

COLUMBIA SPORTSWEAR CO  
Form 10-K  
February 28, 2013

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-K  
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2012

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 93-0498284  
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification Number)  
14375 Northwest Science Park Drive Portland, Oregon 97229  
(Address of principal executive offices) (Zip Code)  
(503) 985-4000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

|                     |   |
|---------------------|---|
| Title of each class | Name of each exchange on which registered |
| Common Stock        | The NASDAQ Stock Market LLC               |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the 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 short period that the registrant was required to submit and post such files). Yes

No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of June 30, 2012, the last business day of the registrant's most recently completed second fiscal quarter, was \$658,934,000 based on the last reported sale price of the Company's Common Stock as reported by the NASDAQ Global Select Market System on that day.

The number of shares of Common Stock outstanding on February 15, 2013 was 34,141,558.

Part III is incorporated by reference from the registrant's proxy statement for its 2013 annual meeting of shareholders to be filed with the Commission within 120 days of December 31, 2012.

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## COLUMBIA SPORTSWEAR COMPANY

DECEMBER 31, 2012

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## PART I

### Item 1. BUSINESS

#### General

Founded in 1938 in Portland, Oregon, as a small, family-owned, regional hat distributor and incorporated in 1961, Columbia Sportswear Company has grown to become a global leader in the design, sourcing, marketing and distribution of active outdoor apparel, footwear, accessories and equipment. Unless the context indicates otherwise, the terms “we”, “us”, “our”, “the Company” and “Columbia” refer to Columbia Sportswear Company and its consolidated subsidiaries.

We design, source, market and distribute active outdoor apparel, footwear, accessories and equipment under four primary brands: Columbia®, Mountain Hardwear®, Sorel® and Montrail®. As one of the largest outdoor apparel and footwear companies in the world, our products have earned an international reputation for innovation, quality and performance. Our products feature innovative technologies and designs that protect outdoor enthusiasts from the elements, increase comfort and make outdoor activities more enjoyable. Our brands complement each other to address the diverse outdoor performance needs of a wide variety of outdoor consumer segments.

Our brands are distributed through a mix of wholesale distribution channels, our own direct-to-consumer channels (retail stores and e-commerce), independent distributors and licensees. In 2012, our products were sold in approximately 100 countries. We employ creative marketing strategies designed to increase demand, and to create and reinforce consumer awareness of our brands. Substantially all of our products are manufactured by independent factories located outside the United States.

The popularity of outdoor activities, changing design trends and consumer adoption of innovative performance technologies affect consumer demand for our products. Therefore, we seek to influence, anticipate and respond to trends and shifts in consumer preferences by adjusting the mix of available product offerings, developing new products with innovative performance features and designs, and by creating persuasive and memorable marketing communications to drive consumer awareness and demand. 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. Our business is subject to many risks and uncertainties that may have a material adverse effect on our financial condition, results of operations or cash flows. Some of these risks and uncertainties are described below under Item 1A, Risk Factors.

#### Seasonality and Variability of Business

Our business is affected by the general seasonal trends common to the outdoor industry and is heavily dependent upon weather and discretionary consumer spending patterns. Our products are marketed on a seasonal basis and our sales are weighted substantially toward the fall season, 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 and profits 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 2012, approximately 63 percent of our net sales and 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.

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 in economic conditions. Sales of our products are subject to substantial cyclical fluctuation, the effects of unseasonable weather conditions, the relative popularity of our competitors' brands and the continued popularity of outdoor activities as part of an active lifestyle in key markets. Volatile economic environments in key markets coupled with inflationary or volatile input costs reduce the predictability of our business.

For further discussion regarding the effects of the macro-economic environment on our business, see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

#### Products

We provide high quality apparel, footwear, accessories and equipment for use in a wide range of outdoor activities by men, women and youth, designed to keep the consumer warm or cool, dry and protected. A large percentage of our products are also worn for casual or leisure purposes. The durability and functionality of our products make them ideal for a wide range of outdoor activities. Our products serve a broad range of consumers including elite skiers and mountain climbers, winter outdoor enthusiasts, hunting and fishing enthusiasts, top endurance trail runners, and outdoor-inspired consumers. We also market licensed collegiate apparel and accessories under our Columbia brand. We develop and manage our merchandise in two principal categories: (1) apparel, accessories and equipment and (2) footwear. The following table presents the net sales and approximate percentages of net sales attributable to each of our principal product categories for each of the last three years ended December 31 (dollars in millions).

|                                    | 2012      |            | 2011        |            | 2010        |            |   |
|------------------------------------|-----------|------------|-------------|------------|-------------|------------|---|
|                                    | Net Sales | % of Sales | Net Sales   | % of Sales | Net Sales   | % of Sales |   |
| Apparel, accessories and equipment | \$1,347.0 | 80.7       | % \$1,334.9 | 78.8       | % \$1,213.3 | 81.8       | % |
| Footwear                           | 322.6     | 19.3       | 359.1       | 21.2       | 270.2       | 18.2       |   |
| Total                              | \$1,669.6 | 100.0      | % \$1,694.0 | 100.0      | % \$1,483.5 | 100.0      | % |

#### Apparel, accessories and equipment

We design, develop, market and distribute apparel, accessories and equipment for men, women and youth under our Columbia and Mountain Hardwear brands. Our products incorporate the cumulative design, fabrication, fit and construction technologies that we have pioneered over several decades and that we continue to innovate. Our apparel, accessories and equipment are designed to be used during a wide variety of outdoor activities, such as skiing, snowboarding, hiking, climbing, mountaineering, camping, hunting, fishing, trail running, water sports and adventure travel.

#### Footwear

We design, develop, market and distribute footwear products for men and women under our Columbia, Sorel and Montrail brands and for youth under our Columbia and Sorel brands. Our footwear products seek to address the needs of outdoor consumers who participate in activities that typically involve challenging or unusual terrain in a variety of weather and trail conditions. Our footwear products include durable, lightweight hiking boots, trail running shoes, rugged cold weather boots for activities on snow and ice, sandals for use in amphibious activities, and casual shoes for everyday use. Our Sorel brand primarily offers premium cold weather footwear for men, women and youth along with a Spring offering for men and women, with an increasing focus on young, fashion-conscious female consumers.

#### Product Design and Innovation

We are committed to designing innovative and functional products for consumers who participate in a wide range of outdoor activities, enabling them to enjoy those activities longer and in greater comfort by keeping them warm or cool, dry and protected. We also place significant value on product design and fit (the overall appearance and image of our products) that, along with technical performance features, distinguish our products in the marketplace.

Our research and development efforts are led by an internal team of specialists who work closely with independent suppliers to develop innovative technologies and products that provide the unique performance benefits needed by consumers during outdoor activities. We have established working relationships with specialists in the fields of chemistry, biochemistry, engineering, industrial design, materials research, graphic design, electronics and related fields. We utilize these relationships, along with consumer feedback, to develop and test innovative performance products, processes, packaging and displays. We believe that these efforts, coupled with our technical innovation efforts, represent key factors in the past and future success of our products.

#### Intellectual Property

We own many trademarks, including Columbia Sportswear Company®, Columbia®, Sorel®, Mountain Hard Wear®, Montrail®, OutDry®, Pacific Trail®, the Columbia diamond shaped logo, the Mountain Hardwear nut logo and the Sorel polar bear logo, as well as many other trademarks relating to our brands, products, styles and technologies. We believe that



our trademarks are an important factor in creating a market for our products, in identifying our Company, and in differentiating our products from competitors' products. We have design, process and utility patents as well as pending patent applications in the United States and other nations. We file applications for United States and foreign patents for inventions, designs and improvements that we believe have commercial value; however, these patents may or may not ultimately be issued or used in our business. We believe our success primarily depends on our ability to continue offering innovative solutions to consumer needs through design, research, development and production advancements rather than our ability to secure patents. The technologies, processes and designs described in our patents are incorporated into many of our most important products and expire at various times. We vigorously protect these proprietary rights against counterfeit reproductions and other infringing activities. Additionally, we license our Columbia trademarks across a range of apparel, footwear, accessories and equipment.

#### Sales and Distribution

We sell our products through a mix of wholesale distribution channels, our own direct-to-consumer channels, independent distributors and licensees. The majority of our sales are generated through wholesale channels which include small, independently operated specialty outdoor and sporting goods stores, regional, national and international sporting goods chains, and large regional, national and international department store chains. We sell our products to independent distributors in various countries where we generally do not have direct sales operations.

We sell our products directly to consumers through our own network of branded and outlet retail stores and online in each of our geographic segments. Our direct-to-consumer operations are designed to elevate consumer perception of our brands, manage inventory, increase consumer and retailer awareness of and demand for our products, model compelling retail environments for our products and build stronger emotional brand connections with consumers over time. Our branded retail stores and e-commerce sites allow us to showcase a broad selection of products and to support the brand's positioning with fixtures and imagery that may then be replicated and offered for use by our wholesale customers. These stores and sites provide high visibility for our brands and products and help us to monitor the needs and preferences of consumers. In addition, we operate outlet stores, which serve an important role in our overall inventory management by allowing us to sell a significant portion of excess, discontinued and out-of-season products while maintaining the integrity of our brands.

We operate in four geographic segments: (1) the United States, (2) Latin America and Asia Pacific ("LAAP"), (3) Europe, Middle East and Africa ("EMEA"), and (4) Canada, which are reflective of our internal organization, management, and oversight structure. Each geographic segment operates predominantly in one industry: the design, development, marketing and distribution of active outdoor apparel, footwear, accessories and equipment. The following table presents net sales to unrelated entities and approximate percentages of net sales by geographic segment for each of the last three years (dollars in millions):

|               | 2012      |            | 2011        |            | 2010        |            |   |  |
|---------------|-----------|------------|-------------|------------|-------------|------------|---|--|
|               | Net Sales | % of Sales | Net Sales   | % of Sales | Net Sales   | % of Sales |   |  |
| United States | \$946.7   | 56.7       | % \$948.0   | 56.0       | % \$881.0   | 59.4       | % |  |
| LAAP          | 377.6     | 22.6       | 341.0       | 20.1       | 263.4       | 17.7       |   |  |
| EMEA          | 230.6     | 13.8       | 275.4       | 16.3       | 222.4       | 15.0       |   |  |
| Canada        | 114.7     | 6.9        | 129.6       | 7.6        | 116.7       | 7.9        |   |  |
| Total         | \$1,669.6 | 100.0      | % \$1,694.0 | 100.0      | % \$1,483.5 | 100.0      | % |  |

#### United States

The United States accounted for 56.7% of our net sales for 2012. We sell our products in the United States to approximately 3,400 wholesale customers and through our own direct-to-consumer channels. As of December 31, 2012, we operated 55 outlet retail stores and 8 branded retail stores in various locations in the United States. We also sell Columbia, Mountain Hardwear, Sorel and Montrail products through e-commerce websites. In addition, we earn licensing income in the United States based on our licensees' sale of licensed products.

We distribute the majority of our products sold in the United States from distribution centers that we own and operate in Portland, Oregon and Robards, Kentucky. In some instances, we arrange to have products shipped from the independent





factories that manufacture our products through third party logistics vendors and/or directly to wholesale customer-designated facilities in the United States.

#### LAAP

The LAAP region accounted for 22.6% of our net sales for 2012. We sell our products in the LAAP region to approximately 300 wholesale customers in Japan and Korea and to approximately 14 independent distributors that sell to approximately 700 wholesale customers in locations throughout the LAAP region, including Australia, New Zealand, Latin America and Asia. In addition, as of December 31, 2012, there were 124 and 258 dealer-operated, branded, outlet and shop-in-shop locations in Japan and Korea, respectively. We also sell Columbia, Mountain Hardwear, Sorel and Montrail products through e-commerce websites in Japan and Korea. In addition, we earn licensing income in our LAAP region based on our distributors' production and sale of licensed products.

We distribute our products to wholesale customers, our own retail stores and licensed stores in Japan through an independent logistics company that owns and operates a warehouse located near Tokyo, Japan. We distribute our products to wholesale customers, our own retail stores and licensed stores in Korea from leased warehouse facilities near Seoul, Korea. The majority of sales to our LAAP distributors are shipped directly from the independent factories that manufacture our products.

In August 2012 we entered into an agreement with Swire Resources Limited ("Swire"), our current independent distributor for the China market, to establish a joint venture for purposes of continuing the development of our business in China. The joint venture, in which we will hold a 60% interest, is expected to begin operations in January 2014 upon satisfaction of specified conditions, including receipt of certain governmental approvals from China.

#### EMEA

Sales in our EMEA region accounted for 13.8% of our net sales for 2012. We sell our products in the EMEA region to approximately 5,700 wholesale customers and to approximately 12 independent distributors that sell to approximately 700 wholesale customers in locations throughout the EMEA region, including Russia, portions of Europe, the Middle East and Africa. In addition, as of December 31, 2012, we operated 7 outlet retail stores and 3 branded retail stores in various locations in Western Europe. We also sell Columbia and Sorel products through e-commerce websites in Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Spain and the United Kingdom.

We distribute the majority of our products sold to EMEA wholesale customers and our own retail stores from a distribution center that we own and operate in Cambrai, France. The majority of sales to our EMEA distributors are shipped directly from the independent factories that manufacture our products.

#### Canada

Sales in Canada accounted for 6.9% of our net sales for 2012. We sell our products in Canada to approximately 1,000 wholesale customers. In addition, as of December 31, 2012, we operated one outlet retail store in Canada. We also sell Columbia and Sorel products through e-commerce websites in Canada.

We distribute the majority of our products sold in Canada through two distribution centers. One is leased in Strathroy, Ontario, and the other is owned in London, Ontario. We plan to consolidate our Canadian distribution functions at our London facility in 2013. In some instances, we arrange to have products shipped directly from the independent factories that manufacture our products to customer-designated facilities in Canada.

#### Marketing

We believe our brand names and trademarks provide a competitive advantage and help to differentiate our products in the marketplace. Marketing supports our position in the marketplace, helps drive alignment through established seasonal initiatives, builds brand equity, raises global brand relevance and awareness, infuses our brands with excitement and stimulates consumer demand for our products worldwide. During 2012, the cost of our marketing programs represented approximately 4.6% of net sales.

Our integrated marketing efforts are designed to deliver consistent messages about the performance benefits, innovative technologies and styling of our products. We utilize a variety of means to deliver our messages, including online advertising and social media sites; television and print publications; experiential events; branded retail stores in selected high-profile locations; enhanced product displays in partnership with various wholesale customers; and consumer and trade public relations efforts.

We also reinforce our marketing and product innovation messages through selected sponsorships of key outdoor influencers, organizations, events and teams that serve as inspirational models of excellence to customers.

We work closely with our key wholesale customers to reinforce our brand message through cooperative online, television, radio and print advertising campaigns, as well as in stores using branded visual merchandising display tools. We employ a staff of in-store marketing and merchandising coordinators, who visit our customers' retail locations in major cities around the world to ensure that our products are favorably presented.

Our global internet marketing sites are used by consumers to research our products' features and benefits, to interact with content created to inform and entertain about each brand and its technologies, to be directed to nearby retailers where they can purchase our products, and to directly purchase products for delivery in most of our major direct-distribution markets.

#### Working Capital Utilization

We design, develop, market and distribute our products, but do not own or operate manufacturing facilities. As a result, most of our capital is invested in short-term working capital assets, including cash and cash equivalents, short-term investments, accounts receivable from customers, and finished goods inventory. At December 31, 2012, working capital assets accounted for approximately 77% of total assets. As a result, the degree to which we efficiently utilize our working capital assets can have a significant impact on our profitability, cash flows and return on invested capital. The overall goals of our working capital management efforts are to maintain the minimum level of inventory necessary to deliver goods on time to our customers to satisfy end consumer demand, and to minimize the cycle time from the purchase of inventory from our suppliers to the collection of accounts receivable balances from our customers.

#### Demand Planning and Inventory Management

As a branded consumer products company, inventory represents one of the largest and riskiest capital commitments in our business model. We design and develop our seasonal product lines 12 to 18 months in advance of their availability to consumers in retail stores. As a result, our ability to forecast and produce an assortment of product styles that match ultimate seasonal wholesale customer and end-consumer demand and to deliver products to our customers in a timely and cost-effective manner can significantly affect our sales, gross margins and profitability. For this reason, we maintain and continue to make substantial investments in information systems, processes and personnel that support our ongoing demand planning efforts. The goals of our demand planning efforts are to develop a collaborative forecast that drives the timely purchase of an adequate amount of inventory to satisfy demand, to minimize transportation and expediting costs necessary to deliver products to customers by their requested delivery dates, and to minimize excess inventory to avoid liquidating excess, end-of-season goods at discounted prices. Failure to achieve our demand planning goals could reduce our revenues and/or increase our costs, which would negatively affect our gross margins, profitability and brand strength.

In order to manage inventory risk, we use incentive discounts to encourage our wholesale customers and independent distributors to place orders at least six months in advance of scheduled delivery. 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 for each of our selling seasons. We use those advance orders, together with forecasted demand from our direct-to-consumer operations, market trends, historical data, customer and sales feedback and other important factors to estimate the volumes of each product to purchase from our suppliers around the world. From the time of initial order through production, receipt and delivery, we attempt to manage our inventory to reduce risk. We typically ship the majority of our advance fall season orders to wholesale customers and independent distributors beginning in June and continuing through November. Similarly, the majority of



our advance spring season orders ship to wholesale customers and independent distributors beginning in December and continuing through May. Generally, orders are subject to cancellation prior to the date of shipment. Our inventory management efforts cannot entirely eliminate inventory risk due to the inherently unpredictable nature of unseasonable weather, consumer demand, the ability of customers to cancel their advance orders prior to shipment, and other variables that affect our customers' ability to take delivery of their advance orders when originally scheduled. 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 our customers' advance orders and we maintain an inventory of select products that we anticipate will be in greatest demand. In addition, we build calculated amounts of inventory to support estimated at-once orders from customers and auto-replenishment orders on certain long-lived styles.

#### Credit and Collection

We extend credit to our customers based on an assessment of each customer's financial condition, generally without requiring collateral. To assist us in scheduling production with our suppliers and delivering seasonal products to our customers on time, we offer customers discounts for placing advance orders and extended payment terms for taking delivery before peak seasonal shipping periods. These extended payment terms increase our exposure to the risk of uncollectable receivables. In order to manage the inherent risks of customer receivables, we maintain and continue to invest in information systems, processes and personnel skilled in credit and collections. In some markets and with some customers we use credit insurance or standby letters of credit to minimize our risk of credit loss.

#### Sourcing and Manufacturing

We do not own or operate manufacturing facilities and virtually all of our products are manufactured to our specifications by independent factories located outside the United States. We generally do not maintain long-term manufacturing commitments. We believe that the use of independent factories enables us to substantially limit our capital expenditures and avoid the costs and risks associated with owning and operating large production facilities and managing large labor forces. We also believe that the use of independent factories greatly increases our production capacity, maximizes our flexibility and improves our product pricing. We manage our supply chain from a global and regional perspective and adjust as needed to changes in the global production environment, including political risks, factory capacity, import limitations and costs, raw material costs, availability and cost of labor and transportation costs. However, without long-term or reserved commitments, there is no assurance that we will be able to secure adequate or timely production capacity or favorable pricing terms.

Our apparel, accessories and equipment are manufactured in approximately 20 countries, with Vietnam and China accounting for approximately 67% of our 2012 apparel, accessories and equipment production. Our footwear is manufactured in three countries, with China and Vietnam accounting for approximately 93% of our 2012 footwear production.

Our five largest apparel, accessories and equipment factory groups accounted for approximately 25% of 2012 global apparel, accessories and equipment production, with the largest factory group accounting for 9% of 2012 global apparel, accessories and equipment production. Our five largest footwear factory groups accounted for approximately 79% of 2012 global footwear production, with the largest factory group accounting for 34% of 2012 global footwear production. In addition, a single vendor supplies the majority of the zippers used in our products. Most of our largest suppliers have multiple factory locations, thus reducing the risk that unfavorable conditions at a single factory or location will have a material adverse effect on our business.

