from the estimates we use in applying these critical accounting policies. We base our ongoing estimates on historical experience and other assumptions that we believe to be reasonable in the circumstances. Some of these critical accounting policies affect working capital account balances, including the policy for revenue recognition, including sales returns and claims from customers, the allowance for doubtful accounts, the provision for potential excess, slow-moving and closeout inventories, product warranty, income taxes and stock-based compensation.

Management regularly discusses with our audit committee each of our critical accounting estimates, the development and selection of these accounting estimates, and the disclosure about each estimate in Management's Discussion and Analysis of Financial Condition and Results of Operations. These discussions typically occur at our quarterly audit committee meetings and include the basis and methodology used in developing and selecting these estimates, the trends in and amounts of these estimates, specific matters affecting the amount of and changes in these estimates, and any other relevant matters related to these estimates, including significant issues concerning accounting principles and financial statement presentation.

There have been no significant changes to our critical accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2013.

Recent Accounting Pronouncements

See "Recent Accounting Pronouncements" in Note 2 to the notes to the condensed consolidated financial statements.

Item 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has not been any material change in the market risk disclosure contained in our Annual Report on Form 10-K for the year ended December 31, 2013.

Item 4 – CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have evaluated, under the supervision and with the participation of management, including our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the “Exchange Act”). Based on that evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

We are implementing an ERP system and complementary systems that support our operations and financial reporting, which significantly affect our business and financial transaction and reporting processes. This implementation is occurring in phases globally over several years, with implementation to date at our Canadian operations in April 2012 and our United States operations in April 2014. Each implementation phase of our worldwide ERP system and complementary systems involves changes to the processes that constitute our internal control over financial reporting. We are taking steps to monitor and maintain appropriate internal control over financial reporting and will continue to evaluate these controls for effectiveness.

There were no other changes in internal controls over financial reporting that occurred during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

We are involved in litigation and various legal matters arising in the normal course of business, including matters related to employment, retail, intellectual property and various regulatory compliance activities. We have considered facts related to legal and regulatory matters and opinions of counsel handling these matters, and do not believe the ultimate resolution of these proceedings will have a material adverse effect on our financial position, results of operations or cash flows.

In May 2013, we disclosed to the U.S. Environmental Protection Agency ("EPA") that an internal compliance audit identified several inadvertent violations of the labeling requirements of the Federal Insecticide, Fungicide and Rodenticide Act. In July 2014, we resolved this matter by entering into a consent agreement with the EPA and paying a fine of \$100,800.

Item 1A. RISK FACTORS

In addition to the other information contained in this Form 10-Q, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition, results of operations or cash flows may be materially adversely affected by any of these risks. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations. The following risk factors include changes to and supersede the description of the risk factors associated with our business previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

We Face Many Challenges Executing Growth Strategies

Our business strategies aim to achieve sustainable, profitable growth by creating innovative products at competitive prices, focusing on product design, utilizing innovations to differentiate our brand from competitors, working to ensure that our products are sold through strong distribution partners capable of effectively presenting our brands to consumers, increasing the impact of consumer communications to drive demand for our brands and sell-through of our products, making sure our products are merchandised and displayed appropriately in retail environments, expanding our presence in key markets around the world, and continuing to build a brand enhancing direct-to-consumer business. We intend to pursue these strategies across our portfolio of brands, product categories and geographic markets. Our failure to implement our business strategies successfully could have a material adverse effect on our financial condition, results of operations or cash flows.

To implement our business strategies, we must continue to modify and fund various aspects of our business, to maintain and enhance our information systems and supply chain operations to improve efficiencies, and to attract, retain and manage qualified personnel. These efforts, coupled with cost containment measures, place increasing strains on management, financial, product design, marketing, distribution, supply chain and other resources, and we may have operating difficulties as a result. For example, in support of our strategic initiatives, we are making significant investments in our business processes and information technology infrastructure that require significant management attention and corporate resources. These changes may make it increasingly difficult to pursue acquisitions or adapt our information technology systems and business processes to integrate an acquired business. These integration challenges may also be present as we fully integrate operations under a joint venture arrangement in China, which began operations in January 2014. These business initiatives involve many risks and uncertainties that, if not managed effectively, may have a material adverse effect on our financial condition, results of operations or cash flows.

Our business strategies and related increased expenditures could also cause our operating margin to decline if we are unable to offset our increased spending with increased sales or gross profit, or comparable reductions in other operating costs. If our sales or gross profit decline or fail to grow as planned and we fail to sufficiently leverage our operating expenses, our profitability will decline. This could result in a decision to delay, reduce, modify or terminate our strategic business initiatives, which could limit our ability to invest in and grow our business and could have a material adverse effect on our financial condition, results of operations or cash flows.

Initiatives to Upgrade Our Business Processes and Information Technology Infrastructure Involve Many Risks Which Could Result In, Among Other Things, Business Interruptions and Higher Costs

We regularly implement business process improvement initiatives to optimize our performance. Our current business process initiatives include plans to improve business results through standardization of business processes and

technologies that support our supply chain and go-to-market strategies through implementation of an integrated global ERP software solution and other complementary information technology systems over the next several years. Implementation of these solutions and systems is highly dependent on coordination of numerous contractors and software and system providers. The interdependence of these solutions and systems is a significant risk to the successful completion of the initiatives and the failure of any one contractor or system could have a material adverse effect on the implementation of our overall information technology infrastructure. We may

experience difficulties as we transition to these new or upgraded systems and processes, including loss or corruption of data, delayed shipments, decreases in productivity as our personnel implement and become familiar with new systems, increased costs and lost revenues. In addition, transitioning to these new or upgraded systems requires significant capital investments and personnel resources. Difficulties in implementing new or upgraded information systems or significant system failures could disrupt our operations and have a material adverse effect on our capital resources, financial condition, results of operations or cash flows.

