

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended **June 30, 2019**

OR

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

For the transition period from _____ to _____

Commission file number **0-23939**

COLUMBIA SPORTSWEAR COMPANY

(Exact name of registrant as specified in its charter)

Oregon

(State or other jurisdiction of incorporation or organization)

93-0498284

(IRS Employer Identification Number)

14375 Northwest Science Park Drive

Portland, Oregon 97229

(Address of principal executive offices and zip code)

(503) 985-4000

(Registrant's telephone number, including area code)

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

Title of each class

Common stock

Trading Symbol(s)

COLM

**Name of each
exchange on which registered**

The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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

The number of shares of Common Stock outstanding on July 19, 2019 was 67,557,251.

COLUMBIA SPORTSWEAR COMPANY
JUNE 30, 2019

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PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

COLUMBIA SPORTSWEAR COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	June 30, 2019	December 31, 2018	June 30, 2018
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 16)	\$ 386,150	\$ 437,825	\$ 510,656
Restricted cash (Note 17)	—	13,970	—
Short-term investments (Note 16)	138,198	262,802	264,014
Accounts receivable, net of allowance of \$8,072, \$11,051, and \$6,889, respectively	280,641	449,382	238,675
Inventories	756,378	521,827	570,473
Prepaid expenses and other current assets	100,800	79,500	76,399
Total current assets	1,662,167	1,765,306	1,660,217
Property, plant and equipment, at cost, net of accumulated depreciation of \$510,267, \$489,354, and \$472,447, respectively	312,948	291,596	280,726
Operating lease right-of-use assets (Note 8)	368,856	—	—
Intangible assets, net (Note 5)	125,085	126,575	128,065
Goodwill	68,594	68,594	68,594
Deferred income taxes	82,418	78,155	70,351
Other non-current assets	42,379	38,495	38,997
Total assets	\$ 2,662,447	\$ 2,368,721	\$ 2,246,950
LIABILITIES AND EQUITY			
Current Liabilities:			
Accounts payable	\$ 309,945	\$ 274,435	\$ 290,812
Accrued liabilities (Note 7)	200,816	275,684	191,511
Operating lease liabilities (Note 8)	60,804	—	—
Income taxes payable	6,416	22,763	4,000
Total current liabilities	577,981	572,882	486,323
Non-current operating lease liabilities (Note 8)	345,063	—	—
Income taxes payable	53,216	50,791	60,827
Deferred income taxes	8,518	9,521	13
Other long-term liabilities	22,475	45,214	45,412
Total liabilities	1,007,253	678,408	592,575
Commitments and contingencies (Note 9)			
Columbia Sportswear Company Shareholders' Equity:			
Preferred stock; 10,000 shares authorized; none issued and outstanding	—	—	—
Common stock (no par value); 250,000 shares authorized; 67,586, 68,246, and 69,988, issued and outstanding, respectively (Note 10)	100	—	23,162
Retained earnings	1,656,392	1,677,920	1,623,612
Accumulated other comprehensive loss (Note 13)	(1,298)	(4,063)	(6,374)
Total Columbia Sportswear Company shareholders' equity	1,655,194	1,673,857	1,640,400
Non-controlling interest (Note 4)	—	16,456	13,975
Total equity	1,655,194	1,690,313	1,654,375
Total liabilities and equity	\$ 2,662,447	\$ 2,368,721	\$ 2,246,950

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net sales	\$ 526,210	\$ 481,619	\$ 1,180,818	\$ 1,088,927
Cost of sales	272,619	252,998	590,498	560,868
Gross profit	253,591	228,621	590,320	528,059
Selling, general and administrative expenses	240,763	222,192	492,518	465,560
Net licensing income	3,537	3,320	6,521	6,571
Income from operations	16,365	9,749	104,323	69,070
Interest income, net	2,571	2,928	5,971	5,224
Other non-operating income (expense), net	1,032	(96)	1,478	(364)
Income before income tax	19,968	12,581	111,772	73,930
Income tax benefit (expense)	3,061	(2,086)	(14,566)	(14,706)
Net income	23,029	10,495	97,206	59,224
Net income attributable to non-controlling interest	—	758	—	4,380
Net income attributable to Columbia Sportswear Company	<u>\$ 23,029</u>	<u>\$ 9,737</u>	<u>\$ 97,206</u>	<u>\$ 54,844</u>
Earnings per share attributable to Columbia Sportswear Company (Note 12):				
Basic	\$ 0.34	\$ 0.14	\$ 1.43	\$ 0.78
Diluted	\$ 0.34	\$ 0.14	\$ 1.41	\$ 0.77
Weighted average shares outstanding (Note 12):				
Basic	67,930	70,021	68,109	70,050
Diluted	68,560	70,748	68,825	70,824

See accompanying notes to condensed consolidated financial statements.

COLUMBIA SPORTSWEAR COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 23,029	\$ 10,495	97,206	59,224
Other comprehensive income:				
Unrealized holding gains on available-for-sale securities, net	—	—	56	4
Unrealized gains (losses) on derivative transactions (net of tax effects of \$827, \$(6,540), \$432, and \$(4,974), respectively)	(1,881)	20,553	(548)	15,646
Foreign currency translation adjustments (net of tax effects of \$224, \$275, \$887 and \$1,819, respectively)	3,901	(18,262)	3,356	(12,003)
Other comprehensive income	2,020	2,291	2,864	3,647
Comprehensive income	25,049	12,786	100,070	62,871
Comprehensive income attributable to non-controlling interest	—	474	—	4,999
Comprehensive income attributable to Columbia Sportswear Company	<u>\$ 25,049</u>	<u>\$ 12,312</u>	<u>\$ 100,070</u>	<u>\$ 57,872</u>

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 97,206	\$ 59,224
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and non-cash lease expense	57,487	29,067
Loss on disposal or impairment of property, plant, and equipment	1,599	578
Deferred income taxes	(4,338)	2,041
Stock-based compensation	8,781	6,599
Changes in operating assets and liabilities:		
Accounts receivable	169,631	188,897
Inventories	(232,117)	(140,897)
Prepaid expenses and other current assets	(21,815)	(6,411)
Other assets	(4,830)	(11,867)
Accounts payable	41,469	37,968
Accrued liabilities	(75,360)	(49,781)
Income taxes payable	(13,967)	(12,835)
Operating lease assets and liabilities	(27,068)	—
Other liabilities	5,919	(3,258)
Net cash provided by operating activities	<u>2,597</u>	<u>99,325</u>
Cash flows from investing activities:		
Purchases of short-term investments	(181,257)	(257,979)
Sales and maturities of short-term investments	308,501	88,794
Capital expenditures	(50,800)	(29,618)
Proceeds from sale of property, plant, and equipment	—	19
Net cash provided by (used in) investing activities	<u>76,444</u>	<u>(198,784)</u>
Cash flows from financing activities:		
Proceeds from credit facilities	23,208	—
Repayments on credit facilities	(23,208)	—
Proceeds from issuance of common stock related to stock-based compensation	11,286	14,971
Tax payments related to stock-based compensation	(5,589)	(4,131)
Repurchase of common stock	(100,293)	(40,106)
Purchase of non-controlling interest	(17,880)	—
Cash dividends paid	(32,686)	(30,856)
Net cash used in financing activities	<u>(145,162)</u>	<u>(60,122)</u>
Net effect of exchange rate changes on cash	<u>476</u>	<u>(2,929)</u>
Net decrease in cash, cash equivalents and restricted cash	<u>(65,645)</u>	<u>(162,510)</u>
Cash, cash equivalents and restricted cash, beginning of period	<u>451,795</u>	<u>673,166</u>
Cash, cash equivalents and restricted cash, end of period	<u>\$ 386,150</u>	<u>\$ 510,656</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for income taxes	\$ 66,604	\$ 31,346
Supplemental disclosures of non-cash investing and financing activities:		
Property, plant and equipment acquired through increase in liabilities	\$ 9,524	\$ 4,009
Dividend to non-controlling interest declared but not yet paid	\$ —	\$ 21,332

See accompanying notes to condensed consolidated financial statements.

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

Three Months Ended June 30, 2019						
Columbia Sportswear Company Shareholders' Equity						
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
	Shares Outstanding	Amount				
BALANCE, MARCH 31, 2019	68,346	\$ 94	\$ 1,723,873	\$ (3,318)	\$ —	\$ 1,720,649
Net income	—	—	23,029	—	—	23,029
Other comprehensive income:						
Unrealized holding losses on derivative transactions, net	—	—	—	(1,881)	—	(1,881)
Foreign currency translation adjustment, net	—	—	—	3,901	—	3,901
Cash dividends (\$0.24 per share)	—	—	(16,268)	—	—	(16,268)
Issuance of common stock related to stock-based compensation, net	76	2,550	—	—	—	2,550
Stock-based compensation expense	—	4,566	—	—	—	4,566
Repurchase of common stock	(836)	(7,110)	(74,242)	—	—	(81,352)
BALANCE, JUNE 30, 2019	<u>67,586</u>	<u>\$ 100</u>	<u>\$ 1,656,392</u>	<u>\$ (1,298)</u>	<u>\$ —</u>	<u>\$ 1,655,194</u>

Three Months Ended June 30, 2018						
Columbia Sportswear Company Shareholders' Equity						
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
	Shares Outstanding	Amount				
BALANCE, MARCH 31, 2018	70,113	\$ 36,190	\$ 1,629,279	\$ (8,949)	\$ 34,833	\$ 1,691,353
Net income	—	—	9,737	—	758	10,495
Other comprehensive income:						
Unrealized holding gains on derivative transactions, net	—	—	—	19,690	863	20,553
Foreign currency translation adjustment, net	—	—	—	(17,115)	(1,147)	(18,262)
Cash dividends (\$0.22 per share)	—	—	(15,404)	—	—	(15,404)
Dividends to non-controlling interest	—	—	—	—	(21,332)	(21,332)
Issuance of common stock related to stock-based compensation, net	140	5,493	—	—	—	5,493
Stock-based compensation expense	—	3,486	—	—	—	3,486
Repurchase of common stock	(265)	(22,007)	—	—	—	(22,007)
BALANCE, JUNE 30, 2018	<u>69,988</u>	<u>\$ 23,162</u>	<u>\$ 1,623,612</u>	<u>\$ (6,374)</u>	<u>\$ 13,975</u>	<u>\$ 1,654,375</u>

See accompanying notes to condensed consolidated financial statements.

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

Six Months Ended June 30, 2019						
Columbia Sportswear Company Shareholders' Equity						
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
	Shares Outstanding	Amount				
BALANCE, DECEMBER 31, 2018	68,246	\$ —	\$ 1,677,920	\$ (4,063)	\$ 16,456	\$ 1,690,313
Net income	—	—	97,206	—	—	97,206
Purchase of non-controlling interest	—	—	—	(99)	(16,456)	(16,555)
Other comprehensive income:						
Unrealized holding gains on available-for-sale securities, net	—	—	—	56	—	56
Unrealized holding losses on derivative transactions, net	—	—	—	(548)	—	(548)
Foreign currency translation adjustment, net	—	—	—	3,356	—	3,356
Cash dividends (\$0.48 per share)	—	—	(32,686)	—	—	(32,686)
Issuance of common stock related to stock-based compensation, net	372	5,697	—	—	—	5,697
Stock-based compensation expense	—	8,781	—	—	—	8,781
Repurchase of common stock	(1,032)	(14,378)	(86,048)	—	—	(100,426)
BALANCE, JUNE 30, 2019	67,586	\$ 100	\$ 1,656,392	\$ (1,298)	\$ —	\$ 1,655,194

Six Months Ended June 30, 2018						
Columbia Sportswear Company Shareholders' Equity						
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
	Shares Outstanding	Amount				
BALANCE, DECEMBER 31, 2017	69,995	\$ 45,829	\$ 1,585,009	\$ (8,887)	\$ 30,308	\$ 1,652,259
Net income	—	—	54,844	—	4,380	59,224
Other comprehensive income:						
Unrealized holding gains on available-for-sale securities, net	—	—	—	4	—	4
Unrealized holding gains on derivative transactions, net	—	—	—	15,120	526	15,646
Foreign currency translation adjustment, net	—	—	—	(12,096)	93	(12,003)
Dividends declared but not yet paid to non-controlling interest	—	—	—	—	(21,332)	(21,332)
Adoption of new accounting standards	—	—	14,615	(515)	—	14,100
Cash dividends (\$0.44 per share)	—	—	(30,856)	—	—	(30,856)
Issuance of common stock related to stock-based compensation, net	493	10,840	—	—	—	10,840
Stock-based compensation expense	—	6,599	—	—	—	6,599
Repurchase of common stock	(500)	(40,106)	—	—	—	(40,106)
BALANCE, JUNE 30, 2018	69,988	\$ 23,162	\$ 1,623,612	\$ (6,374)	\$ 13,975	\$ 1,654,375

See accompanying notes to condensed consolidated financial statements.

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

NOTE 1—BASIS OF PRESENTATION AND ORGANIZATION

The accompanying condensed consolidated financial statements have been prepared by the management of Columbia Sportswear Company (together with its wholly owned subsidiaries and entities in which it maintains a controlling financial interest, the "Company") and in the opinion of management include all normal recurring material adjustments necessary to present fairly the Company's financial position as of June 30, 2019, December 31, 2018 and June 30, 2018, and the results of operations for the three and six months ended June 30, 2019 and 2018, and cash flows for the six months ended June 30, 2019 and 2018. The December 31, 2018 financial information was derived from the Company's audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. A significant part of the Company's business is of a seasonal nature; therefore, results of operations for the three and six months ended June 30, 2019 are not necessarily indicative of results to be expected for other quarterly periods or for the full year.

In accordance with the Disclosure Modernization and Simplification final rule issued by the Securities and Exchange Commission ("SEC") and effective for the Company beginning in the first quarter of 2019, a reconciliation of the changes of shareholders' equity is presented for all periods for which the results of operations are presented.

Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the SEC. The Company, however, believes that the disclosures contained in this report comply with the requirements of Section 13(a) of the Securities Exchange Act of 1934 for a Quarterly Report on Form 10-Q and are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Principles of Consolidation

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

Estimates and Assumptions

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed below and in Note 8, pertaining to our adoption of new accounting pronouncements, there have been no significant changes to the Company's significant accounting policies as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Recently Adopted Accounting Pronouncements

On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") No. 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The adoption of this provision did not have a material effect on the Company's financial position, results of operations or cash flows.

On January 1, 2019, the Company adopted ASU No. 2016-02, *Leases ("ASC 842")*, which increased transparency and comparability among organizations by recognizing right-of-use ("ROU") assets and lease liabilities on the balance sheet for most leases previously classified as operating leases. The updated guidance and subsequent clarifications require disclosures to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

The Company adopted this standard utilizing the modified retrospective approach. The comparative prior period information has not been restated and continues to be reported under the accounting standards in effect for those periods. The Company has elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases or (3) the accounting for initial direct costs that were previously capitalized. The Company did not elect the practical expedient to use hindsight for leases existing at adoption date.

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

The adoption of ASC 842 resulted in the recognition of ROU assets of \$352.7 million, with corresponding lease liabilities of \$387.1 million. As a result of adopting the standard, \$34.4 million of pre-existing liabilities for deferred rent and various lease incentives were reclassified as a component of the ROU assets. At adoption, the measurement of the lease liabilities utilized the remaining minimum rental payments as defined under the previous accounting standard and the incremental borrowing rate as of January 1, 2019.

The adoption of ASC 842 did not materially impact the Condensed Consolidated Statements of Operations. Also, the adoption of ASC 842 had no material impact on operating, investing or financing cash flows in the Condensed Consolidated Statements of Cash Flows. See Note 8 for additional disclosure regarding the adoption of the new standard.