We maintain 12 manufacturing liaison offices in a total of seven Asian countries. We also maintain a manufacturing liaison office in Richmond, California. Personnel in these manufacturing liaison offices are direct employees of Columbia, and are responsible for overseeing production at our independent factories. We believe that having employees physically located in these regions enhances our ability to monitor factories for compliance with our policies, procedures and standards related to quality, delivery, pricing and labor practices. Our quality assurance process is designed to ensure that our products meet our quality standards. We believe that our quality assurance process is an important and effective means of maintaining the quality and reputation of our products. In addition, independent contractors that manufacture products for us are subject to our Standards of Manufacturing Practices ("SMP"). Columbia sources products around the world and values legal, ethical



and fair treatment of people involved in manufacturing our products. Each factory producing products for us is monitored regularly against these standards. Additional information about SMP and corporate responsibility programs may be found at [www.columbia.com](http://www.columbia.com). The content on our website is not incorporated by reference in this Form 10-K unless expressly noted.

#### Competition

The markets for apparel, footwear, accessories and equipment are highly competitive. In each of our geographic markets, we face significant competition from numerous and varying competitors, some of which are larger than us and have more marketing resources and operational capabilities with which to compete, and others that are smaller with fewer marketing resources, but deeply entrenched in local markets. Some markets, such as our Asian markets, have grown significantly over the last five years and have attracted a large number of competitive local and global brands. In other markets, such as Europe, we face competition from smaller brands that hold significant market share in one or several European markets, but are not viable competitors in other key markets. Some of our large wholesale customers also market competitive apparel, footwear, accessories and equipment under their own private labels. In addition, our direct-to-consumer channels expose us to branded competitors who operate retail stores in outlet malls and key metropolitan markets, as well as competitors who sell product online. Our licensees also operate in very competitive markets, such as those for apparel, footwear, sunglasses and watches. We believe that the primary competitive factors in the end-use market for active outdoor apparel, footwear, accessories and equipment are brand strength, product innovation, product design, functionality, durability and price.

In addition to competing for end-consumer and wholesale market share, we also compete for manufacturing capacity of independent factory groups, primarily in Asia; for retail store locations in key markets; and for experienced management, staff and suppliers to lead, operate and support our global business processes. Each of these areas of competition requires distinct operational and relational capabilities and expertise in order to create and maintain long-term competitive advantages.

#### Government Regulation

Many of our international shipments are subject to existing or potential governmental tariff and non-tariff barriers to trade, such as import duties and potential safeguard measures that may limit the quantity of various types of goods that may be imported into the United States and other countries. These trade barriers often represent a material portion of the cost to manufacture and import our products. Our products are also subject to domestic and foreign product safety and environmental standards, laws and other regulations, which are increasingly restrictive and complex. As we strive to achieve technical innovations, we face a greater risk of compliance issues with regulations applicable to products with complex technical features, such as electrical heating components. Although we diligently monitor these standards and restrictions, a state, federal or foreign government may impose new or adjusted quotas, duties, safety requirements, material restrictions, or other restrictions or regulations, any of which could have a material adverse effect on our financial condition, results of operations or cash flows.

#### Employees

At December 31, 2012, we had 4,166 full-time equivalent employees.

#### Available Information

We file with the Securities and Exchange Commission ("SEC") our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports, proxy statements and registration statements. You may read and copy any material we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically. We make available free of charge on or through our website at [www.columbia.com](http://www.columbia.com) our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we file these materials with the SEC.



## Item 1A. RISK FACTORS

In addition to the other information contained in this Form 10-K, 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 these and other risks. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.

### Our Success Depends on Our Business Strategies

Our business strategies are designed to achieve sustainable, profitable growth by creating innovative products, focusing on product design, utilizing innovations to differentiate our brand from competitors, ensuring that our products are sold through brand enhancing distribution partners around the world, 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 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. We face many challenges in implementing our business strategies. For example, our focus on innovation depends on our ongoing ability to identify, develop or secure rights to product improvements or developments through internal research, joint developments, acquisitions or licenses. Once obtained, these innovations and developments may not be profitable or have the desired effect of increasing demand for our products or enhancing our brands' image. The 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 respond to changes in demand, and to attract, retain and manage qualified personnel. Changes in our business, including efforts to contain costs, may place an increasing strain 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. In addition, we may need to adapt our information technology systems and business processes to integrate business acquisitions. 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 margins, or comparable reductions in other operating costs. If our sales or gross margins 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 technology that support our supply chain and go-to-market strategies through implementation of an integrated ERP software solution over the next several years. We may experience difficulties as we transition to these new or upgraded systems and processes, including loss of data, decreases in productivity as our personnel become familiar with new systems 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.

We expect implementation of this new information technology infrastructure to have a pervasive impact on our business processes and information systems across a significant portion of our operations. As a result, we will experience significant changes in our operational processes and internal controls as our implementation progresses. If we are unable to successfully implement this system, including harmonizing our systems, data and processes, our



ability to conduct routine business functions could be negatively impacted and significant disruptions to our business could occur. In addition, we could incur

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material unanticipated expenses, including additional costs of implementation or costs of conducting business. These risks could result in significant business disruptions 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, 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 ERP system, on which we currently manage a substantial majority of our business, is highly customized. As a result, the availability of internal and external resources with the expertise to maintain this ERP system is limited. Our legacy ERP system may inhibit our ability to operate efficiently, which could have an adverse effect on our financial condition, results of operations or cash flows. For example, our legacy ERP system may not be compatible with other systems that support desired functionality for our operations. As we transition from our legacy ERP system to a new ERP system and supporting systems that interface with our new ERP system, certain functionality and information from our legacy ERP system may not be fully compatible with the new ERP system. 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 Protection 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 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, 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 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 and returns, decreased consumer demand for our products, 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 or licensee violates labor or other laws, or engages in practices that are not generally accepted as ethical in our key markets, we may experience production disruptions or significant negative publicity that could result in long-term damage to our brands, and in some circumstances parties may attempt to assert that we are liable for the independent manufacturer's or licensee's 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, 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, during 2010, 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 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, particularly markets in North America and the EMEA region. 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 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:

- 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;

- Unseasonable weather conditions;

- 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 discount prices. During periods of 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 certain 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 flow.

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

In August 2012 we entered into an agreement with Swire Resources Limited ("Swire") to establish a joint venture for purposes of continuing the development of our business in China. The joint venture, in which we will hold a 60% interest, will be established upon satisfaction of specified conditions, including receipt of certain governmental approvals from China. These approvals are anticipated to be received prior to January 1, 2014, the anticipated effective date of the joint venture; however, these government approvals may not be obtained as anticipated or at all, and if they are not, we may be forced to abandon the joint venture. Even if we are able to establish it, achieving the anticipated benefits of the joint venture is subject to a number of risks and uncertainties, including the following:

Our ability to operate the joint venture will be 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. We anticipate that approximately 650 to 700 employees currently working with or for Swire will become employees of, or provide services to, the joint venture. Our ability to effectively operate the joint venture will depend upon our ability to manage the employees of the joint venture, and to attract new employees as necessary to supplement and replace 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, 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.

We will be relying on the operational skill of our joint venture partner. Additionally, because our joint venture partner has voting rights with respect to major business decisions of the joint venture, we may experience difficulty reaching agreement as to implementation of certain 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 on a consolidated basis.

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. 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, 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 manufacture products or procure materials, and our cost of doing business. For example, unseasonably warm winter weather and a challenging macroeconomic environment in our EMEA region have hampered our ongoing efforts to elevate the Columbia





brand in key European markets, where we have significant infrastructure investments. 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 U.S., and any repatriation of funds currently held in foreign jurisdictions may result in higher effective tax rates for Columbia. 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.

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, 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.

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 strength may increase.

Increased competition may result in reduced access to production capacity, 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

Sluggish economies and consumer uncertainty regarding future economic prospects in our key markets have had an adverse effect on the financial health of our customers, some of whom have 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 and have recently experienced tightened credit markets and sales declines and reduced profitability, which in turn has 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. Research and development plays a key role in technical innovation. We rely upon specialists in the fields of chemistry, biochemistry, engineering, industrial design, electronics and related fields, guided by consumer feedback, to develop and test innovative performance products. 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. 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 brand, a product 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 have lower sales, excess inventories and lower profit margins, 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. Actions or decisions in 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-practicing 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

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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 the value added services function 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 and Robards, Kentucky; in Canada, we have primarily relied on two distribution facilities in Strathroy, Ontario, one of which was transitioned to a facility in London, Ontario in late 2012 and the other of which is expected to be transitioned to this same London, Ontario facility in 2013; 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; and in Korea, we rely primarily on leased distribution facilities near Seoul that we manage and operate.

Our distribution facilities in the United States and France 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. We plan to upgrade our warehouse management system and add automation at our distribution facility in Canada in 2013. 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 and financial leverage. 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 a material adverse effect 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.

#### **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

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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 (both Sorel and Columbia brands) 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, 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 1B. UNRESOLVED STAFF COMMENTS**

None.

**Item 2. PROPERTIES**

Following is a summary of principal properties owned or leased by us:

|   |  |
|---|--|
| Corporate Headquarters:                               | Europe Headquarters:                                   |
| Portland, Oregon (1 location)—owned                   | Geneva, Switzerland (1 location)—leased <sup>(1)</sup> |
| U.S. Distribution Facilities:                         | Europe Administrative Operation:                       |
| Portland, Oregon (1 location)—owned                   | Strasbourg, France (1 location)—owned                  |
| Robards, Kentucky (1 location)—owned                  | Europe Distribution Facility:                          |
| Canadian Operation and Distribution Facilities:       | Cambrai, France (1 location)—owned                     |
| Strathroy, Ontario (1 location)—leased <sup>(2)</sup> |  |
| London, Ontario (1 location)—owned <sup>(3)</sup>     |  |

<sup>(1)</sup> Lease expires in June 2014.

<sup>(2)</sup> Acquired December 2011 for future Canadian headquarters and distribution.

<sup>(3)</sup> Lease expires in June 2020.

In addition, as of December 31, 2012, we leased approximately 150 locations globally for the operation of our branded and outlet retail stores. We also have several leases globally for office space, warehouse facilities, storage space, vehicles and equipment, among other things. See Note 13 of Notes to Consolidated Financial Statements for further lease-related disclosures.

**Item 3. LEGAL PROCEEDINGS**

The Company is 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. The Company has considered facts related to legal and regulatory matters and opinions of counsel handling these matters, and does not believe the ultimate resolution of these proceedings will have a material adverse effect on the Company's financial position, results of operations or cash flows.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

**Item 4A. EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE REGISTRANT**

The following table sets forth information about our executive officers and certain key employees. All information is as of the date of the filing of this report.

| Name                 | Age | Position  |
|----------------------|-----|---|
| Gertrude Boyle       | 88  | Chairman of the Board (1)   |
| Timothy P. Boyle     | 63  | President, Chief Executive Officer, Director (1)  |
| Michael W. Blackford | 44  | Vice President of Global Innovation   |
| Kerry W. Barnes      | 61  | Vice President of Retail  |
| Patricia E. Higgins  | 45  | Vice President of E-Commerce  |
| Peter J. Bragdon     | 50  | Senior Vice President of Legal and Corporate Affairs, General Counsel and Secretary (1) |
| Thomas B. Cusick     | 45  | Senior Vice President of Finance and Chief Financial Officer (1)                        |
| Daniel A. Dougherty  | 60  | Vice President of Global Distribution   |
| Mitchell C. Fields   | 65  | Vice President of Global Apparel Sales  |
| Topher A. Gaylord    | 43  | President of Mountain Hardwear, Inc.  |
| James T. Gorman      | 65  | Vice President of Global Footwear Manufacturing   |
| Daniel G. Hanson     | 54  | Vice President of Global Marketing  |
| Lisa A. Kulok        | 47  | Vice President of Global Marketplace Planning and Customer Operations                   |
| Adrienne L. Moser    | 51  | Vice President of Global Apparel Merchandising and Design                               |
| Mark J. Nenow        | 55  | Vice President of Global Footwear Merchandising and Design                              |
| Fredrick R. Pond     | 55  | Vice President, Chief Information Officer   |
| Susan G. Popp        | 57  | Vice President of Global Human Resources  |
| Bryan L. Timm        | 49  | Executive Vice President and Chief Operating Officer (1)                                |
| William Tung         | 48  | Vice President of Latin America/Asia Pacific, Direct and Distributor Sales              |
| Patrick J. Werner    | 57  | Vice President of Global Apparel Manufacturing  |

(1) These individuals are considered Executive Officers of Columbia.

Gertrude Boyle has served as Chairman of the Board of Directors since 1983. Columbia was founded by her parents in 1938 and managed by her husband, Neal Boyle, from 1964 until his death in 1970. Mrs. Boyle also served as our President from 1970 to 1988. Mrs. Boyle is Timothy P. Boyle's mother.

Timothy P. Boyle joined Columbia in 1971 as General Manager and has served as President and Chief Executive Officer since 1988. He has been a member of the Board of Directors since 1978. Mr. Boyle is also a member of the Board of Directors of Northwest Natural Gas Company and Craft Brewers Alliance, Inc. Mr. Boyle is Gertrude Boyle's son.

Michael W. Blackford joined Columbia in September 2005 as a Senior Apparel Designer and was promoted to Design Director of Men's Apparel & Equipment in May 2006. In February 2008 he was promoted to Director of Global Innovation and named Vice President of Global Innovation in August 2010. Prior to joining Columbia, Mr. Blackford held various positions in design, brand management and sourcing at Sierra Designs.

Kerry W. Barnes joined Columbia in January 2007 as Vice President of Retail. From 2001 to 2006, Mr. Barnes served as the Director of Retail Stores for adidas AG. From 1981 to 2001, Mr. Barnes held various retail positions at Foot Locker, Inc. including Director of Outlet Stores and Regional Vice President of the West Coast.

Patricia E. Higgins joined Columbia in September 2012 as Vice President of E-Commerce. Prior to joining Columbia, Ms. Higgins served as Senior Vice President, E-Commerce at TOMS Shoes, Inc. and in various leadership roles in E-Commerce, retail and customer service operations at Guess?, Inc., Hot Topic, Inc., Cooking.com and Williams-Sonoma, Inc.

Peter J. Bragdon became Vice President and General Counsel, Secretary of Columbia in July 2004 and was named Senior Vice President of Legal and Corporate Affairs, General Counsel and Secretary in January 2010. From 1999 to January 2003, Mr. Bragdon served as Senior Counsel and Director of Intellectual Property for Columbia. Mr. Bragdon served as Chief of Staff in the Oregon Governor's office from January 2003 through June 2004. From 1993 to 1999, Mr. Bragdon was an attorney in the corporate securities and finance group at Stoel Rives LLP. Mr. Bragdon served as Special Assistant Attorney General for the Oregon Department of Justice for seven months in 1996.

Thomas B. Cusick joined Columbia in September 2002 as Corporate Controller, was named Vice President and Corporate Controller in March 2006, was named Vice President and Chief Accounting Officer in May 2008, was named Vice President, Chief Financial Officer and Treasurer in January 2009, and was named Senior Vice President of Finance,

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Chief Financial Officer and Treasurer in January 2010. Mr. Cusick delegated the Treasurer duties in 2011. From 1995 to 2002, Mr. Cusick worked for Cadence Design Systems (and OrCAD, a company acquired by Cadence in 1999), which operates in the electronic design automation industry, in various financial management positions. From 1990 to 1995, Mr. Cusick was an accountant with KPMG LLP.

Daniel A. Dougherty joined Columbia in December 1997 and was named Vice President of Global Distribution in October 2009. From 1989 to 1996, Mr. Dougherty worked for Glen Oaks Industries, Inc., where he served as Vice President of Distribution. Prior to that, Mr. Dougherty served as Vice President at both Fussell & Associates, Inc. and Burton & Associates, Inc.

Mitchell C. Fields joined Columbia in October 2006 as National Sales Manager of Men's Apparel and was named Vice President of Global Apparel Sales in June 2008. From 2002 to 2006, Mr. Fields served as Director of Sales for Callaway Golf Footwear. From 1984 to 2001, Mr. Fields held various sales management positions at NIKE, Inc. including Director of Sales for Nike Golf and Director of Replenishment.

Topher A. Gaylord joined Columbia in March 2010 as President of its wholly owned subsidiary Mountain Hardware, Inc. Prior to joining Columbia, Mr. Gaylord had been at The North Face since 1993, where he served as managing director of the company's EMEA region from 2000 to 2005. He served as president of VF Corporation's Outdoor & Action Sports International brands, including The North Face, Vans, Reef and Jansport, from 2006 through September 2008, and became president of 7 For All Mankind within VF's Contemporary Brands coalition in October 2008.

James T. Gorman joined Columbia in October 2009 as Vice President Footwear Manufacturing. From 2001 to 2009, Mr. Gorman was President and Founder of Momentum Brand Group, LLC. From 1997 to 2000, Mr. Gorman served as President of PUMA North America, Inc., and from 1994 to 1997, Mr. Gorman served as CEO of Diadora America, Inc. From 1990 to 1993, Mr. Gorman was Senior Vice President Logistics for adidas AG, and from 1972 to 1990, Mr. Gorman held several key positions at NIKE, Inc., including Divisional Vice President.

Daniel G. Hanson joined Columbia in September 1989 and held various management positions in sales and marketing until 1996, when he became Director of Marketing Communications. In March 2006 Mr. Hanson was named Vice President of Marketing. From 1982 to 1989, Mr. Hanson worked for Helly Hansen AS, where he served as United States Marketing Manager from 1986 to 1989.

Lisa A. Kulok joined Columbia in February 2008 as Senior Director of Global Planning and was named Vice President of Global Marketplace Planning and Customer Operations in October 2009. From 1987 to 2007, Ms. Kulok held various leadership positions at NIKE, Inc., including USA Apparel Marketplace Planning Director and Director of Regional Planning.

Adrienne L. Moser joined Columbia in October 2009 as General Manager of Apparel Merchandising and was named Vice President of Apparel and Design in January 2012. From 2005 to 2008, Ms. Moser was a founding member of Nau, Inc., in Portland, Oregon, where she served as Chief Operating Officer and General Manager. From 1991 to 2005, Ms. Moser held several key positions at Patagonia, Inc. including General Merchandising Manager.

Mark J. Nenow joined Columbia in May 2007 as Vice President of Global Footwear Merchandising. From 2006 to 2007, Mr. Nenow served as Vice President of Global Footwear Merchandising at Brooks Sports. From 1995 to 2006, Mr. Nenow worked for NIKE, Inc., where he held various product line management positions in the running and outdoor categories. Prior to his footwear career, Mr. Nenow was a professional track and field athlete and held the American track record for the 10,000 meters from 1986 to 2003.

Fredrick R. Pond joined Columbia in April 2010 as Senior Director Global IT and was named Vice President and Chief Information Officer in November 2011. Prior to joining Columbia, Mr. Pond served as Chief Information Officer for the North Pacific Group from January 2006 to March 2010 and as Director of Information Services for the Schnitzer Group of Companies between March 1997 and December 2005.

Susan G. Popp joined Columbia in April 1997 as Human Resources Manager and was named Human Resources Director in May 2004. In March 2006, Ms. Popp was named Vice President of Global Human Resources. Prior to joining Columbia, Ms. Popp held various Human Resource positions, including at NIKE, Inc. from 1996 to 1997.

Bryan L. Timm joined Columbia in June 1997 as Corporate Controller and was named Chief Financial Officer in July 2002. In 2003 Mr. Timm was named Vice President, Chief Financial Officer and Treasurer and in October 2008 he was named Executive Vice President and Chief Operating Officer and continued to serve in the role of Chief Financial

Officer until January 2009. From 1991 to 1997, Mr. Timm held various financial management positions for Oregon Steel Mills,

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Inc. From 1986 to 1991, Mr. Timm was an accountant with KPMG LLP. Mr. Timm is a member of the Board of Directors of Umpqua Holdings Corporation and Doernbacher Children's Hospital Foundation.

William Tung joined Columbia in September 2003 and was named Vice President of International Sales and Operations in December 2004. In October 2008, he was named Vice President of Latin America and Asia Pacific. From 2002 to 2003, Mr. Tung worked for The Body Shop International PLC as Regional Director of North Asia. He was employed by The Rockport Company from 1994 to 2002 where he served in a variety of capacities, most recently as Vice President of Europe. From 1991 to 1994, Mr. Tung worked for Prince Racquet Sports (a division of Benetton Sportssystem) as Sales and Marketing Manager of Asia-Pacific.

Patrick J. Werner joined Columbia in April 2004 as the Director of Apparel Sportswear Sourcing and was named Vice President of Global Apparel Manufacturing in November 2006. Prior to Columbia, Mr. Werner held several key apparel sourcing manufacturing compliance roles at NIKE, Inc., where he worked from 1981 until 2004.