Implementation of this new information technology infrastructure has a pervasive impact on our business processes and information systems across a significant portion of our operations. As a result, we are undergoing significant changes in our operational processes and internal controls as our implementation progresses, which in turn require significant change management, including training of our personnel. If we are unable to successfully manage these changes as we implement these systems, including harmonizing our systems, data, processes and reporting analytics, our ability to conduct, manage and control routine business functions could be negatively affected and significant disruptions to our business could occur. In addition, we could incur material unanticipated expenses, including additional costs of implementation or costs of conducting business. These risks could result in significant business disruptions or divert management's attention from key strategic initiatives and have a material adverse effect on our capital resources, financial condition, results of operations or cash flows.

We Rely on Our Highly Customized Information Management Systems

Our business is increasingly reliant on information technology. Information systems are used across our supply chain and retail operations, from design to distribution and sales, and are used as a method of communication among employees, with our subsidiaries and liaison offices overseas and with our customers and retail stores. We also rely on our information systems to allocate resources, pay vendors and collect from customers, manage product data, develop demand and supply plans, forecast and report operating results and meet regulatory requirements. System failures, breaches of confidential information or service interruptions may occur as the result of a number of factors, including our failure to properly maintain systems redundancy or to protect, repair, maintain or upgrade our systems, computer viruses, programming errors, hacking or other unlawful activities by third parties, and disasters. Any breach or interruption of critical business information systems could have a material adverse effect on our financial condition, results of operations or cash flows.

Our legacy product development, retail point-of-sale and other systems, on which we continue to manage a substantial portion of our business activities, are highly customized. As a result, the availability of internal and external resources with the expertise to maintain these systems is limited. Our legacy systems may not support desired functionality for our operations and may inhibit our ability to operate efficiently, which could have an adverse effect on our financial condition, results of operations or cash flows. As we transition from our legacy ERP systems to new ERP systems and supporting systems and third-party systems that interface with our new ERP systems, certain functionality and information from our legacy systems may not be fully compatible with the new systems. As a result, temporary processes may be required, including manual operations, which could significantly increase the risk of human errors in information used by the business and/or result in business disruptions, which could have a material adverse effect on our capital resources, financial condition, results of operations or cash flows.

System Security Risks, Data Breaches and Cyber Attacks Could Disrupt Our Operations

We manage and store various proprietary information and sensitive or confidential data relating to our business, including sensitive and personally identifiable information. Breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, or our customers, including the potential loss or disclosure of such information or data as a result of hacking, fraud, trickery or other forms of deception, could expose us, our customers or the individuals affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business. In addition, our current data protection measures might not protect us against increasingly sophisticated and aggressive threats and the cost and operational consequences of implementing further data protection measures could be significant.

Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms and other malicious

software programs that attack or otherwise exploit any security vulnerabilities of our systems. In addition, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of the system. The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in significant financial losses and expenses, interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales, manufacturing, distribution or other critical functions.

We Depend on Independent Factories

Our products are manufactured by independent factories worldwide. Although we enter into purchase order commitments with these independent factories each season, we generally do not maintain long-term manufacturing commitments with them. Without long-term or reserve commitments, there is no assurance that we will be able to secure adequate or timely production capacity or favorable pricing if growth or product demand differs from our forecasts. Independent factories may fail to perform as expected or our competitors may obtain production capacities that effectively limit or eliminate the availability of these resources to us. If an independent manufacturer fails to ship orders in a timely manner or to meet our standards or if we are unable to obtain necessary capacities, we may miss delivery deadlines or incur additional costs, which may cause our wholesale customers to cancel their orders, refuse to accept deliveries, or demand a reduction in purchase prices, any of which could have a material adverse effect on our financial condition, results of operations or cash flows.

Reliance on independent factories also creates quality control risks. Independent factories may need to use sub-contracted manufacturers to fulfill demand and these manufacturers may have less experience producing our products or possess lower overall capabilities, which could result in compromised quality of our products. A failure in our quality control program may result in diminished product quality, which in turn could result in increased order cancellations, price concessions and returns, decreased consumer demand for our products, non-compliance with our product standards or regulatory requirements or product recalls (or other regulatory actions), any of which could have a material adverse effect on our financial condition, results of operations or cash flows.

We also have license agreements that permit unaffiliated parties to manufacture or contract to manufacture products using our trademarks. We impose Standards of Manufacturing Practices on our independent factories and licensees for the benefit of workers and require compliance with our restricted substances list and product safety and other applicable environmental, health and safety laws. We also require our independent factories and licensees to impose these practices, standards and laws on their contractors. If an independent manufacturer, licensee or subcontractor violates labor or other laws, or engages in practices that are not generally accepted as safe or ethical, they and their employees may suffer serious injury due to industrial accidents, the manufacturer may suffer disruptions to its operations due to work stoppages or employee protests and we may experience production disruptions, significant negative publicity or lost sales that could result in long-term damage to our brands and corporate reputation. In some circumstances parties may attempt to assert that we are liable for our independent manufacturers', licensees' or subcontractors' labor and operational practices, which could have a material adverse effect on our financial condition, results of operations or cash flows.

