

## — PARTICIPANTS

### Corporate Participants

---

**Ron Parham** – Senior Director-Investor Relations  
**Gertrude Boyle** – Chairman  
**Timothy P. Boyle** – President, Chief Executive Officer & Director  
**Thomas B. Cusick** – Chief Financial Officer, Treasurer & VP  
**Bryan L. Timm** – Chief Operating Officer & Executive Vice President

### Other Participants

---

**Joan Payson** – Analyst, Barclays Capital, Inc.  
**Eric B. Tracy** – Analyst, Janney Montgomery Scott LLC  
**Liz Dunn** – Analyst, Macquarie Capital (USA), Inc.  
**Andrew S. Burns** – Analyst, D. A. Davidson & Co.  
**Reed A. Anderson** – Director of Research, Northland Securities, Inc.  
**Darla Shay** – Analyst, Credit Suisse  
**Katharine McShane** – Analyst, Citigroup Global Markets (United States)  
**Robert F. Ohmes** – Analyst, Bank of America Merrill Lynch  
**Bill Joseph Dezellem** – President, Chief Investment Officer & Co-Founder, Tieton Capital Management LLC  
**Camilo R. Lyon** – Analyst, Canaccord Genuity, Inc.

## — MANAGEMENT DISCUSSION SECTION

Operator: Greetings, ladies and gentlemen, and welcome to the Columbia Sportswear Second Quarter 2012 Financial Results Conference Call. [Operator Instructions] A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Ron Parham, Senior Director of Investor Relations and Corporate Communications for Columbia Sportswear. Thank you, Mr. Parham. You may begin.

### Ron Parham, Senior Director-Investor Relations

---

Thanks, Tom and thanks to everyone for joining us on today's call. Earlier this afternoon, we issued second quarter financial results and reaffirmed our full year 2012 outlook. In addition to the press release, we posted a detailed CFO commentary to our Investor Relations website, which we hope you've had a chance to review.

With me today on the call are President and CEO, Tim Boyle; Senior Vice President and Chief Financial Officer, Tom Cusick; Executive Vice President and Chief Operating Officer, Bryan Timm; and Senior Vice President and General Counsel, Peter Bragdon.

I'm going to ask our Chairman, Gert Boyle, to cover the Safe Harbor language.

**Gertrude Boyle, Chairman**

Good afternoon. This conference call will contain forward-looking statements regarding Columbia's business opportunities and anticipated results of operation. Please bear in mind that forward-looking information is subject to many risks and uncertainties and actual results may differ materially from what is projected. Many of these risks and uncertainties are described in Columbia's Annual Report on Form 10-K for the year ending December 31, 2011, and subsequent filing with the SEC.

Forward-looking statements in this conference call are based on our current expectations and beliefs. We do not undertake any duty to update any of the forward-looking statements after the date of this conference call to conform the forward-looking statement to actual results or change in our expectation.

**Ron Parham, Senior Director-Investor Relations**

Thanks, Gert. Now I'll turn the call over to Tim for a brief strategic overview and then we'll devote the majority of the call to your questions.

**Timothy P. Boyle, President, Chief Executive Officer & Director**

Thanks, Ron. Welcome, everyone, and thanks for joining us this afternoon. As our press release and CFO commentary explained in greater detail, second quarter sales grew 8%, benefiting from earlier shipments of international distributors' fall 2012 advance orders, strong U.S. direct-to-consumer results and 10% growth in Japan helping to offset lower wholesale revenues in the U.S., Europe and Canada.

Our disciplined focus on managing expenses produced 430 basis points of SG&A leverage, more than offsetting 135 basis point contraction in gross margin caused by the higher than prior-year mix of sales to distributors, liquidation of excess inventory and higher input costs.

Our second quarter net loss improved more than 40% from last year's comparable quarter and was ahead of our April outlook. However, continued macroeconomic uncertainty in many of our major markets leads us to maintain our previous expectations for full year 2012 sales to increase up to 1% and for operating margin to be comparable to 2011 including a \$4 million restructuring charge recorded in the first quarter of 2012.

As you're all aware, Columbia's business is very second half weighted and our profitability relies heavily on our ability to execute and deliver against customers' advance orders during the third and fourth quarters. In that regard, we're entering the second half in a better position than in recent years thanks to improved operational execution and supply chain capabilities at our manufacturing partners that enabled us to receive a higher percentage of our fall 2012 production prior to June 30.

In addition, we expect to liquidate the majority of our remaining excess fall 2011 inventory during the second half of the year, primarily through our owned outlet stores. As a result, as we mentioned in our April conference call, we expect year-end inventory to be comparable to December 31, 2011, excluding any material variation in the timing of spring 2013 inventory receipts late in the year.