## PART II

Item MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND  
5. ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the NASDAQ Global Select Market and trades under the symbol "COLM." At February 15, 2013, we had approximately 375 shareholders of record.

Following are the quarterly high and low sale prices for our Common Stock for the years ended December 31, 2012 and 2011:

|                | HIGH    | LOW     | DIVIDENDS<br>DECLARED |
|----------------|---------|---------|-----------------------|
| 2012           |         |         |                       |
| First Quarter  | \$51.42 | \$43.26 | \$0.22                |
| Second Quarter | \$53.86 | \$45.37 | \$0.22                |
| Third Quarter  | \$55.80 | \$49.40 | \$0.22                |
| Fourth Quarter | \$58.47 | \$51.36 | \$0.22                |
| 2011           |         |         |                       |
| First Quarter  | \$65.14 | \$56.11 | \$0.20                |
| Second Quarter | \$70.64 | \$58.14 | \$0.22                |
| Third Quarter  | \$66.27 | \$45.99 | \$0.22                |
| Fourth Quarter | \$58.89 | \$41.13 | \$0.22                |

Our current dividend policy is dependent on our earnings, capital requirements, financial condition, restrictions imposed by our credit agreements, and other factors considered relevant by our Board of Directors. For various restrictions on our ability to pay dividends, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Note 8 of Notes to Consolidated Financial Statements.

## Performance Graph

The line graph below compares the cumulative total shareholder return of our common stock with the cumulative total return of the Standard & Poor's ("S&P") 400 Mid-Cap Index and the Russell 3000 Textiles Apparel Manufacturers for the period beginning December 31, 2007 and ending December 31, 2012. The graph assumes that \$100 was invested on December 31, 2007, and that any dividends were reinvested.

Historical stock price performance should not be relied on as indicative of future stock price performance.

Columbia Sportswear Company  
 Stock Price Performance  
 December 31, 2007—December 31, 2012  
 Total Return Analysis

|                                     | 12/31/2007 | 12/31/2008 | 12/31/2009 | 12/31/2010 | 12/31/2011 | 12/31/2012 |
|-------------------------------------|------------|------------|------------|------------|------------|------------|
| Columbia Sportswear Co.             | \$100.00   | \$81.54    | \$91.79    | \$147.85   | \$115.85   | \$135.14   |
| S&P 400 Mid-Cap Index               | \$100.00   | \$63.76    | \$87.59    | \$110.92   | \$108.99   | \$128.46   |
| Russell 3000 Textiles Apparel Mfrs. | \$100.00   | \$58.84    | \$83.41    | \$109.87   | \$122.99   | \$137.80   |

Issuer Purchases of Equity Securities

Since the inception of the Company's stock repurchase plan in 2004 through December 31, 2012, the Board of Directors has authorized the repurchase of up to \$500,000,000 of the Company's common stock. As of December 31, 2012, the Company had repurchased 9,593,278 shares under this program for an aggregate purchase price of approximately \$441,443,000. 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. The Company did not repurchase any equity securities during the three months ended December 31, 2012.

## Item 6. SELECTED FINANCIAL DATA

## Selected Consolidated Financial Data

The selected consolidated financial data presented below for, and as of the end of, each of the years in the five-year period ended December 31, 2012 have been derived from our audited consolidated financial statements. The consolidated financial data should be read in conjunction with the Consolidated Financial Statements and accompanying Notes that appear elsewhere in this annual report and Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in Item 7.

|  | Year Ended December 31,                  |             |             |             |             |
|--|--|-------------|-------------|-------------|-------------|
|  | 2012                                     | 2011        | 2010        | 2009        | 2008        |
|  | (In thousands, except per share amounts) |             |             |             |             |
| Statement of Operations Data:                    |  |             |             |             |             |
| Net sales  | \$1,669,563                              | \$1,693,985 | \$1,483,524 | \$1,244,023 | \$1,317,835 |
| Net income                                       | 99,859                                   | 103,479     | 77,037      | 67,021      | 95,047      |
| Per Share of Common Stock Data:                  |  |             |             |             |             |
| Earnings per share:                              |  |             |             |             |             |
| Basic  | \$2.95                                   | \$3.06      | \$2.28      | \$1.98      | \$2.75      |
| Diluted  | 2.93                                     | 3.03        | 2.26        | 1.97        | 2.74        |
| Cash dividends per share                         | 0.88                                     | 0.86        | 2.24        | 0.66        | 0.64        |
| Weighted average shares outstanding:             |  |             |             |             |             |
| Basic  | 33,840                                   | 33,808      | 33,725      | 33,846      | 34,610      |
| Diluted  | 34,132                                   | 34,204      | 34,092      | 33,981      | 34,711      |
|  |  |             |             |             |             |
|  | December 31,                             |             |             |             |             |
|  | 2012                                     | 2011        | 2010        | 2009        | 2008        |
| Balance Sheet Data:                              |  |             |             |             |             |
| Total assets                                     | \$1,458,842                              | \$1,382,542 | \$1,294,754 | \$1,212,883 | \$1,148,236 |
| Long-term obligations, net of current maturities | —  | —           | —           | —           | 15          |

## Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This annual report, including Item 1 of Part I and Item 7 of Part II, 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 and operating margins across markets, distribution channels and product categories, access to raw materials and factory capacity, financing and working capital requirements and resources, establishment and operation of our joint venture in China, 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 above in Item 1A, Risk Factors. We do not undertake any duty either 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 apparel and footwear companies in the world, we design, source, market and distribute active outdoor apparel, footwear, accessories and equipment under the Columbia, Mountain Hardwear, Sorel 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 our Columbia trademarks across a range of apparel, footwear, accessories and equipment.

The popularity of outdoor activities, 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 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.

### Seasonality and Variability of Business

Our business is affected by the general seasonal trends common to the outdoor industry and is heavily dependent upon weather and discretionary consumer spending patterns. Our products are marketed on a seasonal basis and our sales are weighted substantially toward the fall season, 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 and profits 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 2012, approximately 63 percent of our net sales and 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 in planning manufacturing volumes to meet demand for each of our selling seasons. We typically ship the majority of our advance fall season orders to wholesale customers and independent distributors beginning in June and continuing through November. Similarly, the majority of our advance spring season orders ship to wholesale customers and independent distributors beginning in December and continuing through May. 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 in economic 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 activities as part of an active lifestyle in key markets. Volatile economic environments in key markets, coupled with inflationary or volatile input costs, reduce the predictability of our business.



## Business Outlook

The global business climate continues to present us with a great deal of uncertainty, making it more difficult to predict future results. Factors that could significantly affect our full year 2013 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;

Changes in mix and volume of full price sales in contrast with closeout product sales and promotional sales activity; Increased costs to support supply chain and information technology infrastructure investments and projects, including our multi-year global enterprise resource planning ("ERP") system implementation;

Our ability to implement and maintain effective cost containment measures in order to limit the growth of selling, general and administrative ("SG&A") expenses to a rate comparable to or lower than sales growth;

Continued economic uncertainty, which is creating headwinds in key global markets, particularly Europe as it relates to our EMEA direct business where we have ongoing efforts to elevate the Columbia brand;

The rate of new store expansion in our direct-to-consumer operations;

Changes in consumer spending activity, including consumer acceptance of increased prices of our products; and

Fluctuating currency exchange rates.

Like other branded consumer product companies, our business is heavily dependent upon discretionary consumer spending patterns. Continuing high levels of unemployment and concerns about potential consumer price increases in our key markets continue to pose significant challenges and risks.

Our preliminary 2013 outlook assumes net sales comparable to 2012 net sales, including a decrease in sales in our North American wholesale channels resulting from cautious wholesale customer purchases following back-to-back mild winter weather in 2012 and 2011, largely offsetting anticipated expansion in our global direct-to-consumer channels and increased sales in the LAAP region. The combination of these assumptions leads us to anticipate 2013 operating margin ranging from 8.0 percent, comparable to the operating margin realized in 2012, to approximately 7.5 percent. We are continuing our cost containment measures with the goal of limiting SG&A expense as a percentage of net sales.

Our previously announced joint venture in mainland China with Swire is expected to commence operations effective January 1, 2014, subject to regulatory approval in the People's Republic of China and other conditions customary in transactions of this size and type. During 2013, we will begin accounting for the transition to the joint venture from our current third-party distributor relationship with Swire. We expect to fund our approximately \$50 million share of joint venture capitalization in 2013 and the early part of 2014. Our shipments of spring 2014 inventory for the China market, anticipated to begin in the fourth quarter of 2013, will be sold directly to the joint venture entity. The related sales, gross margin, and licensing income, which we would have recognized in the fourth quarter of 2013 under the distributor model, will be deferred and recognized in future periods as the joint venture sells that inventory to wholesale customers and consumers. Similarly, on or about December 31, 2013, Swire's inventory of fall 2013 and prior seasons will be transferred to the joint venture. We will defer 2013 profits related to the inventory transferred to the joint venture and recognize those profits as the inventory is sold by the joint venture in future periods. The actual amount of these profit eliminations and deferrals into future periods will be dependent upon the volume of spring 2014 shipments that occur in the fourth quarter of 2013 and the remaining balance of prior season inventory transferred to the joint venture. These adjustments are not currently included in our preliminary 2013 outlook. As these amounts become more predictable, we will refine our 2013 outlook as part of our regular quarterly disclosures. 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 firmly committed to:

- Creating innovative solutions that keep people warm or cool, dry and protected so they can enjoy the outdoors longer;
- Focusing on product design and utilizing our innovations to differentiate our brands from competitors;
- Seeking to sell our products through brand enhancing distribution partners around the world;
- 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; and
- Continuing to build a brand-enhancing direct-to-consumer business.

#### Results of Operations

The following discussion of our results of operations and liquidity and capital resources should be read in conjunction with the Consolidated Financial Statements and accompanying Notes that appear elsewhere in this annual report. All references to years relate to the calendar year ended December 31.

#### Highlights of the Year Ended December 31, 2012

Net sales decreased \$24.4 million, or 1%, to \$1,669.6 million in 2012 from \$1,694.0 million in 2011. Changes in foreign currency exchange rates compared with 2011 negatively affected the consolidated net sales comparison by approximately one percentage point.

Net income decreased 3% to \$99.9 million in 2012 from \$103.5 million in 2011, and diluted earnings per share decreased to \$2.93 in 2012 compared to \$3.03 in 2011.

We paid cash dividends totaling \$29.8 million, or \$0.88 per share, in 2012.

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

|   | Year Ended December 31, |         |         |   |
|---|-------------------------|---------|---------|---|
|   | 2012                    | 2011    | 2010    |   |
| Net sales                                   | 100.0                   | % 100.0 | % 100.0 | % |
| Cost of sales                               | 57.1                    | 56.6    | 57.6    |   |
| Gross profit                                | 42.9                    | 43.4    | 42.4    |   |
| Selling, general and administrative expense | 35.7                    | 36.3    | 36.0    |   |
| Net licensing income                        | 0.8                     | 1.0     | 0.6     |   |
| Income from operations                      | 8.0                     | 8.1     | 7.0     |   |
| Interest income, net                        | —                       | —       | 0.1     |   |
| Income before income tax                    | 8.0                     | 8.1     | 7.1     |   |
| Income tax expense                          | (2.0                    | ) (2.0  | ) (1.9  | ) |
| Net income                                  | 6.0                     | % 6.1   | % 5.2   | % |

#### Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Net Sales: Consolidated net sales decreased \$24.4 million, or 1%, to \$1,669.6 million in 2012 from \$1,694.0 million in 2011. Changes in foreign currency exchange rates compared with 2011 negatively affected the net sales comparison by approximately one percentage point.

#### Sales by Geographic Region

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

|               | Year Ended December 31,                      |           |          |
|---------------|--|-----------|----------|
|               | 2012   | 2011      | % Change |
|               | (In millions, except for percentage changes) |           |          |
| United States | \$946.7                                      | \$948.0   | —%       |
| LAAP          | 377.6  | 341.0     | 11%      |
| EMEA          | 230.6  | 275.4     | (16)%    |
| Canada        | 114.7  | 129.6     | (11)%    |
|               | \$1,669.6                                    | \$1,694.0 | (1)%     |

Net sales in the United States decreased \$1.3 million, or less than 1%, to \$946.7 million in 2012 from \$948.0 million in 2011. The decrease in net sales in the United States consisted of a net sales decrease in our wholesale business across all brands and both product categories, partially offset by a net sales increase in our direct-to-consumer channel across all brands and both product categories. The decrease in net sales in our wholesale business was driven by unseasonably warm winter weather and general consumer caution, resulting in higher cancellations of advance orders and fewer reorders from wholesale customers. The increase in direct-to-consumer net sales was due to a greater number of retail stores operating during 2012 than 2011 and, to a lesser degree, increased sales from existing stores.

At December 31, 2012, we operated 63 retail stores, compared with 51 at December 31, 2011.

Net sales in the LAAP region increased \$36.6 million, or 11%, to \$377.6 million in 2012 from \$341.0 million in 2011. Changes in foreign currency exchange rates affected the LAAP net sales comparison by less than one percent. The net sales increase in the LAAP region was led by a net sales increase in apparel, accessories and equipment, followed by a net sales increase in footwear. The LAAP net sales increase was concentrated in the Columbia brand, followed by the Mountain Hardwear brand and the Sorel brand. The LAAP net sales increase was led by Japan, followed by Korea and our LAAP distributor business. The increase in Japan net sales was led by an increase in wholesale net sales, followed by an increase in direct-to-consumer net sales. The increase in Korea net sales was primarily due to a greater number of retail stores operating during 2012 than in 2011, partially offset by the negative effect of foreign currency exchange rates. Net sales to our LAAP distributors increased due to higher demand in key distributor markets, partially offset by a smaller percentage of spring 2013 advance orders shipping in the fourth quarter of 2012 compared to shipments of spring 2012 advance orders in the fourth quarter of 2011.

Net sales in the EMEA region decreased \$44.8 million, or 16%, to \$230.6 million in 2012 from \$275.4 million in 2011. Changes in foreign currency exchange rates negatively affected the EMEA net sales comparison by approximately four percentage points. The decrease in net sales in the EMEA region was led by footwear, followed by apparel, accessories and equipment. The net sales decrease consisted of a net sales decrease in our EMEA direct business reflecting a decline in advance orders due to the effects of the unseasonably warm 2011/2012 winter and a challenging macroeconomic environment, which have hampered our ongoing efforts to revitalize the Columbia brand in key European markets. This decrease was partially offset by a net sales increase in our EMEA distributor business, partially due to higher demand in Russia.

Net sales in Canada decreased \$14.9 million, or 11%, to \$114.7 million in 2012 from \$129.6 million in 2011. Changes in foreign currency exchange rates compared to 2011 affected the Canada net sales comparison by less than one percent. The decrease in net sales was led by apparel, accessories and equipment, followed by footwear, and was led by the Columbia brand, followed by the Sorel and Mountain Hardwear brands. The Canada net sales decrease was primarily a result of a decline in fall 2012 advance orders for Columbia brand products due to the unseasonably warm 2011/2012 winter and retailer consolidation in the region.

#### Sales by Product Category

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



|                                    | Year Ended December 31,                      |           |          |
|------------------------------------|--|-----------|----------|
|                                    | 2012   | 2011      | % Change |
|                                    | (In millions, except for percentage changes) |           |          |
| Apparel, Accessories and Equipment | \$1,347.0                                    | \$1,334.9 | 1%       |
| Footwear                           | 322.6  | 359.1     | (10)%    |
|                                    | \$1,669.6                                    | \$1,694.0 | (1)%     |

Net sales of apparel, accessories and equipment increased \$12.1 million, or 1%, to \$1,347.0 million in 2012 from \$1,334.9 million in 2011. The increase in apparel, accessories and equipment net sales consisted of a net sales increase in the Columbia brand and was led by the LAAP region, followed by the United States, partially offset by net sales decreases in the EMEA region and Canada. The apparel, accessories and equipment net sales increase in the LAAP region was led by Japan, followed by Korea and our LAAP distributor business. The net sales increase in apparel, accessories and equipment in the United States consisted of a net sales increase in our direct-to-consumer business, partially offset by a net sales decrease in our wholesale business.

Net sales of footwear decreased \$36.5 million, or 10%, to \$322.6 million in 2012 from \$359.1 million in 2011. The decrease in footwear net sales was led by the Sorel brand, followed by the Columbia brand. The footwear net sales decrease was led by the EMEA region, followed by the United States and Canada, partially offset by a net sales increase in the LAAP region. The footwear net sales decrease in the EMEA region was primarily concentrated in our EMEA direct business, and was led by the Sorel brand, followed by the Columbia brand. The net sales decrease in footwear in the United States consisted of a net sales decrease in our wholesale business, partially offset by a net sales increase in our direct-to-consumer business. The LAAP footwear net sales increase was led by our LAAP distributor business, followed by Japan and Korea, and was primarily concentrated in the Columbia brand, followed by the Sorel brand.

#### Sales by Brand

Net sales by brand are summarized in the following table:

|                   | Year Ended December 31,                      |           |          |
|-------------------|--|-----------|----------|
|                   | 2012   | 2011      | % Change |
|                   | (In millions, except for percentage changes) |           |          |
| Columbia          | \$1,391.1                                    | \$1,391.5 | —%       |
| Mountain Hardwear | 141.5  | 142.3     | (1)%     |
| Sorel             | 127.0  | 150.3     | (16)%    |
| Other             | 10.0   | 9.9       | 1%       |
|                   | \$1,669.6                                    | \$1,694.0 | (1)%     |

The net sales decrease in 2012 compared to 2011 primarily consisted of a net sales decrease in the Sorel brand which was unfavorably affected by mild winter weather in both 2011 and 2012 resulting in lower advance orders as well as higher order cancellations and fewer reorders of cold weather footwear from wholesale customers. The Sorel brand net sales decrease was concentrated in the EMEA region, followed by the United States and Canada, partially offset by a net sales increase in the LAAP region.

**Gross Profit:** Gross profit as a percentage of net sales decreased to 42.9% in 2012 from 43.4% in 2011. Gross margin contraction was primarily due to:

- Lower gross margins on increased promotional selling activities; and
  - Higher product input costs;
- partially offset by:
- Increased wholesale pricing;
  - Lower airfreight costs; and

Favorable foreign currency hedge rates.

Our gross profit may not be comparable to those of other companies in our industry because some of these companies include all of the costs related to their distribution network in cost of sales while we, like many others, include these expenses as a component of SG&A expense.

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

SG&A expense decreased \$18.1 million, or 3%, to \$596.6 million, or 35.7% of net sales, in 2012, from \$614.7 million, or 36.3% of net sales, in 2011. The SG&A expense decrease was primarily due to:

The favorable effect of foreign currency translation;

Reduced advertising spend; and

Lower variable selling costs;

partially offset by:

The expansion of direct-to-consumer operations globally; and

Higher expenses related to information technology initiatives, including our ongoing ERP implementation.

Depreciation and amortization included in SG&A expense totaled \$39.9 million in 2012, compared to \$42.9 million in 2011.

**Net Licensing Income:** Net licensing income decreased \$2.0 million, or 13%, to \$13.8 million in 2012 from \$15.8 million in 2011. The decrease in net licensing income was primarily due to decreased licensing income from accessories in the United States and decreased licensing income in the LAAP region, resulting from a timing shift in distributor shipments from the fourth quarter of 2012 into the first quarter of 2013.

**Interest Income, Net:** Net interest income was \$0.4 million in 2012, compared to \$1.3 million in 2011. The decrease in interest income was primarily driven by lower average interest rates and lower average cash and investment balances during 2012 compared to 2011. Interest expense was nominal in both 2012 and 2011.

**Income Tax Expense:** Income tax expense decreased to \$34.0 million in 2012 from \$34.2 million in 2011. Our effective income tax rate increased to 25.4% from 24.8% in 2011, primarily due to changes in the geographic mix of income, partially offset by increased tax benefits from research and development credits and the resolution of uncertain tax positions.

**Net Income:** Net income decreased \$3.6 million, or 3%, to \$99.9 million in 2012 from \$103.5 million in 2011.

Diluted earnings per share was \$2.93 in 2012 compared to \$3.03 in 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

**Net Sales:** Consolidated net sales increased \$210.5 million, or 14%, to \$1,694.0 million in 2011 from \$1,483.5 million in 2010. Net sales increased across all geographic regions, in each product category and across all major brands. Changes in foreign currency exchange rates compared with 2010 contributed approximately three percentage points of benefit to the consolidated net sales comparison.