We May be Adversely Affected by Volatility in Global Production and Transportation Costs and Capacity

Our product costs are subject to substantial fluctuation based on:

• Availability and quality of raw materials;

• The prices of oil, leather, natural down, cotton and other raw materials whose prices are determined by global commodity markets and can be very volatile;

• Changes in labor markets and wage rates paid by our independent factory partners, which are often mandated by governments in the countries where our products are manufactured, particularly in China and Vietnam;

• Interest rates and currency exchange rates;

• Availability of skilled labor and production capacity at independent factories; and

• General economic conditions.

Prolonged periods of inflationary pressure on some or all input costs will result in increased costs to produce our products that may result in reduced gross profit or necessitate price increases for our products that could adversely affect consumer demand for our products.

In addition, since the majority of our products are manufactured outside of our principal sales markets, our products must be transported by third parties over large geographical distances. Shortages in ocean freight capacity, airfreight capacity and volatile fuel costs can result in rapidly changing transportation costs. For example, in previous years, shortages of sourcing and transportation capacity, combined with later-than-optimal production of advance orders, caused us to rely more heavily on airfreight to achieve timely delivery to our customers, resulting in significantly higher freight costs. Because we price our products in advance and changes in transportation and other costs may be difficult to predict, we may not be able to pass all or any portion of these higher costs on to our customers or adjust

our pricing structure in a timely manner in order to remain competitive, either of which could have a material adverse effect on our financial condition, results of operations or cash flows.

We May be Adversely Affected by Volatile Economic Conditions

We are a consumer products company and are highly dependent on consumer discretionary spending patterns and the purchasing patterns of our wholesale customers as they attempt to match their seasonal purchase volumes to volatile consumer demand. In addition, as we have expanded our direct-to-consumer operations, we have increased our direct exposure to the risks associated with volatile and unpredictable consumer discretionary spending patterns. Consumer discretionary spending behavior is inherently unpredictable and consumer demand for our products may not reach our sales targets, or may decline, especially during periods of heightened economic uncertainty in our key markets. Our sensitivity to economic cycles and any related fluctuation in consumer demand may have a material adverse effect on our financial condition, results of operations or cash flows.

Our Sales Are Subject to Cancellation

We do not have long-term contracts with any of our wholesale customers. We do have contracts with our distributors, typically with terms ranging up to five years; however, although these contracts may have annual purchase minimums which must be met in order to retain the distribution rights, the distributors are not otherwise obligated to purchase product. Sales to our retailers and distributors are generally on an order-by-order basis and are subject to right of cancellation and rescheduling by our wholesale customers. We consider the timing of delivery dates in our wholesale customer orders when we forecast our sales and earnings for future periods. If any of our major customers, including independent distributors, experience a significant downturn in business or fail to remain committed to our products or brands, these customers could postpone, reduce or discontinue purchases from us. As a result, we could experience a decline in sales or gross profit, write-downs of excess inventory, increased discounts, extended credit terms to our customers, or uncollectable accounts receivable, which could have a material adverse effect on our business, results of operations, financial condition, cash flows and our common stock price.

Our Retail Operations May Not Realize Returns on Our Investments

In recent years, our direct-to-consumer business has grown substantially and we anticipate further growth in the future. Accordingly, we have made significant investments in our physical retail locations, including entering into long-term leases, constructing leasehold improvements, purchasing fixtures and equipment, and investing in inventory and personnel. Since many of our retail costs are fixed, if we have insufficient sales, we may be unable to reduce expenses in order to avoid losses or negative cash flows. If we are unable to operate profitable stores or if we close a store, we may incur significant write-downs of inventory, severance costs, lease termination costs, impairment losses on long-lived assets or loss of working capital, which could have a material adverse effect on our financial condition, results of operations or cash flows.

In addition, from time to time we license the right to operate retail stores for our brands to third parties, primarily to our international independent distributors. We provide training to support these stores, and set and monitor operational standards. However, these third parties may not operate the stores in a manner consistent with our standards, which could harm their sales and as a result harm our results of operations or cause damage to our brands.

Our Results of Operations Could be Materially Harmed If We Are Unable to Accurately Match Supply Forecast with Consumer Demand for Our Products

Many factors may significantly affect demand for our products, including, among other things, economic conditions, fashion trends, the financial condition of our distributors and wholesale customers, consumer and customer preferences and weather, making it difficult to accurately forecast demand for our products and our future results of operations. To minimize our purchasing costs, the time necessary to fill customer orders and the risk of non-delivery, we place a significant amount of orders for our products with independent factories prior to receiving orders from our customers, and we maintain an inventory of various products that we anticipate will be in greatest demand. In addition, customers are generally allowed to cancel orders prior to shipment.

Factors that could affect our ability to accurately forecast demand for our products include:

- Unseasonable weather conditions;

- Our reliance, for certain demand and supply planning functions, on manual processes and judgment that are subject to human error;

- Consumer acceptance of our products or changes in consumer demand for products of our competitors;

- Unanticipated changes in general market conditions or other factors, which may result in lower advance orders from wholesale customers and independent distributors, cancellations of advance orders or a reduction or increase in the rate of reorders placed by retailers; and

Weak economic conditions or consumer confidence, which could reduce demand for discretionary items such as our products.