We continue to carry our innovation message to outdoor consumers in ways that educate and inspire. Our successful Omni-Heat platform will be the focal point of our 2012 fall marketing strategy. For those winter outdoor enthusiasts who didn't feel the need to buy a new coat during last year's balmy winter, our suite of Omni-Heat products will be ready to welcome them to a new level of warmth and comfort.

Last year's warm winter weather had an even greater impact on Sorel, which we consider to be our most weather-sensitive brand. That impact was most pronounced in Europe where our sales team had succeeded in opening over 1,000 new accounts for fall 2011. We believe the Sorel brand remains very strong among its target consumers and with any cooperation from the weather this year, we would expect channel inventories to improve and set up the prospects for renewed growth for Sorel in 2013.

We're very excited about the spring 2013 launch of Columbia's Omni-Freeze ZERO and Mountain Hardwear Cool.Q ZERO. This revolutionary active cooling technology is unlike anything consumers have seen or felt before. Omni-Freeze ZERO's visible little blue rings use a person's sweat to lower the temperature of the fabric. Omni-Freeze ZERO moves consumers beyond sole reliance on old-school wicking fabrics and evaporative processes to help them stay comfortable during any strenuous outdoor activity, athletic or work.

At the recent ICAST International Fishing Show in Orlando, our booth was abuzz with retailers and consumers asking to see and feel the cooling effect of Omni-Freeze ZERO. To cap the show, Columbia's Airgill Chill ZERO featuring Omni-Freeze ZERO was recognized as Best In Show in the Apparel category. Omni-Freeze ZERO apparel and footwear and accessories will be the main focus of Columbia's booth at next week's Outdoor Retailer Summer Market and Trade Show in Salt Lake City, where our goal will be to help our retail partners grow their spring business.

We're already working to establish grassroots consumer awareness and initial demand for Omni-Freeze ZERO at outdoor concerts, sporting events, parks and other outdoor venues around the country, letting consumers feel the cooling effects of Omni-Freeze ZERO during this summer's heat.

In early June, we gathered 50 journalist and bloggers from around the globe in Sedona, Arizona, to introduce them to Omni-Freeze ZERO. As a result, that Omni-Freeze ZERO has already received a higher volume of pre-launch coverage than any of our previous technological announcements, and we expect additional coverage from other leading publications as next spring's launch approaches.

For the Omni-Freeze ZERO launch, we're putting together a significant, comprehensive, multi-channel spring marketing campaign including print, online, point-of-sale experiential and online broadcast elements. Over the long run, we believe Omni-Freeze ZERO together with our portfolio of differentiated innovations have long-term potential to attract a much wider base of active consumers to the Columbia and Mountain Hardwear brands.

Clearly, there are macroeconomic headwinds in many of our major markets. While we're very cognizant of those challenges, we know it's up to us to execute on our operational and marketing initiatives and to closely monitor and manage our expenses to drive profitability. We're continuously evaluating our operations globally to ensure that we're positioned to deliver on our goals.

In closing, we're pleased with our second quarter results and despite the challenges, we're focused on managing the business to position ourselves for renewed sales growth and improved profitability as we look beyond 2012.

That concludes my remarks. Now, we'd be open for questions. Operator, can you help us?

**QUESTION AND ANSWER SECTION**

Operator: Thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] Thank you. Our first question comes from the line of Bob Drbul with Barclays. Please proceed with your question.

**<Q – Joan Payson – Barclays Capital, Inc.>**: Hi. It's Joan Payson on for Bob today. Hi, everyone.

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Hey, Joan.

**<Q – Joan Payson – Barclays Capital, Inc.>**: In terms of I guess just starting out maybe if you could to talk about how the open to buys are looking in the back half both in the U.S. and in Europe and how your order book looks compared to those?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Certainly. Well, our retailers were cauterized by the warm winter in both of those markets, and I would include North America really in the discussion around the USA. So, I believe that our retailers, while they may have carried over some inventory, for the most part they liquidated their inventories during last year's first quarter. So, there's probably some opportunity for open to buy in the back half if the weather cooperates but we're certainly not having that expectation. We're going to be managing the business with the assumption that we'll have a winter, which may be frankly slightly closer to what last year was than a good winter weather.

**<Q – Joan Payson – Barclays Capital, Inc.>**: Okay. Thanks. And then in terms of your carryover inventory, maybe you could give an update on the composition there in terms of how current it is in footwear versus apparel and how that compares to what it looked like last quarter?

