

— PARTICIPANTS

Corporate Participants

Ron Parham – Senior Director-Investor Relations & Corporate Communications, Columbia Sportswear Co.

Gertrude Boyle – Chairman, Columbia Sportswear Co.

Thomas B. Cusick – Chief Financial Officer & Executive Vice President-Finance, Columbia Sportswear Co.

Timothy P. Boyle – Chief Executive Officer & Director, Columbia Sportswear Co.

Other Participants

Pallav Saini – Analyst, Canaccord Genuity, Inc.

Kate McShane – Analyst, Citigroup Global Markets, Inc. (Broker)

Lindsay Drucker Mann – Analyst, Goldman Sachs & Co.

Laurent Vasilescu – Analyst, Macquarie Capital (USA), Inc.

John Kernan – Analyst, Cowen & Co. LLC

Jonathan R. Komp – Analyst, Robert W. Baird & Co., Inc. (Broker)

Susan K. Anderson – Analyst, FBR Capital Markets & Co.

Jim Duffy – Analyst, Stifel, Nicolaus & Co., Inc.

Jay Sole – Analyst, Morgan Stanley & Co. LLC

Rafe Jason Jadrosich – Analyst, Bank of America Merrill Lynch

Andrew S. Burns – Analyst, D. A. Davidson & Co.

— MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the Columbia Sportswear Second Quarter 2016 Financial Results Conference Call. At this time all participants are in a listen-only mode. 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, Mr. Ron Parham, Senior Director – Investor Relations and Corporate Communications at Columbia Sportswear. Thank you, Mr. Parham. You may begin.

Ron Parham, Senior Director-Investor Relations & Corporate Communications

All right. Thanks, Bob. Good afternoon and thanks for joining us to discuss Columbia Sportswear Company's second quarter and first half financial results and our reiterated 2016 financial outlook. In addition to our earnings release, we furnished an 8-K containing a detailed CFO commentary analyzing our results and explaining the assumptions behind our 2016 outlook. The CFO commentary is available on our Investor Relations website.

With me today on the call are Chairman of the Board, Gert Boyle; Chief Executive Officer, Tim Boyle; President and Chief Operating Officer, Bryan Timm; Executive Vice President of Finance and Chief Financial Officer, Tom Cusick; and Executive Vice President and Chief Administrative Officer, Peter Bragdon.

Gert will start us off by covering the Safe Harbor reminder.

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 and subsequent filing with the SEC.

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

Ron Parham, Senior Director-Investor Relations & Corporate Communications

Thanks, Gert. And I also want to point out that during the call we will reference constant-currency net sales growth, which is a non-GAAP financial measure. And in the supplemental financial tables that accompany our earnings release, we provide a reconciliation of constant-currency net sales to net sales as reported under U.S. GAAP and an explanation of management's rationale for including this non-GAAP measure. And then I'll turn it over to Tim.

Tim Boyle, Chief Executive Officer

Thanks, Ron. Welcome, everyone, and thanks for joining us this afternoon. We're pleased to report slightly better-than-expected second quarter and first half results and to reiterate our previous full year outlook of mid-single-digit sales growth and high-single-digit earnings growth. Our strong balance sheet has always served us well and it becomes even more important during periods of market disruptions, like we're witnessing today, because it enables us to keep investing behind our competitive advantages including our portfolio of powerful brands, innovative and differentiated products and our global omnichannel operating model.

As we've told you, second quarter is the smallest quarter of the year and the least indicative of our business trends, therefore I'm going to focus my remarks on the first half results, which provide solid evidence that our diverse brand portfolio and global operations performed well in the face of challenging conditions around the world.

As you've seen in the press release and CFO commentary, first half global sales increased 6% or 8% in constant-currency, including 6% growth from the Columbia brand, 16% growth from prAna and 22% growth from SOREL. Our first half sales growth was especially strong in North America where we grew 14%, 15% in constant-currency, and in Europe where we grew at a high-teens rate, mid-20% in constant-currency.

During the first half the Columbia brand's 6% growth consisted of mid-teen growth in North America, reflecting broad based strength in sportswear, PFG and rainwear, along with trail and PFG footwear. High-teens growth in our Europe-direct business, mid-20% in constant-currency, featured double-digit constant-currency growth in all but one of our 17 Europe-direct markets. Columbia footwear and apparel, each grew in excess of 20% in Europe, with trail footwear and rainwear the strongest categories.

And in Japan, the Columbia brand expanded at a mid-single-digit rate, low-single-digit rate in constant-currency. The Columbia brand's strong performance in those markets was partially offset by declines in Korea, due to a contracting outdoor market, currency, economic and geopolitical

challenges in some LAAP and EMEA distributor markets, and a mid-single-digit decline in China, up less than 1% in constant-currency.