In some cases, we may produce quantities of product that exceed actual demand, which could result in higher inventory levels that we need to liquidate at discounted prices. During periods of unseasonable weather conditions or weak economic

conditions we may experience a significant increase in the volume of order cancellations by our customers, including cancellations resulting from the bankruptcy, liquidation or contraction of some customers' operations. We may not be able to sell all of the products we have ordered from independent factories or that we have in our inventory. Inventory levels in excess of customer demand may result in inventory write-downs and the sale of excess inventory at discounted prices through our owned outlet stores or third-party liquidation channels, which could have a material adverse effect on our brand image, financial condition, results of operations or cash flows.

Conversely, if we underestimate demand for our products or if our independent factories are unable to supply products when we need them, we may experience inventory shortages. Inventory shortages may prevent us from fulfilling customer orders, delay shipments to customers, negatively affect customer relationships, result in increased costs to expedite production and delivery, and diminish our ability to build brand loyalty. Shipments delayed due to limited factory capacity or other factors could result in order cancellations by our customers, which could have a material adverse effect on our financial condition, results of operations or cash flows.

We May be Adversely Affected by Weather Conditions, Including Global Climate Change Trends

Our business is adversely affected by unseasonable weather conditions. A significant portion of the sales of our products is dependent in part on the weather and likely to decline in years in which weather conditions do not stimulate demand for our products. Periods of unseasonably warm weather in the fall or winter or unseasonably cold or wet weather in the spring and summer may have a material adverse effect on our financial condition, results of operations or cash flows. Unintended inventory accumulation by our wholesale customers resulting from unseasonable weather in one season generally negatively affects orders in future seasons, which may have a material adverse effect on our financial condition, results of operations or cash flows.

A significant portion of our business is highly dependent on cold-weather seasons and patterns to generate consumer demand for our cold-weather apparel and footwear. Consumer demand for our cold-weather apparel and footwear may be negatively affected to the extent global weather patterns trend warmer, reducing typical patterns of cold-weather events, or increasing weather volatility, which could have a material adverse effect on our financial condition, results of operations or cash flows.

Acquisitions are Subject to Many Risks

From time to time, we may pursue growth through strategic acquisitions of assets or companies. Acquisitions, including our acquisition of prAna, are subject to many risks, including potential loss of significant customers or key personnel of the acquired business as a result of the change in ownership; difficulty integrating the operations of the acquired business or achieving targeted efficiencies; the incurrence of substantial costs and expenses related to the acquisition effort and diversion of management's attention from other aspects of our business operations.

Acquisitions may also cause us to incur debt or result in dilutive issuances of our equity securities. Our acquisitions may cause large one-time expenses or create goodwill or other intangible assets that could result in significant impairment charges in the future. We also make various estimates and assumptions in order to determine purchase price allocation and estimate the fair value of assets acquired and liabilities assumed. If our estimates or assumptions used to value these assets and liabilities are not accurate, we may be exposed to losses that could be material.

We do not provide any assurance that we will be able to successfully integrate the operations of any acquired businesses into our operations or achieve the expected benefits of any acquisitions. The failure to successfully integrate newly acquired businesses or achieve the expected benefits of strategic acquisitions in the future could have an adverse effect on our business, capital resources, cash flows, results of operations and financial position. We may not complete a potential acquisition for a variety of reasons, but we may nonetheless incur material costs in the preliminary stages of such an acquisition that we cannot recover.

We May Not Succeed in Realizing the Anticipated Benefits of Our New Joint Venture in China

Effective January 2014, our joint venture in China with Swire began operations. The joint venture, in which we hold a 60% interest, is subject to a number of risks and uncertainties, including the following:

Our ability to operate the joint venture is dependent upon, among other things, our ability to attract and retain personnel with the skills, knowledge and experience necessary to carry out the operations of the joint venture. Approximately 600 employees working with, or for Swire, became employees of, or provide services to, the joint venture. Our ability to effectively operate the joint venture depends upon our ability to manage the employees of the joint venture, and to attract new employees as necessary to supplement the skills, knowledge and expertise of the

existing management team and other key personnel. We face intense competition for these individuals worldwide, including in China. We may not be able to attract qualified new employees or retain existing employees to operate the joint venture. Additionally,

35

turnover in key management positions in China could impair our ability to execute our growth strategy, which may negatively affect the value of our investment in the joint venture and the growth of our sales in China.

Initially, we are relying in part on the operational skill of our joint venture partner. Additionally, because our joint venture partner has protective voting rights with respect to specified major business decisions of the joint venture, we may experience difficulty reaching agreement as to implementation of various changes to the joint venture's business. For these reasons, or as a result of other factors, we may not realize the anticipated benefits of the joint venture, and our participation in the joint venture could adversely affect the results of our operations.

Continued sales growth in China is an important part of our expectations for our joint venture business. Although China has experienced significant economic growth in recent years, that growth is slowing. Slowing economic growth in China could result in reduced consumer discretionary spending, which in turn could result in less demand for our products, and thus negatively affect the value of our investment in the joint venture and the growth of our sales in China.

Although we believe we have achieved a leading market position in China, many of our competitors who are significantly larger than we are and have substantially greater financial, distribution, marketing and other resources, more stable manufacturing resources and greater brand strength are also concentrating on growing their businesses in China. In addition, the number of competitors in the marketplace has increased significantly in recent years. Increased investment by our competitors in this market could decrease our market share and competitive position in China.