**<A – Thomas Cusick – Columbia Sportswear Co.>**: Sure. This is Tom. With regard to the composition of inventory, roughly 94% of our inventory is fall 2011 or more recent through fall 2012, and we expect to liquidate between two-thirds and three-quarters of that through our own outlet channel, consistent with a quarter ago. So, really inventories played out as we thought it would over the course of the last 90 days. And categorically, it's about four to one apparel versus footwear.

**<Q – Joan Payson – Barclays Capital, Inc.>**: Okay. Great. Thanks.

Operator: Thank you. Our next question comes from the line of Eric Tracy with Janney Capital Markets. Please proceed with your question.

**<Q – Eric Tracy – Janney Montgomery Scott LLC>**: Hey, thanks, guys. Good afternoon.

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Hi, Eric.

**<Q – Eric Tracy – Janney Montgomery Scott LLC>**: Maybe focusing on sort of Europe in particular, it looked like the EMEA region held up pretty nicely. But it sounds like there's a little bit of shift from 3Q into 2Q. Maybe talk a little bit about that. And then, Tim, just in terms of the macro perspective, what you're seeing sort of relative to last call in terms of any macro deterioration, if that's having any sort of impact beyond the weather issue in terms of orders?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Certainly. Well, I spent most of the last week or the week before last in Europe and in Russia. And so I'm fairly current. I would say that the macro conditions are certainly impactful. I would say it's difficult to find an ebullient European retailer in Western Europe, that's for sure. Most are confident that the business will be there, but as we've talked about in the past, the bulk of the impact of our business is weather, rather than macro conditions.

So when we have both a combination of poor winter weather as we had in 2011/2012 plus the macro conditions, it makes it more difficult. So I think retailers will be more cautious in their future buying and the expectation is that they're going to wait for either some catalyst from the weather or an improvement in the economic conditions, which I think we're going to see some weather before we see the macro conditions improve.

As it relates to our other markets in Europe, most notably Russia, I can tell you that our distributor there is very strong, continues to be a very strong performer, both financially and in terms of how they operate their business. And we're very pleased with the results there. So, hopefully, that gets to most of your questions.

**<Q – Eric Tracy – Janney Montgomery Scott LLC>:** Absolutely. Thanks. And then maybe, Tom, just for you. In terms of the guidance – or Tim, for that matter, obviously a little bit of a shift or more of a back end loaded to 4Q expectation, both top line and margin. Again, maybe walk us through that dynamic, particularly on the margin, it would appear to get to that year-end guidance reaffirmed. I think it probably is coming from G&A. Relative to some of the incremental investments that are coming through, where the expectations on leverage to get that – how that comes through?

**<A – Thomas Cusick – Columbia Sportswear Co.>:** Yeah, speaking specifically to the margin Q3 versus Q4, really the down margin in Q3 versus the up margin in Q4 is really a function of closeouts and promotional activity being a bit of a drag in Q3 and being basically a tailwind in Q4, plus we've got the channel mix benefit from retail in the fourth quarter. So, that's really the margin story. And then with regard to SG&A, essentially flat in absolute dollar terms in the third quarter, down in the fourth. We've got a little bit of an easy comp in Q4 relative to – obviously we're getting some help from currency, but we had an impairment charge in the fourth quarter of last year that is not there this year, so that helps.

**<Q – Eric Tracy – Janney Montgomery Scott LLC>:** And then maybe just in terms of the buckets of that SG&A, because I think by my math it probably is looking to me to improve close to 350 to 400 basis points in 4Q. Remind us how much of that was that year-over-year? And then because I think if you had the higher retail should also be a higher SG&A in that quarter as well. So I'm just trying to get the puts and takes on that.

**<A – Thomas Cusick – Columbia Sportswear Co.>:** Yeah. So on the Q4, really just stepping back and looking at SG&A for the year and then specifically to the fourth quarter, basically we've got our cost reduction initiatives plus currency basically helping on the SG&A, i.e. reducing SG&A, and then we've got the IT spend and the incremental retail stores coming online that are increasing SG&A. So those all basically nullify each other for the year, and then we've got the easy comp in Q4. That's probably the easiest way to look at it.

**<Q – Eric Tracy – Janney Montgomery Scott LLC>:** Okay, okay, that helps. Okay, thanks, guys. Best of luck.

**<A – Timothy Boyle – Columbia Sportswear Co.>:** Thanks.

Operator: Thank you. Our next question comes from the line of Liz Dunn with Marquee (sic) [Macquarie] (16:16). Please proceed with your question.

**<Q – Liz Dunn – Macquarie Capital (USA), Inc.>:** Hi, yeah. That's Macquarie. Thanks for taking the call. I guess my first question is, can you just discuss where you see yourself from a market share standpoint versus the competition for both Columbia and Sorel and how you think that's changing and evolving? And – because it looks like in this tough year you may have lost some share. So could you just address that? That's my first question.