The following table presents the effect of the adoption of ASC 842 on our Condensed Consolidated Balance Sheets as of January 1, 2019:

<i>(in thousands)</i>	January 1, 2019		
	December 31, 2018	Adjustments due to ASC 842	January 1, 2019
Operating lease right-of-use assets	\$ —	\$ 352,679	\$ 352,679
Total assets	2,368,721	352,679	2,721,400
Accrued liabilities	275,684	(3,346)	272,338
Operating lease liabilities	—	57,207	57,207
Current liabilities	572,882	53,861	626,743
Non-current operating lease liabilities	—	329,865	329,865
Other long-term liabilities	45,214	(31,047)	14,167
Total liabilities	678,408	352,679	1,031,087
Total liabilities and equity	2,368,721	352,679	2,721,400

Recent Accounting Pronouncements Not Yet Adopted

In August 2018, the Financial Accounting Standards Board ("FASB") issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)*, which clarifies certain aspects of accounting for implementation costs incurred in a cloud computing arrangement ("CCA") that is a service contract. Under the ASU, an entity would expense costs incurred in the preliminary-project and post-implementation-operation stages. The entity would also capitalize certain costs incurred during the application-development stage, as well as certain costs related to enhancements. The ASU does not change the accounting for the service component of a CCA. This standard is effective beginning in the first quarter of 2020, with early adoption permitted. The Company is currently evaluating the impact this accounting standard will have on the Company's financial position, results of operations or cash flows.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which simplifies the accounting for goodwill impairments by eliminating step two from the goodwill impairment test. Under this guidance, if the carrying amount of a reporting unit exceeds its estimated fair value, an impairment charge shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. This standard is effective beginning in the first quarter of 2020, with early adoption permitted. The impact of the new standard will depend on the specific facts and circumstances of future individual goodwill impairments, if any.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Subsequently, the FASB has issued amendments to clarify the codification, in addition to also clarifying the implementation dates and the items that fall within the scope of this pronouncement. The pronouncement changes the impairment model for most financial assets and will require the use of an "expected loss" model for instruments measured at amortized cost. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. This standard is effective beginning in the first quarter of 2020. The adoption of ASU 2016-13 is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

NOTE 3—REVENUES

Disaggregated Revenue

As disclosed below in Note 14, the Company has aggregated its operating segments into four geographic segments: the United States, Latin America and Asia Pacific ("LAAP"), Europe, Middle East and Africa ("EMEA"), and Canada.

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

The following tables disaggregate the Company's operating segment *Net sales* by product category and sales channel, which the Company believes provide a meaningful depiction of how the nature, timing, and uncertainty of *Net sales* are affected by economic factors:

Three Months Ended June 30, 2019					
<i>(in thousands)</i>	United States	LAAP	EMEA	Canada	Total
Product category net sales					
Apparel, Accessories and Equipment	\$ 277,604	\$ 74,096	\$ 66,409	\$ 14,153	\$ 432,262
Footwear	37,923	27,518	25,118	3,389	93,948
Total	<u>\$ 315,527</u>	<u>\$ 101,614</u>	<u>\$ 91,527</u>	<u>\$ 17,542</u>	<u>\$ 526,210</u>
Sales channel net sales					
Wholesale	\$ 151,714	\$ 51,171	\$ 83,521	\$ 9,884	\$ 296,290
Direct-to-consumer	163,813	50,443	8,006	7,658	229,920
Total	<u>\$ 315,527</u>	<u>\$ 101,614</u>	<u>\$ 91,527</u>	<u>\$ 17,542</u>	<u>\$ 526,210</u>

Three Months Ended June 30, 2018					
<i>(in thousands)</i>	United States	LAAP	EMEA	Canada	Total
Product category net sales					
Apparel, Accessories and Equipment	\$ 250,394	\$ 74,600	\$ 56,881	\$ 12,782	\$ 394,657
Footwear	29,776	26,284	28,105	2,797	86,962
Total	<u>\$ 280,170</u>	<u>\$ 100,884</u>	<u>\$ 84,986</u>	<u>\$ 15,579</u>	<u>\$ 481,619</u>
Sales channel net sales					
Wholesale	\$ 129,166	\$ 48,927	\$ 78,003	\$ 7,894	\$ 263,990
Direct-to-consumer	151,004	51,957	6,983	7,685	217,629
Total	<u>\$ 280,170</u>	<u>\$ 100,884</u>	<u>\$ 84,986</u>	<u>\$ 15,579</u>	<u>\$ 481,619</u>

Six Months Ended June 30, 2019					
<i>(in thousands)</i>	United States	LAAP	EMEA	Canada	Total
Product category net sales					
Apparel, Accessories and Equipment	\$ 622,309	\$ 174,433	\$ 117,110	\$ 44,377	\$ 958,229
Footwear	105,442	60,040	45,765	11,342	222,589
Total	<u>\$ 727,751</u>	<u>\$ 234,473</u>	<u>\$ 162,875</u>	<u>\$ 55,719</u>	<u>\$ 1,180,818</u>
Sales channel net sales					
Wholesale	\$ 360,283	\$ 122,149	\$ 139,890	\$ 37,126	\$ 659,448
Direct-to-consumer	367,468	112,324	22,985	18,593	521,370
Total	<u>\$ 727,751</u>	<u>\$ 234,473</u>	<u>\$ 162,875</u>	<u>\$ 55,719</u>	<u>\$ 1,180,818</u>

Six Months Ended June 30, 2018					
<i>(in thousands)</i>	United States	LAAP	EMEA	Canada	Total
Product category net sales					
Apparel, Accessories and Equipment	\$ 563,720	\$ 170,980	\$ 104,356	\$ 45,560	\$ 884,616
Footwear	79,294	61,473	52,405	11,139	204,311
Total	<u>\$ 643,014</u>	<u>\$ 232,453</u>	<u>\$ 156,761</u>	<u>\$ 56,699</u>	<u>\$ 1,088,927</u>
Sales channel net sales					
Wholesale	\$ 316,006	\$ 120,846	\$ 135,584	\$ 39,225	\$ 611,661
Direct-to-consumer	327,008	111,607	21,177	17,474	477,266
Total	<u>\$ 643,014</u>	<u>\$ 232,453</u>	<u>\$ 156,761</u>	<u>\$ 56,699</u>	<u>\$ 1,088,927</u>

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During the fourth quarter of 2018, the Company determined that it had understated wholesale and overstated direct-to-consumer ("DTC") net sales by \$2.8 million and \$6.5 million in the LAAP segment for the three and six months ended June 30, 2018, respectively, with no effect on LAAP segment total net sales. The Company assessed the significance of the misclassifications and concluded that they were not material to any prior periods. As a result, the LAAP segment wholesale and DTC net sales for the three and six months ended June 30, 2018 in the table above have been revised from amounts previously reported to correct the misclassifications. These corrections had no effect on the Company's Condensed Consolidated Statements of Operations.

Performance Obligations

For the three and six months ended June 30, 2019 and 2018, *Net sales* recognized from performance obligations related to prior periods was not material. *Net sales* expected to be recognized in any future period related to remaining performance obligations are not material.

Contract Balances

As of June 30, 2019, December 31, 2018 and June 30, 2018, contract liabilities recorded as *Accrued liabilities* on the Condensed Consolidated Balance Sheets, which consisted of obligations associated with our gift card and customer loyalty programs, were not material.

NOTE 4—NON-CONTROLLING INTEREST

Prior to January 2, 2019, the Company owned a 60% controlling interest in a joint venture formed with Swire Resources Limited ("Swire") to support the development and operation of the Company's business in China. The accounts of the joint venture were included in the condensed consolidated financial statements. Swire's share of net income from the joint venture was included in *Net income attributable to non-controlling interest* in the Condensed Consolidated Statements of Operations and the non-controlling equity interest in this entity was included in total equity as *Non-controlling interest* in the Condensed Consolidated Balance Sheets.

In September 2018, the Company and Swire entered into an Equity Interest Transfer Agreement ("EITA"), under which the Company committed to buy out the 40% non-controlling interest in the joint venture. On January 2, 2019, the Company closed the buyout. As a result of the buyout, the 2019 condensed consolidated financial statements of the Company do not separately reflect amounts related to the non-controlling interest. See Note 17 for additional information regarding the various terms and conditions and resulting related-party transactions associated with the buyout.

NOTE 5—INTANGIBLE ASSETS, NET

The following table summarizes the Company's identifiable *Intangible assets, net* balance:

<i>(in thousands)</i>	June 30, 2019	December 31, 2018	June 30, 2018
Intangible assets subject to amortization:			
Patents and purchased technology	\$ 14,198	\$ 14,198	\$ 14,198
Customer relationships	23,000	23,000	23,000
Gross carrying amount	37,198	37,198	37,198
Accumulated amortization:			
Patents and purchased technology	(12,646)	(11,981)	(11,316)
Customer relationships	(14,888)	(14,063)	(13,238)
Total accumulated amortization	(27,534)	(26,044)	(24,554)
Net carrying amount	9,664	11,154	12,644
Intangible assets not subject to amortization	115,421	115,421	115,421
Intangible assets, net	\$ 125,085	\$ 126,575	\$ 128,065

Amortization expense for intangible assets subject to amortization was \$0.7 million for each of the three months ended June 30, 2019 and 2018 and was \$1.5 million for each of the six months ended June 30, 2019 and 2018.

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Annual amortization expense is estimated to be as follows for the years 2019 through 2023:

<i>(in thousands)</i>	
2019	\$ 2,980
2020	2,537
2021	1,650
2022	1,650
2023	1,650

NOTE 6—SHORT-TERM BORROWINGS AND CREDIT LINES

The Company had an unsecured, committed revolving line of credit agreement, maturing on July 1, 2021, with monthly variable commitments available for funding that, as of March 31, 2019, averaged \$100.0 million over the course of a calendar year. At December 31, 2018 and June 30, 2018, the Company was in compliance with all associated covenants, and there was no balance outstanding under this line of credit. In April 2019, the Company amended and restated its unsecured, committed revolving line of credit agreement to reduce the monthly variable commitments available for funding to an average of \$50.0 million over the course of a calendar year. The maturity date of this amended and restated agreement is August 1, 2023. Interest, payable monthly, continues to be based on the Company's applicable funded debt ratio, which could range from USD LIBOR plus 87.5 basis points to USD LIBOR plus 162.5 basis points. The amended and restated agreement requires the Company to comply with certain financial covenants covering the Company's funded debt ratio and interest coverage ratio, and eliminates the previous requirements that covered net income, fixed coverage ratio and borrowing basis. If the Company is in default, it is prohibited from paying dividends or repurchasing common stock. At June 30, 2019, the Company was in compliance with all associated covenants, and there was no balance outstanding under this line of credit.

The Company's European subsidiary has available two separate unsecured and uncommitted lines of credit guaranteed by the Company providing for borrowing up to a maximum of €25.8 million and €5.0 million, respectively (combined approximately US\$35.0 million), at June 30, 2019. The line of credit with a maximum borrowing of €5.0 million accrues interest based on the Euro Overnight Index Average plus 75 basis points. During the first quarter of 2019, the interest rate on the line of credit with a maximum borrowing of €25.8 million was modified to accrue interest based on the European Central Bank refinancing rate plus 75.0 basis points. There was no balance outstanding under either of these lines of credit at June 30, 2019, December 31, 2018 and June 30, 2018.

Except as disclosed above, there have been no significant changes to the Company's short-term borrowing and credit lines as described in Note 9 in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

NOTE 7—PRODUCT WARRANTY

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

A reconciliation of product warranties is as follows:

<i>(in thousands)</i>	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of period	\$ 13,178	\$ 12,066	\$ 13,186	\$ 12,339
Provision for warranty claims	703	1,194	2,495	2,442
Warranty claims	(735)	(1,121)	(2,459)	(2,710)
Other	40	(282)	(36)	(214)
Balance at end of period	<u>\$ 13,186</u>	<u>\$ 11,857</u>	<u>\$ 13,186</u>	<u>\$ 11,857</u>

NOTE 8—LEASES

The Company leases, among other things, retail space, office space, warehouse facilities, storage space, vehicles, and equipment. Generally, the base lease terms are between 5 and 10 years. Certain lease agreements contain scheduled rent escalation clauses and others include rental payments adjusted periodically depending on an index or rate. Certain retail space lease agreements provide for additional rents based on a percentage of annual sales in excess of stipulated minimums ("percentage rent"). Certain lease agreements require the Company to pay real estate taxes, insurance, common area maintenance, and other costs, collectively referred to as operating costs, in addition to base rent.

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Certain lease agreements also contain lease incentives, such as tenant improvement allowances and rent holidays. Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to 10 years or more. The exercise of lease renewal options is generally at the Company's sole discretion. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes a ROU asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) the lease term and (3) lease payments.

ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Company cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the Company generally uses its incremental borrowing rate as the discount rate for the lease. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because the Company does not generally borrow on a collateralized basis, it uses quoted interest rates obtained from financial institutions as an input to derive an appropriate incremental borrowing rate, adjusted for the amount of the lease payments, the lease term and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease.

The Company's lease contracts may include options to extend the lease following the initial term or terminate the lease prior to the end of the initial term. In most instances, at the commencement of the leases, the Company has determined that it is not reasonably certain to exercise either of these options; accordingly, these options are generally not considered in determining the initial lease term. At the renewal of an expiring lease, the Company reassesses options in the contract that it is reasonably certain to exercise in its measurement of lease term.

For lease agreements entered into or reassessed after the adoption of ASC 842, the Company has elected the practical expedient to account for the lease and non-lease components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract.

Variable lease payments associated with the Company's leases are recognized upon occurrence of the event, activity, or circumstance in the lease agreement on which those payments are assessed. Variable lease payments are presented as operating expense in the Company's Condensed Consolidated Statements of Operations in the same line item as expense arising from fixed lease payments.

Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The components of lease cost for the three and six months ended June 30, 2019 were as follows:

<i>(in thousands)</i>	Three Months Ended	Six Months Ended
Operating lease cost	\$ 18,941	\$ 37,520
Variable lease cost	12,783	25,896
Short term lease cost	1,216	2,172
	<u>\$ 32,940</u>	<u>\$ 65,588</u>

Supplemental cash flow information related to leases for the six months ended June 30, 2019 is as follows:

<i>(dollars in thousands)</i>	
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 37,259
Operating lease liabilities arising from obtaining ROU assets ⁽¹⁾	\$ 435,225

⁽¹⁾ Includes amount initially capitalized in conjunction with the adoption of ASC 842.

Amounts disclosed for lease liabilities arising from obtaining ROU assets include amounts added to the carrying amount of lease liabilities resulting from lease modifications and reassessments.

Supplemental balance sheet information related to leases as of June 30, 2019 is as follows:

Weighted average remaining lease term	6.78 years
Weighted average discount rate	4.06 %

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As of June 30, 2019, future maturities of lease liabilities are as follows:

(in thousands)

2019	\$	38,741
2020		72,229
2021		64,479
2022		59,477
2023		54,716
Thereafter		181,929
Total lease payments		471,571
Less: imputed interest		(65,704)
Total lease liabilities		405,867
Less: current obligations		(60,804)
Long-term lease obligations	\$	345,063

As of June 30, 2019, the Company has additional operating lease commitments that have not yet commenced of \$22.6 million. These leases will commence in 2019 with lease terms of 3 to 11 years.

Disclosures related to periods prior to adoption of ASC 842

Information on rent expense for the three and six months ended June 30, 2018 was as follows:

(in thousands)

	Three Months Ended	Six Months Ended
Rent expense included in SG&A expense	\$ 31,388	\$ 64,312
Rent expense included in Cost of sales	409	809
	\$ 31,797	\$ 65,121

Future minimum payments determined under the previous accounting standards for all lease obligations, including rent escalation clauses and committed leases that had not yet commenced, at December 31, 2018, were as follows:

(in thousands)

2019	\$	72,280
2020		65,379
2021		57,460
2022		52,607
2023		47,837
Thereafter		155,897
	\$	451,460

NOTE 9—COMMITMENTS AND CONTINGENCIES

Inventory Purchase Obligations

Inventory purchase obligations consist of open production purchase orders and other commitments for raw materials and sourced apparel, footwear, accessories, and equipment. At June 30, 2019, inventory purchase obligations were \$364.2 million.