**Sales by Geographic Region**

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

|               | Year Ended December 31,                      |           |          |
|---------------|--|-----------|----------|
|               | 2011   | 2010      | % Change |
|               | (In millions, except for percentage changes) |           |          |
| United States | \$948.0                                      | \$881.0   | 8%       |
| LAAP          | 341.0  | 263.4     | 29%      |
| EMEA          | 275.4  | 222.4     | 24%      |
| Canada        | 129.6  | 116.7     | 11%      |
|               | \$1,694.0                                    | \$1,483.5 | 14%      |

Net sales in the United States increased \$67.0 million, or 8%, to \$948.0 million in 2011 from \$881.0 million in 2010. The increase in net sales in the United States by product category was led by apparel, accessories and equipment, followed by a net sales increase in footwear. The net sales increase by brand was led by the Columbia brand, followed by the Sorel brand and the Mountain Hardwear brand. The net sales increase by channel was primarily driven by our direct-to-consumer business, followed by our wholesale business. The increase in net sales in our direct-to-consumer business was driven by strong comparable store sales growth, increased e-commerce sales and the net addition of two outlet stores.

Net sales in the LAAP region increased \$77.6 million, or 29%, to \$341.0 million in 2011 from \$263.4 million in 2010. Changes in foreign currency exchange rates contributed six percentage points of benefit to the LAAP net sales comparison. The net sales increase in the LAAP region by product category was primarily driven by a net sales increase in apparel, accessories and equipment, followed by a net sales increase in footwear. The LAAP net sales increase was concentrated in the Columbia brand and was led by Korea, followed by Japan and our LAAP distributor business. The increase in Korea net sales was primarily due to increased sales from existing stores, a greater number of retail stores operating during 2011 and the favorable effect of foreign currency exchange rates. The increase in Japan net sales was primarily the result of the favorable effect of foreign currency exchange rates and increased wholesale net sales. Net sales to our LAAP distributors increased due to increased demand in key distributor markets coupled with a higher percentage of spring 2012 advance orders shipping in the fourth quarter compared to the spring 2011 season.

Net sales in the EMEA region increased \$53.0 million, or 24%, to \$275.4 million in 2011 from \$222.4 million in 2010. Changes in foreign currency exchange rates contributed four percentage points of benefit to the EMEA net sales comparison. The increase in net sales in the EMEA region by product category was led by footwear, followed by a net sales increase in apparel, accessories and equipment. The net sales increase by channel was led by our EMEA direct business, followed by our EMEA distributors. The increase in EMEA direct net sales was primarily driven by the Sorel brand, followed by the Columbia brand.

Net sales in Canada increased \$12.9 million, or 11%, to \$129.6 million in 2011 from \$116.7 million in 2010. Changes in foreign currency exchange rates compared to 2010 contributed six percentage points of benefit to the Canada net sales comparison. By product category, the increase in net sales was led by apparel, accessories and equipment, followed by a net sales increase in footwear. By brand, the increase in net sales was led by the Columbia brand, followed by the Sorel and Mountain Hardwear brands. The increase in net sales was concentrated in our wholesale business.

#### Sales by Product Category

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

|                                    | Year Ended December 31,                      |           |          |
|------------------------------------|--|-----------|----------|
|                                    | 2011   | 2010      | % Change |
|                                    | (In millions, except for percentage changes) |           |          |
| Apparel, Accessories and Equipment | \$1,334.9                                    | \$1,213.3 | 10%      |
| Footwear                           | 359.1  | 270.2     | 33%      |
|                                    | \$1,694.0                                    | \$1,483.5 | 14%      |

Net sales of apparel, accessories and equipment increased \$121.6 million, or 10%, to \$1,334.9 million in 2011 from \$1,213.3 million in 2010. The increase in apparel, accessories and equipment net sales was primarily concentrated in the

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Columbia brand and was led by the LAAP region, followed by the United States, the EMEA region and Canada. The apparel, accessories and equipment net sales increase in the LAAP region was led by Korea, followed by our LAAP distributor business and Japan. The net sales increase in apparel, accessories and equipment in the United States was led by our direct-to-consumer business, partially offset by a net sales decrease in our wholesale business.

Net sales of footwear increased \$88.9 million, or 33%, to \$359.1 million in 2011 from \$270.2 million in 2010. The increase in footwear net sales by brand was led by the Sorel brand, followed by the Columbia brand. The footwear net sales increase by region was led by the United States, followed by the EMEA region, the LAAP region and Canada. The net sales increase in footwear in the United States was primarily driven by our wholesale business, followed by our direct-to-consumer business. The footwear net sales increase in the EMEA region was primarily driven by our EMEA direct business, followed by our EMEA distributor business. The LAAP footwear net sales increase was led by Japan, followed by Korea and our LAAP distributor business.

#### Sales by Brand

Net sales by brand are summarized in the following table:

|                   | Year Ended December 31,                      |           |          |
|-------------------|--|-----------|----------|
|                   | 2011   | 2010      | % Change |
|                   | (In millions, except for percentage changes) |           |          |
| Columbia          | \$1,391.5                                    | \$1,262.4 | 10%      |
| Mountain Hardware | 142.3  | 121.9     | 17%      |
| Sorel             | 150.3  | 89.7      | 68%      |
| Other             | 9.9  | 9.5       | 4%       |
|                   | \$1,694.0                                    | \$1,483.5 | 14%      |

The net sales increase in 2011 compared to 2010 was led by the Columbia brand, followed by the Sorel and Mountain Hardware brands. Columbia brand net sales increased in both product categories and across all regions, led by the LAAP region, followed by the United States, the EMEA region and Canada. Sorel brand net sales increased across all regions led by the EMEA region, followed by the United States, Canada, and the LAAP region. Mountain Hardware net sales increased in three regions, led by the United States, the LAAP region and Canada, partially offset by a slight decline in the EMEA region.

**Gross Profit:** Gross profit as a percentage of net sales increased to 43.4% in 2011 from 42.4% in 2010, driven primarily by lower airfreight costs compared to 2010. Other factors favorably affecting gross margin included:

- Favorable foreign currency hedge rates; and

- A higher proportion of direct-to-consumer sales at higher gross margins;

partially offset by:

- Increased product costs;

- A higher proportion of close-out product sales; and

- An increased proportion of shipments to EMEA and LAAP distributors.

**Selling, General and Administrative Expense:** SG&A expense increased \$80.6 million, or 15%, to \$614.7 million, or 36.3% of net sales, in 2011, from \$534.1 million, or 36.0% of net sales, in 2010. The SG&A expense increase was primarily due to:

- The expansion of direct-to-consumer operations globally, including a net increase of \$3.2 million in store impairment charges;

- Increased advertising expenses;

- Additions to staff and other expenses to support business initiatives and growth;

Information technology initiatives, including our ERP implementation; and

The unfavorable effect of foreign currency translation.

Depreciation and amortization included in SG&A expense totaled \$42.9 million in 2011, compared to \$37.8 million in 2010.

**Net Licensing Income:** Net licensing income increased \$7.8 million, or 98%, to \$15.8 million in 2011 from \$8.0 million in 2010. The increase in net licensing income was primarily due to increased apparel and footwear licensing in the LAAP region, where a third party distributor is licensed to locally manufacture Columbia brand apparel and footwear for sale in local markets.

**Interest Income, Net:** Net interest income was \$1.3 million in 2011, compared to \$1.6 million in 2010. The decrease in interest income was primarily driven by lower average cash and investment balances and lower interest rates in 2011 compared to 2010. Interest expense was nominal in both 2011 and 2010.

**Income Tax Expense:** Income tax expense increased to \$34.2 million in 2011 from \$27.9 million in 2010. Our effective income tax rate decreased to 24.8% from 26.6% in 2010, primarily because we earned a higher proportion of our income from foreign jurisdictions with tax rates that are generally lower than the U.S. tax rate.

**Net Income:** Net income increased \$26.4 million, or 34%, to \$103.5 million in 2011 from \$77.0 million in 2010.

Diluted earnings per share was \$3.03 in 2011 compared to \$2.26 in 2010.

#### Liquidity and Capital Resources

Our primary ongoing funding requirements are for working capital, investing activities associated with the expansion of our global operations and general corporate needs. At December 31, 2012, we had total cash and cash equivalents of \$290.8 million compared to \$241.0 million at December 31, 2011. In addition, we had short-term investments of \$44.7 million at December 31, 2012 compared to \$2.9 million at December 31, 2011. At December 31, 2012, approximately 30% of our cash and short-term investments were held by our foreign subsidiaries where a repatriation of those funds to the United States would likely result in a significant tax expense to the Company. However, based on the capital and liquidity needs of our foreign operations, as well as the status of current tax law, it is our intent 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.

2012 compared to 2011

Net cash provided by operating activities was \$148.7 million in 2012 compared to \$63.8 million in 2011. The increase in cash provided by operating activities was primarily due to decreases in accounts receivable and inventory for the year ended December 31, 2012, compared to increases in the prior year; partially offset by a decrease in accounts payable and accrued liabilities for the year ended December 31, 2012 compared to an increase in 2011.

Net cash used in investing activities was \$85.0 million in 2012 compared to \$12.5 million in 2011. For 2012, net cash used in investing activities primarily consisted of \$50.5 million for capital expenditures and \$41.7 million for net purchases of short-term investments. For 2011, net cash used in investing activities primarily consisted of \$78.4 million for capital expenditures, including the acquisition of a new distribution center and headquarters facility in Canada, partially offset by \$65.7 million for net sales of short-term investments.

Net cash used in financing activities was \$15.7 million in 2012 compared to \$39.2 million in 2011. For 2012, net cash used in financing activities primarily consisted of dividend payments of \$29.8 million, partially offset by net proceeds of \$13.1 million from the issuance of common stock. For 2011, net cash used in financing activities primarily consisted of dividend payments of \$29.1 million and the repurchase of common stock at an aggregate price of \$20.0 million, partially offset by net proceeds of \$8.0 million from the issuance of common stock.

2011 compared to 2010

Net cash provided by operating activities was \$63.8 million in 2011 compared to \$23.5 million in 2010. The increase in cash provided by operating activities was primarily due to increased income from operations, combined with a reduction in the rate of growth of accounts receivable and inventory; partially offset by a reduction in the rate of growth of accounts payable and accrued liabilities, an increase in prepaid expenses and an increase in income taxes paid compared to 2010.

Net cash used in investing activities was \$12.5 million in 2011 compared to \$91.2 million in 2010. For 2011, net cash used in investing activities primarily consisted of \$78.4 million for capital expenditures, partially offset by \$65.7 million for net sales of short-term investments. For 2010, net cash used in investing activities primarily consisted of \$46.1 million for net purchases of short-term investments, \$28.8 million for capital expenditures and \$16.3 million for acquisitions.

Net cash used in financing activities was \$39.2 million in 2011 compared to \$82.3 million in 2010. For 2011, net cash used in financing activities primarily consisted of dividend payments of \$29.1 million and the repurchase of common stock at an aggregate price of \$20.0 million, partially offset by net proceeds of \$8.0 million from the issuance of common stock. For 2010, net cash used in financing activities primarily consisted of dividend payments of \$75.4 million, including a \$50.5 million special dividend paid in December 2010, and the repurchase of common stock at an aggregate price of \$13.8 million, partially offset by net proceeds of \$6.5 million from the issuance of common stock.

#### 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 December 31, 2012, no balance was outstanding under this line of credit and we were in compliance with all associated covenants. Internationally, our subsidiaries have local currency operating lines of credit in place guaranteed by the parent company with a combined limit of approximately \$105.9 million at December 31, 2012, of which \$3.7 million is designated as a European customs guarantee. At December 31, 2012, \$156,000 was outstanding under these lines of credit.

We expect to fund our future working capital requirements, capital expenditures and our China joint venture obligations with existing cash, operating cash flows and credit facilities. If the need arises, 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.

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. 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.

#### Contractual obligations

The following table presents our estimated contractual commitments (in thousands):

|                                    | Year ended December 31, |        |        |        |        |            | Total     |
|------------------------------------|-------------------------|--------|--------|--------|--------|------------|-----------|
|                                    | 2013                    | 2014   | 2015   | 2016   | 2017   | Thereafter |           |
| Inventory purchase obligations (1) | \$255,299               | \$—    | \$—    | \$—    | \$—    | \$—        | \$255,299 |
| Operating leases (2)               | 42,771                  | 37,477 | 33,842 | 32,029 | 31,203 | 92,739     | 270,061   |

(1) See Inventory Purchase Obligations in Note 13 of Notes to Consolidated Financial Statements.

(2) See Operating Leases in Note 13 of Notes to Consolidated Financial Statements.

We have recorded long-term liabilities for net unrecognized tax benefits related to income tax uncertainties in our Consolidated Balance Sheet at December 31, 2012 of approximately \$11.6 million; however, they have not been included in the table above because we are uncertain about whether or when these amounts may be settled. See Note 10 of Notes to Consolidated Financial Statements.

#### Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, our financial position and results of operations are routinely subject to a variety of risks. These risks include risks associated with global financial and capital markets, primarily currency exchange rate risk and, to a lesser extent, interest rate risk and equity market risk. We regularly assess these risks and have established policies and business practices designed to mitigate the effect of these risks. We do not engage in speculative trading in any financial or capital market.

Our primary currency exchange rate risk management objective is to mitigate the uncertainty of anticipated cash flows attributable to changes in exchange rates. We focus on mitigating changes in functional currency equivalent cash flows resulting from anticipated U.S. dollar denominated inventory purchases by subsidiaries that use European euros, Canadian dollars, Japanese yen or Korean won as their functional currency. We manage this risk primarily by using currency forward and option contracts. Additionally, we use foreign currency forward and option contracts to hedge net balance sheet exposures related primarily to intercompany transactions and borrowing arrangements.

The net fair value of our derivative contracts was favorable by approximately \$5.4 million at December 31, 2012. A 10% exchange rate change in the euro, Canadian dollar, yen and won against the U.S. dollar would have resulted in the net fair value declining by approximately \$12.9 million at December 31, 2012. A 10% exchange rate change in the yen against the euro would have resulted in the net fair value declining approximately \$2.2 million at December 31, 2012. Changes in fair value resulting from foreign exchange rate fluctuations would be substantially offset by the change in value of the underlying hedged transactions.

Our negotiated credit facilities generally charge interest based on a benchmark rate such as the London Interbank Offered Rate ("LIBOR"). Fluctuations in short-term interest rates cause interest payments on drawn amounts to increase or decrease. At December 31, 2012, our credit facilities had an outstanding balance of \$156,000. A 10% interest rate change would be immaterial.

#### 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 accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make various estimates and assumptions that affect reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. We believe that the estimates and assumptions involved in the accounting policies described below have the greatest potential impact 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 various other assumptions that we believe to be important in the circumstances. Many of these critical accounting policies affect working capital account balances, including the policy for revenue recognition, the allowance for doubtful accounts, the provision for potential excess, closeout and slow moving inventory, 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.

#### Revenue Recognition

We record wholesale, distributor, e-commerce and licensed product revenues when title passes and the risks and rewards of ownership have passed to the customer. Title generally passes upon shipment to or upon receipt by the customer depending on the terms of sale with the customer. Retail store revenues are recorded at the time of sale.





Where title passes upon receipt by the customer, predominantly in our European wholesale business, precise information regarding the date of receipt by the customer is not readily available. In these cases, we estimate the date of receipt by the customer based on historical and expected delivery times by geographic location. We periodically test the accuracy of these estimates based on actual transactions. Delivery times vary by geographic location, generally from one to five days. To date, we have found these estimates to be materially accurate.

At the time of revenue recognition, we also provide for estimated sales returns and miscellaneous claims from customers as reductions to revenues. The estimates are based on historical rates of product returns and claims, as well as events and circumstances that indicate changes to historical rates of returns and claims. However, actual returns and claims in any future period are inherently uncertain and thus may differ from the estimates. If actual or expected future returns and claims are significantly greater or lower than the reserves that we have established, we will record a reduction or increase to net revenues in the period in which we make such a determination.

#### Allowance for Uncollectable Accounts Receivable

We make ongoing estimates of the collectability of our accounts receivable and maintain an allowance for estimated losses resulting from the inability of our customers to make required payments. In determining the amount of the allowance, we consider our historical level of credit losses and we make judgments about the creditworthiness of customers based on ongoing credit evaluations. We analyze specific customer accounts, customer concentrations, credit insurance coverage, standby letters of credit, current economic trends, and changes in customer payment terms. Continued uncertainty in credit and market conditions may slow our collection efforts if customers experience difficulty accessing credit and paying their obligations, leading to higher than normal accounts receivable and increased bad debt expense. Because we cannot predict future changes in the financial stability of our customers, actual future losses from uncollectable accounts may differ from our estimates and may have a material effect on our consolidated financial position, results of operations or cash flows. If the financial condition of our customers deteriorates and results in their inability to make payments, a larger allowance may be required. If we determine that a smaller or larger allowance is appropriate, we will record a credit or a charge to SG&A expense in the period in which we make such a determination.

#### Excess, Close-Out and Slow Moving Inventory

We make ongoing estimates of potential excess, close-out or slow moving inventory. We evaluate our inventory on hand considering our purchase commitments, sales forecasts, and historical experience to identify excess, close-out or slow moving inventory and make provisions as necessary to properly reflect inventory value at the lower of cost or estimated market value. If we determine that a smaller or larger reserve is appropriate, we will record a credit or a charge to cost of sales in the period in which we make such a determination.

#### Product Warranty

We make ongoing estimates of potential future product warranty costs. When we evaluate our reserve for warranty costs, we consider our product warranty policies, historical claim rates by season, product category and mix, current economic trends, and the historical cost to repair, replace, or refund the original sale. If we determine that a smaller or larger reserve is appropriate, we will record a credit or a charge to cost of sales in the period in which we make such a determination.

#### Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, we recognize income tax expense for the amount of taxes payable or refundable for the current year and for the amount of deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. We make assumptions, judgments and estimates to determine our current provision for income taxes, our deferred tax assets and liabilities, and our uncertain tax positions. Our judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. 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. Our assumptions, judgments and estimates relative to the value of a deferred tax asset take into account predictions of the amount and category of future taxable income. Actual operating results and the underlying amount and category of income in future years

could cause our current assumptions, judgments and estimates of recoverable

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net deferred taxes to be inaccurate. Changes in any of the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ from our estimates, which could materially affect our financial position and results of operations.

Our tax provision for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. As the calendar year progresses, we periodically refine our estimate based on actual events and earnings by jurisdiction. This ongoing estimation process can result in changes to our expected effective tax rate for the full calendar year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs so that our year-to-date provision equals our expected annual effective tax rate.

#### Stock-Based Compensation

Stock-based compensation cost is estimated at the grant date based on the award's fair value and is recognized as expense over the requisite service period using the straight-line attribution method. We estimate stock-based compensation for stock awards granted using the Black-Scholes option pricing model, which requires various highly subjective assumptions, including volatility and expected option life. Further, we estimate forfeitures for stock-based awards granted, but which are not expected to vest. If any of these inputs or assumptions changes significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period.

#### Recent Accounting Pronouncements

See "Recent Accounting Pronouncements" in Note 2 of Notes to Consolidated Financial Statements.

**Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information required by this item is included in Management's Discussion and Analysis of Financial Condition and Results of Operations and is incorporated herein by this reference.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Our management is responsible for the information and representations contained in this report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which we consider appropriate in the circumstances and include some amounts based on our best estimates and judgments. Other financial information in this report is consistent with these financial statements.

Our accounting systems include controls designed to reasonably assure that assets are safeguarded from unauthorized use or disposition and which provide for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. These systems are supplemented by the selection and training of qualified financial personnel and an organizational structure providing for appropriate segregation of duties.