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Certainly. Well, as it relates to Columbia, we're in a number of businesses and a number of geographies. So, if we look at North America in the sportswear business, we're actually quite strong with the products in our PFG Fishing Gear line really leading the market, and especially in the Southern part of the United States where we have terrific positioning. We may have lost some share in rainwear this year, primarily to private label with a few customers, and that's always a concern. We want to make sure that we've got a significant market share with our major customers, but often times private label concerns and focus take – are difficult challenges for us.

In Europe, we actually have a different competitor in every market. And I would say that there's puts and takes in both of those areas. But in general, based on the economic conditions in Europe, we're probably been more challenged there from a share perspective. In Russia, we have an extremely dominant market share, and continuing to grow there and expand based on the strength of our distribution agreement with Sportmaster stores.

As it relates to Asia, we've been growing nicely in Korea. We believe that that market, even though it's slowing a bit, will continue to be an area where we maybe not gaining share, but certainly maintain our position. In Japan, we have a very strong position. We've been operating in that market since the early 1970s and continue to be strong there. And in fact had a great quarter there where we had a very strong management team. In China, where the company's got a great distribution agreement with Swire Group, we've had just terrific business there and continue to take market share and grow even a bit faster than the market.

**<Q – Liz Dunn – Macquarie Capital (USA), Inc.>**: Okay.

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Sorel, I guess probably are – we have really two competitors at the macro level. In the men's footwear business where we have a very functional product, we have many competitors, mostly private label. But I think the brand is so premium in the men's area, that the entire business has been smaller, as it relates to winter footwear based on the weather. And I think we're probably got market share equality there. I don't think we've gained anything, I don't think we've lost anything. In terms of women's though, we've historically over the last several years been focusing on that part of the business for Sorel, and there absent last year we've gained nicely against the competition.

**<Q – Liz Dunn – Macquarie Capital (USA), Inc.>**: Do you think that the fashion trends in place that are sort of supporting your growth in women's remain for 2012? And to what extent, if weather is a little bit colder than you anticipate, can you exceed expectations in the fourth quarter?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Well, we've given you our best anticipation for Q4, but certainly the women's Sorel product, and for that matter the men's, is very responsive to weather. So, our anticipation – our plans are not for an extremely cold winter weather.

**<Q – Liz Dunn – Macquarie Capital (USA), Inc.>**: But do you have the ability to chase if it comes to – what happens, if it is cold?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Well, we will probably sell more merchandise, but the big delta would be in the gross margin, not in the top line. And if we run out of merchandise, we will have a lot of champagne flowing around here.

**<Q – Liz Dunn – Macquarie Capital (USA), Inc.>**: All right. Thank you. Good luck.

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Thanks.

Operator: Thank you. Our next question comes from the line of Andrew Burns with D.A. Davidson. Please proceed with your question.

**<Q – Andrew Burns – D. A. Davidson & Co.>**: First question, thanks – on the, just on the footwear down 1% by category, but Sorel was down 22%. Could you talk about the growth outside of Sorel that led to that? And is that just the timing of shipments similar to the overall business, or is there a product story to be told about the Columbia Footwear? Thanks.

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Certainly. Well, we always have to remind our investors that Q2 is one of the smallest quarters of a company and so, any particular change gets magnified. But I would say that our Columbia Footwear business in spring has certainly been led by the Drain series, the Drainmaker and other parts of the business there, which have been recently launched. And Sorel being just strictly basically a winter weather business, we are attempting to become important in spring there, but we haven't been successful there yet. So, I would guess that the down 22% is just a result of our winter business, sort of hangover from the lack of weather. And maybe Tom has some additional comments.

**<A – Thomas Cusick – Columbia Sportswear Co.>**: Yeah, Andrew, our Sorel business in Q2 was roughly \$3 million and less than \$4 million a year ago in Q2. So, the 22% is really just on a very, very small base of business, roughly 1% of the quarter's sales.

**<Q – Andrew Burns – D. A. Davidson & Co.>**: Right, okay. Thanks. And I have a question in terms of exiting the year in your SG&A, the cost rationalization that you did. Should trends reaccelerate in 2013 as we all hope for? Is there going to be a required reinvestment in terms of some of the head count reduction? Just wondering if that reinvestment period might be required to get where you need to be to facilitate growth?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Well, I think hopefully we've improved our efficiency levels at the same time that we made reductions in head count and other costs so that we will be able to operate the business more efficiently. So, I would not expect a significant reinvestment based on top line growth.

**<Q – Andrew Burns – D. A. Davidson & Co.>**: Great. Thanks.

Operator: Thank you. Our next question comes from the line of Reed Anderson with Northland Securities. Please proceed with your question.