Our International Operations Involve Many Risks

We are subject to risks generally associated with doing business internationally. These risks include the effects of foreign laws and regulations, foreign government fiscal and political crises, political and economic disputes and sanctions, changes in consumer preferences, foreign currency fluctuations, managing a diverse and widespread workforce, political unrest, terrorist acts, military operations, disruptions or delays in shipments, disease outbreaks, natural disasters and changes in economic conditions in countries in which we manufacture or sell products. These factors, among others, may affect our ability to sell products in international markets, our ability to collect accounts receivable, our ability to manufacture products or procure materials, and our cost of doing business. For example, Russia constitutes a significant portion of our international business and a significant change in conditions in that market could have a material adverse effect on our financial condition, results of operations or cash flows. Also, ongoing political and economic uncertainty in two South American distributor markets have resulted in currency and import restrictions, limiting our ability to sell products in this region. If any of these or other factors make the conduct of business in a particular country undesirable or impractical, our business may be materially and adversely affected. As we expand our operations in geographic scope and product categories, we anticipate intellectual property disputes will increase, making it more expensive and challenging to establish and protect our intellectual property rights and to defend against claims of infringement by others.

In addition, many of our imported products are subject to duties, tariffs or other import limitations that affect the cost and quantity of various types of goods imported into the United States and other markets. Any country in which our products are produced or sold may eliminate, adjust or impose new import limitations, duties, anti-dumping penalties or other charges or restrictions, any of which could have a material adverse effect on our financial condition, results of operations or cash flows.

We May Have Additional Tax Liabilities

As a global company, we determine our income tax liability in various competing tax jurisdictions based on an analysis and interpretation of local tax laws and regulations. This analysis requires a significant amount of judgment and estimation and is often based on various assumptions about the future actions of the local tax authorities. These determinations are the subject of periodic domestic and foreign tax audits. Although we accrue for uncertain tax positions, our accrual may be insufficient to satisfy unfavorable findings. Unfavorable audit findings and tax rulings may result in payment of taxes, fines and penalties for prior periods and higher tax rates in future periods, which may have a material adverse effect on our financial condition, results of operations or cash flows. Changes in tax law or our interpretation of tax laws and the resolution of current and future tax audits could significantly affect the amounts provided for income taxes in our consolidated financial statements.

We earn a significant amount of our operating income from outside the United States, and any repatriation of funds currently held in foreign jurisdictions may result in higher effective tax rates for us. If we encounter a significant need

for liquidity domestically or at a particular location that we cannot fulfill through borrowings, equity offerings or other internal or external sources, we may experience unfavorable tax and earnings consequences as a result of cash transfers. These adverse consequences would occur, for example, if the transfer of cash into the United States is taxed and no offsetting foreign tax credit is available to offset the U.S. tax liability, resulting in lower earnings. Furthermore, foreign exchange ceilings imposed by local governments and the sometimes lengthy approval processes that foreign governments require for international cash transfers may delay or otherwise limit our internal cash transfers from time to time.

We Operate in Very Competitive Markets

The markets for apparel, footwear, accessories and equipment are highly competitive, as are the markets for our licensed products. In each of our geographic markets, we face significant competition from global and regional branded apparel, footwear, accessories and equipment companies, including competition from companies with significantly greater resources than ours.

Retailers who are our customers often pose our most significant competitive threat by designing and marketing apparel, footwear, equipment and accessories under their own private labels. For example, in the United States and Europe, several of our largest customers have developed significant private label brands during the past decade that compete directly with our products. These retailers have assumed an increasing degree of inventory risk in their private label products and, as a result, may first cancel advance orders with us in order to manage their own inventory levels downward during periods of unseasonable weather or weak economic cycles. As our direct-to-consumer businesses grow, we also experience direct competition from retailers who are our customers, some of which primarily operate e-commerce operations and employ aggressive pricing strategies. We also compete with other companies for the production capacity of independent factories that manufacture our products and for import capacity. Many of our competitors are significantly larger than we are and have substantially greater financial, distribution, marketing and other resources, more stable manufacturing resources and greater brand strength than we have. In addition, when our competitors combine operations through mergers, acquisitions or other transactions, their competitive strengths may increase.

Increased competition may result in reduced access to production capacity, challenges in obtaining favorable locations for our retail stores, reductions in display areas in retail locations, reductions in sales, or reductions in our profit margins, any of which may have a material adverse effect on our financial condition, results of operations or cash flows.

We May be Adversely Affected by the Financial Health of our Customers

In recent periods, sluggish economies and consumer uncertainty regarding future economic prospects in our key markets had an adverse effect on the financial health of our customers, some of whom filed or may file for protection under bankruptcy laws, which may in turn have a material adverse effect on our results of operations and financial condition. We extend credit to our customers based on an assessment of the customer's financial condition, generally without requiring collateral. To assist in the scheduling of production and the shipping of seasonal products, we offer customers discounts for placing advance orders and extended payment terms for taking delivery before the peak shipping season. These extended payment terms increase our exposure to the risk of uncollectable receivables. In addition, we face increased risk of order reduction or cancellation or reduced availability of credit insurance coverage when dealing with financially ailing retailers or retailers struggling with economic uncertainty. Some of our significant wholesale customers and distributors have liquidated or reorganized, while others have had financial difficulties in the past or have experienced tightened credit markets and sales declines and reduced profitability, which in turn has had an adverse effect on our business. We may reduce our level of business with customers and distributors experiencing financial difficulties and may not be able to replace that business with other customers, which could have a material adverse effect on our financial condition, results of operations or cash flows.

We May be Adversely Affected by Global Credit Market Conditions

Economic downturns and economic uncertainty generally affect global credit markets. Our vendors, customers and other participants in our supply chain may require access to credit markets in order to do business. Credit market conditions may slow our collection efforts as customers find it more difficult to obtain necessary financing, leading to higher than normal accounts receivable. This could result in greater expense associated with collection efforts and increased bad debt expense. Credit conditions may impair our vendors' ability to finance the purchase of raw materials or general working capital needs to support our production requirements, resulting in a delay or non-receipt of inventory shipments during key seasons.