The Audit Committee is responsible for appointing the independent registered public accounting firm and reviews with the independent registered public accounting firm and management the scope and the results of the annual examination, the effectiveness of the accounting control system and other matters relating to our financial affairs as they deem appropriate.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders  
Columbia Sportswear Company  
Portland, Oregon

We have audited the accompanying consolidated balance sheets of Columbia Sportswear Company and subsidiaries (the “Company”) as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Columbia Sportswear Company and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2013, expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP  
Portland, Oregon  
February 28, 2013

## COLUMBIA SPORTSWEAR COMPANY

## CONSOLIDATED BALANCE SHEETS

(In thousands)

|  | December 31, |             |
|--|--------------|-------------|
|  | 2012         | 2011        |
| <b>ASSETS</b>  |              |             |
| Current Assets:  |              |             |
| Cash and cash equivalents  | \$290,781    | \$241,034   |
| Short-term investments   | 44,661       | 2,878       |
| Accounts receivable, net (Note 4)  | 334,324      | 351,538     |
| Inventories, net (Note 5)  | 363,325      | 365,199     |
| Deferred income taxes (Note 10)  | 50,929       | 52,485      |
| Prepaid expenses and other current assets  | 38,583       | 36,392      |
| Total current assets   | 1,122,603    | 1,049,526   |
| Property, plant, and equipment, net (Note 6)   | 260,524      | 250,910     |
| Intangible assets, net (Note 7)  | 37,618       | 39,020      |
| Goodwill (Note 7)  | 14,438       | 14,438      |
| Other non-current assets   | 23,659       | 28,648      |
| Total assets   | \$1,458,842  | \$1,382,542 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |              |             |
| Current Liabilities:   |              |             |
| Notes payable (Note 8)   | \$156        | \$—         |
| Accounts payable   | 142,240      | 148,973     |
| Accrued liabilities (Note 9)   | 105,190      | 104,496     |
| Income taxes payable (Note 10)   | 4,406        | 12,579      |
| Deferred income taxes (Note 10)  | 67           | 954         |
| Total current liabilities  | 252,059      | 267,002     |
| Other long-term liabilities (Notes 11, 12)   | 27,171       | 23,853      |
| Income taxes payable (Note 10)   | 11,638       | 15,389      |
| Deferred income taxes (Note 10)  | 1,807        | 1,753       |
| Total liabilities  | 292,675      | 307,997     |
| Commitments and contingencies (Note 13)  |              |             |
| Shareholders' Equity:  |              |             |
| Preferred stock; 10,000 shares authorized; none issued and outstanding                                     | —            | —           |
| Common stock (no par value); 125,000 shares authorized; 34,075 and 33,638 issued and outstanding (Note 14) | 24,814       | 3,037       |
| Retained earnings  | 1,094,690    | 1,024,611   |
| Accumulated other comprehensive income (Note 17)   | 46,663       | 46,897      |
| Total shareholders' equity   | 1,166,167    | 1,074,545   |
| Total liabilities and shareholders' equity   | \$1,458,842  | \$1,382,542 |

See accompanying notes to consolidated financial statements





## COLUMBIA SPORTSWEAR COMPANY

## CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

|  | Year Ended December 31, |              |              |
|--|-------------------------|--------------|--------------|
|  | 2012                    | 2011         | 2010         |
| Net sales                                      | \$ 1,669,563            | \$ 1,693,985 | \$ 1,483,524 |
| Cost of sales                                  | 953,169                 | 958,677      | 854,120      |
| Gross profit                                   | 716,394                 | 735,308      | 629,404      |
| Selling, general and administrative expenses   | 596,635                 | 614,658      | 534,068      |
| Net licensing income                           | 13,769                  | 15,756       | 7,991        |
| Income from operations                         | 133,528                 | 136,406      | 103,327      |
| Interest income, net                           | 379                     | 1,274        | 1,564        |
| Income before income tax                       | 133,907                 | 137,680      | 104,891      |
| Income tax expense (Note 10)                   | (34,048 )               | (34,201 )    | (27,854 )    |
| Net income                                     | \$99,859                | \$103,479    | \$77,037     |
| Earnings per share (Note 16):                  |                         |              |              |
| Basic  | \$2.95                  | \$3.06       | \$2.28       |
| Diluted  | 2.93                    | 3.03         | 2.26         |
| Cash dividends per share:                      | \$0.88                  | \$0.86       | \$2.24       |
| Weighted average shares outstanding (Note 16): |                         |              |              |
| Basic  | 33,840                  | 33,808       | 33,725       |
| Diluted  | 34,132                  | 34,204       | 34,092       |

See accompanying notes to consolidated financial statements

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## COLUMBIA SPORTSWEAR COMPANY

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

|   | Year Ended December 31, |           |          |
|---|-------------------------|-----------|----------|
|   | 2012                    | 2011      | 2010     |
| Net income  | \$99,859                | \$103,479 | \$77,037 |
| Other comprehensive income (loss):  |                         |           |          |
| Unrealized holding losses on available-for-sale securities (net of tax benefit of \$4, \$23 and \$16, respectively)   | (7 )                    | (38 )     | (28 )    |
| Unrealized derivative holding gains arising during period (net of tax (expense) benefit of (\$917), (\$351) and \$725, respectively)  | 753                     | 3,489     | 1,167    |
| Reclassification to net income of previously deferred (gains) losses on derivative instruments (net of tax expense (benefit) of \$746, (\$1,507) and (\$269), respectively) | (5,498 )                | 5,432     | (1,680 ) |
| Foreign currency translation adjustments (net of tax (expense) benefit of (\$59), (\$315) and \$670, respectively)  | 4,518                   | (8,701 )  | 3,812    |
| Other comprehensive income (loss)   | (234 )                  | 182       | 3,271    |
| Comprehensive income  | \$99,625                | \$103,661 | \$80,308 |

See accompanying notes to consolidated financial statements

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## COLUMBIA SPORTSWEAR COMPANY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

|   | Year Ended December 31, |            |            |
|---|-------------------------|------------|------------|
|   | 2012                    | 2011       | 2010       |
| Cash flows from operating activities:   |                         |            |            |
| Net income  | \$99,859                | \$103,479  | \$77,037   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                         |            |            |
| Depreciation and amortization   | 40,892                  | 43,560     | 38,430     |
| Loss on disposal or impairment of property, plant, and equipment                  | 1,582                   | 6,485      | 3,331      |
| Deferred income taxes   | 7,140                   | (3,582 )   | (22,610 )  |
| Stock-based compensation  | 7,833                   | 7,870      | 6,730      |
| Excess tax benefit from employee stock plans                                      | (1,016 )                | (1,828 )   | (498 )     |
| Changes in operating assets and liabilities:                                      |                         |            |            |
| Accounts receivable   | 18,166                  | (54,334 )  | (69,500 )  |
| Inventories   | 2,951                   | (55,223 )  | (87,265 )  |
| Prepaid expenses and other current assets   | (2,025 )                | (10,186 )  | 3,856      |
| Other assets  | (1,259 )                | (4,520 )   | (1,566 )   |
| Accounts payable  | (12,330 )               | 19,081     | 26,028     |
| Accrued liabilities   | (5,199 )                | 17,630     | 34,224     |
| Income taxes payable  | (11,052 )               | (7,010 )   | 9,018      |
| Other liabilities   | 3,126                   | 2,374      | 6,302      |
| Net cash provided by operating activities   | 148,668                 | 63,796     | 23,517     |
| Cash flows from investing activities:   |                         |            |            |
| Purchases of short-term investments   | (83,969 )               | (46,349 )  | (81,671 )  |
| Sales of short-term investments   | 42,319                  | 112,070    | 35,601     |
| Capital expenditures  | (50,491 )               | (78,404 )  | (28,838 )  |
| Proceeds from sale of property, plant, and equipment                              | 7,099                   | 168        | 42         |
| Acquisitions, net of cash acquired  | —                       | —          | (16,315 )  |
| Net cash used in investing activities   | (85,042 )               | (12,515 )  | (91,181 )  |
| Cash flows from financing activities:   |                         |            |            |
| Proceeds from credit facilities   | 100,654                 | 119,384    | 31,680     |
| Repayments on credit facilities   | (100,498 )              | (119,384 ) | (31,680 )  |
| Proceeds from issuance of common stock under employee stock plans                 | 14,600                  | 10,991     | 7,333      |
| Tax payments related to restricted stock unit issuances                           | (1,486 )                | (2,974 )   | (853 )     |
| Excess tax benefit from employee stock plans                                      | 1,016                   | 1,828      | 498        |
| Repurchase of common stock  | (206 )                  | (20,000 )  | (13,838 )  |
| Cash dividends paid   | (29,780 )               | (29,075 )  | (75,439 )  |
| Net cash used in financing activities   | (15,700 )               | (39,230 )  | (82,299 )  |
| Net effect of exchange rate changes on cash                                       | 1,821                   | (5,274 )   | (2,444 )   |
| Net increase (decrease) in cash and cash equivalents                              | 49,747                  | 6,777      | (152,407 ) |
| Cash and cash equivalents, beginning of year                                      | 241,034                 | 234,257    | 386,664    |
| Cash and cash equivalents, end of year  | \$290,781               | \$241,034  | \$234,257  |
| Supplemental disclosures of cash flow information:                                |                         |            |            |
| Cash paid during the year for income taxes  | \$43,696                | \$42,405   | \$34,924   |
| Supplemental disclosures of non-cash investing activities:                        |                         |            |            |
| Capital expenditures incurred but not yet paid                                    | 5,313                   | 952        | 1,001      |

See accompanying notes to consolidated financial statements

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## COLUMBIA SPORTSWEAR COMPANY

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

|  | Common Stock       |           | Retained Earnings | Accumulated Other Comprehensive Income | Total       |
|--|--------------------|-----------|-------------------|--|-------------|
|  | Shares Outstanding | Amount    |                   |  |             |
| BALANCE, JANUARY 1, 2010                                 | 33,736             | \$836     | \$952,948         | \$ 43,444                              | \$997,228   |
| Net income   | —                  | —         | 77,037            | —                                      | 77,037      |
| Other comprehensive income                               | —                  | —         | —                 | 3,271                                  | 3,271       |
| Cash dividends (\$2.24 per share)                        | —                  | —         | (75,439 )         | —                                      | (75,439 )   |
| Issuance of common stock under employee stock plans, net | 240                | 6,480     | —                 | —                                      | 6,480       |
| Tax adjustment from stock plans                          | —                  | 505       | —                 | —                                      | 505         |
| Stock-based compensation expense                         | —                  | 6,730     | —                 | —                                      | 6,730       |
| Repurchase of common stock                               | (293 )             | (9,499 )  | (4,339 )          | —                                      | (13,838 )   |
| BALANCE, DECEMBER 31, 2010                               | 33,683             | 5,052     | 950,207           | 46,715                                 | 1,001,974   |
| Net income   | —                  | —         | 103,479           | —                                      | 103,479     |
| Other comprehensive income                               | —                  | —         | —                 | 182                                    | 182         |
| Cash dividends (\$0.86 per share)                        | —                  | —         | (29,075 )         | —                                      | (29,075 )   |
| Issuance of common stock under employee stock plans, net | 353                | 8,017     | —                 | —                                      | 8,017       |
| Tax adjustment from stock plans                          | —                  | 2,098     | —                 | —                                      | 2,098       |
| Stock-based compensation expense                         | —                  | 7,870     | —                 | —                                      | 7,870       |
| Repurchase of common stock                               | (398 )             | (20,000 ) | —                 | —                                      | (20,000 )   |
| BALANCE, DECEMBER 31, 2011                               | 33,638             | 3,037     | 1,024,611         | 46,897                                 | 1,074,545   |
| Net income   | —                  | —         | 99,859            | —                                      | 99,859      |
| Other comprehensive loss                                 | —                  | —         | —                 | (234 )                                 | (234 )      |
| Cash dividends (\$0.88 per share)                        | —                  | —         | (29,780 )         | —                                      | (29,780 )   |
| Issuance of common stock under employee stock plans, net | 441                | 13,114    | —                 | —                                      | 13,114      |
| Tax adjustment from stock plans                          | —                  | 1,036     | —                 | —                                      | 1,036       |
| Stock-based compensation expense                         | —                  | 7,833     | —                 | —                                      | 7,833       |
| Repurchase of common stock                               | (4 )               | (206 )    | —                 | —                                      | (206 )      |
| BALANCE, DECEMBER 31, 2012                               | 34,075             | \$24,814  | \$1,094,690       | \$ 46,663                              | \$1,166,167 |

See accompanying notes to consolidated financial statements

COLUMBIA SPORTSWEAR COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—BASIS OF PRESENTATION AND ORGANIZATION

Nature of the business:

Columbia Sportswear Company is a global leader in the design, sourcing, marketing and distribution of active outdoor apparel, footwear, accessories and equipment.

Principles of consolidation:

The consolidated financial statements include the accounts of Columbia Sportswear Company and its wholly owned subsidiaries (the “Company”). All significant intercompany balances and transactions have been eliminated in consolidation.

Estimates and assumptions:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 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 claims from customers, allowance for doubtful accounts, excess, slow-moving and close-out inventories, product warranty, long-lived and intangible assets, income taxes and stock-based compensation.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents:

Cash and cash equivalents are stated at fair value or at cost, which approximates fair value, and include investments with original maturities of 90 days or less at the date of acquisition. At December 31, 2012, cash and cash equivalents consisted of cash, money market funds, time deposits, certificates of deposit, repurchase agreements and municipal bonds with original maturities ranging from overnight to less than 90 days. At December 31, 2011, cash and cash equivalents consisted of cash, money market funds and time deposits with original maturities ranging from overnight to less than 90 days.

Investments:

At December 31, 2012, short-term investments consisted of certificates of deposit and municipal bonds with original maturities greater than 90 days, and variable-rate demand notes that generally mature up to approximately 35 years from the purchase date. Investments with maturities beyond one year may be classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. At December 31, 2011, short-term investments consisted of time deposits with original maturities greater than 90 days. These investments are considered available for use in current operations. All short-term investments are classified as available-for-sale securities and are recorded at fair value with any unrealized gains and losses reported, net of tax, in other comprehensive income. Realized gains or losses are determined based on the specific identification method.

At December 31, 2012 and 2011, long-term investments included in other non-current assets consisted of mutual fund shares held to offset liabilities to participants in the Company’s deferred compensation plan. The investments are classified as long-term because the related deferred compensation liabilities are not expected to be paid within the next year. These investments are classified as trading securities and are recorded at fair value with unrealized gains and losses reported in operating expenses, which are offset against gains and losses resulting from changes in corresponding deferred compensation liabilities to participants.

Accounts receivable:

Accounts receivable have been reduced by an allowance for doubtful accounts. The Company makes ongoing estimates of the collectability of accounts receivable and maintains an allowance for estimated losses resulting from the inability of the Company’s customers to make required payments.



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

Inventories:

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 inventories for excess, close-out or slow moving items and makes provisions as necessary to properly reflect inventory value.

Property, plant, and equipment:

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The principal estimated useful lives are: buildings and building improvements, 15-30 years; land improvements, 15 years; furniture and fixtures, 3-10 years; and machinery and equipment, 3-5 years. Leasehold improvements are depreciated over the lesser of the estimated useful life of the improvement, which is most commonly 7 years, or the remaining term of the underlying lease.

Improvements to property, plant and equipment that substantially extend the useful life of the asset are capitalized. Repair and maintenance costs are expensed as incurred. Internal and external costs directly related to the development of internal-use software during the application development stage, including costs incurred for third party contractors and employee compensation, are capitalized and depreciated over a 3-7 year estimated useful life.

Impairment of long-lived assets:

Long-lived assets are amortized over their estimated useful lives and are measured for impairment only when events or circumstances indicate the carrying value may be impaired. In these cases, the Company estimates the future undiscounted cash flows to be derived from the asset or asset group to determine whether a potential impairment exists. When reviewing for retail store impairment, identifiable cash flows are measured at the individual store level. If the sum of the estimated undiscounted cash flows is less than the carrying value of the asset, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the estimated fair value of the asset. Impairment charges for long-lived assets are included in selling, general and administrative (“SG&A”) expense and were \$1,653,000, \$6,211,000 and \$3,003,000 for the years ended December 31, 2012, 2011 and 2010, respectively. All charges during the three years ended December 31, 2012 were recorded in the United States and EMEA regions.

Intangible assets and goodwill:

Goodwill and intangible assets with indefinite useful lives are not amortized but are periodically evaluated for impairment. Intangible assets that are determined to have finite lives are amortized using the straight-line method over their useful lives and are measured for impairment only when events or circumstances indicate the carrying value may be impaired.

Impairment of goodwill and intangible assets:

The Company reviews and tests its goodwill and intangible assets with indefinite useful lives for impairment in the fourth quarter of each year and when events or changes in circumstances indicate that the carrying amount of such assets may be impaired. The Company’s intangible assets with indefinite lives consist of trademarks and tradenames. Substantially all of the Company’s goodwill is recorded in the United States segment and impairment testing for goodwill is performed at the reporting unit level. In the impairment test for goodwill, the two-step process first compares the estimated fair value of the reporting unit with the carrying amount of that reporting unit. The Company estimates the fair value of its reporting units using a combination of discounted cash flow analysis, comparisons with the market values of similar publicly traded companies and other operating performance based valuation methods, as necessary. If step one indicates impairment, step two compares the estimated fair value of the reporting unit to the estimated fair value of all reporting unit assets and liabilities, except goodwill, to determine the implied fair value of goodwill. The Company calculates impairment as the excess of carrying amount of goodwill over the implied fair value of goodwill. In the impairment test for trademarks, the Company compares the estimated fair value of the asset to the carrying amount. The fair value of trademarks and tradenames is estimated using the relief from royalty approach, a standard form of discounted cash flow analysis used in the valuation of





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

trademarks. If the carrying amount of trademarks exceeds the estimated fair value, the Company calculates impairment as the excess of carrying amount over the estimate of fair value.

If events or circumstances indicate the carrying value of intangible assets with finite lives may be impaired, the Company estimates the future undiscounted cash flows to be derived from the asset or asset group to determine whether a potential impairment exists. If the sum of the estimated undiscounted cash flows is less than the carrying value of the asset the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the estimated fair value of the asset.

Impairment charges are classified as a component of SG&A expense. The fair value estimates are based on a number of factors, including assumptions and estimates for projected sales, income, cash flows, discount rates and other operating performance measures. Changes in estimates or the application of alternative assumptions could produce significantly different results. These assumptions and estimates may change in the future due to changes in economic conditions, changes in the Company's ability to meet sales and profitability objectives or changes in the Company's business operations or strategic direction.

Income taxes:

Income taxes are provided on financial statement earnings for financial reporting purposes. Income taxes are based on amounts of taxes payable or refundable in the current year and on expected future tax consequences of events that are recognized in the financial statements in different periods than they are recognized in tax returns. As a result of timing of recognition and measurement differences between financial accounting standards and income tax laws, temporary differences arise between amounts of pre-tax financial statement income and taxable income and between reported amounts of assets and liabilities in the Consolidated Balance Sheets and their respective tax bases. Deferred income tax assets and liabilities reported in the Consolidated Balance Sheets reflect estimated future tax effects attributable to these temporary differences and to net operating loss and net capital loss carryforwards, based on tax rates expected to be in effect for years in which the differences are expected to be settled or realized. Realization of deferred tax assets is dependent on future taxable income in specific jurisdictions. Valuation allowances are used to reduce deferred tax assets to amounts considered likely to be realized. U.S. deferred income taxes are not provided on undistributed income of foreign subsidiaries, where such earnings are considered to be indefinitely invested, or to the extent such recognition would result in a deferred tax asset.

Accrued income taxes in the Consolidated Balance Sheets include unrecognized income tax benefits relating to uncertain tax positions, including related interest and penalties, appropriately classified as current or noncurrent. The Company recognizes the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. In making this determination, the Company assumes that the taxing authority will examine the position and that they will have full knowledge of all relevant information. The provision for income taxes also includes estimates of interest and penalties related to uncertain tax positions.

Derivatives:

The effective portion of changes in fair values of outstanding cash flow hedges is recorded in other comprehensive income until earnings are affected by the hedged transaction, and any ineffective portion is included in current income. In most cases amounts recorded in other comprehensive income will be released to earnings some time after maturity of the related derivative. The Consolidated Statements of Operations classification of effective hedge results is the same as that of the underlying exposure. Results of hedges of product costs are recorded in cost of sales when the underlying hedged transaction affects earnings. Unrealized derivative gains and losses, which are recorded in assets and liabilities, respectively, are non-cash items and therefore are taken into account in the preparation of the Consolidated Statements of Cash Flows based on their respective balance sheet classifications. See Note 19 for more information on derivatives and risk management.