Looking ahead to this coming fall for the Columbia brand, our global Tested Tough marketing campaign will focus on our patent-pending waterproof, breathable OutDry Extreme technology platform that's revolutionizing the waterproof, breathable apparel and footwear categories. OutDry Extreme redefines waterproof, breathable apparel by placing the membrane, which does all the work, on the exterior of the garment, using the membrane's natural repellency to keep the wearer dry while putting the textile against the skin to provide the highest level of breathability of any rain garment. The additional benefit of OutDry Extreme is the fact that the innovative technology is immediately visible to the consumer, differentiating the garments further from other traditional waterproof, breathable apparels.

We first introduced OutDry Extreme rain shells in Spring 2016 and for Fall 2016, we've extended the platform into insulated jackets, gloves and an expanded assortment of rain shells. At next week's Outdoor Retailer Market in Salt Lake, we'll be highlighting the extension of the OutDry Extreme platform into soft shells and trail footwear for Spring 2017.

We'll also be showcasing the OutDry Extreme ECO rain shell that has been heralded by journalists and ecologists globally, as the most functional performance garment with the least impact on the environment. OutDry Extreme is the latest example of the significant investments we make in innovation that provide us with superior proprietary technologies that define and differentiate the Columbia brand.

In Europe, our marketing team is making final preparations for next month's Ultra-Trail du Mont-Blanc or UTMB, held in Chamonix, France. The Columbia brand is proud to be the presenting sponsor of the UTMB, recognized as one of the world's most iconic ultra-trail running events. The UTMB consists of five endurance races held over an entire week on some of the most stunning and challenging terrain on Earth and attracts thousands of spectators plus global coverage that reaches millions of enthusiasts.

In addition to serving as the presenting sponsor, our brands are also proud to sponsor 25 of this year's UTMB athletes representing the U.S., Hong Kong, Japan, Netherlands, New Zealand, Switzerland, China, Spain and Scotland. The UTMB is the perfect global event to showcase Columbia's elevated commitment to the trail running category.

Our new trail running category took the best features of Montrail, the original trail running brand and forged them with the best features of our Columbia trail running line to create a versatile assortment of high performance shoes for endurance athletes.

And finally, beginning this fall the Columbia brand will commemorate the 30th anniversary of the introduction of its iconic Bugaboo jacket, one of the company's first major category-defining innovations, with a retro version featuring updated style and targeted at today's outdoor enthusiasts. Since its introduction, we've sold millions of Bugaboos and other styles with the distinctive interchange construction.

Our reiterated full year outlook contemplates mid-single-digit growth from the Columbia brand.

The prAna brand is now our second largest first half brand and contributed \$74 million in sales and 16% growth concentrated in the U.S. PrAna's product offering this spring included a significantly expanded swimwear line that's resonating well with consumers, along with its more extensive Men's and Women's outdoor lifestyle and Men's yoga and fitness offerings.

In addition, during the second quarter, prAna launched new integrated brand positioning and messaging across its marketing platforms and its retail and wholesale channels. This new

messaging supports regional marketing campaigns targeting Los Angeles, San Francisco and Denver/Boulder as well as new fixturing and point-of-sale assets that are being deployed in a wide cross-section of its wholesale accounts in prAna retail stores. Our full year outlook anticipates mid-teen growth from prAna, and it remains our most seasonally balanced brand.

We continue to focus on de-winterizing our SOREL business by gradually increasing the mix of lighter-weight fall styles represented in our wholesale and direct-to-consumer channels. SOREL grew 22% in U.S. dollars and 25% in constant-currency during the first half, primarily in the U.S., with most of that growth occurring in the first quarter on sales of fall and winter products and delivery of SOREL's new spring line to select wholesale customers. Consumer reaction to SOREL's new spring assortment in select retailers and our own direct-to-consumer platform reaffirmed our belief that consumers are ready to embrace SOREL in warm seasons.

For Spring 2017, SOREL is planning a full-scale launch of an expanded Spring assortment and we're increasingly confident in our ability to unlock SOREL's year-round global potential over the coming seasons. We've begun delivering advance wholesale orders for SOREL's Fall 2016 season, which also became available recently at sorel.com, and our three SOREL-branded stores in New York, Chicago and Boston.

SOREL's Fall line features a higher proportion of lighter-weight, less weather-sensitive fashion styles, like the updated Joan wedge collection. Our full year outlook continues to anticipate high-single-digit growth from the SOREL brand with the second half expected to account for nearly 90% of its full year sales.

Mountain Hardwear sales declined 9% during the first half, 7% in constant-currency. New Mountain Hardwear brand President John Walbrecht is aggressively tapping into the brand's rich DNA to re-establish Mountain Hardwear as the premier brand for alpine athletes.