**<Q – Reed Anderson – Northland Securities, Inc.>**: Good afternoon. Thank you. Couple questions. I want to focus first on the direct business. When you think about, I think it was what, 24% growth year-over-year, how does that – what are the kind of contributors there, is it more just unit growth? Is it productivity of your stores? Is it online? Can you just give us a sense of kind of the buckets that contributed to get you to that kind of number?

**<A – Thomas Cusick – Columbia Sportswear Co.>**: Yeah, Reed, this is Tom. I would say comp store growth rate drives the majority of that growth rate coupled with the additional stores that have come online year-over-year. And then thirdly, increase in price. So, all three of those are the major drivers for that growth.

**<Q – Reed Anderson – Northland Securities, Inc.>**: And where are we from a store growth perspective – unit growth perspective, in whether it's 2Q over 2Q last year, I mean and what would that look like at the end of the year?

**<A – Thomas Cusick – Columbia Sportswear Co.>**: In terms of store count or in terms of unit volume?

**<Q – Reed Anderson – Northland Securities, Inc.>**: I was – my question was on store count, but we can do it either way.

**<A – Thomas Cusick – Columbia Sportswear Co.>**: Yeah. So as it relates to store count, we are – we'll increase our outlet stores in the U.S. by 12 this year, of which eight of those are in the back half, four in Q3 and four in Q4. And then if we look at Japan and Korea, we'll add 17 and 15 storefronts, and those are a combination of outlets and shop-in-shop, both company-owned and franchised.

**<Q – Reed Anderson – Northland Securities, Inc.>**: All right. And so where does the outlet store count ended the year, what's the total number you'd be at?

**<A – Thomas Cusick – Columbia Sportswear Co.>**: At 55.

**<Q – Reed Anderson – Northland Securities, Inc.>**: Okay, got it. Okay, that's helpful.

**<A – Thomas Cusick – Columbia Sportswear Co.>**: In the U.S.

**<Q – Reed Anderson – Northland Securities, Inc.>**: Right, U.S., you're talking U.S., okay.

**<A – Thomas Cusick – Columbia Sportswear Co.>**: Seven in Europe and one in Canada.

**<Q – Reed Anderson – Northland Securities, Inc.>**: Okay. All right. And so, as we get through this year then, and so that's – that's really been kind of a core part of what's been helping to offset some softness in other areas. I mean I'm assuming we're not – there's no sense to slow the progress there. I mean, is there any reason to think you wouldn't continue to add outlets next year or is that something that needs to be evaluated after this, the next couple of quarters?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Yeah, I think, Reed, this – we're constantly evaluating how the stores are performing and we want to make sure that they don't impact our wholesale business. So, we want to have the right amount for how we predict the business. They do seem to be running quite well, so that's encouraging. But we'll probably be making more decisions as it relates to outlet stores and certainly where they are over the next year or so.

**<Q – Reed Anderson – Northland Securities, Inc.>**: And is the majority of what's going through there, is it pure closeout or is a lot of it sort of – is there more of a bigger portion than I would think for the sort of cut for the channel?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Well, we've been using them for the last several years really to focus on liquidating excess inventories, but there is a component that's built for the stores.

**<Q – Reed Anderson – Northland Securities, Inc.>**: Okay, very good. And, Tom, I think you've given this in the past, where are we just in terms of the total mix of revenue that is now really concentrated in your direct business or your own retail, however you want to look at it?

**<A – Thomas Cusick – Columbia Sportswear Co.>**: Yeah, we're planning that number to be roughly 29% of the total business for 2012.

**<Q – Reed Anderson – Northland Securities, Inc.>**: And what was it last year, can you remind me?

**<A – Thomas Cusick – Columbia Sportswear Co.>**: Yeah, that compares to about 25% in 2011.

**<Q – Reed Anderson – Northland Securities, Inc.>**: That's very helpful, thank you. And then, Tim, I was very curious. I liked your comments on the Omni-Freeze line for spring and kind of the good feedback you're getting there. I'm just curious, kind of the scope of that launch, sometimes in

the past you maybe – you've come with your newer technology in your stores or online and then kind of worked it out to your key distribution. Just some thoughts on the breadth or scope of what that might look like versus what you've done in the past?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Yeah, Reed, we're in the process of really analyzing it now to see how big it should be. We want to have it be appropriate for the size of the launch. However, this technology is so different and so differentiating from our competitors that we think we may have an opportunity here to really make a significant impact on our spring business. But we're in the process of analyzing it and just the bulk of that, the results will be 2013. We really haven't talked about 2013 and we'll have more information I would think on our next call about the specific launch strategies around the marketing of the product. But, it looks very appealing for us in terms of a significant investment here. We'll just have to wait till it plays out.