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

Foreign currency translation:

The assets and liabilities of the Company's foreign subsidiaries have been translated into U.S. dollars using the exchange rates in effect at period end, and the net sales and expenses have been translated into U.S. dollars using average exchange rates in effect during the period. The foreign currency translation adjustments are included as a separate component of accumulated other comprehensive income in shareholders' equity and are not currently adjusted for income taxes when they relate to indefinite net investments in non-U.S. operations.

Revenue recognition:

The Company records wholesale, distributor, e-commerce and licensed product revenues when title passes and the risks and rewards of ownership have passed to the customer. Title generally passes upon shipment to, or upon receipt by, the customer depending on the terms of sale with the customer. Retail store revenues are recorded at the time of sale.

In some countries outside of the United States where title passes upon receipt by the customer, predominantly in the Company's Western European wholesale business, precise information regarding the date of receipt by the customer is not readily available. In these cases, the Company estimates the date of receipt by the customer based on historical and expected delivery times by geographic location. The Company periodically tests the accuracy of these estimates based on actual transactions. Delivery times vary by geographic location, generally from one to five days. To date, the Company has found these estimates to be materially accurate.

At the time of revenue recognition, the Company also provides for estimated sales returns and miscellaneous claims from customers as reductions to revenues. The estimates are based on historical rates of product returns and claims as well as events and circumstances that indicate changes to historical rates of returns and claims. However, actual returns and claims in any future period are inherently uncertain and thus may differ from the estimates. If actual or expected future returns and claims are significantly greater or lower than the reserves that have been established, the Company would record a reduction or increase to net revenues in the period in which it made such determination.

Cost of sales:

The expenses that are included in cost of sales include all direct product and conversion-related costs, and costs related to shipping, duties and importation. Specific provisions for excess, close-out or slow moving inventory are also included in cost of sales. In addition, 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.

Selling, general and administrative expense:

SG&A expense consists of personnel-related costs, advertising, depreciation and other selling and general operating expenses related to the Company's business functions, including planning, receiving finished goods, warehousing, distribution, retail operations and information technology.

Shipping and handling costs:

Shipping and handling fees billed to customers are recorded as revenue. The direct costs associated with shipping goods to customers are recorded as cost of sales. Inventory planning, receiving and handling costs are recorded as a component of SG&A expenses and were \$59,212,000, \$65,290,000 and \$57,901,000 for the years ended December 31, 2012, 2011 and 2010, respectively.

Stock-based compensation:

Stock-based compensation cost is estimated at the grant date based on the award's fair value and is recognized as expense over the requisite service period using the straight-line attribution method. The Company estimates stock-based compensation for stock options granted using the Black-Scholes option pricing model, which requires various highly

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subjective assumptions, including volatility and expected option life. Further, the Company estimates forfeitures for stock-based awards granted which are not expected to vest. For restricted stock unit awards subject to performance conditions, the amount of compensation expense recorded in a given period reflects the Company's assessment of the probability of achieving its performance targets. If any of these inputs or assumptions changes significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. Assumptions are evaluated and revised as necessary to reflect changes in market conditions and the Company's experience. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by people who receive equity awards. The fair value of service-based and performance-based restricted stock units is discounted by the present value of the estimated future stream of dividends over the vesting period using the Black-Scholes model.

## Advertising costs:

Advertising costs are expensed in the period incurred and are included in SG&A expenses. Total advertising expense, including cooperative advertising costs, was \$76,714,000, \$85,003,000 and \$77,978,000 for the years ended December 31, 2012, 2011 and 2010, respectively.

Through cooperative advertising programs, the Company reimburses its wholesale customers for some of their costs of advertising the Company's products based on various criteria, including the value of purchases from the Company and various advertising specifications. Cooperative advertising costs are included in expenses because the Company receives an identifiable benefit in exchange for the cost, the advertising may be obtained from a party other than the customer, and the fair value of the advertising benefit can be reasonably estimated. Cooperative advertising costs were \$7,851,000, \$8,554,000 and \$7,259,000 for the years ended December 31, 2012, 2011 and 2010, respectively.

## Recent Accounting Pronouncements:

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. This ASU was issued concurrently with International Financial Reporting Standards ("IFRS") 13 Fair Value Measurements, to provide largely identical guidance about fair value measurement and disclosure requirements. The new standards do not extend the use of fair value but, rather, provide guidance about how fair value should be applied where it already is required or permitted under IFRS or U.S. GAAP. The Company adopted this standard January 1, 2012. The adoption of this standard did not have a material effect on the Company's consolidated financial position, results of operations, or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. This ASU increases the prominence of other comprehensive income in financial statements while eliminating the option in U.S. GAAP to present other comprehensive income in the statement of changes in equity. Under this ASU, an entity has the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. The Company adopted this standard January 1, 2012, and applied it retrospectively by adding a separate financial statement entitled, "Consolidated Statements of Comprehensive Income."

In September 2011, the FASB issued ASU No. 2011-08, Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment. This ASU permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. Under these requirements, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on the qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The Company adopted this standard January 1, 2012. The adoption of this standard did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In July 2012, the FASB issued ASU No. 2012-02, Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment. This ASU permits an entity to make a qualitative assessment of whether it is more likely than not that indefinite-lived intangible assets are impaired before calculating the fair value of the assets. This ASU



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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, although early adoption is permitted. The Company does not expect the adoption of this standard to have a material effect on the Company's financial position, results of operations or cash flows.

In February 2013, the FASB issued ASU No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This ASU requires an entity to disclose additional information with respect to changes in accumulated other comprehensive income (AOCI) balances by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. This ASU is effective for interim and annual periods beginning after December 15, 2012. The Company does not expect the adoption of this standard to have a material effect on the Company's financial position, results of operations or cash flows, but it will require additional disclosure.

NOTE 3—CONCENTRATIONS

Trade Receivables

No single customer accounted for 10% or more of consolidated accounts receivable at December 31, 2012 or 2011. No single customer accounted for 10% or more of consolidated revenues for any of the years ended December 31, 2012, 2011 or 2010.

Derivatives

The Company uses derivative instruments to hedge the currency exchange rate risk of anticipated transactions denominated in non-functional currencies that are designated and qualify as cash flow hedges. The Company also uses derivative instruments to economically hedge the currency exchange rate risk of certain investment positions, to hedge balance sheet re-measurement risk and to hedge other anticipated transactions that do not qualify as cash flow hedges. At December 31, 2012, the Company's derivative contracts had a remaining maturity of approximately one year or less. 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 \$4,000,000 at December 31, 2012. All of the Company's derivative counterparties have investment grade credit ratings and as a result, the Company does not require collateral to facilitate transactions. See Note 19 for further disclosures concerning derivatives.

Country and supplier concentrations

The Company's products are produced by independent factories located outside the United States, principally in Southeast Asia. Apparel is manufactured in approximately 20 countries, with Vietnam and China accounting for approximately 67% of 2012 global apparel production. Footwear is manufactured in three countries, with China and Vietnam accounting for approximately 93% of 2012 global footwear production. The five largest apparel factory groups accounted for approximately 25% of 2012 global apparel production, with the largest factory group accounting for 9% of 2012 global apparel production. The five largest footwear factory groups accounted for approximately 79% of 2012 global footwear production, with the largest factory group accounting for 34% of 2012 global footwear production. In addition, a single vendor supplies the majority of the zippers used in the Company's products. These companies, however, have multiple factory locations, many of which are in different countries, thus reducing the risk that unfavorable conditions at a single factory or location will have a material adverse effect on the Company.

NOTE 4—ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, is as follows (in thousands):

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

|                                 | December 31, |           |
|---------------------------------|--------------|-----------|
|                                 | 2012         | 2011      |
| Trade accounts receivable       | \$341,701    | \$359,083 |
| Allowance for doubtful accounts | (7,377       | ) (7,545  |
| Accounts receivable, net        | \$334,324    | \$351,538 |

## NOTE 5—INVENTORIES, NET

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

|                 | December 31, |           |
|-----------------|--------------|-----------|
|                 | 2012         | 2011      |
| Raw materials   | \$1,633      | \$2,044   |
| Work in process | 1,969        | 1,240     |
| Finished goods  | 359,723      | 361,915   |
|                 | \$363,325    | \$365,199 |

## NOTE 6—PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment consisted of the following (in thousands):

|                               | December 31, |            |
|-------------------------------|--------------|------------|
|                               | 2012         | 2011       |
| Land and improvements         | \$20,036     | \$20,690   |
| Building and improvements     | 166,365      | 155,672    |
| Machinery and equipment       | 206,805      | 198,387    |
| Furniture and fixtures        | 54,914       | 50,108     |
| Leasehold improvements        | 72,426       | 65,476     |
| Construction in progress      | 43,021       | 36,463     |
|                               | 563,567      | 526,796    |
| Less accumulated depreciation | (303,043     | ) (275,886 |
|                               | \$260,524    | \$250,910  |

## NOTE 7—INTANGIBLE ASSETS, NET AND GOODWILL

Intangible assets that are determined to have finite lives include patents and purchased technology and are amortized over their estimated useful lives, which is approximately 10 years. Intangible assets with indefinite useful lives include trademarks and tradenames and are not amortized but are periodically evaluated for impairment.

Identifiable intangible assets consisted of the following (in thousands):

|   | December 31, |          |
|---|--------------|----------|
|   | 2012         | 2011     |
| Intangible assets subject to amortization:    |              |          |
| Gross carrying amount                         | \$14,198     | \$14,198 |
| Accumulated amortization                      | (4,001       | ) (2,599 |
| Net carrying amount                           | 10,197       | 11,599   |
| Intangible assets not subject to amortization | 27,421       | 27,421   |
| Intangible assets, net                        | \$37,618     | \$39,020 |



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

Amortization expense for the years ended December 31, 2012, 2011, and 2010 was \$1,402,000, \$1,403,000 and \$553,000, respectively. Annual amortization expense for intangible assets subject to amortization is estimated to be \$1,330,000 in 2013 through 2017.

At December 31, 2012, 2011 and 2010, the Company determined that its goodwill and intangible assets were not impaired.

**NOTE 8—SHORT-TERM BORROWINGS AND CREDIT LINES**

The Company has a domestic credit agreement for an unsecured, committed \$125,000,000 revolving line of credit. The maturity date of this agreement is July 1, 2016. Interest, payable monthly, is based on the Company's applicable funded debt ratio, ranging from LIBOR plus 100 to 175 basis points. This line of credit requires the Company to comply with certain financial covenants covering net income, tangible net worth and borrowing basis. If the Company is in default, it is prohibited from paying dividends or repurchasing common stock. At December 31, 2012, the Company was in compliance with all associated covenants. At December 31, 2012 and 2011, no balance was outstanding under this line of credit.

The Company's Canadian subsidiary has available an unsecured and uncommitted line of credit guaranteed by the parent company providing for borrowing up to a maximum of C\$30,000,000 (US\$30,239,000) at December 31, 2012. The revolving line accrues interest at the bank's Canadian prime rate. At December 31, 2012, \$156,000 was outstanding under this line of credit. At December 31, 2011, there was no balance outstanding under this line.

The Company's European subsidiary has available two separate unsecured and uncommitted lines of credit guaranteed by the parent company providing for borrowing up to a maximum of €25,800,000 and €5,000,000, respectively (combined US\$40,633,000) at December 31, 2012, of which US\$3,694,000 of the €5,000,000 line is designated as a European customs guarantee. These lines accrue interest based on the European Central Bank refinancing rate plus 50 basis points and Euro Overnight Index Average plus 75 basis points, respectively. There was no balance outstanding under either line at December 31, 2012 or 2011.

The Company's Japanese subsidiary has an unsecured and uncommitted line of credit guaranteed by the parent company providing for borrowing up to a maximum of US\$5,000,000 at December 31, 2012. The revolving line accrues interest at LIBOR plus 110 basis points. There was no balance outstanding under this line at December 31, 2012 or 2011.

On September 27, 2012, the Company's Korean subsidiary increased the maximum borrowing permitted under its unsecured and uncommitted line of credit agreement to US\$30,000,000. The revolving line accrues interest at the Korean three-month CD rate plus 220 basis points. There was no balance outstanding under this line at December 31, 2012 or 2011.

**Off-Balance Sheet Arrangements**

The Company has arrangements in place to facilitate the import and purchase of inventory through import letters of credit. The Company has available unsecured and uncommitted import letters of credit in the aggregate amount of \$5,000,000 subject to annual renewal. At December 31, 2012, no balance was outstanding under these letters of credit.

**NOTE 9—ACCRUED LIABILITIES**

Accrued liabilities consisted of the following (in thousands):

|  | December 31, |           |
|--|--------------|-----------|
|  | 2012         | 2011      |
| Accrued salaries, bonus, vacation and other benefits | \$55,728     | \$55,958  |
| Accrued import duties                                | 15,023       | 11,258    |
| Product warranties                                   | 10,209       | 10,452    |
| Other  | 24,230       | 26,828    |
|  | \$105,190    | \$104,496 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

|                                | Year Ended December 31, |          |          |
|--------------------------------|-------------------------|----------|----------|
|                                | 2012                    | 2011     | 2010     |
| Balance at beginning of period | \$10,452                | \$10,256 | \$12,112 |
| Provision for warranty claims  | 4,905                   | 4,758    | 1,371    |
| Warranty claims                | (5,272)                 | (4,468)  | (3,104)  |
| Other                          | 124                     | (94)     | (123)    |
| Balance at end of period       | \$10,209                | \$10,452 | \$10,256 |

NOTE 10—INCOME TAXES

Consolidated income from continuing operations before income taxes consisted of the following (in thousands):

|                          | Year Ended December 31, |           |           |
|--------------------------|-------------------------|-----------|-----------|
|                          | 2012                    | 2011      | 2010      |
| U.S. operations          | \$73,625                | \$68,412  | \$59,881  |
| Foreign operations       | 60,282                  | 69,268    | 45,010    |
| Income before income tax | \$133,907               | \$137,680 | \$104,891 |

The components of the provision (benefit) for income taxes consisted of the following (in thousands):

|                    | Year Ended December 31, |          |          |
|--------------------|-------------------------|----------|----------|
|                    | 2012                    | 2011     | 2010     |
| Current:           |                         |          |          |
| Federal            | \$14,365                | \$16,384 | \$24,419 |
| State and local    | 876                     | 1,995    | 4,060    |
| Non-U.S.           | 12,448                  | 19,508   | 23,253   |
|                    | 27,689                  | 37,887   | 51,732   |
| Deferred:          |                         |          |          |
| Federal            | 5,806                   | 407      | (18,405) |
| State and local    | 690                     | 229      | (1,223)  |
| Non-U.S.           | (137)                   | (4,322)  | (4,250)  |
|                    | 6,359                   | (3,686)  | (23,878) |
| Income tax expense | \$34,048                | \$34,201 | \$27,854 |

The following is a reconciliation of the statutory federal income tax rate to the effective rate reported in the financial statements:

|  | Year Ended December 31, |        |        |
|--|-------------------------|--------|--------|
|  | 2012                    | 2011   | 2010   |
|  | (percent of income)     |        |        |
| Provision for federal income taxes at the statutory rate | 35.0                    | % 35.0 | % 35.0 |
| State and local income taxes, net of federal benefit     | 1.7                     | 1.5    | 2.7    |
| Non-U.S. income taxed at different rates                 | (5.4)                   | (6.5)  | (2.3)  |
| Foreign tax credits                                      | —                       | (1.8)  | (3.5)  |
| Reduction of unrecognized tax benefits                   | (4.3)                   | (3.5)  | (4.0)  |
| Research credits   | (1.7)                   | (0.6)  | (0.6)  |
| Other  | 0.1                     | 0.7    | (0.7)  |
| Actual provision for income taxes                        | 25.4                    | % 24.8 | % 26.6 |

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

Significant components of the Company's deferred taxes consisted of the following (in thousands):

|  | December 31, |          |
|--|--------------|----------|
|  | 2012         | 2011     |
| Deferred tax assets:                   |              |          |
| Non-deductible accruals and allowances | \$31,139     | \$30,307 |
| Capitalized inventory costs            | 25,294       | 25,814   |
| Stock compensation                     | 6,633        | 6,283    |
| Net operating loss carryforwards       | 6,198        | 6,364    |
| Depreciation and amortization          | 1,568        | 1,693    |
| Tax credits                            | 10,398       | 12,702   |
| Other                                  | 755          | 1,121    |
| Gross deferred tax assets              | 81,985       | 84,284   |
| Valuation allowance                    | (6,935)      | (6,690)  |
| Net deferred tax assets                | 75,050       | 77,594   |
| Deferred tax liabilities:              |              |          |
| Deductible accruals and allowance      | —            | (801)    |
| Depreciation and amortization          | (16,802)     | (12,320) |
| Foreign currency loss                  | (2,313)      | (2,494)  |
| Other                                  | (587)        | (596)    |
| Gross deferred tax liabilities         | (19,702)     | (16,211) |
| Total net deferred taxes               | \$55,348     | \$61,383 |

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. The Company had net operating loss carryforwards at December 31, 2012 and 2011 in certain international tax jurisdictions of \$56,749,000 and \$58,272,000, respectively, which will begin to expire in 2015. The net operating losses result in a deferred tax asset of \$6,198,000 and \$6,364,000 at December 31, 2012 and 2011, respectively, both of which were subject to a 100% valuation allowance. To the extent that the Company reverses a portion of the valuation allowance, the adjustment would be recorded as a reduction to income tax expense.

Non-current deferred tax assets of \$6,293,000 and \$11,605,000 are included as a component of other non-current assets in the consolidated balance sheet at December 31, 2012 and 2011, respectively.

The Company had undistributed earnings of foreign subsidiaries of approximately \$284,611,000 at December 31, 2012 for which deferred taxes have not been provided. Such earnings are considered indefinitely invested outside of the United States. If these earnings were repatriated to the United States, the earnings would be subject to U.S. taxation. The amount of the unrecognized deferred tax liability associated with the undistributed earnings was approximately \$70,218,000 at December 31, 2012. The unrecognized deferred tax liability approximates the excess of the United States tax liability over the creditable foreign taxes paid that would result from a full remittance of undistributed earnings.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in thousands):

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

|   | December 31, |          |          |
|---|--------------|----------|----------|
|   | 2012         | 2011     | 2010     |
| Balance at beginning of period                  | \$14,316     | \$18,694 | \$20,183 |
| Increases related to prior year tax positions   | 3,208        | 43       | 893      |
| Decreases related to prior year tax positions   | (19          | ) (141   | ) (27    |
| Increases related to current year tax positions | 2,049        | 1,388    | 1,278    |
| Settlements                                     | (1,817       | ) (649   | ) —      |
| Expiration of statute of limitations            | (5,306       | ) (5,019 | ) (3,633 |
| Balance at end of period                        | \$12,431     | \$14,316 | \$18,694 |

Unrecognized tax benefits of \$10,328,000 and \$12,735,000 would affect the effective tax rate if recognized at December 31, 2012 and 2011, respectively.

The Company conducts business globally, and as a result, the Company or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Canada, China, France, Germany, Hong Kong, Italy, Japan, South Korea, Switzerland, the United Kingdom and the United States. The Company has effectively settled U.S. tax examinations of all years through 2008, with the exception of a 2008 income tax refund claim filed in 2012. The Company received a notification from the Internal Revenue Service ("IRS") dated February 15, 2013 indicating that its 2011 United States federal income tax return and its 2008-2010 amended federal income tax returns filed during 2012 have been selected for audit. Internationally, the Company has effectively settled Canadian and Korean tax examinations of all years through 2008, Swiss and French tax examinations of all years through 2009 and Japanese tax examinations of all years through 2010. The Company is not currently under examination in any major jurisdictions. The Company does not anticipate that adjustments relative to ongoing tax audits will result in a material change to its consolidated financial position, results of operations or cash flows. Due to the potential for resolution of income tax audits currently in progress, and the expiration of various statutes of limitation, it is reasonably possible that the unrecognized tax benefits balance may change within the twelve months following December 31, 2012 by a range of zero to \$10,136,000. Open tax years, including those previously mentioned, contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, timing, or inclusion of revenue and expenses or the sustainability of income tax credits for a given examination cycle.

The Company recognizes interest expense and penalties related to income tax matters in income tax expense. The Company recognized a net reversal of accrued interest and penalties of \$357,000 in 2012, a net reversal of accrued interest and penalties of \$501,000 in 2011 and net accrued interest and penalties of \$780,000 in 2010, all related to uncertain tax positions. The Company had \$3,077,000 and \$3,434,000 of accrued interest and penalties related to uncertain tax positions at December 31, 2012 and 2011, respectively.