This fall, Mountain Hardwear's target consumers will begin to see examples of the brand's new imaging and messaging platform across social media and in a new print campaign that will appear in leading publications, including *Alpinist*, *Rock and Ice*, *Climbing*, *Outside* and *Men's Journal*, along with many others. Mountain Hardwear's newly assembled product design and merchandising teams are working hard to reinvent the product line as rapidly as possible with a deep lineup of innovative, high-performance products targeted for introduction to consumers beginning in fall of 2017.

Those of you attending next week's Outdoor Retailer show will get an early glimpse of Mountain Hardwear's reinvented brand strategy at its dramatically redesigned trade show booth. Our full year outlook anticipates Mountain Hardwear sales declining at a low-double-digit rate compared to its performance in the first half.

Looking at our first half results geographically, North America sales grew 14%, 15% in constant-currency. First half U.S., direct-to-consumer sales expanded by more than 20%, while wholesale sales achieved high-single-digit growth. We're on pace to open seven new U.S. outlet stores in 2016, including two that opened in June. Also in June, we opened a new Columbia-branded retail store at Disney Springs, Florida that has generated tremendous consumer response in its first month of operations. Our full-year outlook anticipates high-single-digit growth in the U.S.

First half sales in our EMEA region were up 3%, 5% in constant-currency, with our Europe-direct markets increasing high-teens in U.S. dollars and mid-20% in constant-currency. Our Europe-direct team has now posted six consecutive quarters of 15% or greater constant currency growth. This growth was partially offset by declines in EMEA distributor markets, especially Russia, due to the macroeconomic factors that we've discussed previously. We're working closely with our Russian distributors to support their efforts to return to growth in that region.

Our full-year outlook anticipates our Europe-direct business generating high-teens growth in both U.S. dollars and in constant-currency, partially offset by lower sales to EMEA distributors resulting in low-single-digit growth for the combined EMEA region.

First half sales in our LAAP region declined 10%, 9% in constant-currency. As I mentioned earlier during my Columbia brand comments, lower sales in Korea and LAAP distributor markets plus a small decline in China were partially offset by growth in Japan. Our full year outlook anticipates a low-single-digit net sales decline in the LAAP region, comprised of declines in Korea and LAAP distributor markets, partially offset by growth in Japan and China.

Our consolidated inventory levels are in line with our expectations and reflect earlier receipt of fall production, setting us up for timely delivery of fall wholesale advance orders and to support our direct-to-consumer channel. We continue to expect inventory growth to moderate during the second half to levels comparable to our mid-single-digit full year sales growth expectations.

In summary, we're pleased with our solid first half performance, particularly against a challenging global background. Despite the challenging environment, we believe that Columbia, SOREL and prAna brands have solid momentum and are gaining market share, particularly in North America and in Europe, and our new Mountain Hardwear team is working aggressively to return that brand to growth. Each brand's direct-to-consumer platform is a source of growth as well as serving as an increasingly powerful marketing tool to connect with millions of consumers and drive sales either through our wholesale partners' brick-and-mortar stores and e-commerce sites or through our own.

Through periods of rapid growth and periods of uncertainty, our strong balance sheet enables us to make investments that we believe position the company to deliver on our commitment to shareholders to drive growth, expand gross margins, invest in demand creation, and improve our profitability over the long-term.

You can find many more details on our Q2 and first half results, and our reiterated 2016 outlook in Tom's CFO commentary, available on our website.

That concludes my prepared remarks. We welcome your questions. Operator, could you help us with that?

QUESTION AND ANSWER SECTION

Operator: Sure, thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Camilo Lyon with Canaccord Genuity. Please proceed with your question.

<Q – Pallav Saini – Canaccord Genuity, Inc.>: Hi, this is Pallav on behalf of Camilo. Thanks for taking our question. First of all, can you quantify the shift in wholesale advance orders that are going from Q3 into Q4?

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah, so – this is Tom. In October of last year, we commented that we had about \$40 million shift from Q4 into Q3 in 2015 and this year, based on the order book, we've got about \$20 million shifting from Q3 to Q4, which equates to a little less than 3% growth.

<Q – Pallav Saini – Canaccord Genuity, Inc.>: Great, thank you. And can you explain why – what was the reason behind the sales decline in China? And what gives you the confidence that the region will return to growth in the back half?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah, China we think is one of the company's largest opportunities, internationally and may at some point in time eclipse the rest of the world's, not the entire rest of the world, but certainly be the largest market for the company. We've been resetting that market, there's been a tremendous amount of international brands and local brands entering the market there and we believe that that's impacted our growth. We have a solid team there. We expect growth during the full year of 2016 in that market, but we're having a bit of a reset in the first half of the year.

<Q – Pallav Saini – Canaccord Genuity, Inc.>: Great. And just the last question, what's the magnitude of your DTC business in your Q4 outlook?

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah, I think it's probably a little premature to call that. And we try to be fairly limited in how we disclose the direct-to-consumer business but we'll be sure to comment on that coming out of the fourth quarter.

<Q – Pallav Saini – Canaccord Genuity, Inc.>: Great. Thanks for taking the questions.