Litigation

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

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NOTE 10—SHAREHOLDERS' EQUITY

Shares of the Company's common stock may be repurchased in the open market or through privately negotiated transactions, subject to market conditions. The repurchase program does not obligate the Company to acquire any specific number of shares or to acquire shares over any specified period of time. Shares repurchased generally settle subsequent to their trade date. During the three and six months ended June 30, 2019, the Company repurchased an aggregate of \$81.4 million and \$100.4 million, respectively, of common stock under the stock repurchase plan authorized by the Company's Board of Directors. During the three and six months ended June 30, 2018, the Company repurchased an aggregate of \$22.0 million and \$40.1 million, respectively, of common stock under the stock repurchase plan.

NOTE 11—STOCK-BASED COMPENSATION

The Company's stock incentive plan allows for grants of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock units and other stock-based or cash-based awards. See Note 16 in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for additional information concerning its stock-based compensation.

Stock-based compensation expense consisted of the following:

<i>(in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Stock options	\$ 1,602	\$ 1,222	\$ 3,091	\$ 2,294
Restricted stock units	2,964	2,264	5,690	4,305
Total	\$ 4,566	\$ 3,486	\$ 8,781	\$ 6,599

Stock Options

During the six months ended June 30, 2019, the Company granted a total of 388,517 stock options at a weighted average grant date fair value of \$22.58. At June 30, 2019, unrecognized costs related to outstanding stock options totaled \$13.1 million, before any related tax benefit. The unrecognized costs related to stock options are amortized over the related vesting period using the straight-line attribution method. Unrecognized costs related to stock options at June 30, 2019 are expected to be recognized over a weighted average period of 2.63 years.

Restricted Stock Units

During the six months ended June 30, 2019, the Company granted 167,736 restricted stock units at an estimated average grant date fair value of \$95.47. At June 30, 2019, unrecognized costs related to outstanding restricted stock units totaled \$24.7 million, before any related tax benefit. The unrecognized costs related to restricted stock units are being amortized over the related vesting period using the straight-line attribution method. These unrecognized costs at June 30, 2019 are expected to be recognized over a weighted average period of 2.54 years.

NOTE 12—EARNINGS PER SHARE

Earnings per share ("EPS") is presented on both a basic and diluted basis. Basic EPS is based on the weighted average number of common shares outstanding. Diluted EPS reflects the potential dilution that could occur if outstanding securities or other contracts to issue common stock were exercised or converted into common stock.

A reconciliation of common shares used in the denominator for computing basic and diluted EPS is as follows:

<i>(in thousands, except per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Weighted average shares of common stock outstanding, used in computing basic earnings per share	67,930	70,021	68,109	70,050
Effect of dilutive stock options and restricted stock units	630	727	716	774
Weighted average shares of common stock outstanding, used in computing diluted earnings per share	68,560	70,748	68,825	70,824
Earnings per share of common stock attributable to Columbia Sportswear Company:				
Basic	\$ 0.34	\$ 0.14	\$ 1.43	\$ 0.78
Diluted	\$ 0.34	\$ 0.14	\$ 1.41	\$ 0.77

Stock options, service-based restricted stock units, and performance-based restricted stock representing 431,712 and 399,524 shares of common stock for the three months ended June 30, 2019 and 2018, respectively, and 356,167 and 311,837 shares of common stock for the six months

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ended June 30, 2019 and 2018, respectively, were outstanding but were excluded from the computation of diluted EPS because their effect would be anti-dilutive under the treasury stock method, or because the shares were subject to performance conditions that had not been met.

NOTE 13—ACCUMULATED OTHER COMPREHENSIVE LOSS

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

The following table sets forth the changes in accumulated other comprehensive loss attributable to Columbia Sportswear Company, net of tax, for the three months ended June 30, 2019:

<i>(in thousands)</i>	Unrealized gains (losses) on available- for-sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at March 31, 2019	\$ (4)	\$ 13,198	\$ (16,512)	\$ (3,318)
Other comprehensive income (loss) before reclassifications	—	(464)	3,901	3,437
Amounts reclassified from other comprehensive loss	—	(1,417)	—	(1,417)
Net other comprehensive income (loss) during the period	—	(1,881)	3,901	2,020
Balance at June 30, 2019	<u>\$ (4)</u>	<u>\$ 11,317</u>	<u>\$ (12,611)</u>	<u>\$ (1,298)</u>

The following table sets forth the changes in accumulated other comprehensive loss attributable to Columbia Sportswear Company, net of tax, for the three months ended June 30, 2018:

<i>(in thousands)</i>	Unrealized gains (losses) on available- for-sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at March 31, 2018	\$ —	\$ (15,801)	\$ 6,852	\$ (8,949)
Other comprehensive income (loss) before reclassifications	—	20,129	(17,115)	3,014
Amounts reclassified from other comprehensive loss	—	(439)	—	(439)
Net other comprehensive income (loss) during the period	—	19,690	(17,115)	2,575
Balance at June 30, 2018	<u>\$ —</u>	<u>\$ 3,889</u>	<u>\$ (10,263)</u>	<u>\$ (6,374)</u>

The following table sets forth the changes in accumulated other comprehensive loss attributable to Columbia Sportswear Company, net of tax, for the six months ended June 30, 2019:

<i>(in thousands)</i>	Unrealized gains (losses) on available- for-sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at December 31, 2018	\$ (60)	\$ 11,964	\$ (15,967)	\$ (4,063)
Other comprehensive income (loss) before reclassifications	56	2,804	3,356	6,216
Amounts reclassified from other comprehensive loss	—	(3,352)	—	(3,352)
Net other comprehensive income (loss) during the period	56	(548)	3,356	2,864
Purchase of non-controlling interest	—	(99)	—	(99)
Balance at June 30, 2019	<u>\$ (4)</u>	<u>\$ 11,317</u>	<u>\$ (12,611)</u>	<u>\$ (1,298)</u>

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The following table sets forth the changes in accumulated other comprehensive loss attributable to Columbia Sportswear Company, net of tax, for the six months ended June 30, 2018:

	Unrealized gains (losses) on available-for-sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at December 31, 2017	\$ (4)	\$ (10,716)	\$ 1,833	\$ (8,887)
Other comprehensive income (loss) before reclassifications	4	15,547	(12,096)	3,455
Amounts reclassified from other comprehensive income	—	(427)	—	(427)
Net other comprehensive income (loss) during the period	4	15,120	(12,096)	3,028
Adoption of ASU 2017-12	—	(515)	—	(515)
Balance at June 30, 2018	<u>\$ —</u>	<u>\$ 3,889</u>	<u>\$ (10,263)</u>	<u>\$ (6,374)</u>

NOTE 14—SEGMENT INFORMATION

The Company has aggregated its operating segments into four reportable geographic segments: the United States, LAAP, EMEA, and Canada, which are reflective of the Company's internal organization, management and oversight structure. Each geographic segment operates predominantly in one industry: the design, development, marketing and distribution of outdoor and active lifestyle apparel, footwear, accessories, and equipment. Intersegment net sales and intersegment profits, which are recorded at a negotiated mark-up and eliminated in consolidation, are not material. Unallocated corporate expenses consist of expenses incurred by centrally-managed departments, including global information systems, finance, human resources and legal, executive compensation, unallocated benefit program expense, and other miscellaneous costs.

The geographic distribution of the Company's *Net sales* and *Income from operations* in the Condensed Consolidated Statements of Operations are summarized in the following table for the three and six months ended June 30, 2019 and 2018.

<i>(in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net sales to unrelated entities:				
United States	\$ 315,527	\$ 280,170	\$ 727,751	\$ 643,014
LAAP	101,614	100,884	234,473	232,453
EMEA	91,527	84,986	162,875	156,761
Canada	17,542	15,579	55,719	56,699
	<u>\$ 526,210</u>	<u>\$ 481,619</u>	<u>\$ 1,180,818</u>	<u>\$ 1,088,927</u>
Segment income (loss) from operations:				
United States	\$ 46,453	\$ 41,640	\$ 142,176	\$ 117,470
LAAP	9,991	10,247	36,741	34,365
EMEA	9,557	4,898	18,743	11,546
Canada	(2,618)	(2,950)	3,393	3,292
Total segment income from operations	63,383	53,835	201,053	166,673
Unallocated corporate expenses	(47,018)	(44,086)	(96,730)	(97,603)
Interest income, net	2,571	2,928	5,971	5,224
Other non-operating income (expense)	1,032	(96)	1,478	(364)
Income before income taxes	<u>\$ 19,968</u>	<u>\$ 12,581</u>	<u>\$ 111,772</u>	<u>\$ 73,930</u>

During the fourth quarter of 2018, the Company revised its methodology for allocating certain expenses to its reportable segments to better reflect how management reviews financial information and makes operating decisions. As a result, prior year balances for segment income from operations for each reportable segment, and unallocated corporate expenses in the table above have been reclassified to conform with the current year's presentation.

In addition, during the fourth quarter of 2018, the Company determined that it had incorrectly allocated certain amounts of operating income to its United States segment, resulting in the overstatement of both total segment income from operations and unallocated corporate expenses by \$3.2 million and \$6.3 million for the three and six months ended June 30, 2018, respectively. The Company assessed the significance of the misclassifications and concluded that they were not material to any prior periods. As a result, the United States and total segment income from

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operations as well as unallocated corporate expenses for the three and six months ended June 30, 2018 in the table above have been revised from amounts previously reported to correct the misclassifications. These corrections had no effect on the Company's Condensed Consolidated Statements of Operations.

Concentrations

The Company had one customer that accounted for 10.7% of *Accounts receivable, net of allowance* on the Condensed Consolidated Balance Sheets as of June 30, 2019. The Company had one customer that accounted for 11.6% of *Accounts receivable, net of allowance* as of December 31, 2018. The Company had two customers that accounted for 11.3% and 10.6%, respectively, of *Accounts receivable, net of allowance* as of June 30, 2018. No single customer accounted for 10% or more of *Net sales* in the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2019 or 2018, or for the year ended December 31, 2018.

NOTE 15—FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The Company actively manages the risk of changes in functional currency equivalent cash flows resulting from anticipated non-functional currency denominated purchases and sales. Subsidiaries that use European euros, Canadian dollars, Japanese yen, Chinese renminbi, or Korean won as their functional currency are primarily exposed to changes in functional currency equivalent cash flows from anticipated U.S. dollar inventory purchases. Subsidiaries that use U.S. dollars and euros as their functional currency also have non-functional currency denominated sales for which the Company hedges the Canadian dollar and Great British pound. The Company manages these risks by using currency forward contracts formally designated and effective as cash flow hedges. Hedge effectiveness is generally determined by evaluating the ability of a hedging instrument's cumulative change in fair value to offset the cumulative change in the present value of expected cash flows on the underlying exposures. For forward contracts, prior to June 2019, the time value components ("forward points") were excluded from the determination of hedge effectiveness and included in current period *Cost of sales* for hedges of anticipated U.S. dollar inventory purchases and in *Net sales* for hedges of anticipated non-functional currency denominated sales on a straight-line basis over the life of the contract. Effective June 2019, the forward points are now included in the fair value of the cash flow hedge on a prospective basis. These costs or benefits will be included in *Accumulated other comprehensive income* until the underlying hedge transaction is recognized in either *Net sales* or *Cost of sales*, at which time, the forward points will also be recognized as a component of *Net income*. Hedge ineffectiveness was not material during the three and six months ended June 30, 2019 and 2018.

The Company also uses currency forward contracts not formally designated as hedges to manage the consolidated currency exchange rate risk associated with the remeasurement of non-functional currency denominated monetary assets and liabilities by subsidiaries that use U.S. dollars, euros, Canadian dollars, yen, won, or renminbi as their functional currency. Non-functional currency denominated monetary assets and liabilities consist primarily of cash and cash equivalents, short-term investments, receivables, payables, deferred income taxes, and intercompany loans. The gains and losses generated on these currency forward contracts not formally designated as hedges are expected to be largely offset in *Other non-operating expense, net* by the gains and losses generated from the remeasurement of the non-functional currency denominated monetary assets and liabilities.

The following table presents the gross notional amount of outstanding derivative instruments:

<i>(in thousands)</i>	June 30, 2019	December 31, 2018	June 30, 2018
Derivative instruments designated as cash flow hedges:			
Currency forward contracts	\$ 353,975	\$ 399,348	\$ 493,828
Derivative instruments not designated as cash flow hedges:			
Currency forward contracts	359,179	379,701	419,707

At June 30, 2019, \$10.6 million of deferred net gains on both outstanding and matured derivatives recorded in *Other comprehensive income* are expected to be reclassified to *Net income* during the next twelve months as a result of underlying hedged transactions also being recorded in *Net sales* or *Cost of sales* in the Condensed Consolidated Statements of Operations. Actual amounts ultimately reclassified to *Net sales* or *Cost of sales* in the Condensed Consolidated Statements of Comprehensive Income are dependent on U.S. dollar exchange rates in effect against the euro, renminbi, Canadian dollar, and yen when outstanding derivative contracts mature.

At June 30, 2019, the Company's derivative contracts had a remaining maturity of less than four years. The maximum net exposure to any single counterparty, which is generally limited to the aggregate unrealized gain of all contracts with that counterparty, was less than \$5.0 million at June 30, 2019. All of the Company's derivative counterparties have credit ratings that are at least investment grade or higher. The Company is

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a party to master netting arrangements that contain features that allow counterparties to net settle amounts arising from multiple separate derivative transactions or net settle amounts arising from multiple separate derivative transactions or net settle in the case of certain triggering events such as a bankruptcy or major default of one of the counterparties to the transaction. The Company has not pledged assets or posted collateral as a requirement for entering into or maintaining derivative positions.

The following table presents the balance sheet classification and fair value of derivative instruments:

<i>(in thousands)</i>	Balance Sheet Classification	June 30, 2019	December 31, 2018	June 30, 2018
Derivative instruments designated as cash flow hedges:				
Derivative instruments in asset positions:				
Currency forward contracts	Prepaid expenses and other current assets	\$ 11,392	\$ 11,818	\$ 4,692
Currency forward contracts	Other non-current assets	6,776	9,922	10,516
Derivative instruments in liability positions:				
Currency forward contracts	Accrued liabilities	170	47	1,022
Currency forward contracts	Other long-term liabilities	140	1	327
Derivative instruments not designated as cash flow hedges:				
Derivative instruments in asset positions:				
Currency forward contracts	Prepaid expenses and other current assets	2,181	1,797	2,471
Derivative instruments in liability positions:				
Currency forward contracts	Accrued liabilities	1,920	970	1,873

The following table presents the statement of operations effect and classification of derivative instruments:

<i>(in thousands)</i>	Statement of Operations Classification	Three Months Ended June 30,		Six Months Ended June 30,	
		2019	2018	2019	2018
Currency Forward and Option Contracts:					
Derivative instruments designated as cash flow hedges:					
Gain (loss) recognized in other comprehensive income, net of tax	—	\$ (464)	\$ 20,859	\$ 2,804	\$ 15,627
Gain reclassified from accumulated other comprehensive income to income for the effective portion	Net sales	75	19	110	24
Gain (loss) reclassified from accumulated other comprehensive income or loss to income for the effective portion	Cost of sales	925	(1,398)	2,121	(3,064)
Gain (loss) recognized in income for amount excluded from effectiveness testing and for the ineffective portion	Net sales	(26)	6	(31)	12
Gain recognized in income for amount excluded from effectiveness testing and for the ineffective portion	Cost of sales	931	1,896	2,380	3,821
Derivative instruments not designated as cash flow hedges:					
Gain (loss) recognized in income	Other non-operating expense	(1,137)	2,836	(574)	2,234

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NOTE 16—FAIR VALUE MEASURES

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

Level 1 — observable inputs such as quoted prices for identical assets or liabilities in active liquid markets;

Level 2 — inputs, other than the quoted market prices in active markets, that are observable, either directly or indirectly; or observable market prices in markets with insufficient volume or infrequent transactions; and

Level 3 — unobservable inputs for which there is little or no market data available, that require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2019 were as follows:

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	\$ 130,097	\$ —	\$ —	\$ 130,097
Available-for-sale short-term investments ⁽¹⁾ :				
U.S. Government treasury bills	—	136,721	—	136,721
Other short-term investments:				
Mutual fund shares	1,477	—	—	1,477
Other current assets:				
Derivative financial instruments (Note 15)	—	13,573	—	13,573
Other non-current assets:				
Money market funds	1,312	—	—	1,312
Mutual fund shares	10,954	—	—	10,954
Derivative financial instruments (Note 15)	—	6,776	—	6,776
Total assets measured at fair value	<u>\$ 143,840</u>	<u>\$ 157,070</u>	<u>\$ —</u>	<u>\$ 300,910</u>
Liabilities:				
Accrued liabilities:				
Derivative financial instruments (Note 15)	\$ —	\$ 2,090	\$ —	\$ 2,090
Other long-term liabilities:				
Derivative financial instruments (Note 15)	—	140	—	140
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ 2,230</u>	<u>\$ —</u>	<u>\$ 2,230</u>

⁽¹⁾ Investments have remaining maturities of less than one year.