**NOTE 11—OTHER LONG-TERM LIABILITIES**

Other long-term liabilities consisted of the following (in thousands):

|  | December 31, |          |
|--|--------------|----------|
|  | 2012         | 2011     |
| Straight-line and deferred rent liabilities    | \$20,395     | \$18,028 |
| Asset retirement obligations                   | 1,849        | 1,565    |
| Deferred compensation plan liability (Note 12) | 4,080        | 2,521    |
| Other  | 847          | 1,739    |
|  | \$27,171     | \$23,853 |

**NOTE 12—RETIREMENT SAVINGS PLANS**

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

## 401(k) Profit-Sharing Plan

The Company has a 401(k) profit-sharing plan, which covers substantially all U.S. employees. Participation begins the first day of the quarter following completion of 30 days of service. The Company may elect to make discretionary matching and/or non-matching contributions. All Company contributions to the plan as determined by the Board of Directors totaled \$4,966,000, \$5,223,000 and \$4,443,000 for the years ended December 31, 2012, 2011 and 2010, respectively.

## Deferred Compensation Plan

The Company sponsors a nonqualified retirement savings plan for certain senior management employees whose contributions to the tax qualified 401(k) plan would be limited by provisions of the Internal Revenue Code. This plan allows participants to defer receipt of a portion of their salary and incentive compensation and to receive matching contributions for a portion of the deferred amounts. Company contributions to the plan totaled \$259,000, \$245,000 and \$155,000 for the years ended December 31, 2012, 2011 and 2010, respectively. Participants earn a return on their deferred compensation based on investment earnings of participant-selected mutual funds. Changes in the market value of the participants' investment selections are recorded as an adjustment to deferred compensation liabilities, with an offset to compensation expense. Deferred compensation, including accumulated earnings on the participant-directed investment selections, is distributable in cash at participant-specified dates or upon retirement, death, disability or termination of employment. At December 31, 2012 and 2011, the liability to participants under this plan was \$4,080,000 and \$2,521,000, respectively, and was recorded in other long-term liabilities. The current portion of the participant liability at December 31, 2012 and 2011 was not material.

The Company has purchased specific mutual funds in the same amounts as the participant-directed investment selections underlying the deferred compensation liabilities. These investment securities and earnings thereon, held in an irrevocable trust, are intended to provide a source of funds to meet the deferred compensation obligations, subject to claims of creditors in the event of the Company's insolvency. The mutual funds are recorded at fair value in other non-current assets. At December 31, 2012 and 2011, the fair value of the mutual fund investments was \$4,080,000 and \$2,521,000, respectively. Realized and unrealized gains and losses on the mutual fund investments are offset against gains and losses resulting from changes in corresponding deferred compensation liabilities to participants.

## NOTE 13—COMMITMENTS AND CONTINGENCIES

## Operating Leases

The Company leases, among other things, retail space, office space, warehouse facilities, storage space, vehicles and equipment. Generally, the base lease terms are between 5 and 10 years. Certain lease agreements contain scheduled rent escalation clauses in their future minimum lease payments. Future minimum lease payments are recognized on a straight-line basis over the minimum lease term and the pro rata portion of scheduled rent escalations is included in other long-term liabilities. Certain retail space lease agreements provide for additional rents based on a percentage of annual sales in excess of stipulated minimums ("percentage rent"). Certain lease agreements require the Company to pay real estate taxes, insurance, common area maintenance ("CAM"), and other costs, collectively referred to as operating costs, in addition to base rent. Percentage rent and operating costs are recognized as incurred in SG&A expense in the Consolidated Statements of Operations. Certain lease agreements also contain lease incentives, such as tenant improvement allowances and rent holidays. The Company recognizes the benefits related to the lease incentives on a straight-line basis over the applicable lease term.

Rent expense, including percentage rent but excluding operating costs for which the Company is obligated, consisted of the following (in thousands):

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

|  | Year Ended December 31, |          |          |
|--|-------------------------|----------|----------|
|  | 2012                    | 2011     | 2010     |
| Rent expense included in SG&A          | \$51,853                | \$46,869 | \$39,898 |
| Rent expense included in cost of sales | 1,528                   | 1,429    | 1,351    |
|  | \$53,381                | \$48,298 | \$41,249 |

Approximate future minimum payments, including rent escalation clauses and stores that are not yet open, on all lease obligations at December 31, 2012, are as follows (in thousands). Operating lease obligations listed below do not include percentage rent, real estate taxes, insurance, CAM, and other costs for which the Company is obligated. These operating lease commitments are not reflected on the Consolidated Balance Sheets.

|            |           |
|------------|-----------|
| 2013       | \$42,771  |
| 2014       | 37,477    |
| 2015       | 33,842    |
| 2016       | 32,029    |
| 2017       | 31,203    |
| Thereafter | 92,739    |
|            | \$270,061 |

#### Inventory Purchase Obligations

Inventory purchase obligations consist of open production purchase orders for sourced apparel, footwear, accessories and equipment, and raw material commitments not included in open production purchase orders. At December 31, 2012 inventory purchase obligations were \$255,299,000. To support certain inventory purchase obligations, the Company maintains unsecured and uncommitted lines of credit available for issuing import letters of credit. At December 31, 2012 the Company had no balance outstanding under these letters of credit.

#### 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.

#### Indemnities and Guarantees

During its normal course of business, the Company has made certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These include (i) intellectual property indemnities to the Company's customers and licensees in connection with the use, sale and/or license of Company products, (ii) indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease, (iii) indemnities to customers, vendors and service providers pertaining to claims based on the negligence or willful misconduct of the Company, (iv) executive severance arrangements and (v) indemnities involving the accuracy of representations and warranties in certain contracts. The duration of these indemnities, commitments and guarantees varies, and in certain cases, may be indefinite. The majority of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential for future payments the Company could be obligated to make. The Company has not recorded any liability for these indemnities, commitments and guarantees in the accompanying Consolidated Balance Sheets.

#### NOTE 14—SHAREHOLDERS' EQUITY

Since the inception of the Company's stock repurchase plan in 2004 through December 31, 2012, the Company's Board of Directors has authorized the repurchase of \$500,000,000 of the Company's common stock. As of December 31, 2012, the Company had repurchased 9,593,278 shares under this program at an aggregate purchase price of approximately

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\$441,443,000. During the year ended December 31, 2012, the Company repurchased an aggregate of \$206,000 of common stock under the stock repurchase plan. 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.

**NOTE 15—STOCK-BASED COMPENSATION**

The Company's stock incentive plan (the "Plan") provides for issuance of up to 10,400,000 shares of the Company's Common Stock, of which 2,573,748 shares were available for future grants under the Plan at December 31, 2012. The Plan allows for grants of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock units and other stock-based awards. The Company uses original issuance shares to satisfy share-based payments.

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

|  | Year Ended December 31, |          |          |
|--|-------------------------|----------|----------|
|  | 2012                    | 2011     | 2010     |
| Cost of sales                                      | \$287                   | \$282    | \$286    |
| Selling, general and administrative expense        | 7,546                   | 7,588    | 6,444    |
| Pre-tax stock-based compensation expense           | 7,833                   | 7,870    | 6,730    |
| Income tax benefits                                | (2,724                  | ) (2,729 | ) (2,162 |
| Total stock-based compensation expense, net of tax | \$5,109                 | \$5,141  | \$4,568  |

No stock-based compensation costs were capitalized for the years ended December 31, 2012, 2011 or 2010.

The Company realized a tax benefit for the deduction from stock-based award transactions of \$3,410,000, \$4,702,000, and \$1,909,000 for the years ended December 31, 2012, 2011 and 2010, respectively.

**Stock Options**

Options to purchase the Company's common stock are granted at exercise prices equal to or greater than the fair market value of the Company's common stock on the date of grant. Options granted after 2000 and before 2009 generally vest and become exercisable over a period of four years (25 percent on the first anniversary date following the date of grant and monthly thereafter) and expire ten years from the date of the grant, with the exception of most options granted in 2005. Most options granted in 2005 vested and became exercisable one year from the date of grant and expire ten years from the date of grant. Options granted after 2008 generally vest and become exercisable ratably on an annual basis over a period of four years and expire ten years from the date of the grant.

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, expected 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 option's expected term is derived from historical option exercise behavior and the option's terms and conditions, which the Company believes provides a reasonable basis for estimating an expected term. The expected volatility is estimated based on observations of the Company's historical volatility over the most recent term commensurate with the expected term. The risk-free interest rate is based on the U.S. Treasury yield approximating the expected term. The dividend yield is based on the anticipated cash dividend payouts. Assumptions are evaluated and revised as necessary to reflect changes in market conditions and the Company's experience. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by people who receive equity awards.

The following table presents the weighted average assumptions for the years ended December 31:

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|  |            |                     |            |
|--|------------|---------------------|------------|
|  | 2012       | 2011 <sup>(1)</sup> | 2010       |
| Expected term                          | 4.78 years | 5.12 years          | 4.53 years |
| Expected stock price volatility        | 32.20%     | 30.76%              | 28.79%     |
| Risk-free interest rate                | 0.88%      | 1.84%               | 1.91%      |
| Expected dividend yield                | 1.80%      | 1.31%               | 1.64%      |
| Weighted average grant date fair value | \$11.57    | \$16.09             | \$10.08    |

During the year ended December 31, 2011, the Company granted two stock option awards totaling 53,720 shares <sup>(1)</sup>that vest 100% on the fifth anniversary of the grant date. Because the Company did not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term for these grants, the Company utilized the simplified method in developing an estimate of the expected term of these options.

The following table summarizes stock option activity under the Plan:

|  | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value (in thousands) |
|--|------------------|---------------------------------|---|--|
| Options outstanding at January 1, 2010                   | 1,760,173        | \$42.08                         | 6.25  | \$4,599                                  |
| Granted  | 385,924          | 44.11                           |   |  |
| Cancelled  | (77,481 )        | 46.04                           |   |  |
| Exercised  | (196,402 )       | 37.34                           |   |  |
| Options outstanding at December 31, 2010                 | 1,872,214        | 42.84                           | 6.33  | 33,057                                   |
| Granted  | 340,973          | 61.38                           |   |  |
| Cancelled  | (40,396 )        | 43.68                           |   |  |
| Exercised  | (253,695 )       | 43.32                           |   |  |
| Options outstanding at December 31, 2011                 | 1,919,096        | 46.05                           | 6.25  | 9,141                                    |
| Granted  | 358,169          | 48.82                           |   |  |
| Cancelled  | (172,465 )       | 52.90                           |   |  |
| Exercised  | (380,811 )       | 38.34                           |   |  |
| Options outstanding at December 31, 2012                 | 1,723,989        | \$47.64                         | 6.15  | \$13,001                                 |
| Options vested and expected to vest at December 31, 2012 | 1,672,468        | \$47.51                         | 6.08  | \$12,808                                 |
| Options exercisable at December 31, 2012                 | 989,092          | \$46.09                         | 4.63  | \$8,708                                  |

The aggregate intrinsic value in the table above represents pre-tax intrinsic value that would have been realized if all options had been exercised on the last business day of the period indicated, based on the Company's closing stock price on that day.

Total stock option compensation expense for the years ended December 31, 2012, 2011 and 2010 was \$3,180,000, \$3,550,000 and \$3,348,000, respectively. At December 31, 2012, unrecognized costs related to stock options totaled approximately \$5,407,000, before any related tax benefit. The unrecognized costs related to stock options are being amortized over the related vesting period using the straight-line attribution method. Unrecognized costs related to stock options at December 31, 2012 are expected to be recognized over a weighted average period of 2.16 years. The aggregate intrinsic value of stock options exercised was \$5,517,000, \$4,906,000 and \$2,854,000 for the years ended December 31, 2012, 2011 and 2010, respectively. The total cash received as a result of stock option exercises for the years ended December 31, 2012, 2011 and 2010 was \$14,600,000, \$10,991,000 and \$7,333,000, respectively.

Restricted Stock Units



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Service-based restricted stock units are granted at no cost to key employees, and shares granted prior to 2009 generally vest over three years from the date of grant. Service-based restricted stock units granted after 2008 generally vest over a period of four years. Performance-based restricted stock units are granted at no cost to certain members of the Company's senior executive team, excluding the Chairman and the President and Chief Executive Officer.

Performance-based restricted stock units granted prior to 2010 generally vest over a performance period of between two and one-half and three years with an additional required service period of one year. Performance-based restricted stock units granted after 2009 generally vest over a performance period of between two and one-half and three years. Restricted stock units vest in accordance with the terms and conditions established by the Compensation Committee of the Board of Directors, and are based on continued service and, in some instances, on individual performance and/or Company performance. For the majority of restricted stock units granted, the number of shares issued on the date the restricted stock units vest is net of the minimum statutory withholding requirements that the Company pays in cash to the appropriate taxing authorities on behalf of its employees. For the years ended December 31, 2012, 2011 and 2010, the Company withheld 30,299, 48,059 and 18,721 shares, respectively, to satisfy \$1,486,000, \$2,974,000 and \$853,000 of employees' tax obligations, respectively.

The fair value of service-based and performance-based restricted stock units is discounted by the present value of the estimated future stream of dividends over the vesting period using the Black-Scholes model. The relevant inputs and assumptions used in the Black-Scholes model to compute the discount are 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 the years ended December 31:

|  | 2012       | 2011       | 2010       |
|--|------------|------------|------------|
| Vesting period   | 3.86 years | 3.96 years | 3.75 years |
| Expected dividend yield  | 1.77%      | 1.33%      | 1.56%      |
| Estimated average fair value per restricted stock unit granted | \$46.57    | \$58.37    | \$43.95    |

The following table summarizes the restricted stock unit activity under the Plan:

|   | Number of<br>Shares | Weighted Average<br>Grant Date Fair<br>Value Per Share |
|---|---------------------|--|
| Restricted stock units outstanding at January 1, 2010   | 286,520             | \$36.35  |
| Granted   | 128,525             | 43.95  |
| Vested  | (62,417)            | ) 42.95  |
| Forfeited   | (23,833)            | ) 42.44  |
| Restricted stock units outstanding at December 31, 2010 | 328,795             | 37.63  |
| Granted   | 145,768             | 58.37  |
| Vested  | (146,951)           | ) 38.01  |
| Forfeited   | (30,860)            | ) 41.79  |
| Restricted stock units outstanding at December 31, 2011 | 296,752             | 47.19  |
| Granted   | 185,303             | 46.57  |
| Vested  | (91,383)            | ) 42.39  |
| Forfeited   | (70,114)            | ) 46.26  |
| Restricted stock units outstanding at December 31, 2012 | 320,558             | \$48.31  |

Restricted stock unit compensation expense for the years ended December 31, 2012, 2011 and 2010 was \$4,653,000, \$4,320,000 and \$3,382,000, respectively. At December 31, 2012, unrecognized costs related to restricted stock units totaled approximately \$9,570,000, 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 December 31, 2012 are expected to be recognized over a weighted average period of 2.41 years. The total grant date fair value of



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restricted stock units vested during the year ended December 31, 2012, 2011 and 2010 was \$3,874,000, \$5,586,000 and \$2,681,000, respectively.

NOTE 16—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 the common shares used in the denominator for computing basic and diluted EPS is as follows (in thousands, except per share amounts):

|  | Year Ended December 31, |        |        |
|--|-------------------------|--------|--------|
|  | 2012                    | 2011   | 2010   |
| Weighted average common shares outstanding, used in computing basic earnings per share   | 33,840                  | 33,808 | 33,725 |
| Effect of dilutive stock options and restricted stock units                              | 292                     | 396    | 367    |
| Weighted-average common shares outstanding, used in computing diluted earnings per share | 34,132                  | 34,204 | 34,092 |
| Earnings per share of common stock:  |                         |        |        |
| Basic  | \$2.95                  | \$3.06 | \$2.28 |
| Diluted  | 2.93                    | 3.03   | 2.26   |

Stock options and service-based restricted stock units representing 887,186, 452,907 and 480,707 shares of common stock for the years ended December 31, 2012, 2011 and 2010, respectively, were outstanding but were excluded in the computation of diluted 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 36,506, 34,448 and 43,323 shares for the years ended December 31, 2012, 2011 and 2010, 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.

NOTE 17—ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income, net of applicable taxes, reported on the Company’s Consolidated Balance Sheets consists of unrealized gains and losses on available-for-sale securities, unrealized gains and losses on derivative transactions and foreign currency translation adjustments. Accumulated other comprehensive income, net of related tax effects, is as follows (in thousands):

|  | December 31, |          |          |
|--|--------------|----------|----------|
|  | 2012         | 2011     | 2010     |
| Unrealized holding gains (losses) on available-for-sale securities | \$(9 )       | \$(2 )   | \$36     |
| Unrealized holding gains (losses) on derivative transactions       | 2,505        | 7,250    | (1,671 ) |
| Foreign currency translation adjustments                           | 44,167       | 39,649   | 48,350   |
| Accumulated other comprehensive income                             | \$46,663     | \$46,897 | \$46,715 |

NOTE 18—SEGMENT INFORMATION

The Company operates in four geographic segments: (1) the 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

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organization, management, and oversight structure. Each geographic segment operates predominantly in one industry: the design, development, marketing and distribution of active outdoor apparel, footwear, accessories and equipment. The geographic distribution of the Company's net sales, income before income taxes, interest income (expense), income tax (expense) benefit, and depreciation and amortization expense are summarized in the following tables (in thousands) for the years ended December 31, 2012, 2011 and 2010 and for identifiable assets at December 31, 2012 and 2011. Inter-geographic net sales, which are recorded at a negotiated mark-up and eliminated in consolidation, are not material.

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|  | 2012        | 2011         | 2010         |
|--|-------------|--------------|--------------|
| Net sales to unrelated entities:       |             |              |              |
| United States                          | \$946,710   | \$947,970    | \$880,990    |
| LAAP                                   | 377,545     | 340,977      | 263,429      |
| EMEA                                   | 230,624     | 275,416      | 222,451      |
| Canada                                 | 114,684     | 129,622      | 116,654      |
|  | \$1,669,563 | \$1,693,985  | \$1,483,524  |
| Income before income taxes:            |             |              |              |
| United States                          | \$68,504    | \$63,847     | \$53,752     |
| LAAP                                   | 51,219      | 46,214       | 35,635       |
| EMEA                                   | 7,993       | 13,779       | 5,817        |
| Canada                                 | 5,812       | 12,566       | 8,123        |
| Interest                               | 379         | 1,274        | 1,564        |
|  | \$133,907   | \$137,680    | \$104,891    |
| Interest income (expense), net:        |             |              |              |
| United States                          | \$5,121     | \$4,565      | \$4,664      |
| LAAP                                   | (1,097)     | ) (666       | ) 500        |
| EMEA                                   | 293         | 648          | (717)        |
| Canada                                 | (3,938)     | ) (3,273     | ) (2,883)    |
|  | \$379       | \$1,274      | \$1,564      |
| Income tax (expense) benefit:          |             |              |              |
| United States                          | \$(21,961)  | ) \$(19,233) | ) \$(9,938)  |
| LAAP                                   | (13,792)    | ) (12,163)   | ) (9,325)    |
| EMEA                                   | 1,527       | (80)         | ) (7,668)    |
| Canada                                 | 178         | (2,725)      | ) (923)      |
|  | \$(34,048)  | ) \$(34,201) | ) \$(27,854) |
| Depreciation and amortization expense: |             |              |              |
| United States                          | \$31,025    | \$33,100     | \$28,634     |
| LAAP                                   | 4,214       | 3,241        | 2,557        |
| EMEA                                   | 4,112       | 6,292        | 6,410        |
| Canada                                 | 1,541       | 927          | 829          |
|  | \$40,892    | \$43,560     | \$38,430     |
| Assets:                                |             |              |              |
| United States                          | \$1,031,838 | \$977,792    |              |
| LAAP                                   | 229,139     | 242,124      |              |
| EMEA                                   | 293,878     | 281,118      |              |
| Canada                                 | 177,912     | 179,851      |              |
| Total identifiable assets              | 1,732,767   | 1,680,885    |              |
| Eliminations and reclassifications     | (273,925)   | ) (298,343)  | )            |
|  | \$1,458,842 | \$1,382,542  |              |
| Net sales by product category:         |             |              |              |
| Apparel, accessories and equipment     | \$1,347,005 | \$1,334,883  | \$1,213,301  |
| Footwear                               | 322,558     | 359,102      | 270,223      |
|  | \$1,669,563 | \$1,693,985  | \$1,483,524  |

NOTE 19—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,



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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 U.S. dollar denominated inventory purchases by subsidiaries that use European euros, Canadian dollars, Japanese yen or Korean won as their functional currency. The Company manages this risk by using currency forward and European-style option 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 are excluded from the determination of hedge effectiveness and included in current cost of sales. For option contracts, the hedging relationship is assumed to have no ineffectiveness if the critical terms of the option contract match the hedged transaction's terms. Hedge ineffectiveness was not material during the years ended December 31, 2012, 2011 and 2010.