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

<Q – Kate McShane – Citigroup Global Markets, Inc. (Broker)>: Hi. Thanks for taking my questions. My first question – we've heard a couple of competitors talk about the fall, particularly early fall being a much heavier promotional environment. How are you thinking about again September/October, early fall given the amount that was packed away last winter and the promotional cadence that we should expect to see?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, I think it relates to the back half of the year. We've been modeling the year somewhat more promotionally than we had in prior periods, so whether that comes at the beginning of the second half or the end of second half is yet to be determined, but I think there's – we expect there to be additional promotional activity.

<Q – Kate McShane – Citigroup Global Markets, Inc. (Broker)>: Okay. Great. And then I believe you've addressed this before, but now that we're kind of post the event, can you talk about how you've handled the inventory that was being sold into the Sports Authority? And how much of an opportunity did you have to sell to other retailers? And how much did you take to put through your own retail channel?

<A – Tim Boyle – Columbia Sportswear Co.>: Certainly. Well, yeah, we were starting to see that the Sports Authority have the ultimate disposition that it did. But frankly, we recognized there was a significant problem in Q4, so we took the bulk of our reserves for any kind of accounts receivable problem that we might have had in that period and we were very cautious in terms of how we approach that business from the beginning of the year, really. So we believe that we've got the inventory that would have otherwise ended up in Sports Authority well-distributed and its disposition is calculated in the guidance we gave you today.

<A – Tom Cusick – Columbia Sportswear Co.>: And, Kate, that would include our own wholesale business and our own direct-to-consumer business.

<Q – Kate McShane – Citigroup Global Markets, Inc. (Broker)>: Okay. That's very helpful. Thank you.

Operator: Thank you. Our next question comes from the line of Lindsay Drucker Mann with Goldman Sachs. Please proceed with your question.

<Q – Lindsay Drucker Mann – Goldman Sachs & Co.>: Thanks. Good afternoon, everyone. I was hoping maybe you could square – these might be unrelated, but you have excess inventory exiting Q2 because of some earlier receipts of wholesale orders, yet you expect delayed shipment timing of those orders pushing out of 3Q into 4Q. So can you talk about maybe the disconnect there?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah. So let me just talk a little bit – a lot of this has to do with the sourcing environment in Asia, which is quite soft. So we've seen where we might have expected merchandise to arrive at the back half of our order windows, it now comes at the first half, and we're just responding from our deliveries to what the original order dates were from our customers. We haven't seen really any change in the order book since we, for all intents and purposes, closed it up in March and April.

But, I think it's mostly a result of the slow environment in Asia and the quicker shipment. I would say, Lindsay, the other piece is coming out of Fall 2014 the channel was fairly clean, certainly not as clean coming out of Fall 2015, so the order book got written slightly differently this fall – Fall 2016 as compared to a year ago fall.

<Q – Lindsay Drucker Mann – Goldman Sachs & Co.>: Thanks, and as it relates to your – you guys held onto some inventory exiting last year to push it through your own outlet stores this season anyway. How should we be thinking about the percentage of made-for versus clearance product in outlet and where do you kind of like that ratio to be over time?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, I think this year it's slightly lower made-for than maybe it would have been in previous periods. At the end of the day, we want to make sure that we've got a healthy retail business and at the same time an appetite for liquidations of the mistakes or other market-caused inventory disruptions. So, we really don't have a perfectly modeled equation for that but those are the two functions that those outlet stores have to serve, and we try and balance the inventory as appropriate.

<Q – Lindsay Drucker Mann – Goldman Sachs & Co.>: Got it, and then just lastly, as you think about risks to the back half of the year and the things that you guys can control, are there opportunities on the expense side for you to flex in order to kind of manage the earnings number?

<A – Tim Boyle – Columbia Sportswear Co.>: Absolutely. The single largest piece of our SG&A is our head count, and we've shown that in the past where we've needed to be managing our

SG&A we've taken steps in that area, but we don't expect that to be the case this year, and there are other levers that we can pull to provide the profitability that we've guided today.

<A – Tom Cusick – Columbia Sportswear Co.>: And Lindsay, that's an area we've been diligently managing, from my perspective, all year long. If you look at our back half guidance, we've got roughly 4% SG&A expense growth on mid-single-digit top-line.

<Q – Lindsay Drucker Mann – Goldman Sachs & Co.>: Great. Thanks so much.

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

Operator: Thank you. Our next question comes from the line of Laurent Vasilescu with Macquarie. Please proceed with your question.