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Assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 were as follows:

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	\$ 122,237	\$ —	\$ —	\$ 122,237
U.S. Government treasury bills	—	39,952	—	39,952
Available-for-sale short-term investments ⁽¹⁾				
U.S. Government treasury bills	—	261,602	—	261,602
Other short-term investments:				
Mutual fund shares	1,200	—	—	1,200
Other current assets:				
Derivative financial instruments (Note 15)	—	13,615	—	13,615
Other non-current assets:				
Money market funds	869	—	—	869
Mutual fund shares	8,606	—	—	8,606
Derivative financial instruments (Note 15)	—	9,922	—	9,922
Total assets measured at fair value	<u>\$ 132,912</u>	<u>\$ 325,091</u>	<u>\$ —</u>	<u>\$ 458,003</u>
Liabilities:				
Accrued liabilities:				
Derivative financial instruments (Note 15)	\$ —	\$ 1,017	\$ —	\$ 1,017
Other long-term liabilities:				
Derivative financial instruments (Note 15)	—	1	—	1
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ 1,018</u>	<u>\$ —</u>	<u>\$ 1,018</u>

⁽¹⁾ Investments have remaining maturities of less than one year.

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Assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 were as follows:

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	\$ 144,729	\$ —	\$ —	\$ 144,729
Time deposits	61,563	—	—	61,563
U.S. Government treasury bills	—	121,352	—	121,352
Available-for-sale short-term investments ⁽¹⁾ :				
U.S. Government treasury bills	—	225,247	—	225,247
U.S. Government-backed municipal bonds	—	37,335	—	37,335
Other short-term investments:				
Mutual funds shares	1,432	—	—	1,432
Other current assets:				
Derivative financial instruments (Note 15)	—	7,163	—	7,163
Other non-current assets:				
Mutual fund shares	9,332	—	—	9,332
Derivative financial instruments (Note 15)	—	10,516	—	10,516
Total assets measured at fair value	<u>\$ 217,056</u>	<u>\$ 401,613</u>	<u>\$ —</u>	<u>\$ 618,669</u>
Liabilities:				
Accrued liabilities:				
Derivative financial instruments (Note 15)	\$ —	\$ 2,895	\$ —	\$ 2,895
Other long-term liabilities:				
Derivative financial instruments (Note 15)	—	327	—	327
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ 3,222</u>	<u>\$ —</u>	<u>\$ 3,222</u>

⁽¹⁾ Investments have remaining maturities of less than one year.

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

Non-recurring Fair Value Measurements

There were no material assets and liabilities measured at fair value on a nonrecurring basis as of June 30, 2019, December 31, 2018 or June 30, 2018.

NOTE 17—RELATED PARTY TRANSACTIONS

As described in Note 4, prior to January 2, 2019, the Company owned a 60% controlling interest in a joint venture formed with Swire, which was a related party. The joint venture arrangement involved Transition Services Agreements ("TSAs") with Swire, under which Swire provided administrative and information technology services to the joint venture. The fees incurred for these services by the joint venture were immaterial during the three months and six months ended June 30, 2018. In addition, the joint venture paid Swire sourcing fees related to the purchase of certain inventory. These sourcing fees were capitalized into *Inventories* and charged to *Cost of sales* as the inventories were sold.

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

The China joint venture declared a cash dividend of RMB341.3 million (approximately US\$53.3 million) in June 2018 to stockholders of record as of June 14, 2018 and paid the dividend in the third quarter of 2018. The dividend paid to Swire was RMB136.5 million (approximately US\$21.3 million at the date of declaration, which equated to approximately US\$20.0 million on the date of payment). The dividend paid to the Company of \$32.0 million was eliminated in consolidation. In addition, in September 2018, the Company and Swire entered into an EITA, under which the Company committed to buy out the 40% non-controlling interest in the joint venture. The buyout was subject to various terms and conditions. As part of the buyout arrangement, in September 2018 the Company placed \$14.0 million in an escrow account as a portion of the funds needed to complete the buyout in early 2019. The escrow amount was shown as *Restricted cash* on the Condensed Consolidated Balance Sheets at December 31, 2018.

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On January 2, 2019, the buyout transaction closed, and Swire was no longer considered to be a related party. Pursuant to the terms of the buyout arrangement, the escrow balance of \$14.0 million was paid to Swire. In April 2019, the Company remitted a final payment of \$3.9 million to Swire, based on the final outcome of certain accounting estimates associated with the China joint venture. As a result of the buyout, the condensed consolidated financial statements of the Company will not separately reflect amounts related to the non-controlling interest.

NOTE 18—INCOME TAXES

For the three months ended June 30, 2019, the Company reported an *Income tax benefit* in the Condensed Consolidated Statements of Operations of \$3.1 million, or a negative 15.3% effective income tax rate, compared to a \$2.1 million income tax expense, or a 16.6% effective income tax rate, for the three months ended June 30, 2018. For the six months ended June 30, 2019 and 2018, the effective income tax rates were 13.0% and 19.9%, respectively. The effective income tax rates for the three and six months ended June 30, 2019 were impacted by discrete items, primarily the passage of a Swiss tax reform package in May 2019 which resulted in a \$6.6 million tax benefit related to the revaluation of the Company's Swiss deferred tax assets at a higher rate.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This quarterly report contains forward-looking statements within the meaning of federal securities laws. Forward-looking statements include any statements related to our expectations regarding future performance or market position, including any statements regarding anticipated sales, gross margins and operating margins across markets or segments, profitability and the effect of specified factors on profitability for 2019, expenses, sourcing costs, effects of unseasonable weather on our results of operations, inventory levels, investments in our business and strategic priorities and the expected timing and effects of such investments, including investments in and implementation of our information technology ("IT") systems, intellectual property or other disputes, our direct-to-consumer ("DTC") businesses, including planned store additions, access to raw materials and factory capacity, financing, and working capital requirements and resources, planned capital expenditures, ability to meet our liquidity needs, plans to pay future cash dividends to our shareholders and the funding of such dividends, effects of the Tax Cuts and Jobs Act (the "TCJA") and the adoption of new accounting standards, income tax rates and pre-tax income, results of any tax audit, and our exposure to market risk associated with interest rates and foreign currency exchange rates.

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

Our Business

As one of the largest outdoor and active lifestyle apparel and footwear companies in the world, we design, develop, market, and distribute outdoor and active lifestyle apparel, footwear, accessories, and equipment primarily under the Columbia, SOREL, Mountain Hardwear, and prAna brands. Our products are sold through a mix of wholesale distribution channels, our own DTC businesses and independent international distributors. In addition, we license some of our trademarks across a range of apparel, footwear, accessories, equipment, and home products.

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

Seasonality and Variability of Business

Our business is affected by the general seasonal trends common to the industry, including seasonal weather and discretionary consumer shopping and spending patterns. Our products are marketed on a seasonal basis and our sales are weighted substantially toward the third and fourth quarters, while our operating costs are more equally distributed throughout the year. In 2018, approximately 60% of our net sales and approximately 80% of our operating income were realized in the second half of the year, illustrating our dependence upon sales results in the second half of the year, as well as the less seasonal nature of our operating costs. The expansion of our DTC businesses has increased the proportion of sales, profits and cash flows that we generate in the second half of the year.

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

Results of operations in any period should not be considered indicative of the results to be expected for any future period, particularly in light of persistent volatility in global economic and geopolitical conditions and volatility of foreign currency exchange rates which, when combined with seasonal weather patterns and inflationary or volatile sourcing costs, reduce the predictability of our business.

Business Outlook

The global business climate presents us with a great deal of uncertainty, making it difficult to predict future results. Consistent with the historical seasonality of the business, we anticipate 2019 profitability to be heavily concentrated in the second half of the year. Factors that could significantly affect our full year 2019 financial results include:

- Continued growth, performance and profitability of our global DTC operations;
- Unseasonable weather conditions or other unforeseen factors affecting consumer demand and the resulting effect on cancellations of advance wholesale and distributor orders, sales returns, customer accommodations, replenishment orders and reorders, DTC sales, changes in mix and volume of full price sales in relation to promotional and closeout product sales, and suppressed customer and end-consumer demand in subsequent seasons;
- An increase in current and future inventory levels, as well as our ability to effectively liquidate excess inventory timely and profitably through wholesale closeouts and DTC outlet stores;

- Difficult economic, geopolitical and competitive environments in certain key markets globally, coupled with increasing global economic uncertainty;
- Impacts of recent changes and further changes to tariffs or international trade policy;
- The implementation of our global DTC and e-commerce platforms and continued optimization of our enterprise resource planning platform;
- Execution of our strategic initiatives and related business process and system changes across our business, including our supply chain, as well as other capability development;
- The financial value capture associated with and resulting from Project CONNECT;
- Economic and industry trends affecting consumer traffic and spending in brick and mortar retail channels, which have created uncertainty regarding the long-term financial health of certain of our wholesale customers, and, in certain cases, may require the cancellation of customer shipments and/or increased credit exposure associated with any such shipments;
- The effects of changes in foreign currency exchange rates on net sales, gross margin, operating income, and net income;
- Net sales growth and profitability contributed by our LAAP businesses, in particular, China, which has softened due to competitive pressures and elevated dealer inventory levels;
- Performance of our Mountain Hardwear brand as we work to re-invigorate that brand in the marketplace;
- Performance of our prAna brand as we work to maintain the brand's premium positioning and raise brand awareness in order to drive long-term profitable sales growth;
- Impacts resulting from additional guidance about and implementation of the TCJA enacted in 2017; and
- Accelerated investment in and execution of demand creation, DTC infrastructure and other strategic priorities and initiatives.

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

Strategic Priorities

As part of our commitment to driving sustainable and profitable growth and relentless improvement, we remain focused on investment in our strategic priorities, including:

- Driving brand awareness and sales growth through increased, focused demand creation investments;
- Enhancing consumer experience and digital capabilities in all of our channels and geographies;
- Expanding and improving global DTC operations with supporting processes and systems; and
- Investing in our people and optimizing our organization across our portfolio of brands.

Ultimately, we expect our investments to enable market share capture across our brand portfolio, expand gross margin, improve selling, general and administrative ("SG&A") expense efficiency, and drive improved operating margin.

Consumer-First Platform ("C1")

During 2017, we commenced investment in our C1 initiative, which encompasses the global retail platform and IT systems to support the growth and continued development of our omnichannel capabilities. The objective of this initiative is consistent with our strategic priorities to deliver an enhanced consumer experience and to modernize and standardize our processes and systems to enable us to better anticipate and deliver against the needs of our consumers. We have begun our North America implementation of C1 including the pilot roll out of the platform to a limited number of stores in early July 2019, but we may choose to move future implementation steps into later periods.

Experience First ("X1")

During 2018, we commenced investment in our X1 initiative, which is designed to enhance our e-commerce systems to take advantage of the changes in consumer browsing and purchasing behavior towards mobile devices. It encompasses reimplementing of our e-commerce platforms to offer improved search, browsing, checkout, loyalty, and customer care experiences for mobile shoppers. Once complete, the project will be implemented across all of our brands.

We are working toward a phased implementation of X1. In the quarter ended June 30, 2019, we implemented X1 across 10 countries in Europe-direct and for the prAna brand in the U.S. We continue to expect the majority of the North America implementation to commence in 2020. We continue to evaluate the timeline to ensure appropriate alignment of the work required to be completed with our retail calendar. We may choose to move future implementation steps into later periods.

Project CONNECT

During 2017, we initiated Project CONNECT, aimed at aligning our resources to accelerate execution on our strategic priorities, including initiatives to drive net sales, capture cost of sales efficiencies, generate SG&A expense savings, and improve our marketing effectiveness. Efficiencies within cost of sales are creating a meaningful benefit to product margin driven by assortment optimization, design-to-value initiatives and DTC pricing and markdown optimization. As we continue to realize these benefits, we are reallocating resources to our strategic priorities, including incremental demand creation spending, and other investments to drive growth across our brands and distribution channels.

Results of Operations

The following discussion of our results of operations and liquidity and capital resources should be read in conjunction with the condensed consolidated financial statements and accompanying Notes that appear in Part I, Item 1, Financial Statements in this quarterly report. All references to quarters relate to the quarter ended June 30 of the particular year.

To supplement financial information reported in accordance with accounting principles generally accepted in the United States ("GAAP"), we disclose constant-currency net sales information, which is a non-GAAP financial measure, to provide a framework to assess how the business performed excluding the effects of changes in the exchange rates used to translate net sales generated in foreign currencies into U.S. dollars. Management believes that this non-GAAP financial measure reflects an additional and useful way of viewing an aspect of our operations that, when viewed in conjunction with our GAAP results, provides a more comprehensive understanding of our business and operations. In particular, investors may find the non-GAAP measures useful by reviewing our net sales results without the volatility in foreign currency exchange rates. This non-GAAP financial measure also facilitates management's internal comparisons to our historical net sales results and comparisons to competitors' net sales results. Constant-currency financial measures should be viewed in addition to, and not in lieu of or superior to, our financial measures calculated in accordance with GAAP. The following discussion includes references to constant-currency net sales, and we provide a reconciliation of this non-GAAP measure to the most directly comparable financial measure calculated in accordance with GAAP below.

Highlights of the Second Quarter of 2019

- Net sales increased \$44.6 million, or 9%, to \$526.2 million from \$481.6 million in the second quarter of 2018.
- Income from operations increased \$6.6 million, or 68%, to \$16.4 million from \$9.7 million in the second quarter of 2018.
- Net income attributable to Columbia Sportswear Company increased \$13.3 million, or 137%, to \$23.0 million, or \$0.34 per diluted share, including a one-time tax benefit of \$6.6 million related to the passage of a Swiss tax reform package, from \$9.7 million, or \$0.14 per diluted share, in the second quarter of 2018.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net sales	100.0%	100.0 %	100.0 %	100.0 %
Cost of sales	51.8	52.5	50.0	51.5
Gross profit	48.2	47.5	50.0	48.5
Selling, general and administrative expenses	45.8	46.1	41.7	42.8
Net licensing income	0.7	0.6	0.5	0.6
Income from operations	3.1	2.0	8.8	6.3
Interest income, net	0.5	0.6	0.5	0.5
Other non-operating income (expense), net	0.2	—	0.2	—
Income before income tax	3.8	2.6	9.5	6.8
Income tax benefit (expense)	0.6	(0.4)	(1.3)	(1.4)
Net income	4.4	2.2	8.2	5.4
Net income attributable to non-controlling interest	—	0.2	—	0.4
Net income attributable to Columbia Sportswear Company	4.4%	2.0 %	8.2 %	5.0 %

Results of Operations — Consolidated

Quarter Ended June 30, 2019 Compared to Quarter Ended June 30, 2018

Net Sales: Consolidated net sales increased \$44.6 million, or 9% (11% constant-currency), to \$526.2 million for the second quarter of 2019 from \$481.6 million for the comparable period in 2018.