The Company also uses currency forward and option contracts not formally designated as hedges to manage the currency exchange rate risk associated with the remeasurement of non-functional monetary assets and liabilities. Non-functional monetary assets and liabilities consist primarily of cash, intercompany loans and payables.

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

|  | December 31, |           |
|--|--------------|-----------|
|  | 2012         | 2011      |
| Derivative instruments designated as cash flow hedges: |              |           |
| Currency forward contracts                             | \$70,000     | \$144,000 |
| Derivative instruments not designated as hedges:       |              |           |
| Currency forward contracts                             | 121,934      | 138,807   |

At December 31, 2012, approximately \$3,172,000 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 December 31, 2012, the Company's derivative contracts had remaining maturities of approximately one year or less. 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 \$4,000,000 at December 31, 2012. All of the Company's derivative counterparties have investment grade credit ratings and, as a result, the Company does not require collateral to facilitate transactions. The Company does not hold derivatives featuring credit-related contingent terms. In addition, the Company is not a party to any derivative master agreement featuring credit-related contingent terms. 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):

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|  | Balance Sheet Classification              | December 31, |         |
|--|---|--------------|---------|
|  |   | 2012         | 2011    |
| Derivative instruments designated as cash flow hedges: |   |              |         |
| Derivative instruments in asset positions:             |   |              |         |
| Currency forward contracts                             | Prepaid expenses and other current assets | \$2,147      | \$6,591 |
| Currency forward contracts                             | Other non-current assets                  | 489          | 1,117   |
| Derivative instruments in liability positions:         |   |              |         |
| Currency forward contracts                             | Accrued liabilities                       | 579          | 824     |
| Currency forward contracts                             | Other long-term liabilities               | —            | 91      |
| Derivative instruments not designated as hedges:       |   |              |         |
| Derivative instruments in asset positions:             |   |              |         |
| Currency forward contracts                             | Prepaid expenses and other current assets | 4,072        | 645     |
| Derivative instruments in liability positions:         |   |              |         |
| Currency forward contracts                             | Accrued liabilities                       | 743          | 2,962   |

The following table presents the effect and classification of derivative instruments for the years ended December 31, 2012, 2011 and 2010 (in thousands):

|   | Statement Of Operations Classification      | For the Year Ended December 31, |          |         |
|---|---|---------------------------------|----------|---------|
|   |   | 2012                            | 2011     | 2010    |
| Currency Forward Contracts:   |   |                                 |          |         |
| Derivative instruments designated as cash flow hedges:  |   |                                 |          |         |
| Gain recognized in other comprehensive income, net of tax   | —   | \$753                           | \$3,489  | \$1,167 |
| Gain (Loss) reclassified from accumulated other comprehensive income to income for the effective portion              | Cost of sales                               | 5,908                           | (6,862 ) | 1,789   |
| Gain reclassified from accumulated other comprehensive income to income as a result of cash flow hedge discontinuance | Cost of sales                               | 441                             | —        | —       |
| Loss recognized in income for amount excluded from effectiveness testing and for the ineffective portion              | Cost of sales                               | (40 )                           | (1,889 ) | (230 )  |
| Derivative instruments not designated as hedges:  |   |                                 |          |         |
| Loss recognized in income   | Cost of sales                               | —                               | —        | (130 )  |
| Gain (Loss) recognized in income  | Selling, general and administrative expense | (1,841 )                        | 1,216    | (54 )   |

NOTE 20—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 which prioritizes the inputs used in measuring fair value as follows:

Level 1 – observable inputs such as quoted prices in active liquid markets;





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Level – inputs, other than the quoted market prices in active markets, which are observable, either directly or  
 2 indirectly; or observable market prices in markets with insufficient volume and/or infrequent transactions; and  
 Level – unobservable inputs for which there is little or no market data available, which require the reporting entity  
 3 to develop its own assumptions.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2012 are as follows (in thousands):

|  | Level 1  | Level 2  | Level 3 | Total     |
|--|----------|----------|---------|-----------|
| Assets:                                      |          |          |         |           |
| Cash equivalents                             |          |          |         |           |
| Money market funds                           | \$70,857 | \$—      | \$—     | \$70,857  |
| Time deposits                                | 25,035   | —        | —       | 25,035    |
| Certificates of deposit                      | —        | 2,450    | —       | 2,450     |
| U.S. Government-backed repurchase agreements | —        | 25,000   | —       | 25,000    |
| U.S. Government-backed municipal bonds       | —        | 5,348    | —       | 5,348     |
| Available-for-sale short-term investments    |          |          |         |           |
| Certificates of deposit                      | —        | 7,596    | —       | 7,596     |
| Variable-rate demand notes                   | —        | 22,640   | —       | 22,640    |
| U.S. Government-backed municipal bonds       | —        | 14,425   | —       | 14,425    |
| Other current assets                         |          |          |         |           |
| Derivative financial instruments (Note 19)   | —        | 6,219    | —       | 6,219     |
| Non-current assets                           |          |          |         |           |
| Derivative financial instruments (Note 19)   | —        | 489      | —       | 489       |
| Mutual fund shares                           | 4,080    | —        | —       | 4,080     |
| Total assets measured at fair value          | \$99,972 | \$84,167 | \$—     | \$184,139 |
| Liabilities:                                 |          |          |         |           |
| Accrued liabilities                          |          |          |         |           |
| Derivative financial instruments (Note 19)   | \$—      | \$1,322  | \$—     | \$1,322   |
| Total liabilities measured at fair value     | \$—      | \$1,322  | \$—     | \$1,322   |

Assets and liabilities measured at fair value on a recurring basis at December 31, 2011 are as follows (in thousands):

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|  | Level 1  | Level 2 | Level 3 | Total    |
|--|----------|---------|---------|----------|
| Assets:                                    |          |         |         |          |
| Cash equivalents                           |          |         |         |          |
| Money market funds                         | \$55,542 | \$—     | \$—     | \$55,542 |
| Time deposits                              | 10,000   | —       | —       | 10,000   |
| Available-for-sale short-term investments  |          |         |         |          |
| Time deposits                              | 2,878    | —       | —       | 2,878    |
| Other current assets                       |          |         |         |          |
| Derivative financial instruments (Note 19) | —        | 7,236   | —       | 7,236    |
| Non-current assets                         |          |         |         |          |
| Derivative financial instruments (Note 19) | —        | 1,117   | —       | 1,117    |
| Mutual fund shares                         | 2,521    | —       | —       | 2,521    |
| Total assets measured at fair value        | \$70,941 | \$8,353 | \$—     | \$79,294 |
| Liabilities:                               |          |         |         |          |
| Accrued liabilities                        |          |         |         |          |
| Derivative financial instruments (Note 19) | \$—      | \$3,786 | \$—     | \$3,786  |
| Other long-term liabilities                |          |         |         |          |
| Derivative financial instruments (Note 19) | —        | 91      | —       | 91       |
| Total liabilities measured at fair value   | \$—      | \$3,877 | \$—     | \$3,877  |

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.

There were no material assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2012 or 2011.

## SUPPLEMENTARY DATA—QUARTERLY FINANCIAL DATA (Unaudited)

The following table summarizes the Company's quarterly financial data for the past two years ended December 31, 2012 (in thousands, except per share amounts):

|                           | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
|---------------------------|------------------|-------------------|------------------|-------------------|
| 2012                      |                  |                   |                  |                   |
| Net sales                 | \$333,141        | \$290,357         | \$545,005        | \$501,060         |
| Gross profit              | 147,936          | 117,868           | 243,685          | 206,905           |
| Net income (loss)         | 3,898            | (7,901)           | 64,375           | 39,487            |
| Earnings (loss) per share |                  |                   |                  |                   |
| Basic                     | \$0.12           | \$(0.23)          | \$1.90           | \$1.16            |
| Diluted                   | 0.11             | (0.23)            | 1.88             | 1.15              |
| 2011                      | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
| Net sales                 | \$333,086        | \$268,030         | \$566,791        | \$526,078         |
| Gross profit              | 149,536          | 112,413           | 249,585          | 223,774           |
| Net income (loss)         | 12,770           | (13,558)          | 67,539           | 36,728            |
| Earnings (loss) per share |                  |                   |                  |                   |
| Basic                     | \$0.38           | \$(0.40)          | \$2.00           | \$1.09            |
| Diluted                   | 0.37             | (0.40)            | 1.98             | 1.08              |

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of 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.

Design and Evaluation of Internal Control Over Financial Reporting

Report of Management

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2012. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework. Based on our assessment we believe that, as of December 31, 2012, the Company's internal control over financial reporting is effective based on those criteria.

We are implementing an enterprise resource planning ("ERP") system on a worldwide basis, which is expected to impact our business and financial transaction processes. The implementation is expected to occur in phases globally over the next several years, and began with a roll-out to our Canadian subsidiary in April 2012. The implementation of a worldwide ERP system will affect the processes that constitute our internal control over financial reporting and will require continued testing for effectiveness as the implementation progresses.

There has been no change in our internal control over financial reporting that occurred during our fiscal quarter ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Our independent auditors have issued an audit report on the effectiveness of our internal control over financial reporting as of December 31, 2012, which is included herein.

Report of Independent Registered Public Accounting Firm  
To the Board of Directors and Shareholders  
Columbia Sportswear Company  
Portland, Oregon

We have audited the internal control over financial reporting of Columbia Sportswear Company and subsidiaries (the "Company") as of December 31, 2012, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Report of Management". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2012 of the Company, and our report dated February 28, 2013, expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP  
Portland, Oregon  
February 28, 2013

Item 9B. OTHER INFORMATION

None.



**PART III**

**Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The sections of our 2013 Proxy Statement entitled “Election of Directors,” “Corporate Governance - Code of Business Conduct and Ethics,” “Corporate Governance - Board Committees,” “Corporate Governance – Director Nomination Policy,” and “Section 16(a) Beneficial Ownership Reporting Compliance” are incorporated herein by reference.

See Item 4A of this Annual Report on Form 10-K for information regarding our executive officers.

**Item 11. EXECUTIVE COMPENSATION**

The sections of our 2013 Proxy Statement entitled “Executive Compensation,” “Director Compensation,” “Corporate Governance - Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” are incorporated herein by reference.

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The section of our 2013 Proxy Statement entitled “Security Ownership of Certain Beneficial Owners and Management” is incorporated herein by reference.

**Item 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The sections of our 2013 Proxy Statement entitled “Corporate Governance - Certain Relationships and Related Transactions,” “Corporate Governance - Related Transactions Approval Process,” and “Corporate Governance - Independence” are incorporated herein by reference.

**Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The sections of our 2013 Proxy Statement entitled “Ratification of Selection of Independent Registered Public Accounting Firm - Principal Accountant Fees and Services” and “Pre-approval Policy” are incorporated herein by reference.



## PART IV

## Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a)(1) and (a)(2) Financial Statements. The Financial Statements of Columbia and Supplementary Data filed as part of this Annual Report on Form 10-K are on pages 39 to 69 of this Annual Report.

(b) See Exhibit Index beginning on page 74 for a description of the documents that are filed as Exhibits to this Annual Report on Form 10-K or incorporated herein by reference.

## Schedule II

## Valuation and Qualifying Accounts

(in thousands)

| Description  | Balance at<br>Beginning<br>of Period | Charged<br>to<br>Costs and<br>Expenses | Deductions<br>(a) | Other<br>(b) | Balance at<br>End of<br>Period |
|--|--------------------------------------|--|-------------------|--------------|--------------------------------|
| Year Ended December 31, 2012:                        |                                      |  |                   |              |                                |
| Allowance for doubtful accounts                      | \$7,545                              | \$981                                  | \$(1,173 )        | \$24         | \$7,377                        |
| Allowance for sales returns and miscellaneous claims | 28,201                               | 63,453                                 | (58,353 )         | (754 )       | 32,547                         |
| Year Ended December 31, 2011:                        |                                      |  |                   |              |                                |
| Allowance for doubtful accounts                      | \$7,098                              | \$1,045                                | \$(547 )          | \$(51 )      | \$7,545                        |
| Allowance for sales returns and miscellaneous claims | 17,236                               | 51,597                                 | (40,651 )         | 19           | 28,201                         |
| Year Ended December 31, 2010:                        |                                      |  |                   |              |                                |
| Allowance for doubtful accounts                      | \$7,347                              | \$983                                  | \$(1,304 )        | \$72         | \$7,098                        |
| Allowance for sales returns and miscellaneous claims | 11,951                               | 33,598                                 | (28,819 )         | 506          | 17,236                         |

(a) Charges to the accounts included in this column are for the purposes for which the reserves were created.

(b) Amounts included in this column primarily relate to foreign currency translation.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

COLUMBIA SPORTSWEAR COMPANY

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

Date: February 28, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

| Signatures                                 | Title  |
|--|--|
| /s/ TIMOTHY P. BOYLE<br>Timothy P. Boyle   | President and Chief Executive Officer and Director<br>(Principal Executive Officer)                          |
| /s/ THOMAS B. CUSICK<br>Thomas B. Cusick   | Senior Vice President of Finance and Chief Financial<br>Officer (Principal Financial and Accounting Officer) |
| /s/ GERTRUDE BOYLE<br>Gertrude Boyle       | Chairman of the Board of Directors   |
| /s/ SARAH A. BANY<br>Sarah A. Bany         | Director   |
| /s/ EDWARD S. GEORGE<br>Edward S. George   | Director   |
| /s/ MURREY R. ALBERS<br>Murrey R. Albers   | Director   |
| /s/ JOHN W. STANTON<br>John W. Stanton     | Director   |
| /s/ WALTER T. KLENZ<br>Walter T. Klenz     | Director   |
| /s/ STEPHEN E. BABSON<br>Stephen E. Babson | Director   |
| /s/ ANDY D. BRYANT<br>Andy D. Bryant       | Director   |
| /s/ RONALD E. NELSON<br>Ronald E. Nelson   | Director   |

Date: February 28, 2013

## EXHIBIT INDEX

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about Columbia or the other parties to the agreements. The agreements may contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other party or parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a means of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may have been qualified by disclosures that were made to the other party or parties in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a manner that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or other date or dates that may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about Columbia may be found elsewhere in this Annual Report on Form 10-K and Columbia's other public filings, which are available without charge through the SEC's website at <http://www.sec.gov>.

| Exhibit No. | Exhibit Name   |
|-------------|--|
| 3.1         | Third Restated Articles of Incorporation (incorporated by reference to exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000) (File No. 000-23939)  |
| 3.2         | Amendment to Third Restated Articles of Incorporation (incorporated by reference to exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002) (File No. 0-23939)  |
| 3.3         | 2000 Restated Bylaws, as amended (incorporated by reference to exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011) (File No. 000-23939)  |
| 4.1         | See Article II of Exhibit 3.1, as amended by Exhibit 3.2, and Article I of Exhibit 3.3   |
| + 10.1      | Columbia Sportswear Company 1997 Stock Incentive Plan, as amended (incorporated by reference to exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012) (File No. 000-23939)   |
| † 10.1(a)   | Subscription and Shareholders' Agreement, dated August 6, 2012, by and among CSMM Hong Kong Limited, SCCH Limited, Columbia Sportswear Company and Swire Resources Limited (incorporated by reference to exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012) (File No. 000-23939) |
| + 10.2      | Form of Nonstatutory Stock Option Agreement for stock options granted prior to July 20, 2006 (incorporated by reference to exhibit 10.3 to the Company's Registration Statement Filed on Form S-1 filed on December 24, 1997) (File No. 333-43199)   |
| + 10.2(a)   | Form of Nonstatutory Stock Option Agreement for stock options granted on or after July 20, 2006 and before January 23, 2009 (incorporated by reference to exhibit 99.1 to the Company's Form 8-K filed on July 26, 2006)   |
| + 10.2(b)   | Form of Nonstatutory Stock Option Agreement for stock options granted on or after January 23, 2009 (incorporated by reference to exhibit 10.2 (e) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008) (File No. 000-23939)   |
| + 10.2(c)   | Form of Executive Stock Option Agreement (incorporated by reference to exhibit 10.3 (a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000) (File No. 000-23939)   |
| + 10.2(d)   | Form of Restricted Stock Unit Award Agreement for awards granted prior to January 23, 2009 (incorporated by reference to exhibit 99.2 to the Company's Form 8-K filed on July 26, 2006) (File No. 000-23939)   |

- + 10.2(e) Form of Restricted Stock Unit Award Agreement for awards granted on or after January 23, 2009 (incorporated by reference to exhibit 10.2(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008) (File No. 000-23939)

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| Exhibit No. | Exhibit Name   |
|-------------|--|
| + 10.2(f)   | Form of Performance-Based Restricted Stock Unit Award Agreement for performance-based restricted stock units granted prior to February 24, 2009 (incorporated by reference to exhibit 99.3 to the Company's Form 8-K filed on July 26, 2006) (File No. 000-23939)  |
| + 10.2(g)   | Form of Performance-Based Restricted Stock Unit Award Agreement for performance-based restricted stock units granted on or after February 24, 2009 and prior to March 29, 2010 (incorporated by reference to exhibit 10.1 to the Company's Quarterly Report on form 10-Q for the quarterly period ended March 31, 2009) (File No. 000-23939) |
| + 10.2(h)   | Form of Performance-based Restricted Stock Unit Award Agreement for performance-based restricted stock units granted on or after March 29, 2010 (incorporated by reference to exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011) (File No. 000-23939)                                 |
| + 10.2(i)   | Columbia Sportswear Company 401(k) Excess Plan (incorporated by reference to exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009) (File No. 000-23939)   |
| + 10.2(j)   | Form of Restricted Stock Unit Award Agreement for restricted stock units granted on or after June 7, 2012 (incorporated by reference to exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012) (File No. 000-23939)   |
| + 10.2(k)   | Form of Nonstatutory Stock Option Agreement for stock options granted on or after June 7, 2012 (incorporated by reference to exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012) (File No. 000-23939)  |
| + 10.4      | Columbia Sportswear Company Change in Control Severance Plan (incorporated by reference to the Company's Form 8-K filed on January 29, 2009) (File No. 000-23939)  |
| 10.5        | Credit Agreement between the Company and Wells Fargo Bank National Association dated June 15, 2010 (incorporated by reference to the Company's Form 8-K filed on June 18, 2010) (File No. 0-23939)   |
| 10.5(a)     | First Amendment to Credit Agreement between the Company and Wells Fargo Bank National Association dated December 16, 2010 (incorporated by reference to the Company's Form 8-k filed on December 17, 2010) (File No. 0-23939).   |
| 10.5(b)     | Second Amendment to Credit Agreement between the Company and Wells Fargo Bank National Association dated September 20, 2011 (incorporated by reference to the Company's Form 8-K filed on September 21, 2011) (File No. 0-23939)   |
| * 10.9      | Form of Indemnity Agreement for Directors  |
| + 10.10     | 1999 Employee Stock Purchase Plan, as amended (incorporated by reference to exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001) (File No. 000-23939)   |
| + 10.11     | Executive Incentive Compensation Plan, as amended (incorporated by reference to exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000) (File No. 000-23939)  |
| + 10.12     | Form of Indemnity Agreement for Directors and Executive Officers (incorporated by reference to exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)   |
| 21.1        | Subsidiaries of the Company  |
| 23.1        | Consent of Deloitte & Touche LLP   |
| 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 \*\*

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+Management Contract or Compensatory Plan

Confidential treatment has been granted for certain portions omitted from this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. Confidential portions of this exhibit have been separately filed with the Securities and Exchange Commission.

\*Incorporated by reference to the Company's Registration Statement on Form S-1 (Reg. No. 333-43199).

\*\* 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.