<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>: Good afternoon. Thank you very much for taking my question. Under Armour announced a few days ago that they're launching in Kohl's. Can you provide any initial thoughts on this announcement? Can you parse out how big Kohl's is? And then, do you anticipate any future revenue opportunities for the Columbia brand there?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, we typically don't comment on our competitors. Obviously, Under Armour is a strong brand and I know that those discussions have been ongoing for quite some time. So, we would expect that the biggest impact from the vendor base would be likely on other athletic brands as opposed to the outdoor brands that Kohl's carries. Yeah, we want Kohl's to be a very strong customer, and they need to have a broader base, I guess, of athletic brands that they carry. So I would expect that that product line would do well there.

<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>: Okay. Very helpful. And then, on inventories, following up on Lindsay's questions. I think last quarter you outlined that you expect inventories to finish up the year generally in line with sales growth. Was that comment based on fourth quarter sales growth or is that guidance still the case or is that really based on long-term growth of kind of mid-singles to high-singles?

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah. It was really based on the mid-single-digit growth rate for 2016.

<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>: Okay, okay. Very helpful. And then lastly, can you parse out in basis points the FX impact to the first and second quarter gross margin? And then, how should we think about FX for 3Q and 4Q?

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah. I'm probably not going to get into the quarterly granularity. But, we've commented over the last two quarters that FX will have about a 100-basis point headwind for the full year, and most of that headwind is felt in the first quarter and third quarters when we do the lion's share of our international wholesale deliveries. So Q3, we'll see a headwind from currency much more so than Q2.

<Q – Laurent Vasilescu – Macquarie Capital (USA), Inc.>: Okay. Very helpful. Thank you very much.

Operator: Thank you. Our next question comes from the line of John Kernan with Cowen and Company. Please proceed with your question.

<Q – John Kernan – Cowen & Co. LLC>: Good afternoon, everyone. Thanks for taking my question.

<A – Tim Boyle – Columbia Sportswear Co.>: Sure.

<Q – John Kernan – Cowen & Co. LLC>: Can you – just going back to shipment timing issues. Are there any disproportionate effects to gross margin or SG&A due to this in the third quarter?

<A – Tom Cusick – Columbia Sportswear Co.>: Some, but not significant. Hedging is by far the biggest component of the margin deleverage that we're anticipating in the third quarter.

<Q – John Kernan – Cowen & Co. LLC>: Okay. And then it seems like there's a pretty powerful theme of you going more direct with, at least certainly direct outgrown wholesale, by a pretty significant amount in some key regions so far in the first half. Can you help us understand the economics of the direct business, I mean, from a margin perspective is there any better – is it significantly better or worse than the wholesale channel?

<A – Tim Boyle – Columbia Sportswear Co.>: Well it depends really on the particular period in time whether we're liquidating inventories or selling product that we made for the outlets. But, in general, we've said many times that we consider ourselves to be a supplier to the wholesale trade and that's where our focus has been and will continue to be frankly.

<Q – John Kernan – Cowen & Co. LLC>: Okay. Thank you. And then, I guess last question just on the distributor business internationally. I think, it's lagged a bit from the directly operated channels. Any comments on any initiatives you can do to get that distributor business kind of growing again at a more sustainable rate?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, most of the issues we have in our distributor business, frankly, are a function of the disruption either politically or economically in a particular market. So a great example is the Russian business, which historically has been very strong for the company and obviously when the ruble goes to half its value and the price of oil is impacted that's impacting our business. So we're basically selling in every major international market today, and when one of those major markets gets disrupted by forces outside of our control it's very difficult for us to react.

<Q – John Kernan – Cowen & Co. LLC>: Okay. Thanks. Can I just, one housekeeping question. Free cash flow guidance this year, any change to that?

<A – Tom Cusick – Columbia Sportswear Co.>: No. We're still looking at \$110 million to \$130 million.

<Q – John Kernan – Cowen & Co. LLC>: Okay. Thank you.

Operator: Thank you. Our next question comes from the line of Jon Komp with Robert W. Baird. Please proceed with your questions.

<Q – Jon Komp – Robert W. Baird & Co., Inc. (Broker)>: Yeah. Hi, thank you. If I could first just ask a clarification question on the outlook, I know you reiterated the full year targets for revenue in the earnings. It did sound like there's a little incremental impact from the Sports Authority liquidation, so should we think that the impact from TSA was just immaterial to the full-year outlook? Are there some other offsets or do you expect to be at a different point of range of the outlook or any kind of clarification thoughts there?

<A – Tom Cusick – Columbia Sportswear Co.>: Yeah, we've essentially held our top-line and bottom-line outlook, so the Sports Authority is really not a factor in the second half outlook. There're some puts and takes between gross margin and SG&A but again the top-line hasn't changed or the bottom-line. I'd say the biggest factor that's probably changed in the last 90 days is Korea continues to soften, so that would be probably the single biggest callout at this point.

<Q – Jon Komp – Robert W. Baird & Co., Inc. (Broker)>: Okay, and then another question just on the shift, the third quarter and the fourth quarter, the relative growth rates. Obviously more fourth quarter weighted than I think we were contemplating previously, but I know you hadn't given quarter-by-quarter guidance. I'm just curious outside of the order timing that you mentioned and maybe Korea are there any other moving parts that you've seen internally versus your forecast shift more during the fourth quarter?