Sales by Brand

Net sales by brand are summarized in the following table:

<i>(In millions, except for percentage changes)</i>	Three Months Ended June 30,					
	Reported	Adjust for	Constant-	Reported	Reported	Constant-
	Net Sales	Foreign	currency	Net Sales	Net Sales	currency
	2019	Currency	Net Sales	2018	Net Sales	Net Sales
		Translation	2019 ⁽¹⁾		% Change	% Change
Columbia	\$ 454.9	\$ 7.3	\$ 462.2	\$ 414.8	10%	11%
SOREL	15.1	—	15.1	11.4	32%	32%
prAna	38.7	—	38.7	38.1	2%	2%
Mountain Hardware	17.5	0.3	17.8	16.0	9%	11%
Other	—	—	—	1.3	(100)%	(100)%
	<u>\$ 526.2</u>	<u>\$ 7.6</u>	<u>\$ 533.8</u>	<u>\$ 481.6</u>	9%	11%

⁽¹⁾ Constant-currency net sales information is a non-GAAP financial measure that excludes the effect of changes in foreign currency exchange rates against the U.S. dollar between comparable reporting periods. We calculate constant-currency net sales by translating net sales in foreign currencies for the current period into U.S. dollars at the average exchange rates that were in effect during the comparable period of the prior year.

Columbia brand net sales increased \$40.1 million, or 10% (11% constant-currency), to \$454.9 million, led by increased net sales in the U.S. wholesale business, followed by the U.S. DTC and EMEA distributor businesses. Results included increased net sales across all product categories.

SOREL brand net sales increased \$3.7 million, or 32%, to \$15.1 million.

prAna brand net sales increased \$0.6 million, or 2%, to \$38.7 million.

Mountain Hardware brand net sales increased \$1.5 million, or 9% (11% constant-currency), to \$17.5 million.

Sales by Product Category

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

<i>(In millions, except for percentage changes)</i>	Three Months Ended June 30,					
	Reported	Adjust for	Constant-	Reported	Reported	Constant-
	Net Sales	Foreign	currency	Net Sales	Net Sales	currency
	2019	Currency	Net Sales	2018	Net Sales	Net Sales
		Translation	2019 ⁽¹⁾		% Change	% Change
Apparel, Accessories and Equipment	\$ 432.2	\$ 5.4	\$ 437.6	\$ 394.6	10%	11%
Footwear	94.0	2.2	96.2	87.0	8%	11%
	<u>\$ 526.2</u>	<u>\$ 7.6</u>	<u>\$ 533.8</u>	<u>\$ 481.6</u>	9%	11%

Apparel, accessories and equipment net sales increased \$37.6 million, or 10% (11% constant-currency), to \$432.2 million. Increased apparel, accessories and equipment net sales were driven by net sales growth led by the U.S., followed by the EMEA distributor business. The increase in apparel, accessories and equipment net sales was concentrated in the Columbia brand.

Footwear net sales increased \$7.0 million, or 8% (11% constant-currency), to \$94.0 million. Increased footwear net sales were driven by sales growth in both the U.S. wholesale and DTC businesses, and was led by the SOREL brand, followed by the Columbia brand.

Sales by Channel

Net sales by channel are summarized in the following table:

<i>(In millions, except for percentage changes)</i>	Three Months Ended June 30,					
	Reported	Adjust for	Constant-	Reported	Reported	Constant-
	Net Sales	Foreign	currency	Net Sales	Net Sales	currency
	2019	Currency	Net Sales	2018 ⁽²⁾	% Change	% Change
		Translation	2019 ⁽¹⁾			
Wholesale	\$ 296.2	\$ 4.0	\$ 300.2	\$ 263.9	12%	14%
DTC	230.0	3.6	233.6	217.7	6%	7%
	\$ 526.2	\$ 7.6	\$ 533.8	\$ 481.6	9%	11%

⁽²⁾ Prior year channel net sales have been revised from amounts previously reported. See Note 3 to the condensed consolidated financial statements for additional discussion.

Wholesale channel net sales increased \$32.3 million, or 12% (14% constant-currency), to \$296.2 million, driven by increased net sales across all regions, led by the U.S.

DTC channel net sales increased \$12.3 million, or 6% (7% constant-currency), to \$230.0 million, primarily by increased net sales in the U.S.

Gross Profit: Gross profit as a percentage of net sales increased to 48.2% in the second quarter of 2019 from 47.5% for the comparable period in 2018. Gross profit expansion was primarily due to:

- A favorable impact from Project CONNECT benefits including our design-to-value, assortment optimization and manufacturing efficiency initiatives; partially offset by
- A higher proportion of closeout product net sales; and
- A lower DTC net sales mix, which generally carries a higher gross margin.

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

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

SG&A expense increased \$18.6 million, or 8%, to \$240.8 million, or 45.8% of net sales, for the second quarter of 2019, from \$222.2 million, or 46.1% of net sales, for the comparable period in 2018.

The SG&A expense increase was primarily due to:

- Increased expenses to support our expanding global DTC operations;
- Increased personnel costs and project-related expenses to support business growth and strategic initiatives, including ongoing IT system implementations; and
- Increased demand creation spending; partially offset by
- The impact of weakening foreign currencies relative to the U.S. dollar; and
- The non-recurrence of Project CONNECT expenses and discrete costs.

Income from Operations: Income from operations increased \$6.6 million, or 68%, to \$16.4 million in the second quarter of 2019 from \$9.7 million for the comparable period in 2018. Income from operations as a percentage of net sales increased to 3.1% in the second quarter of 2019, compared to 2.0% in the comparable period in 2018.

Income Tax Benefit (Expense): Income tax benefit was \$3.1 million for the second quarter of 2019, compared to an expense of \$2.1 million for the comparable period in 2018. Our effective income tax rate was negative 15.3% for the second quarter of 2019, compared to 16.6% for the same period in 2018. The effective income tax rate for the second quarter of 2019 was impacted by the passage of a Swiss tax reform package, which resulted in a \$6.6 million tax benefit related to the revaluation of our Swiss deferred tax assets at a higher rate.

Net Income Attributable to Columbia Sportswear Company: Net income increased \$13.3 million, or 136.5%, to \$23.0 million, or \$0.34 per diluted share, for the second quarter of 2019 from \$9.7 million, or \$0.14 per diluted share, for the comparable period in 2018, which included \$1.4 million, net of tax, of Project CONNECT program expenses and discrete costs and \$0.1 million of incremental income tax expense related to the TCJA. The second quarter of 2019 net income includes the benefit of full ownership of our China business, which became a wholly owned subsidiary effective January 2019. In the second quarter of 2018, the non-controlling interest share of net income was \$0.8 million, or \$0.01 per diluted share.

Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018

Net Sales: Consolidated net sales increased \$91.9 million, or 8% (10% constant-currency), to \$1,180.8 million for the six months ended June 30, 2019, from \$1,088.9 million for the comparable period in 2018.

Sales by Brand

Net sales by brand are summarized in the following table:

<i>(In millions, except for percentage changes)</i>	Six Months Ended June 30,					
	Reported	Adjust for	Constant-	Reported	Reported	Constant-
	Net Sales	Foreign	currency	Net Sales	Net Sales	currency
	2019	Currency	Net Sales	2018	% Change	% Change
		Translation	2019			
Columbia	\$ 1,007.1	\$ 16.8	\$ 1,023.9	\$ 923.6	9%	11%
SOREL	54.6	0.6	55.2	42.2	29%	31%
prAna	79.9	—	79.9	80.4	(1)%	(1)%
Mountain Hardware	39.2	0.6	39.8	40.4	(3)%	(1)%
Other	—	—	—	2.3	(100)%	(100)%
	<u>\$ 1,180.8</u>	<u>\$ 18.0</u>	<u>\$ 1,198.8</u>	<u>\$ 1,088.9</u>	<u>8%</u>	<u>10%</u>

Columbia brand net sales increased \$83.5 million, or 9% (11% constant-currency), to \$1,007.1 million for the six months ended June 30, 2019 from \$923.6 million for the comparable period in 2018, led by increased net sales in the U.S. DTC and wholesale businesses, as well as increased net sales across all product categories.

SOREL brand net sales increased \$12.4 million, or 29% (31% constant-currency), to \$54.6 million for the six months ended June 30, 2019 from \$42.2 million for the comparable period in 2018, driven by net sales growth in the U.S. wholesale and DTC businesses.

prAna brand net sales decreased \$0.5 million, or 1%, to \$79.9 million.

Mountain Hardware brand net sales decreased \$1.2 million, or 3% (1% constant-currency), to \$39.2 million.

Sales by Product Category

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

<i>(In millions, except for percentage changes)</i>	Six Months Ended June 30,					
	Reported	Adjust for	Constant-	Reported	Reported	Constant-
	Net Sales	Foreign	currency	Net Sales	Net Sales	currency
	2019	Currency	Net Sales	2018	% Change	% Change
		Translation	2019			
Apparel, Accessories and Equipment	\$ 958.2	\$ 12.9	\$ 971.1	\$ 884.6	8%	10%
Footwear	222.6	5.1	227.7	204.3	9%	11%
	<u>\$ 1,180.8</u>	<u>\$ 18.0</u>	<u>\$ 1,198.8</u>	<u>\$ 1,088.9</u>	<u>8%</u>	<u>10%</u>

Apparel, accessories and equipment net sales increased \$73.6 million, or 8% (10% constant-currency), to \$958.2 million. Increased apparel, accessories and equipment net sales were driven by sales growth led by U.S., followed by EMEA distributor, Japan and Europe-direct businesses. The increase in apparel, accessories and equipment net sales was concentrated in the Columbia brand.

Footwear net sales increased \$18.3 million, or 9% (11% constant-currency), to \$222.6 million. Increased footwear net sales were driven by sales growth in both the U.S. wholesale and DTC businesses, partially offset by a net sales decrease in Europe. The increase in footwear net sales was led by the SOREL brand, followed by the Columbia brand.

Sales by Channel

Net sales by channel summarized in the following table:

	Six Months Ended June 30,					
	Reported	Adjust for	Constant-	Reported	Reported	Constant-
	Net Sales	Foreign	currency	Net Sales	Net Sales	currency
(In millions, except for percentage changes)	2019	Currency	Net Sales	2018	% Change	Net Sales
		Translation	2019			% Change
Wholesale	\$ 659.4	\$ 11.1	\$ 670.5	\$ 611.6	8%	10%
DTC	521.4	6.9	528.3	477.3	9%	11%
	\$ 1,180.8	\$ 18.0	\$ 1,198.8	\$ 1,088.9	8%	10%

Wholesale channel net sales increased \$47.8 million, or 8% (10% constant-currency), to \$659.4 million, primarily due to increased net sales in the U.S.

DTC channel net sales increased \$44.1 million, or 9% (11% constant-currency), to \$521.4 million, driven by increased net sales across all regions, led by the U.S.

Gross Profit: Gross profit, as a percentage of net sales, increased to 50.0% in the six months ended June 30, 2019, from 48.5% for the comparable period in 2018, primarily due to a favorable impact from Project CONNECT benefits including our design-to-value, assortment optimization and manufacturing efficiency initiatives.

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

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

SG&A expense increased \$27.0 million, or 6%, to \$492.5 million, or 41.7% of net sales, for the six months ended June 30, 2019, from \$465.6 million, or 42.8% of net sales, for the comparable period in 2018.

The SG&A expense increase was primarily due to:

- Increased expenses to support our expanding global DTC operations;
- Increased personnel costs and project-related expenses to support business growth and strategic initiatives, including ongoing IT system implementations; and
- Increased demand creation spending; partially offset by
- The non-recurrence of Project CONNECT program expenses and discrete costs; and
- The impact of weakening foreign currencies relative to the U.S. dollar.

Income from Operations: Income from operations increased \$35.3 million, or 51%, to \$104.3 million for the six months ended June 30, 2019 from \$69.1 million for the comparable period in 2018. Income from operations as a percentage of net sales increased to 8.8% for the six months ended June 30, 2019, compared to 6.3% in the comparable period in 2018.

Income Tax Benefit (Expense): Income tax expense decreased \$0.1 million to \$14.6 million for the six months ended June 30, 2019 from \$14.7 million for the comparable period in 2018. Our effective income tax rate decreased to 13.0% for the six months ended June 30, 2019 from 19.9% for the same period in 2018. The effective income tax rate for the six months ended June 30, 2019 was impacted by the passage of a Swiss tax reform package, which resulted in a \$6.6 million tax benefit related to the revaluation of our Swiss deferred tax assets at a higher rate.

Net Income Attributable to Columbia Sportswear Company: Net income increased \$42.4 million, or 77.2%, to \$97.2 million, or \$1.41 per diluted share, for the six months ended June 30, 2019 from \$54.8 million, or \$0.77 per diluted share, for the comparable period in 2018, which included \$9.8 million, net of tax, of Project CONNECT program expense and discrete costs and \$1.2 million of incremental income tax expense related to the TCJA. Net income for the six months ended June 30, 2019 includes the benefit of full ownership of our China business, which became a wholly owned subsidiary effective January 2019. In the comparable period of 2018, the non-controlling interest share of net income was \$4.4 million or \$0.06 per diluted share.

Results of Operations — Segment
Quarter Ended June 30, 2019 Compared to Quarter Ended June 30, 2018

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

<i>(In millions, except for percentage changes)</i>	Three Months Ended June 30,					
	Reported	Adjust for	Constant-	Reported	Reported	Constant-
	Net Sales	Foreign	currency	Net Sales	Net Sales	currency
	2019	Currency	Net Sales	2018	Net Sales	Net Sales
		Translation	2018 ⁽¹⁾		% Change	% Change ⁽¹⁾
United States	\$ 315.5	\$ —	\$ 315.5	\$ 280.2	13%	13%
LAAP	101.6	4.4	106.0	100.8	1%	5%
EMEA	91.6	2.4	94.0	85.0	8%	11%
Canada	17.5	0.8	18.3	15.6	12%	17%
	<u>\$ 526.2</u>	<u>\$ 7.6</u>	<u>\$ 533.8</u>	<u>\$ 481.6</u>	9%	11%

⁽¹⁾ Constant-currency net sales information is a non-GAAP financial measure that excludes the effect of changes in foreign currency exchange rates against the U.S. dollar between comparable reporting periods. We calculate constant-currency net sales by translating net sales in foreign currencies for the current period into U.S. dollars at the average exchange rates that were in effect during the comparable period of the prior year.

U.S. net sales increased \$35.3 million, or 13%, to \$315.5 million for the second quarter of 2019 from \$280.2 million for the comparable period in 2018. U.S. net sales increased in both our wholesale and DTC businesses. The net sales increase in our wholesales business was driven by the Columbia and SOREL brands, including increased shipments of Spring 2019 orders, earlier shipment of advance Fall 2019 orders and increased closeout sales. The net sales increase in our DTC business was led by increased net sales from our retail stores, followed by our e-commerce business.

LAAP region net sales increased \$0.8 million, or 1% (5% constant-currency), to \$101.6 million for the second quarter of 2019 from \$100.8 million for the comparable period in 2018. The net sales increase in the LAAP region was driven by China, partially offset by net sales decreases in Korea and our LAAP distributor business, while Japan net sales remained relatively flat.

EMEA region net sales increased \$6.6 million, or 8% (increased 11% constant-currency), to \$91.6 million for the second quarter of 2019 from \$85.0 million for the comparable period in 2018. Net sales increased in our EMEA distributor business, primarily driven by increased shipments of Fall 2019 advance orders. A net sales decrease in our Europe-direct business resulted from the effects of foreign currency exchange rates.

Canada net sales increased \$1.9 million, or 12% (17% constant-currency), to \$17.5 million for the second quarter of 2019 from \$15.6 million for the comparable period in 2018. The net sales increase in Canada was primarily driven by increased wholesale net sales.

Segment Income from Operations: Segment income from operations includes net sales, cost of sales, SG&A expenses, and net licensing income for each of our four reportable geographic segments. Income from operations as a percentage of net sales in the U.S. is typically higher than the other segments due to scale efficiencies associated with the larger base of net sales in the U.S. and incremental licensing income compared to other segments.