**<Q – Reed Anderson – Northland Securities, Inc.>**: Understood. Well, good. Well, best of luck. Thank you.

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Thanks.

Operator: Thank you. Our next question comes from the line of Christian Buss with Credit Suisse. Please proceed with your question.

**<Q – Darla Shay – Credit Suisse>**: Hi. Thank you for taking my call. This is actually Darla Shay in for Christian. I was wondering if you would be able to quantify the impact of the earlier shipments from 3Q into 2Q?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Yeah. It's roughly the same number that it was in spring 2012 that was shipped in December, in the double-digit millions of dollars.

**<Q – Darla Shay – Credit Suisse>**: Okay, great. And then if you would be able to comment on the core underlying demand for wholesale for the quarter, if you exclude the timing shipments?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: You're talking about North America, Europe or...?

**<Q – Darla Shay – Credit Suisse>**: If you could maybe speak to the different geographies?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Okay. Well, again, the bulk of Q2 sales are just finishing up our spring business in North America, in Europe and beginning our shipments of fall. So, the bulk of the fall shipments really start in the third quarter, so it's whatever demand happens to be prepared and ready for Q2 shipments. But I would say that they're basically on par with last year in terms of our fulfillment of fall product in Q2 for the wholesale channel. Our expectations are when we've concluded our wholesale shipping for the year, looking back on the early part of Q3, the demand is going to be reflective of the poor winter weather we had last year and the reduced demand.

**<Q – Darla Shay – Credit Suisse>**: Okay, great. Thank you. And then, also if you would be able to provide a status update on some of the IT systems that you're implementing. When should you see a benefit? And then, also if you'd be able to quantify.

**<A – Bryan Timm – Columbia Sportswear Co.>**: Yeah, this is Bryan. In terms of what I mentioned the last time we talked was we went live with our pilot on the SAP implementation back in the second quarter, in one of our smaller geographies from a direct business perspective in Canada. So that implementation went well for us. We continue to optimize a lot of our business processes in that region and carry those into our blueprint for our U.S. rollout, which is currently underway. So I think it's a little bit early. We expect to implement in the U.S. sometime in 2013. But

I think it's a little bit early in terms of timing and everything to talk about and quantify some of the returns to the business.

**<Q – Darla Shay – Credit Suisse>**: Okay, great. Thank you.

Operator: Thank you. Our next question comes from the line of Kate McShane with Citi Research. Please proceed with your question.

**<Q – Kate McShane – Citigroup Global Markets (United States)>**: Thanks. Hi. Good afternoon.

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Hi, Kate.

**<Q – Kate McShane – Citigroup Global Markets (United States)>**: It's encouraging to hear that your outlook on the top line is staying the same, especially in light of what seems to be a more difficult U.S. economic environment as we start to embark on the back half of the year. And I just wondered if you had seen any change in the composition of orders as a result. Have some retailers cancelled orders? And have other retailers ordered more? Have you heard an overall more cautious tone in your conversation with retailers on the back half?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: No. So we've been taking orders for fall merchandise. I mean, we really concluded that for all intents and purposes in March and April where it finally winds down, but there's been no change of any significance either way, frankly. And our retailers are just beginning to accept shipments for fall to start loading their shelves. And we hope spring is eternal in terms of the weather, so – but we haven't seen any major change at all.

**<Q – Kate McShane – Citigroup Global Markets (United States)>**: Okay, great. And then, can you remind us if there's any change in the mix of orders for your order book for winter in terms of is the skewing more towards sportswear fleece or is it still a comparable amount of outerwear and sportswear that you're shipping to your core customers? And how much is the Omni-Heat product going to be as a percentage of this SKUs this upcoming winter?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Okay, well the biggest category of merchandise that was impacted by the cooler weather last year was really obviously outerwear, but more importantly footwear. Both the Sorel brand and the Columbia brand were fairly significantly involved in terms of reducing the demand there. I think the rest of our business would probably be on par with sportswear and apparel; fleece businesses were fine. And in terms of the Omni-Heat percentage penetration, I know there was an impact on our accessory business based on the weather. But I think the rest of the merchandise was really un-impacted. But I don't know that I have right at my fingertips the percentage of Omni-Heat in the mix for fall 2012.

**<Q – Kate McShane – Citigroup Global Markets (United States)>**: Okay, great. And then, if I could ask one final question on inventories and the selling of inventory through your outlets. Can you just remind us with this elevated amount of inventory in your own outlets, how that impacts margins in the second half?

**<A – Thomas Cusick – Columbia Sportswear Co.>**: Yes. So I would say when you look at the full price close-out margin mix, it's not a whole lot of impact to the second half taken as a whole, but it is a drag in the third quarter and it's actually helpful for margin in Q4.