<A – Tim Boyle – Columbia Sportswear Co.>: No, not really. I mean, we have the order book in hand for Q3 on our April call, so no major changes in that regard.

<Q – Jon Komp – Robert W. Baird & Co., Inc. (Broker)>: Okay, great. And then the last question, I just wanted to ask about that change in the full year gross margin, now I think only up 10 basis points for the year. I know it was mentioned that you're expecting a more second half promotional activity. I just wanted to clarify, is that because of specific differences in the inventory that you see internally, is it more because of just the external environment, I guess, what's driving the change in the gross margin outlook for the second half?

<A – Tim Boyle – Columbia Sportswear Co.>: It's really the external environment and the inventory that's tunneling the channel.

<Q – Jon Komp – Robert W. Baird & Co., Inc. (Broker)>: Okay, thank you.

Operator: Thank you. Our next question comes from the line of Susan Anderson with FBR Capital Markets. Please proceed with your question.

<Q – Susan Anderson – FBR Capital Markets & Co.>: Good evening, thanks for taking my question. Just to follow-up really quick on that last question on the gross margin. Is there an impact at all to, because you're going to be selling some stuff through the outlets, but I guess you guys would have known that before? And then also is this excess inventory because of what was left over from last year?

<A – Tom Cusick – Columbia Sportswear Co.>: No, I would say that the margin take down of roughly 20 basis points is predominantly a function of the current health of the Korean market and to a lesser degree just the overall promotional environment in the U.S. wholesale sector.

<Q – Susan Anderson – FBR Capital Markets & Co.>: Got it, okay that's helpful. And then for fall this year, I think last year you had more wear now products early on versus the heavy jackets in the store. Are you going to be continuing that? And is there going to be more of that this year or are you guys doing anything different from last year?

<A – Tim Boyle – Columbia Sportswear Co.>: No, I mean we think last year obviously the weather didn't cooperate in the back half of the year, but we didn't make drastic changes in our offering but we have, you know, products which are appropriate for multiple different seasons and, our expectations are built on the fact that we believe, we've planned against a normal winter. So, if it's something other than that, we believe we still gotten ourselves in a position to be hitting our number.

<Q – Susan Anderson – FBR Capital Markets & Co.>: Got it. And then on the SOREL brand, I guess going into fall, if you could just give a little bit more color on just how you feel about the brand. I think last year you were already seeing some pretty early orders of boots. Does it feel like it's going to be strong again? And I think last year you came out with a lot more fashionable styles. Is there anything else newer going on this year?

<A – Tim Boyle – Columbia Sportswear Co.>: Oh yeah, we have a very heavy emphasis on de-winterizing the brand. If you remember, it was almost exclusively a heavy-duty men's work winter brand and Mark Nenow and his team have really successfully transferred that business to being, first of all, female, and second of all, much more fashionable. And now the focus is really on giving ourselves a significant opportunity when the weather is not there. So the Fall 2016 product is very heavily emphasizing this wedge – lightweight wedge – product, which has done very well for us in our early launch this spring as well as last fall.

And then next spring's product, which has been very well received, includes some rain product which is going to be an important part of the future. So, we are very excited about that brand and how well it's coming along.

<Q – Susan Anderson – FBR Capital Markets & Co.>: Great. That sounds good. And then last question just on shelf space. I know a couple years of really gaining shelf space especially for the Columbia brand from private label. Is there anything else left to take in the store or is it really just kind of growing what you have?

<A – Tim Boyle – Columbia Sportswear Co.>: Oh no. I think – I think frankly there's opportunity in wholesale and other brands that don't have the kind of brand strength we have, so the tertiary brands and then against major brands we have a very strong position especially in our PFG line, which we have very little competition in that area and it's an area of significant focus for the company. So, there's lots of opportunity for us.

<Q – Susan Anderson – FBR Capital Markets & Co.>: Great. Sounds good. Good luck next quarter.

<A – Tim Boyle – Columbia Sportswear Co.>: Thank you.

Operator: Thank you. Our next question comes from the line of Jim Duffy with Stifel. Please proceed with your question.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Thanks. Good afternoon, guys.

<A – Tim Boyle – Columbia Sportswear Co.>: Hey, Jim.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: I'll build on your last comments. I was going to ask about the PFG franchise and an update on what you're seeing there, how you feel about the performance of the PFG store and opportunities for that into next spring?

<A – Tim Boyle – Columbia Sportswear Co.>: Certainly. Well, we've got several PFG stores. The newest one, really, is this store in Disney. And it's a terrific product. I think if you look at the demographic studies on what people do with their free time; it's fishing and hiking are the dominant activities by far. And with PFG, we're able to get that consumer who wants to make sure not only his wardrobe performs when he's fishing but that when he's at work or reasonably casually dressed he reflects that he's a fisherman. And that's been a really terrific part of the business.