We anticipate this trend to continue until other segments achieve scale efficiencies from higher levels of net sales volume relative to the fixed cost structure necessary to operate the business. The EMEA segment, in particular, has realized lower operating margins compared to other segments due to a relatively higher fixed cost structure associated with our supply chain and administrative functions, compared to net sales. As net sales increase in the EMEA segment, we would anticipate an improvement in the operating income margin of that segment.

The following table presents segment income from operations for each reportable segment for the three months ended June 30:

<i>(In millions, except for percentage changes)</i>	Three Months Ended June 30,			
	2019	2018 ⁽¹⁾	Change (\$)	Change (%)
United States	\$ 46.5	\$ 41.6	4.9	12 %
LAAP	10.0	10.3	(0.3)	(3)%
EMEA	9.5	4.9	4.6	94 %
Canada	(2.6)	(3.0)	0.4	(13)%
Total segment income from operations	<u>\$ 63.4</u>	<u>\$ 53.8</u>	9.6	18 %

⁽¹⁾ Prior year segment income from operations has been revised from amounts previously reported. See Note 14 to the condensed consolidated financial statements for additional discussion.

Segment income from operations in the U.S. increased \$4.9 million to \$46.5 million, or 14.7% of net sales, for the second quarter of 2019 from \$41.6 million, or 14.9% of net sales, for the comparable period in 2018. The increase in income from operations was driven by net sales growth

from both the DTC and wholesale businesses. U.S. SG&A expenses remained relatively consistent at 34.9% of net sales for thesecond quarter of 2019 compared to 35.1% for the same period in 2018.

Segment income from operations in the LAAP regiondecreased \$0.3 million to \$10.0 million, or 9.8% of net sales, for thesecond quarter of 2019 from \$10.3 million, or 10.2% of net sales, for the comparable period in 2018.

Segment income from operations in the EMEA regionincreased \$4.6 million to \$9.5 million, or 10.4% of net sales, for thesecond quarter of 2019 from \$4.9 million, or 5.8% of net sales, for the comparable period in 2018. The increase in income from operations resulted from an increase in net sales in our EMEA distributor business, partially offset a decrease in net sales in our Europe-direct business, combined with improved gross margin, reflecting financial benefits from Project CONNECT.

Segment loss from operations in Canada improved\$0.4 million to a loss of\$2.6 million, or 14.9% of net sales, for thesecond quarter of 2019 from a loss of\$3.0 million, or 18.9% of net sales, for the comparable period in2018.

Unallocated corporate expenses increased by \$2.9 million to \$47.0 million for the second quarter of 2019 from \$44.1 million for the comparable period in 2018. In 2018, unallocated costs included program expenses and discrete costs related to Project CONNECT, which are no longer being incurred.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

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

	Six Months Ended June 30,					
	Reported	Adjust for	Constant-	Reported	Reported	Constant-
	Net Sales	Foreign	currency	Net Sales	Net Sales	currency
(In millions, except for percentage changes)	2019	Currency	Net Sales	2018	2018	Net Sales
		Translation	2018 ⁽¹⁾		% Change	% Change ⁽¹⁾
United States	\$ 727.7	\$ —	\$ 727.7	\$ 643.0	13%	13%
LAAP	234.5	8.2	242.7	232.4	1%	4%
EMEA	162.9	6.7	169.6	156.8	4%	8%
Canada	55.7	3.1	58.8	56.7	(2)%	4%
	<u>\$ 1,180.8</u>	<u>\$ 18.0</u>	<u>\$ 1,198.8</u>	<u>\$ 1,088.9</u>	8%	10%

⁽¹⁾ Constant-currency net sales information is a non-GAAP financial measure, which excludes the effect of changes in foreign currency exchange rates against the U.S. dollar between comparable reporting periods. We calculate constant-currency net sales by translating net sales in foreign currencies for the current period into U.S. dollars at the average exchange rates that were in effect during the comparable period of the prior year.

U.S. net sales increased \$84.7 million, or 13%, to \$727.7 million for the six months ended June 30, 2019 from \$643.0 million for the comparable period in 2018. U.S. net sales increase was led by our wholesale business, followed by our DTC business. The net sales increase in our wholesale business was driven by the Columbia and SOREL brands. The net sales increase in our DTC business was led by increased net sales from our retail stores, followed by increased net sales from our e-commerce business.

LAAP region net sales increased \$2.1 million, or 1% (4% constant-currency), to \$234.5 million for the six months ended June 30, 2019 from \$232.4 million for the comparable period in 2018. The net sales increase in the LAAP region was driven by increased net sales in Japan, partially offset by decreased net sales in China.

EMEA region net sales increased \$6.1 million, or 4% (8% constant-currency), to \$162.9 million for the six months ended June 30, 2019 from \$156.8 million for the comparable period in 2018. The net sales increase in the EMEA region was driven by our EMEA distributor business, partially offset by a slight decrease in net sales in our Europe-direct business. The net sales increase in our EMEA distributor business was driven by sales growth to our Russia-based distributor and increased shipments of Fall 2019 advance orders. The net sales decrease in our Europe-direct business was driven by a decrease in wholesale net sales, partially offset by an increase in DTC net sales.

Canada net sales decreased \$1.0 million, or 2% (4% constant-currency increase), to \$55.7 million for the six months ended June 30, 2019 from \$56.7 million for the comparable period in 2018. The net sales decrease in Canada was driven by a net sales decrease in our wholesale business, partially offset by a net sales increase in our DTC business.

Segment Income from Operations: Segment income from operations includes net sales, cost of sales, SG&A expenses, and net licensing income for each of our four reportable geographic segments. Income from operations as a percentage of net sales in the U.S. is typically higher than the other segments due to scale efficiencies associated with the larger base of net sales in the U.S. and incremental licensing income compared to other segments.

We anticipate this trend to continue until other segments achieve scale efficiencies from higher levels of net sales volume relative to the fixed cost structure necessary to operate the business. The EMEA segment, in particular, has realized lower operating margins compared to other

segments due to a relatively higher fixed cost structure associated with our supply chain and administrative functions, compared to net sales. As net sales increase in the EMEA segment, we would anticipate an improvement in the operating income margin of that segment.

The following table presents segment income from operations for each reportable segment for the six months ended June 30:

	Six Months Ended June 30,			
	2019	2018 ⁽¹⁾	Change (\$)	Change (%)
<i>(In millions, except for percentage changes)</i>				
United States	\$ 142.2	\$ 117.5	24.7	21%
LAAP	36.7	34.4	2.3	7%
EMEA	18.8	11.5	7.3	63%
Canada	3.4	3.3	0.1	3%
Total segment income from operations	\$ 201.1	\$ 166.7	34.4	21%

⁽¹⁾ Prior year segment income from operations has been revised from amounts previously reported. See Note 14 to the condensed consolidated financial statements for additional discussion.

Segment income from operations in the U.S. increased \$24.7 million to \$142.2 million, or 19.5% of net sales, for the six months ended June 30, 2019 from \$117.5 million, or 18.3% of net sales, for the comparable period in 2018. The increase in income from operations was driven by net sales growth from both the wholesale and DTC businesses, combined with increased gross margins largely driven by financial benefits from Project CONNECT. U.S. SG&A expenses as a percentage of net sales remained relatively consistent at 30.8% of net sales for the six months ended June 30, 2019 compared to 30.9% for the same period in 2018.

Segment income from operations in the LAAP region increased \$2.3 million to \$36.7 million, or 15.7% of net sales, for the six months ended June 30, 2019 from \$34.4 million, or 14.8% of net sales, for the comparable period in 2018. The increase in the LAAP region operating income was driven by increased net sales in Japan, partially offset by decreased net sales in China, as well as increased gross margin across all markets. LAAP region SG&A expense as a percentage of net sales increased to 40.9% for the six months ended June 30, 2019 compared to 40.0% for the same period in 2018.

Segment income from operations in the EMEA region increased \$7.3 million to \$18.8 million, or 11.5% of net sales, for the six months ended June 30, 2019 from \$11.5 million, or 7.4% of net sales, for the comparable period in 2018. The increase in the EMEA region operating income was driven by increased net sales in our EMEA distributor business, partially offset by decreased net sales in our Europe-direct business. Gross margin improvement, reflecting financial benefits from Project CONNECT, also contributed to EMEA region operating income growth. EMEA region SG&A expense as a percentage of net sales decreased to 29.9% for the six months ended June 30, 2019 compared to 30.9% for the same period in 2018.

Segment income from operations in Canada increased \$0.1 million to \$3.4 million, or 6.1% of net sales, for the six months ended June 30, 2019 from \$3.3 million, or 5.8% of net sales, for the comparable period in 2018.

Unallocated corporate expenses decreased by \$0.9 million to \$96.7 million for the six months ended June 30, 2019 from \$97.6 million for the comparable period in 2018. In 2018, unallocated costs included program expenses and discrete costs related to Project CONNECT, which are no longer being incurred.

Liquidity and Capital Resources

At June 30, 2019, we had total cash and cash equivalents of \$386.2 million, compared to \$437.8 million at December 31, 2018 and \$510.7 million at June 30, 2018. In addition, we had short-term investments of \$138.2 million at June 30, 2019, compared to \$262.8 million at December 31, 2018 and \$264.0 million at June 30, 2018.

Net cash provided by operating activities was \$2.6 million for the six months ended June 30, 2019, compared to \$99.3 million for the same period in 2018. The decrease in net cash provided by operating activities was primarily driven by changes in inventory balances, reflecting earlier buys and receipts of Fall 2019 inventory and increased current season Spring inventory, during the six months ended June 30, 2019 compared to the same period in 2018.

Net cash provided by investing activities was \$76.4 million for the six months ended June 30, 2019, compared to net cash used in investing activities of \$198.8 million for the comparable period in 2018. For the 2019 period, net cash provided by investing activities consisted primarily of \$127.2 million of net sales of short-term investments, partially offset by \$50.8 million for capital expenditures. For the same period in 2018, net cash used in investing activities primarily consisted of \$169.2 million of net purchases of short-term investments and \$29.6 million for capital expenditures.

Net cash used in financing activities was \$145.2 million for the six months ended June 30, 2019, compared to \$60.1 million for the comparable period in 2018. For the 2019 period, net cash used in financing activities primarily consisted of repurchases of common stock of \$100.3 million, dividend payments to Company shareholders of \$32.7 million, and \$17.9 million related to the purchase of the non-controlling interest in our China joint venture, partially offset by net proceeds from stock plan activity of \$5.7 million. For the same period in 2018, net cash used in financing activities primarily consisted of repurchases of common stock of \$40.1 million and dividend payments of \$30.9 million, partially offset by net proceeds from stock plan activity of \$10.8 million.

Short-term borrowings and credit lines

We have an unsecured, committed revolving line of credit available to fund our domestic working capital requirements. Monthly variable commitments available for funding average \$50.0 million over the course of a calendar year. We had no balance outstanding under this line of credit, and we were in compliance with all associated covenants at June 30, 2019. Internationally, our subsidiaries have operating lines of credit in place guaranteed by the parent company with a combined credit limit of approximately \$107.7 million at June 30, 2019. At June 30, 2019, no balance was outstanding under these subsidiary lines of credit. Refer to Note 6 to the condensed consolidated financial statements for additional discussion.

Our primary ongoing funding requirements are for working capital and capital expenditures, including facilities expansions at our corporate headquarters, investment in our DTC operations, including new stores and remodels, and investment in IT systems and other enabling capabilities to support our strategic priorities. We anticipate 2019 capital expenditures of approximately \$145 million. We expect to fund our future capital expenditures with existing cash, operating cash flows and credit facilities. If the need arises, we may seek additional funding. Our ability to obtain additional financing will depend on many factors, including prevailing market conditions, our financial condition and our ability to negotiate favorable terms and conditions. Financing may not be available on terms that are acceptable or favorable to us, if at all.

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

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make various estimates and judgments that affect reported amounts of assets, liabilities, sales, cost of sales, and expenses and related disclosure of contingent assets and liabilities. We believe that the estimates, assumptions and judgments involved in the accounting policies referred to in Part II, Item 7 in our Annual Report on Form 10-K for the year ended December 31, 2018 have the greatest potential effect on our financial statements, so we consider these to be our critical accounting policies and estimates. Because of the uncertainty inherent in these matters, actual results may differ from the estimates we use in applying these critical accounting policies. We base our ongoing estimates on historical experience and other assumptions that we believe to be reasonable in the circumstances. Some of these critical accounting policies affect working capital account balances, including the policy for revenue recognition and related sales returns and claims from customers, the allowance for doubtful accounts, the provision for potential excess, slow-moving and closeout inventories, product warranty, income taxes, and stock-based compensation.

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

Except as disclosed in Note 2 and Note 8 to the condensed consolidated financial statements, pertaining to our adoption of new accounting pronouncements, there have been no significant changes to the Company's significant accounting policies as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Recent Accounting Pronouncements

See "Recent Accounting Pronouncements Not Yet Adopted" in Note 2 to the condensed consolidated financial statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has not been any material change in the market risk disclosure contained in our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

We continue several transformation initiatives to improve business processes and systems. These are long-term initiatives, which we believe will enhance our internal controls over financial reporting due to increased automation and further integration of related processes. We will continue to monitor our internal control over financial reporting for effectiveness throughout our transformation.

In the quarter ended June 30, 2019, we began implementation of a new global retail platform ("C1") and enhancements to our e-commerce systems ("X1") in North America, while substantially completing implementation of X1 in our Europe-direct market. Each implementation phase involves change to the processes that constitute our internal control over financial reporting. We are taking steps to monitor and maintain appropriate internal control over financial reporting during these implementations and will continue to evaluate these controls for effectiveness.

There have not been any other changes in our internal control over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

Item 1A. RISK FACTORS

In addition to the other information contained in this Quarterly Report on Form 10-Q, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition, results of operations, or cash flows may be materially adversely affected by these and other risks. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations. The following risk factors include changes to and supersede the description of the risk factors associated with our business previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

We May Be Unable to Execute Our Business Strategies

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

To implement our business strategies and related initiatives, we must continue to, among other things, modify and fund various aspects of our business, execute effective change management, effectively prioritize our strategies and initiatives, including maintenance and enhancement of our information technology systems and supply chain operations to improve efficiencies, and attract, retain and manage qualified personnel. These efforts, coupled with a continuous focus on expense discipline, place increasing strain on internal resources, and we may have operating difficulties as a result. For example, in support of our business strategies, we are making significant investments in our business processes and information technology systems that require significant management attention and corporate resources. This may make it increasingly difficult to pursue other strategic opportunities. Our business strategies involve many risks and uncertainties that, if not managed effectively, may have a material adverse effect on our financial condition, results of operations or cash flows.

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

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

We regularly implement business process improvement and information technology initiatives intended to optimize our operational and financial performance. Our current initiatives include investment in our information technology systems to support the growth and expansion of our DTC businesses, for example our C1 and X1 initiatives, as well as continued optimization of and upgrades to our integrated enterprise resource planning software solutions and other complementary information technology systems, which support our supply chain, product design and development processes, corporate administrative functions, go-to-market strategies, DTC strategies and operations, and business reporting and analytics. Implementation of and upgrades to these solutions and systems are highly dependent on coordination of numerous employees, contractors and software and system providers. The interdependence of these solutions and systems is a significant risk to the successful completion of these initiatives, and the failure of any aspect could have a material adverse effect on the functionality of our overall information technology systems. We may experience difficulties as we transition to these new or upgraded systems and processes, including loss or corruption of data, delayed shipments, excess inventory, interruptions of DTC operations, decreases in productivity as our personnel implement and become familiar with new systems, increased costs, and lost revenues. In addition, transitioning to these new or upgraded systems requires significant capital investments and personnel resources. Difficulties in implementing new or upgraded information systems or significant system failures, including system outages, delayed implementation and loss of system availability, could disrupt our operations and have a material adverse effect on our financial condition, results of operations or cash flows.