**<Q – Kate McShane – Citigroup Global Markets (United States)>**: Okay, great. Thank you.

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Thanks.

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Robbie Ohmes with Bank of America. Please proceed with your question.

<Q – Robbie Ohmes – Bank of America Merrill Lynch>: Hi, good afternoon, guys.

<A – Timothy Boyle – Columbia Sportswear Co.>: Hi, Robbie.

<A – Thomas Cusick – Columbia Sportswear Co.>: Hi, Robbie.

<Q – Robbie Ohmes – Bank of America Merrill Lynch>: One of the questions I had I just wanted you to clarify on Sorel. Do you expect Sorel to be down year-over-year in the third and fourth quarter, and then we should see a return to growth in 2013? Did I get that right?

<A – Timothy Boyle – Columbia Sportswear Co.>: Yeah. I think that's accurate.

<Q – Robbie Ohmes – Bank of America Merrill Lynch>: And so, Tim, Sorel was having a big ramp up, then you got the warm winter, but is the – when you say return to growth in 2013, is it – do you think – is there work underway to get the momentum going in that business again so that 2013 could be a big growth year? Or can you sort of just walk us through how to think about Sorel over the next three years here?

<A – Timothy Boyle – Columbia Sportswear Co.>: Certainly. Well, we haven't really stopped the progress on the lines development as a women's winter protective brand. So we've continued to enhance those items that worked well last year. And so, when buyers will begin looking at the Sorel line for fall 2013, which would start, call it in November sometime, they're going to be seeing – in addition to this tried and true performers from a historical perspective, they're going to see a number of new initiatives, many of which in sneak previews that we've done with – footwear buyers have been very pleased.

So even though we had this hiccup as it relates to the weather both in the U.S. and more importantly in Europe, we really continued to focus on the investment there from a design perspective. So the expectation is that, we're going to see continued growth with that brand, especially in the women's area.

<Q – Robbie Ohmes – Bank of America Merrill Lynch>: Thanks. The other question I had, Omni-Freeze ZERO, I know it's early and you haven't – you don't have the whole plan put up yet, but what channels of distribution do you foresee being the most excited in doing the most with this launch? Is it a specialty running product? Is it going to show up in the department stores? Is it more of a Dick's Sporting Goods sort of presentation? Any thoughts on that would be great.

<A – Timothy Boyle – Columbia Sportswear Co.>: Sure. Well, the focus for us in the launch will be on those customers that we have great acceptance in our summer product, spring and summer product, which is sporting goods, specialty outdoor channel, and then, frankly heavy investment in our southern tier fishing accounts. So those are the areas where we'd be most successful initially. The product is so dramatically different and so, frankly – interesting to more active customers that we've shown, and that would include running specialty, athletic specialty and even some golf people, but there's certainly an opportunity for us there.

But initially the successes will be in our first channel, as we discussed, sporting goods and specialty, outdoor and fishing. We're not going to be focusing on department stores with this product. We're going to – much as we focused our business in Omni-Heat at those higher level more brand-enhancing points of distribution, that's where we're going to be concentrating our time and effort.

<Q – Robbie Ohmes – Bank of America Merrill Lynch>: Sounds great. Thanks so much.

Operator: Thank you. Our next question comes from the line of Bill Dezelle with Tieton Capital Markets. Please proceed with your question.

**<Q – Bill Dezelle – Tieton Capital Management LLC>**: Thank you. If we take – let's say, a 15,000 foot level view of the business, you have made improvements to your product line in a number of different areas, both apparel, footwear and across the brands over the last few years. And with that in mind, where would you say that you are weakest today and that you need to extend further efforts and dollars to improve your offering?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Well, I think, frankly, our – thank you for the compliments on improving our business as it relates to product and – because that's been an area where we've had enormous focus. And we talk a lot about this pipeline of innovation that we have going out through 2015 with lots of interesting stuff happening. I think certainly in Europe our business there could be improved through a combination of perhaps tweaking of the product to be more Europe-sensitive, but also – and this would apply across the board. I think the company could benefit from additional marketing dollars.

And we talk a lot about it internally – where are those dollars are doing to come from? We have to be able to grow the company's gross profit margin to give us more money for marketing and more money for operating margin.

So, when I look at the business from that level, from the high level, I think we just need to tell people about the company's products in a louder voice.