Historically, we have limited our reliance on debt to finance our working capital, capital expenditures and investing activity requirements. We expect to fund our future capital expenditures with existing cash, expected operating cash flows and credit facilities, but if the need arises to finance additional expenditures, we may need to seek additional funding. Our ability to obtain additional financing will depend on many factors, including prevailing market conditions, our financial condition, and our ability to negotiate favorable terms and conditions. Financing may not be

available on terms that are acceptable or favorable to us, if at all.

We May be Adversely Affected by Retailer Consolidation

When our wholesale customers combine their operations through mergers, acquisitions, or other transactions, their consolidated order volume may decrease while their bargaining power and the competitive threat they pose by marketing products under their own private labels may increase. Some of our significant customers have consolidated their operations in the past, which in turn has had a negative effect on our business. Future customer consolidations could have a material adverse effect on our financial condition, results of operations or cash flows.

We Rely on Innovation to Compete in the Market for our Products

To distinguish our products in the marketplace and achieve commercial success, we rely on product innovations, including new or exclusive technologies, inventive and appealing design, or other differentiating features. Although we are committed to designing innovative and functional products that deliver relevant performance benefits to consumers who participate in a wide range of competitive and recreational outdoor activities, if we fail to introduce technical innovation in our products that address consumers' performance expectations, demand for our products could decline.

As we strive to achieve product innovations, we face a greater risk of inadvertent infringements of third party rights or compliance issues with regulations applicable to products with technical innovations such as electrical heating components and material treatments. In addition, technical innovations often involve more complex manufacturing processes, which may lead to higher instances of quality issues, and if we experience problems with the quality of our products, we may incur substantial expense to address the problems and any associated product risks. For example, in recent years we incurred costs in connection with recalls of some of our battery-powered electrically heated apparel. Failure to successfully bring to market innovations in our product lines could have a material adverse effect on our financial condition, results of operations or cash flows.

We Face Risks Associated with Consumer Preferences and Fashion Trends

Changes in consumer preferences or consumer interest in outdoor activities may have a material adverse effect on our business. In addition, changes in fashion trends may have a greater impact than in the past as we expand our offerings to include more product categories in more geographic areas, particularly with the Sorel and prAna brands, product lines generally more sensitive to fashion trends. We also face risks because our business requires us and our customers to anticipate consumer preferences. Our decisions about product designs often are made far in advance of consumer acceptance. Although we try to manage our inventory risk by soliciting advance order commitments by retailers, we must generally place a significant portion of our seasonal production orders with our independent factories before we have received all of a season's advance orders from customers, and orders may be cancelled by customers before shipment. If we or our customers fail to anticipate and respond to consumer preferences, we may experience lower sales, excess inventories and lower profit margins in current and future periods, any of which could have a material adverse effect on our financial condition, results of operations or cash flows.

Our Success Depends on Our Use and Protection of Intellectual Property Rights

Our registered and common law trademarks and our patented or patent-pending designs and technologies have significant value and are important to our ability to differentiate our products from those of our competitors and to create and sustain demand for our products. We also place significant value on our trade dress, the overall appearance and image of our products. We regularly discover products that are counterfeit reproductions of our products or that otherwise infringe on our proprietary rights. Counterfeiting activities typically increase as brand recognition increases, especially in markets outside the United States. Increased instances of counterfeit manufacture and sales may adversely affect our sales and our brand and result in a shift of consumer preference away from our products. The actions we take to establish and protect trademarks and other proprietary rights may not be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as violations of proprietary rights. In markets outside of the United States, it may be more difficult for us to establish our proprietary rights and to successfully challenge use of those rights by other parties. We also license our proprietary rights to third parties. Failure to choose appropriate licensees and licensed product categories may dilute or harm our brands. In addition to our own intellectual property rights, many of the intellectual property rights in the technology, fabrics and processes used to manufacture our products are generally owned or controlled by our suppliers and are generally not unique to us. In those cases, we may not be able to adequately protect our products or differentiate their performance characteristics and fabrications from those of our competitors. The management of our intellectual property portfolio may affect the strength of our brands, which may in turn have a material adverse effect on our financial condition, results of operations or cash flows.

Although we have not been materially inhibited from selling products in connection with patent, trademark and trade dress disputes, as we focus on innovation in our product lines, extend our brands into new product categories and expand the geographic scope of our marketing, we may become subject to litigation based on allegations of infringement or other improper use of intellectual property rights of third parties, including third party trademark,

copyright and patent rights. An increasing number of our products include technologies and/or designs for which we have obtained or applied for patent protection. Failure to successfully obtain and maintain patents on these innovations could negatively affect our ability to market and sell our products. Future litigation also may be necessary to defend against claims of infringement or to enforce and protect our intellectual property rights. As we utilize e-commerce and social media to a greater degree in our sales and marketing efforts, we face an increasing risk of patent infringement claims from non-operating entities and others covering broad functional aspects of internet operations. Intellectual property litigation may be costly and may divert management's attention from the operation of our business. Adverse determinations in any litigation may result in the loss of our proprietary rights, subject us to significant liabilities or require us to seek licenses

from third parties, which may not be available on commercially reasonable terms, if at all. Any of these outcomes may have a material adverse effect on our financial condition, results of operations or cash flows.