These implementations have a pervasive effect on our business processes and information systems across a significant portion of our operations. As a result, we are undergoing significant changes in our operational processes and internal controls as our implementations progress, which

in turn require significant change management, including training of and testing by our personnel. If we are unable to successfully manage these changes as we implement these systems, including harmonizing our systems, data, processes, and reporting analytics, our ability to conduct, manage and control routine business functions could be negatively affected and significant disruptions to our business could occur. In addition, we could incur material unanticipated expenses, including additional costs of implementation or costs of conducting business. Furthermore, time spent by personnel related to these implementations may have an adverse effect on the overall availability to focus on other ongoing projects. These risks could result in significant business disruptions or divert management's attention from key strategic initiatives and have a material adverse effect on our financial condition, results of operations or cash flows.

We Rely on Information Technology Systems, Some of Which Are Highly Customized

Our business is increasingly reliant on information technology. Information technology systems are used across our supply chain and retail operations, from design to distribution and sales, and are used as a method of communication among employees, with our subsidiaries and offices overseas and with our customers, vendors and retail stores. We rely on our information systems to allocate resources, pay vendors, collect from customers, process transactions, manage product data, develop demand and supply plans, forecast and report operating results, and meet regulatory requirements. We are also dependent on information technology, including the internet, for our DTC businesses, including our e-commerce operations and retail business credit card transaction authorization. As a result, any disruption to these systems, including the loss or corruption of data and information, could have a material adverse effect on our ability to operate our business and our financial condition, results of operations or cash flows.

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

A Security Breach of Our or Our Third Parties' Systems, Exposure of Personal or Confidential Information or Increased Government Regulation Relating to Handling of Personal Data, Could, Among Other Things, Disrupt Our Operations or Cause Us to Incur Substantial Costs or Negatively Affect Our Reputation

We and many of our third parties, such as vendors, manage and maintain various types of proprietary information and sensitive and confidential data relating to our business, such as personally identifiable information of our consumers, our employees, and our business partners, as well as credit card information in certain instances. Our information technology systems, or those of certain key vendors or other third parties on which we rely, are subject to an increasing threat of continually evolving cybersecurity risks. A breach in the security of our or their systems could result in business disruptions or reputational damage, which could have a material adverse effect on our financial condition, results of operations or cash flows. Unauthorized parties may attempt to gain access to these systems or information through fraud or other means of deceiving our employees or third-party service providers. Hardware, software or applications we develop or obtain from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly changing and evolving, and may be difficult to anticipate or detect for long periods of time. We have implemented and regularly review and update processes and procedures to protect against unauthorized access to or use of secured data and to prevent data loss. However, the ever-evolving threats mean we and our third parties must continually evaluate and adapt our systems and processes, and there is no guarantee that these efforts will be adequate to safeguard against all data security breaches or misuses of data. For example, in 2017, we reported the discovery of a cybersecurity incident involving our prAna.com e-commerce website, for which a number of responsive actions were taken, including notification of potentially affected prAna consumers.

In addition, any future breaches of our security measures, or the accidental loss, inadvertent disclosure or unapproved or non-compliant dissemination of proprietary information, personal information, or other sensitive and confidential data about us, our customers, our consumers, our suppliers, or our employees, could expose us, our customers, our consumers, our suppliers, our employees, or other individuals that may be affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our reputation, or otherwise harm our business and could have a material adverse effect on our financial condition, results of operations or cash flows. In addition, as the regulatory environment related to information security, data collection and use and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs or liabilities. For example, the European Union's General Data Protection Regulation ("GDPR"), which became effective May 25, 2018, establishes additional requirements regarding the handling of personal data, including its use, protection and the ability of persons whose data is stored to exercise certain individual rights with respect to their personal data. The GDPR calls for privacy and process enhancements, accompanied by a commitment of resources and other expenditures in support of compliance. Violations of the GDPR could result in significant penalties. More recently, California passed the California Consumer Privacy Act ("CCPA"), which goes into effect in January 2020 and provides broad rights with respect to the collection and use of covered individuals' personal information by businesses. The CCPA further expands the privacy policy and process enhancements and commitment of resources in support of compliance with California's regulatory requirements. Other states have proposed

similar regulations and there is ongoing discussion of federal regulation, any of which may impose different or additional data privacy and data protection requirements.

We Depend on Contract Manufacturers

Our products are manufactured by contract manufacturers worldwide. Although we enter into purchase order commitments with these contract manufacturers each season, we generally do not maintain long-term manufacturing commitments with them, and various factors could interfere with our ability to source our products. Without long-term or reserve commitments, there is no assurance that we will be able to secure adequate or timely production capacity or favorable pricing if growth or product demand differs from our forecasts. Contract manufacturers may fail to perform as expected or our competitors may obtain production capacities that effectively limit or eliminate the availability of these resources to us. Adverse developments in trade or political relations with China or other countries where we source our products are increasingly likely to impact our ability to source product from such locations, as well as require us to source product from countries with which we have had limited or no historical sourcing activities. If a contract manufacturer fails to ship orders in a timely manner or to meet our standards or if we are unable to obtain necessary capacities, we could experience supply disruptions that would hinder our ability to satisfy demand through our DTC businesses, and we may miss delivery deadlines or incur additional costs, which may cause our wholesale or distributor customers to cancel their orders, refuse to accept deliveries or demand a reduction in purchase prices, any of which could have a material adverse effect on our financial condition, results of operations or cash flows.

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

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

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

Our product costs are subject to substantial fluctuation based on:

- Availability and quality of raw materials;
- The prices of oil, leather, natural down, cotton, and other raw materials whose prices are determined by global commodity markets and can be very volatile;
- Changes in labor markets and wage rates paid by our independent factory partners, which are often mandated by governments in the countries where our products are manufactured, for example in China and Vietnam;
- Disruption to and capacity constraints within shipping and transportation channels utilized to bring our products to market;
- Interest rates and currency exchange rates;
- Availability of skilled labor and production capacity at contract manufacturers; and
- General economic conditions.

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

In addition, many of our products are manufactured outside of our principal sales markets, which requires these products to be consolidated and transported by third parties, sometimes over large geographical distances. Shortages in ocean, land or air freight capacity and volatile fuel costs can result in rapidly changing transportation costs or an inability to transport our products in a timely manner. Similarly, disruption to shipping and transportation channels due to labor disputes could cause us to rely more heavily on alternative modes of transportation to achieve timely delivery to our customers, resulting in significantly higher freight costs. Because we price our products in advance and changes in transportation and other costs may be difficult to predict, we may not be able to pass all or any portion of these higher costs on to our customers or adjust our pricing structure in a timely manner in order to remain competitive, either of which could have a material adverse effect on our financial condition, results of operations or cash flows.

We May Be Adversely Affected by Volatile Economic Conditions

We are a consumer products company and are highly dependent on consumer discretionary spending and retail traffic patterns. Purchasing patterns of our customers can vary year to year as they attempt to forecast and match their seasonal advance orders, in-season replenishment and at-once orders to eventual seasonal consumer demand. In addition, as we have expanded our DTC businesses, we have increased our direct exposure to the risks associated with volatile and unpredictable consumer discretionary spending patterns. Consumer discretionary spending behavior is inherently unpredictable and consumer demand for our products may not reach our sales targets, or may decline, especially during periods of heightened economic uncertainty in our key markets. Our sensitivity to economic cycles and any related fluctuation in consumer demand may have a material adverse effect on our financial condition, results of operations or cash flows.

We May Be Adversely Affected by the Financial Health of Our Customers

In recent periods, economic uncertainty and shifts in consumer purchasing patterns in our key markets have had an adverse effect on the financial health of our customers, some of whom have reduced their store fleet, filed or may file for protection under bankruptcy laws, restructured, or ceased operations. We extend credit to our customers based on an assessment of the customer's financial condition, generally without requiring collateral. To assist in the scheduling of production and the shipping of seasonal products, we offer customers discounts for placing advance orders. We face increased risk of order reduction and cancellation and reduced availability of credit insurance coverage when dealing with financially ailing retailers or retailers struggling with economic uncertainty. Some of our significant wholesale customers have liquidated or reorganized, while others have had financial difficulties in the past or have experienced tightened credit markets, sales declines and reduced profitability, which have had an adverse effect on our business. Future customer liquidations or reorganizations could have a material adverse effect on our financial condition, results of operations or cash flows. In addition, we may choose to limit our credit risk by reducing our level of business with customers experiencing financial difficulties and may not be able to replace those revenues with other customers or through our DTC businesses within a reasonable period, which could have a material adverse effect on our financial condition, results of operations or cash flows.

We May Be Adversely Affected by Retailer Consolidation

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

We May Be Adversely Affected by Global Credit Market Conditions

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

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

We May Be Adversely Affected by Currency Exchange Rate Fluctuations

We derive a significant portion of our net sales from markets outside the United States, which are comprised of sales to wholesale customers and directly to consumers by our entities in Europe, Korea, Japan, China, and Canada and sales to independent international distributors who operate within the EMEA and LAAP regions. Sales and related operational expenses of our foreign entities, as well as their respective assets and liabilities, are denominated in currencies other than the U.S. dollar and translated into U.S. dollars for periodic reporting purposes using the exchange rates in effect during each period. If the U.S. dollar strengthens against the foreign entity's functional currency, translated revenues and expenses will decline on a relative basis.

The majority of our purchases of finished goods inventory from contract manufacturers are denominated in U.S. dollars, including purchases by our foreign entities. The cost of these products may be affected by relative changes in the value of the local currencies of these entities in relation to the U.S. dollar and in relation to the local currencies of our manufacturing vendors. In order to facilitate solicitation of advance orders from wholesale customers and distributors for the spring and fall seasons, we establish local-currency-denominated wholesale and retail price lists in each of our foreign entities approximately six to nine months prior to U.S. dollar-denominated seasonal inventory purchases. As a result, our consolidated results are directly exposed to transactional foreign currency exchange risk to the extent that the U.S. dollar strengthens during the six to nine months between when we establish seasonal local-currency prices and when we purchase inventory.

We employ several tactics in an effort to mitigate this transactional currency risk, including the use of currency forward and option contracts. We may also implement local-currency wholesale and retail price increases in our foreign direct markets in an effort to mitigate the effects of currency exchange rate fluctuations on inventory costs. There is no assurance that our use of currency forward and option contracts and implementation of price increases, in combination with other tactics, will succeed in fully mitigating the negative effects of adverse foreign currency exchange rate fluctuations on the cost of our finished goods in a given period or that price increases will be accepted by our wholesale customers, distributors or consumers. Our gross margins are adversely affected whenever we are not able to offset the full extent of finished goods cost increases caused by adverse fluctuations in foreign currency exchange rates.

We enter into foreign currency forward exchange contracts to manage currency exposures for monetary assets and liabilities denominated in a currency other than an entity's functional currency. As a result, any foreign currency remeasurement gains and losses recorded in other income (expense) are generally offset with gains and losses on the foreign currency forward exchange contracts in the same reporting period.

In addition to the direct currency exchange rate exposures described above, our business is indirectly exposed to currency exchange rate risks. For example, all of the EMEA and LAAP distributors to whom we sell purchase their inventory from us in U.S. dollars. Weakening of a distributor's functional currency relative to the U.S. dollar makes it more expensive for it to purchase finished goods inventory from us. In order to make those purchases and pay us on a timely basis, our distributors must exchange sufficient quantities of their functional currency for U.S. dollars through the financial markets. Some of our distributors have experienced periods during which they have been unable to obtain U.S. dollars in sufficient amounts to complete their purchase of finished goods inventory or to pay amounts owed for past purchases. Although each distributor bears the full risk of fluctuations in the value of its currency against the U.S. dollar, our business can be indirectly affected when adverse fluctuations cause a distributor to cancel portions of prior advance orders or significantly reduce its future purchases or both. In addition, price increases that our distributors implement in an effort to offset higher product costs may make our products less price-competitive in those markets and reduce consumer demand for our products.

Currency exchange rate fluctuations may also create indirect risk to our business by disrupting the business of independent finished goods manufacturers from which we purchase our products. When their functional currencies weaken in relation to other currencies, the raw materials they purchase on global commodities markets become more expensive and more difficult to finance. Although each manufacturer bears the full risk of fluctuations in the value of its currency against other currencies, our business can be indirectly affected when adverse fluctuations cause a manufacturer to raise the prices of goods it produces for us, disrupt the manufacturer's ability to purchase the necessary raw materials on a timely basis or disrupt the manufacturer's ability to function as an ongoing business.

Primarily for each of the reasons described above, currency fluctuations and disruptions in currency exchange markets may have a material adverse effect on our financial condition, results of operations or cash flows.

Our Orders from Customers Are Subject to Cancellation

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

We May Not Realize Returns on Our Investments in Our DTC Businesses

In recent years, our DTC businesses have grown substantially, and we anticipate continued growth in the future. Accordingly, we continue to make significant investments in our online platforms and physical retail locations, including the investment in our global retail platform, information technology system upgrades, entering into or renewing long-term store leases, constructing leasehold improvements, purchasing fixtures and equipment, and investing in inventory and personnel. Since many of the costs of our DTC businesses are fixed, we may be unable to reduce expenses in order to avoid losses or negative cash flows if we have insufficient sales. Our DTC businesses are dependent upon our ability to operate in an increasingly complex and evolving marketplace and the results of these businesses are highly dependent on retail traffic patterns in our physical locations and on our online platforms where our products are sold, as well as the spending patterns of our consumers. If we are unable to effectively navigate the DTC marketplace, including, among other things, enhancing our consumer experience and digital capabilities in order to provide a competitive online and in-store shopping environment, or to effectively anticipate and respond to consumer buying patterns and expectations, our ability to generate sales through our DTC businesses may be adversely affected, which in turn could have a material adverse effect on our financial condition, results of operations or cash flows.

Labor costs and labor-related benefits are primary components in the cost of our retail operations and are affected by various federal, state and foreign laws governing matters such as minimum wage rates, overtime compensation and other requirements. For example, we have seen significant political pressure and legislative actions to increase the minimum wage rate in many of the jurisdictions within which our stores are located. If we are unable to operate profitable stores or if we close stores, we may experience significant reductions in sales and income or

incur significant write-downs of inventory, severance costs, lease termination costs, impairment losses on long-lived assets, or loss of working capital, which could have a material adverse effect on our financial condition, results of operations or cash flows.

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

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

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

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

- Unseasonable weather conditions;
- Our reliance, for certain demand and supply planning functions, on manual processes and judgments that are subject to human error;
- Consumer acceptance of our products or changes in consumer preference and demand for products of our competitors, which could increase pressure on our product development cycle;
- Unanticipated changes in general market conditions or other factors, which may result in lower advance orders from wholesale customers and distributors, cancellations of advance orders or a reduction or increase in the rate of reorders placed by customers; and
- Weak economic conditions or consumer confidence, which could reduce demand for discretionary items, such as our products.

In some cases, we may produce quantities of product that exceed actual demand, which could result in higher inventory levels that we need to liquidate at discounted prices. During periods of unseasonable weather conditions, weak economic conditions, unfavorable currency fluctuations, or unfavorable geopolitical conditions in key markets, we may experience a significant increase in the volume of order cancellations by our customers, including cancellations resulting from the bankruptcy, liquidation or contraction of some customers' operations. We may not be able to sell all of the products we have ordered from contract manufacturers or that we have in our inventory. Inventory levels in excess of customer demand may result in inventory write-downs and the sale of excess inventory at discounted prices through our owned outlet stores or third-party liquidation channels, which could have a material adverse effect on our brand image, financial condition, results of operations, or cash flows.

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

We Face Risks Associated with Consumer Preferences and Fashion Trends

Changes in consumer preferences, consumer purchasing behavior, consumer interest in outdoor activities, and fashion trends may have a material adverse effect on our business. We also face risks because our success depends on our and our customers' abilities to anticipate consumer preferences and buying patterns, including the growth of e-commerce off-price retailing and online comparison shopping, and respond to changes in a timely manner. Lead times for many of our products may make it more difficult for us to respond rapidly to new or changing product trends or consumer preferences. In addition, our decisions about product designs often are made far in advance of consumer acceptance. Although we try to manage our inventory risk by soliciting advance order commitments from customers, we generally place a significant portion of our seasonal production orders with our contract manufacturers before we have received all of a season's advance orders from customers, and orders may be canceled by customers before shipment. If we or our customers fail to anticipate and respond to consumer preferences or fail to respond in a timely manner or if we or our customers are unable to effectively navigate a transforming retail marketplace, we could suffer reputational damage to our brands and we may experience lower sales, excess inventories and lower profit margins in current and future periods, any of which could have a material adverse effect on our financial condition, results of operations or cash flows.