**<Q – Bill Dezelle – Tieton Capital Management>**: And given the greedy shareholder perspective that I would come from, how do you balance the dollars spent versus the rewards so it ends up being a net positive to the bottom line?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Well, in terms of marketing efforts, when we work marketing through the electronic media, there's a lot greater science involved in terms of efficient use of marketing dollars in those environments. It becomes more difficult when we're talking about traditional print media or traditional television media to do the kind of measurement that makes all shareholders comfortable with the spend. And we have been focusing more of our investment in that electronic market where we can actually measure the results.

**<Q – Bill Dezelle – Tieton Capital Management>**: And then circling back to product if we could for a moment. What areas within your product do you feel like you still have more work to do to get to the level that you would like to be, with whatever area it is that you're going to direct your answer?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Okay. Well, footwear is probably the area where the company has an enormous opportunity and one that we continue to focus on in terms of our designs and merchandising efforts. And we've seen great results, especially in the Sorel brand as it relates to growth but we're seeing great results in Columbia's [ph] training (42:53) products as an example as well. But that's an area where we could improve and the folks that are managing that part of the business are doing a great job and continue to improve. So, that's an area where we're focusing, and our women's apparel product can also improve as well. So those are two areas where I think continued investment in people would be highly rewarded.

**<Q – Bill Dezelle – Tieton Capital Management>**: Thank you.

Operator: Thank you. Our next question comes from the line of Camilo Lyon with Canaccord Genuity. Please proceed with your question.

**<Q – Camilo Lyon – Canaccord Genuity, Inc.>**: Thank you, and good afternoon. I was hoping you could discuss how the progress is with respect to reducing some of your distribution. I think you've talked earlier about focusing more on the specialty channel and on the sporting goods channel, and clearly your product is becoming more technical. So, I was just curious to see what you have to say as to the updates around constructing some of that distribution, particularly in the department store channel?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Well, the department store channel is a terrific vehicle for the company to have its products exposed to a lot of consumers and we have terrific partners in department stores. But some of the more technical areas, as we talked about the Omni-Freeze ZERO that's going to require some salesmanship and some explanation, I guess would be better, to consumers so that they have an understanding of how the product works and why they should buy it. And that really demands that that product be sold in a specialty store where there's a higher percentage of sales help that can be impactful. So, again, as we mentioned earlier on the call, we're going to be concentrating our efforts on the launch of Omni-Freeze ZERO with those specialty customers and unfortunately that's where the product will have to be placed for spring to be successful. So it won't be in department stores.

**<Q – Camilo Lyon – Canaccord Genuity, Inc.>**: Got it. Is there an effort at all to reduce some of the SKU representation in the department store channel, or are you content with where it is right now?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: No. I think we have the right mix today in department store sales and so I think we're comfortable with it there. We'd like to increase the volume we do obviously in specialty and the sporting goods operations. And frankly, it'll be – in order to do that we'll have to have the kinds of impactful products like Omni-Freeze ZERO which will really get us noticed and get us additional business there.

**<Q – Camilo Lyon – Canaccord Genuity, Inc.>**: Great. And then just on Sorel, obviously it was a tough winter for everybody but the brand before that definitely had strong momentum. I'm wondering what are the conversations like you're having now with domestic wholesalers, with your domestic retail accounts rather? And how are they responding to the brand and how are they thinking about kind of the evolution of what that brand can be for them, particularly as probably one of the chief competitors to one of the mainstays in that kind of a fashion winter weather boot category?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: Right. Well, as I said, in the process of developing our fall 2013 line, we've had sneak previews with our best winter footwear customers and those that really lead the charge in terms of how fashion is developed. And in addition to the improvements and enhancements we've made to our more signature products, the newer products in Sorel that they've seen make us very encouraged in terms of the folks that we have running that part of the business and the products that we've got planned for fall 2013.

So, with any weather at all, we're going to be lucky to help us get us back on track. But at the end of the day, it's going to be the uptake on these new products and the enhancements to the older products that'll really prove our success.

**<Q – Camilo Lyon – Canaccord Genuity, Inc.>**: And do those customers – those retail customers include independents, or is it predominantly the department store channel?

**<A – Timothy Boyle – Columbia Sportswear Co.>**: No, no, it includes a mix of independent fashion stores and department stores and others. So, we're pretty excited about what we've got coming up for fall for Sorel.

**<Q – Camilo Lyon – Canaccord Genuity, Inc.>**: Okay, great. Best of luck to you guys.

<A – Timothy Boyle – Columbia Sportswear Co.>: Thanks.

Operator: Thank you. [Operator Instructions] There are no further questions at this time. I'd like to turn the conference back over to management for closing comments.

---

**Timothy P. Boyle, President, Chief Executive Officer & Director**

---

Well, thank you all for listening in. We're looking to talking to you at the end of third quarter to discuss the performance of the company at that time. Thank you.

Operator: This does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

**Disclaimer**

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

*The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2012. CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.*