And in North America it really helps to supplant or to counterbalance our heavy emphasis on winter, but it's really began to resonate in South and Central America. And a bit in Europe, which has been fun to watch.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Great. And then the consistent broad-based strength across direct markets in Europe is encouraging. With the building scale you're seeing here, can you speak to opportunities to drive profitability?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah. Well, we would have been profitable this year absent the effect of currency. So the team there has been very, very singularly focused on rebuilding the product-based offering and getting our business bigger there. And as you can see, they've been successful. We've really been ultra-focused on the SG&A. Because, at the end of the day that was probably our biggest mistake several years ago when we let our SG&A get out of whack there when the business declined.

But I think, the brand is so strong in France and in Spain that once we start having the right team in place, which we've had now for several years, and the right products, which we're getting a better, more products which are relevant for that market, we're going to be a real dominant player in that area. We already have, as you know, the infrastructure built there, so it's just a matter of taking advantage of the strengths that we already have and the focus. So we're excited.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Good. And with the trend lines you're seeing, obviously difficult to call out the next year, but would you expect to get to profitability next year or be disappointed if you did not?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, obviously I'll be disappointed. I'm disappointed today, because we're not profitable. But it really depends on certain things that are outside our control including currency, et cetera. But we are on the right path, and whether it's the next 12 months or 18 months, we're going to get there and we're going to be a much stronger company as a result of it.

<Q – Jim Duffy – Stifel, Nicolaus & Co., Inc.>: Okay. Thanks for that.

<A – Tim Boyle – Columbia Sportswear Co.>: Thanks, Jim.

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Jay Sole with Morgan Stanley. Please proceed with your question.

<Q – Jay Sole – Morgan Stanley & Co. LLC>: Great. Thank you. I think my question is on the golf business. I realize this is a new business, but can you give us an update on how that business is doing? And, if it was a notable contributor in the quarter?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, if you remember, the golf business for us is licensed, and so we really have taken the bulk of our revenue from that license and plowed it back into the marketing in that market – for that market specifically. So we've opened a lot of customers and been focusing – our licensee has been focused on the green grass opportunity, which is an area we've never been involved in in the past. We've sponsored a few golfers who have gotten close a few times. We haven't had a winner yet, but certainly the exposure has been very significant for us. It's our expectation that that part of the business, specifically golf, will continue to grow, and frankly it's a good contributor. We'd love to see a real winner wearing Columbia soon, and we expect that we will.

<Q – Jay Sole – Morgan Stanley & Co. LLC>: Okay, and then I know that there's been a lot of questions already about the Sports Authority, but just looking forward in how you see your business trending. When an event like this happens where a retailer goes away, do you see the demand filtering out to other channels, where overall, it's the same demand picture and it's just happening in other places? Or is this a situation where a retailer is going away, and that's a sign of overall demand going down for the product, and it's not really a situation where you see demand – where you see people just shopping the same amount in other places?

<A – Tim Boyle – Columbia Sportswear Co.>: Well, you can see our company growing in the face of declining number of retail locations. So, we consider the brand very strong and people are searching it and finding it wherever it might be. I guess our viewpoint of the future is that there will

likely be continued consolidation, and that retailers that don't have solid balance sheets and good operating models will be continually challenged by the reduction in traffic, really, across that sector.

<Q – Jay Sole – Morgan Stanley & Co. LLC>: Okay, great. That's helpful. Thank you. Good luck.

Operator: Our next question comes from the line of Rafe Jadrosich with Bank of America Merrill Lynch. Please proceed with your question.

<Q – Rafe Jadrosich – Bank of America Merrill Lynch>: [audio gap] (44:05-44:09) sort of, some of the drivers to momentum in prAna, and then can you remind us where you are internationally with that brand?

<A – Tim Boyle – Columbia Sportswear Co.>: Sure, yeah. Sorry, you got cut off on the first part of your question. Would you remind repeating it?

<Q – Rafe Jadrosich – Bank of America Merrill Lynch>: Sure. Can you just kind of talk about what's driving the strong momentum that you're seeing there with prAna, maybe where you see the most opportunity, and then remind us where you are in international with prAna?

<A – Tim Boyle – Columbia Sportswear Co.>: Certainly. Well, prAna's significant growth in this first half was in North America, and it's really a function of a number of things, including – and I guess I would call out for sure – the swimwear opportunity, where we think there's big opportunity there for the brand, and the fact that it's a company based in Southern California with access, obviously, to the oceans. And they really have a sense for what products are going to be in demand there, as well as just the unique positioning of the brand between yoga and climbing. That product tends to resonate significantly. Additionally, it's heavily favored by women, so we like that. And we would expect that that brand's going to continue to grow as well. There's opportunities in other seasons for prAna, which we think we'll be focusing on in the future.