Our Success Depends on Our Distribution Facilities

Our ability to meet customer expectations, manage inventory, complete sales and achieve objectives for operating efficiencies depends on the proper operation of our existing distribution facilities, the development or expansion of additional distribution capabilities and services, such as the transition of value-added services functions from independent factories to our distribution centers, and the timely performance of services by third parties, including those involved in shipping product to and from our distribution facilities. In the United States, we rely primarily on our distribution centers in Portland, Oregon, Robards, Kentucky and a leased facility in Carlsbad, California; in Canada, we rely primarily on our distribution facility in London, Ontario; in Europe, we rely primarily on our distribution center in Cambrai, France; in Japan, we rely primarily on a third-party logistics distribution provider in Tokyo; in Korea, we rely primarily on two leased distribution facilities near Seoul that we manage and operate; and in China, we rely primarily on four third-party managed distribution centers, two of which are operated by our joint venture partner.

Our primary distribution facilities in the United States, France and Canada are highly automated, which means that their operations are complicated and may be subject to a number of risks related to computer viruses, the proper operation of software and hardware, electronic or power interruptions, and other system failures. Risks associated with upgrading or expanding these facilities may significantly disrupt or increase the cost of our operations. For example, in addition to supporting our traditional wholesale business, our existing distribution facilities have been modified to enable them to also support our e-commerce business in the United States. Failure to successfully maintain and update these modifications could disrupt our wholesale and e-commerce shipments and may have a material adverse effect on our financial condition, results of operations or cash flows.

The fixed costs associated with owning, operating and maintaining these large, highly automated distribution centers during a period of economic weakness or declining sales can result in lower operating efficiencies, financial deleverage and potential impairment in the recorded value of distribution assets. This has occurred in recent years in Europe, where our distribution center is underutilized. This fixed cost structure globally may make it difficult for us to achieve or maintain profitability if sales volumes decline for an extended period of time and could have material adverse effects on our financial condition, results of operations or cash flows.

Our distribution facilities may also be interrupted by disasters, such as earthquakes, tornadoes or fires. We maintain business interruption insurance, but it may not adequately protect us from the adverse effect that may be caused by significant disruptions in our distribution facilities.

We May be Adversely Affected by Currency Exchange Rate Fluctuations

Although the majority of our product purchases are denominated in U.S. dollars, the cost of these products may be affected by relative changes in the value of the local currencies of our subsidiaries and our manufacturers. Price increases caused by currency exchange rate fluctuations may make our products less competitive or have an adverse effect on our margins. Our international revenues and expenses generally are derived from sales and operations in currencies other than the U.S. dollar. Because the functional currency of many of our subsidiaries is not the U.S. dollar, we are exposed to the potential of material gains or losses from the remeasurement of U.S. dollar monetary transactions into the respective functional currencies. Currency exchange rate fluctuations may also disrupt the business of the independent factories that produce our products by making their purchases of raw materials more expensive and more difficult to finance. As a result, currency fluctuations may have a material adverse effect on our financial condition, results of operations or cash flows.

All of our independent distributors purchase the vast majority of their inventory from us in U.S. dollars and, therefore, are dependent upon their ability to exchange their functional currency for U.S. dollars on global currency exchanges. At times, some of our distributors have experienced periods during which they have been unable to obtain U.S. dollars in sufficient quantity to complete their purchase of goods or to pay amounts owed for past deliveries. Disruptions in currency exchange markets may have a material adverse effect on our financial condition, results of operations, or cash flows.

Our Investments May be Adversely Affected by Market Conditions

Our investment portfolio is subject to a number of risks and uncertainties. Changes in market conditions, such as those that accompany an economic downturn or economic uncertainty, may negatively affect the value and liquidity of our investment portfolio, perhaps significantly. Our ability to find diversified investments that are both safe and liquid and that provide a reasonable return may be impaired, potentially resulting in lower interest income, less diversification, longer investment maturities and/or other-than-temporary impairments.

We May be Adversely Affected by Labor Disruptions

Our business depends on our ability to source and distribute products in a timely manner. While a majority of our own operations are not subject to organized labor agreements, our relationship with our Cambrai distribution center employees is governed by French law, including a formal representation of employees by a Works Council and the application of a collective bargaining agreement. Labor disputes at independent factories where our goods are produced, shipping ports, transportation carriers, retail stores or distribution centers create significant risks for our business, particularly if these disputes result in work slowdowns, lockouts, strikes or other disruptions during our peak manufacturing, shipping and selling seasons, and may have a material adverse effect on our business, potentially resulting in cancelled orders by customers, unanticipated inventory accumulation, and reduced revenues and earnings.

We Depend on Key Suppliers

Some of the materials that we use may be available from only one source or a very limited number of sources. For example, some specialty fabrics are manufactured to our specification by one source or a few sources, and a single vendor supplies the majority of the zippers used in our products. From time to time, we have difficulty satisfying our raw material and finished goods requirements. Although we believe that we can identify and qualify additional independent factories to produce these materials as necessary, there are no guarantees that additional independent factories will be available. In addition, depending on the timing, any changes in sources or materials may result in increased costs or production delays, which may have a material adverse effect on our financial condition, results of operations or cash flows.

We Depend on Key Personnel

Our future success will depend in part on the continued service of key personnel and our ability to attract, retain and develop key managers, designers, sales and information technology professionals and others. We face intense competition for these individuals worldwide, and there is a significant concentration of well-funded apparel and footwear competitors in and around our headquarters in Portland, Oregon. We may not be able to attract qualified new employees or retain existing employees, which may have a material adverse effect on our financial condition, results of operations or cash flows.