As it relates to international, we would hope frankly to have a bigger, quicker uptake on the brand internationally than we've had. The demand is still there. The product personality is still quite unique, and we believe that there's significant opportunities internationally. It's just taking us a bit longer.

<Q – Rafe Jadrosich – Bank of America Merrill Lynch>: And then in terms of the elevated channel inventories that you called out earlier in North America, where do you expect or what's sort of the timing of how that inventory – how retailers kind of work through that inventory, I guess, the brand, as well? Are you anticipating most of that will be in the outlets, off-price? And then, can you remind us, sort of, what your off-price penetration is now, and compare that to prior years?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah, I think, when we talk about the elevated inventory levels, it's not necessarily our inventory. It's sort of an amalgamated inventory from all brands, and some more significant than ours, certainly. So, based on how our customers purchased their fall products or how they approached the fall business for 2016. They were quite cautious. So, my assumption is that we're going to have clean inventories at the end of 2016 if we have a normal winter. So we don't talk specifically about our particular off-price percentage of the business, but I believe it's quite healthy and we have, if you remember, our own outlet channels to dispose of merchandise through and frankly that's our preference to liquidate through own channels.

<Q – Rafe Jadrosich – Bank of America Merrill Lynch>: Thank you. It's really helpful and then just one more. You mentioned market share gains. Are there any specific channels or geographies or categories that you can call out where you're seeing the kind of stronger market share gains? Thank you.

<A – Tim Boyle – Columbia Sportswear Co.>: Well, certainly in the summer sportswear business where we have a very strong hiking and trail business, but the addition of our PFG business, which we don't really have competitors in that market of any significance. So, when we talk about market share it's really I would say led by sportswear where we have these iconic categories of merchandise that others don't have.

<Q – Rafe Jadrosich – Bank of America Merrill Lynch>: Okay. Great. Thank you.

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.>: Hi, guys. Congrats on first half performance in a tough environment.

<A – Tim Boyle – Columbia Sportswear Co.>: Thank you.

<Q – Andrew Burns – D. A. Davidson & Co.>: Historically, you talked about your U.S. wholesale distribution strategy being roughly equally split between specialty, sporting goods and department stores, and I was wondering if that thought process has changed at all given the dramatic changes in consumer shopping behavior driving your retail traffic issues and the store closures and bankruptcies we're seeing today. Thanks.

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah. We look at the business the same way basically today. It's unfortunate to lose a major player in the sporting goods section – frankly – segment, in any major segment we work in, but we would look at the business, the retailers about the same way today. We might parse the sporting goods between athletics, sporting goods operations and hunt, fish, camp; but we basically have the same view of the marketplace and where we belong in those various categories.

<Q – Andrew Burns – D. A. Davidson & Co.>: Great. Thanks. And then just a follow-up in terms of Korea and the continued weakness there. Is it still just a situation of too many brands, too much inventory or underlying all of this do you think there's been any shift away from outdoor brands in general?

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah. I think there's probably been somewhat of a fashion shift away from the "hiking look" and that coupled with the fact that, that market grew so rapidly over the last five years or six years that it was flooded with not only all the major players in the Outdoor business, but also some local brands that just got into business. So it's another area where our balance sheet allows us to continue to focus on that market, which we believe will continue to be strong while others leave the market and there have been a lot of departures, but we still have an inventory overhang and then we have to make sure that we focus our time and effort on having the right assortment of outdoor product, and not particularly any specific look.

<Q – Andrew Burns – D. A. Davidson & Co.>: Okay. Thanks and good luck for the balance of the year.

<A – Tim Boyle – Columbia Sportswear Co.>: Thank you.

Operator: Thank you. Our next question comes from the line of John Kernan with Cowen and Company. Please proceed with your question.

<Q – John Kernan – Cowen & Co. LLC>: Hey, guys. Thanks for letting me jump back in the queue. The comments on PFG are interesting. If you size the overall market opportunity, can you disclose how big that category is for you currently?

<A – Tim Boyle – Columbia Sportswear Co.>: You mean in terms of our sales?

<Q – John Kernan – Cowen & Co. LLC>: Yeah.

<A – Tim Boyle – Columbia Sportswear Co.>: Yeah, okay. I think our sales are north of \$120 million, in that range. In terms of the applicable market size, it's very significant. And I think what's really – the bulk of our PFG sales are in that southern part of the United States, central America and in northern south America where we have great weather and where fishing is a real popular sport. There's a humongous market and that's obviously where there's a large population.

<Q – John Kernan – Cowen & Co. LLC>: Okay. Thank you.

Operator: Thank you. There are no further questions at this time. I would like to turn the floor back to Tim Boyle for closing comments.

Timothy P. Boyle, Chief Executive Officer & Director

Thank you, operator. We look forward to talking to you at our next conference call. Thank you.

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

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