Our Business Is Affected by Seasonality

Our business is affected by the general seasonal trends common to the outdoor industry. Our products are marketed on a seasonal basis and our annual net sales are weighted heavily toward the fall/winter season, while our operating expenses are more equally distributed throughout the year. As a result, the majority, and sometimes all, of our operating profits are generated in the second half of the year. The expansion of our direct-to-consumer operations and sales growth in our winter footwear business has increased the proportion of sales and profits that we generate in the fourth calendar quarter. This seasonality, along with other factors that are beyond our control and that are discussed elsewhere in this section, may adversely affect our business and cause our results of operations to fluctuate. As a result, our profitability may be materially affected if management is not able to timely adjust expenses in reaction to adverse events such as unfavorable weather, weak consumer spending patterns or unanticipated levels of order cancellations. Results of operations in any period should not be considered indicative of the results to be expected for any future period.

Our Products Are Subject to Increasing Product Regulations and We Face Risks of Product Liability and Warranty Claims

Our products are subject to increasingly stringent and complex domestic and foreign product labeling and performance and safety standards, laws and other regulations. These requirements could result in greater expense associated with compliance efforts, and failure to comply with these regulations could result in a delay, non-delivery or recall or destruction of inventory shipments during key seasons, or in other financial penalties. Significant or continuing noncompliance with these standards and laws could disrupt our business and harm our reputation and, as a result, could have a material adverse effect on our financial condition, results of operations or cash flows.

Our products are used in outdoor activities, sometimes in severe conditions. Product recalls or product liability claims resulting from the failure, or alleged failure, of our products could have a material adverse effect on our financial condition, results of operations or cash flows. Most of our products carry limited warranties for defects in quality and workmanship. We maintain a warranty reserve for future warranty claims, but the actual costs of servicing future warranty claims may exceed the reserve, which may also have a material adverse effect on our financial condition,

results of operations or cash flows.

Our Common Stock Price May Be Volatile

The price of our common stock has fluctuated substantially since our initial public offering. Our common stock is traded on the NASDAQ Global Select Market. Factors such as general market conditions, actions by institutional investors to rapidly

40

accumulate or divest of a substantial number of our shares, fluctuations in financial results, variances from financial market expectations, changes in earnings estimates or recommendations by analysts, or announcements by us or our competitors may cause the market price of our common stock to fluctuate, perhaps substantially.

Insiders Control a Majority of Our Common Stock and May Sell Shares

Three related shareholders, Timothy Boyle, Gertrude Boyle and Sarah Bany, beneficially own a majority of our common stock. As a result, if acting together, they can effectively control matters requiring shareholder approval without the cooperation of other shareholders. Shares held by these three insiders are available for resale, subject to the requirements of, and the rules under, the Securities Act of 1933 and the Securities Exchange Act of 1934. The sale or the prospect of the sale of a substantial number of these shares may have an adverse effect on the market price of our common stock.

Item 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2014 through July 31, 2014	—	—	—	\$58,557,000
August 1, 2014 through August 31, 2014	—	—	—	58,557,000
September 1, 2014 through September 30, 2014	54,600	35.89	54,600	56,600,000
Total	54,600	\$35.89	54,600	\$56,600,000

Our Board of Directors has authorized the repurchase of \$500,000,000 of our common stock. As of September 30, 2014, we had repurchased 19,241,156 shares under this program at an aggregate purchase price of approximately ⁽¹⁾ \$443,400,000, including \$1,950,000 not yet settled. Shares of our common stock may be purchased in the open market or through privately negotiated transactions, subject to market conditions. The repurchase program does not obligate us to acquire any specific number of shares or to acquire shares over any specified period of time.

Item 6 – EXHIBITS

(a) Exhibits

3.2	Amendment to 2000 Restated Bylaws of Columbia Sportswear Company, as amended, effective October 24, 2014 (incorporated by reference to exhibit 3.2 to the Company's Form 8-K filed on October 30, 2014) (File No. 0-23939)
10.1	Fifth amendment to Credit Agreement dated September 26, 2014 among Columbia Sportswear Company, Wells Fargo Bank, National Association, as the administrator for the lenders and as a lender, and Bank of America, N.A., as a lender (incorporated by reference to the Company's Form 8-K filed on September 30, 2014) (File No. 0-23939)
31.1	Rule 13a-14(a) Certification of Timothy P. Boyle, President and Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Thomas B. Cusick, Senior Vice President of Finance and Chief Financial Officer
32.1	Section 1350 Certification of Timothy P. Boyle, President and Chief Executive Officer
32.2	Section 1350 Certification of Thomas B. Cusick, Senior Vice President of Finance and Chief Financial Officer
101	INS XBRL Instance Document *
101	SCH XBRL Taxonomy Extension Schema Document *
101	CAL XBRL Taxonomy Extension Calculation Linkbase Document *
101	DEF XBRL Taxonomy Extension Definition Linkbase Document*
101	LAB XBRL Taxonomy Extension Label Linkbase Document *

101 PRE XBRL Taxonomy Extension Presentation Linkbase Document *

42

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities and Exchange Act of 1934, as amended and otherwise are not subject to liability under those sections.

43

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 thereunto duly authorized.

Date: November 7, 2014

COLUMBIA SPORTSWEAR COMPANY
/s/ THOMAS B. CUSICK
Thomas B. Cusick
Senior Vice President of Finance and Chief Financial
Officer
(Duly Authorized Officer and
Principal Financial and Accounting Officer)