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

Our business is adversely affected by unseasonable weather conditions. A significant portion of the sales of our products is dependent in part on the weather and likely to decline in years in which weather conditions do not stimulate demand for our products. Periods of unseasonably

warm weather in the fall or winter or unseasonably cold weather in the spring and summer may have a material adverse effect on our financial condition, results of operations or cash flows. Unintended inventory accumulation by our customers resulting from unseasonable weather in one season generally negatively affects orders in future seasons, which may have a material adverse effect on our financial condition, results of operations or cash flows.

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

Acquisitions Are Subject to Many Risks

From time to time, we may pursue growth through strategic acquisitions of assets or companies. Acquisitions are subject to many risks, including potential loss of significant customers or key personnel of the acquired business as a result of the change in ownership, difficulty integrating the operations of the acquired business or achieving targeted efficiencies, the incurrence of substantial costs and expenses related to the acquisition effort, and diversion of management's attention from other aspects of our business operations. For example, we may face integration challenges as we continue to fully integrate the operations of our prAna subsidiary acquired in May 2014.

Acquisitions may also cause us to incur debt or result in dilutive issuances of our equity securities. Our acquisitions may cause large one-time expenses or create goodwill or other intangible assets that could result in significant impairment charges in the future. We also make various estimates and assumptions in order to determine purchase price allocation and estimate the fair value of assets acquired and liabilities assumed. If our estimates or assumptions used to value these assets and liabilities vary from actual or future projected results, we may be exposed to losses, including impairment losses, that could be material.

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

Global Regulation and Economic and Political Conditions, as well as Potential Changes in Regulations, Legislation and Government Policy, May Negatively Affect Our Business

We are subject to risks generally associated with doing business internationally. These risks include the burden of complying with, and unexpected changes to, foreign and domestic laws and regulations, such as anti-corruption regulations and sanctions regimes, the effects of fiscal and political crises and political and economic disputes, changes in diverse consumer preferences, foreign currency exchange rate fluctuations, managing a diverse and widespread workforce, political unrest, terrorist acts, military operations, disruptions or delays in shipments, disease outbreaks, natural disasters, and changes in economic conditions in countries in which we manufacture or sell products. These factors, among others, may affect our ability to sell products in certain markets, our ability to collect accounts receivable, our ability to manufacture products or procure materials, and our cost of doing business.

For example, in the past, political and economic turmoil in certain South American distributor markets have resulted in currency and import restrictions, limiting our ability to sell products in some countries in this region. Also, Russia constitutes a significant portion of our non-U.S. sales and operating income and a significant change in conditions in that market has had an adverse effect on our results of operations in the past. The United Kingdom's June 23, 2016 referendum, in which voters approved its exit from the European Union (commonly referred to as "Brexit"), has created economic uncertainty and volatility in currency exchange rates, and the potential adverse effects of changes to the legal and regulatory framework that apply to the United Kingdom and its relationship with the European Union, and the associated effects on our European operations, are unknown. If any of these or other factors make the conduct of business in a particular country, or region, undesirable or impractical, our business may be materially and adversely affected.

In the U.S., the current administration has publicly supported trade proposals, including recently established tariffs and proposed tariffs on U.S. products imported from China, modifications to international trade policy, and other changes that may affect U.S. trade relations with other countries. Whether any future changes will occur and what impact they may have on U.S. international trade relationships is unknown. However, any such changes may adversely affect our business and may require us to significantly modify our current business practices or may otherwise materially and adversely affect our business.

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

We May Have Additional Tax Liabilities or Experience Increased Volatility in Our Effective Tax Rate

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

On December 22, 2017, the U.S. government enacted comprehensive tax legislation, commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"). The TCJA made broad and complex changes to the U.S. tax code. Implementation of the TCJA legislation required us to record incremental provisional tax expense in 2017 and 2018, which significantly increased our 2017 effective tax rate and increased our 2018 effective tax rate. In addition, the TCJA may also materially affect our 2019 effective tax rate and our financial condition, results of operations or cash flows. The actual amounts may differ from our provisional estimates due to, among other factors, a change in interpretation of the applicable revisions to the U.S. tax code and related tax accounting guidance, changes in assumptions made in developing these estimates, and regulatory guidance that may be issued with respect to the applicable revisions to the U.S. tax code, and state tax implications.

Other changes in the tax laws of the jurisdictions where we do business, including an increase in tax rates or an adverse change in the treatment of an item of income or expense, could result in a material increase in our tax expense. For example, changes in the tax laws of foreign jurisdictions could arise as a result of the Base Erosion and Profit Shifting (BEPS) project undertaken by the Organization for Economic Co-operation and Development (OECD). The OECD, which represents a coalition of member countries, has recommended changes to numerous long-standing tax principles. As these changes are adopted by countries, tax uncertainty could increase and may adversely affect our provision for income taxes.

We Operate in Highly Competitive Markets

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

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

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

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

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

As we strive to achieve product innovations, we face a greater risk of inadvertent infringements of third-party rights or compliance issues with regulations applicable to products with technical features or components. In addition, technical innovations often involve more complex manufacturing processes, which may lead to higher instances of quality issues, and if we experience problems with the quality of our products, we may incur substantial expense to address the problems and any associated product risks. Failure to successfully bring to market innovations in our product lines could have a material adverse effect on our financial condition, results of operations or cash flows.

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

Our registered and common law trademarks and our patented or patent-pending designs and technologies have significant value and are important to our ability to differentiate our products from those of our competitors and to create and sustain demand for our products. We also place significant value on our trade dress and the overall appearance and image of our products. We regularly discover products that are counterfeit reproductions of our products or that otherwise infringe on our proprietary rights. Counterfeiting activities typically increase as brand recognition increases, especially in markets outside the United States. Increased instances of counterfeit manufacture and sales may adversely

affect our sales and the reputation of our brands and result in a shift of consumer preference away from our products. The actions we take to establish and protect trademarks and other proprietary rights may not be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as violations of proprietary rights. In markets outside of the United States, it may be more difficult for us to establish our proprietary rights and to successfully challenge use of those rights by other parties. We also license our proprietary rights to third parties. We could suffer reputational damage to our brands if we fail to choose appropriate licensees and licensed product categories. In addition to our own intellectual property rights, many of the intellectual property rights in the technology, fabrics and processes used to manufacture our products are generally owned or controlled by our suppliers and are generally not unique to us. In those cases, we may not be able to adequately protect our products or differentiate their performance characteristics and fabrications from those of our competitors. The management of our intellectual property portfolio may affect the strength of our brands, which may in turn have a material adverse effect on our financial condition, results of operations or cash flows.

Although we have not been materially inhibited from selling products in connection with patent, trademark and trade dress disputes, as we focus on innovation in our product lines, extend our brands into new product categories and expand the geographic scope of our marketing, we may become subject to litigation based on allegations of infringement or other improper use of intellectual property rights of third parties, including third party trademark, copyright and patent rights. An increasing number of our products include technologies or designs for which we have obtained or applied for patent protection. Failure to successfully obtain and maintain patents on these innovations could negatively affect our ability to market and sell our products. Litigation is often necessary to defend against claims of infringement or to enforce and protect our intellectual property rights. As we utilize e-commerce and social media to a greater degree in our sales and marketing efforts, we face an increasing risk of patent infringement claims from non-operating entities and others covering broad functional aspects of internet operations. Intellectual property litigation may be costly and may divert management's attention from the operation of our business. Adverse determinations in any litigation may result in the loss of our proprietary rights, subject us to significant liabilities or require us to seek licenses from third parties, which may not be available on commercially reasonable terms, if at all. Any of these outcomes may have a material adverse effect on our financial condition, results of operations or cash flows.

In addition, as we continue to operate globally, expand the geographic scope of our business, and adopt new technologies and product categories, intellectual property disputes may increase, making it more expensive and challenging to establish and protect our intellectual property rights and to defend against claims of infringement by others, which could have a material adverse effect on our financial condition, results of operations or cash flows.

Our Success Depends on Our Distribution Facilities and Third-Party Logistics Providers

Our ability to meet customer expectations, manage inventory, complete sales, and achieve objectives for operating efficiencies depends on the proper operation of our existing distribution facilities, as well as the facilities of third-party logistics companies, the development or expansion of additional distribution capabilities and services, and the timely performance of services by third parties, including those involved in shipping product to and from our distribution facilities. In the United States, we rely primarily on our distribution centers in Portland, Oregon and Robards, Kentucky, as well as third-party logistics companies; in Canada, we rely primarily on our distribution facility in London, Ontario; in Europe, we rely primarily on our distribution center in Cambrai, France; in Japan, Korea and China, we rely primarily on third-party logistics companies near Tokyo, Seoul and Shanghai, respectively.

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

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

Our distribution facilities may also be interrupted by fire or natural disasters, such as earthquakes, floods or damaging winds. While we do maintain property and business interruption insurance for these facilities, it may not be adequate to reimburse us in amounts adequate to offset the adverse effects that may be caused by significant disruptions in our distribution facilities, and this could have a material adverse effect on our financial condition, results of operations or cash flows.

Our Investment Securities May Be Adversely Affected by Market Conditions

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

We May Be Adversely Affected by Labor Disruptions, Changes in Labor Laws and Other Labor Issues

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

Our ability to meet our labor needs at our distribution centers, retail stores, corporate headquarters, and regional subsidiaries, including our ability to find qualified employees while controlling wage and related labor costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force of the markets in which our operations are located, unemployment levels within those markets, prevailing and minimum wage rates, changing demographics, health and other insurance costs, and adoption of new or revised employment and labor laws and regulations. For example, we have increased costs resulting from competitive pressures and as a result of local increases in minimum wage rates in jurisdictions where we operate, and our contract manufacturers may face similar pressures and regulations. If we are unable to locate, attract or retain qualified employees, our ability to source, distribute and sell products in a timely and cost-effective manner may be negatively affected, which could have a material adverse effect on our financial condition, results of operations or cash flows.

We Depend on Key Suppliers

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

We Depend on Key Personnel

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

Our Business Is Affected by Seasonality

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

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

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

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

Our Common Stock Price May Be Volatile

The price of our common stock has fluctuated substantially since our initial public offering. Our common stock is traded on the NASDAQ Global Select Market. Factors such as general market conditions, actions by institutional investors to rapidly accumulate or divest of a substantial number of our shares, fluctuations in financial results, variances from financial market expectations, changes in earnings estimates or recommendations by analysts, or announcements by us or our competitors may cause the market price of our common stock to fluctuate, perhaps substantially.

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

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

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

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2019 through April 30, 2019	158,810	\$ 101.33	158,810	\$ 301,172,000
May 1, 2019 through May 31, 2019	613,781	96.02	613,781	242,237,000
June 1, 2019 through June 30, 2019	64,700	97.76	64,700	235,912,000
Total	837,291	\$ 97.16	837,291	\$ 235,912,000

⁽¹⁾Since the inception of the Company's stock repurchase plan, our Board of Directors has authorized the repurchase of \$1.10 billion of our common stock. As of June 30, 2019, we had repurchased 25.0 million shares under this program at an aggregate purchase price of \$864.1 million. Shares of our common stock may be purchased in the open market or through privately negotiated transactions, subject to market conditions. The repurchase program does not obligate us to acquire any specific number of shares or to acquire shares over any specified period of time.

Item 6. EXHIBITS

(a) Exhibits

10.1	Amended and Restated Credit Agreement dated April 17, 2019, among Columbia Sportswear Company, Wells Fargo Bank, National Association, as the administrative agent for the lenders and as a lender, and Bank of America, N.A., as a lender (incorporated by reference to the Company's Form 8-K filed on April 22, 2019) (File No. 0-23939)
+ 10.2	Form of Long-Term Incentive Cash Award Agreement for cash awards granted under the 1997 Stock Incentive Plan of Columbia Sportswear Company, for cash awards granted on or after January 24, 2019.
31.1	Rule 13a-14(a) Certification of Timothy P. Boyle, President and Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Jim A. Swanson, Senior Vice President, Chief Financial Officer
32.1	Section 1350 Certification of Timothy P. Boyle, President and Chief Executive Officer
32.2	Section 1350 Certification of Jim A. Swanson, Senior Vice President, Chief Financial Officer
101	INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101	SCH XBRL Taxonomy Extension Schema Document
101	CAL XBRL Taxonomy Extension Calculation Linkbase Document
101	DEF XBRL Taxonomy Extension Definition Linkbase Document
101	LAB XBRL Taxonomy Extension Label Linkbase Document
101	PRE XBRL Taxonomy Extension Presentation Linkbase Document
+ 101	Management Contract or Compensatory Plan

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 1, 2019

COLUMBIA SPORTSWEAR COMPANY

/s/ JIM A. SWANSON

Jim A. Swanson

Senior Vice President, Chief Financial Officer

(Duly Authorized Officer and

Principal Financial and Accounting Officer)

**LONG-TERM INCENTIVE CASH
AWARD AGREEMENT**

This **Long-Term Incentive Cash Award Agreement** (the "**Agreement**") is entered into as of _____ (the "**Award Date**") by and between Columbia Sportswear Company, an Oregon corporation (the "**Company**"), and _____ (the "**Recipient**").

The Award is made pursuant to Section 7 of the 1997 Stock Incentive Plan, as amended (the "**Plan**") and the Recipient desires to accept the award subject to the terms and conditions of this Agreement.

IN CONSIDERATION of the mutual covenants and agreements set forth in this Agreement, the parties agree to the following.

1. Award. The Company awards to the Recipient under the Plan a Long-Term Incentive Cash Award with a target amount of _____ (the "**Award**"), subject to forfeiture or increase as provided in Section 1(c) of this Agreement and to the restrictions, terms and conditions set forth in this Agreement.

(a) *Rights under Award.* The Award represents the unfunded, unsecured right to require the Company to deliver to the Recipient a payment in cash as provided in this Agreement. The amount of cash deliverable with respect to the Award is subject to adjustment as provided in Section 1(c) of this Agreement.

(b) *Vesting Date.* The Award shall initially be 100% vested and subject to forfeiture. The portion of the Award not forfeited pursuant to Section 1(c) of this Agreement shall vest on the date (the "**Vesting Date**") on which the Compensation Committee of the Board of Directors (the "**Compensation Committee**") confirms the Cumulative Operating Income and Average ROIC, as defined below (collectively, the "**Performance Results**"), for the Performance Period, as defined below; provided, however, that to the extent the Recipient has not been employed by the Company continuously from the Award Date to the Vesting Date, any portion of the Award not forfeited pursuant to Section 1(c) of this Agreement shall vest on the Vesting Date with respect to a prorated amount calculated based on Recipient's days of continuous employment from the beginning of the Performance Period through the date Recipient's employment terminated. If the Vesting Date falls on a weekend or any other day on which the Nasdaq Stock Market ("**NSM**") or any national securities exchange on which the Common Stock then is principally traded (the "**Exchange**") is not open, affected portions of the Award shall vest on the next following NSM or Exchange business day, as the case may be.

(c) *Adjustment of Award.*

(1) *Forfeiture of Award on Termination of Service.* If the Recipient ceases to be an employee of the Company prior to the Vesting Date, and such termination of employment is not due to the Recipient's retirement, disability or death on any date that is after the later of (i) the second anniversary of the first day of the applicable Performance Period and (ii) the Recipient's retirement eligibility date (a "**Qualified Termination**"), the Recipient shall immediately forfeit the Award pursuant to this Agreement and the Recipient shall have no right to receive the related cash payment. Absence on leave approved by the Company (or, if the Recipient is an executive officer of the Company, by the Board of Directors), shall not be deemed a termination or interruption of employment or service. Unless otherwise determined by the Company or the Board of Directors in its sole discretion, (i) vesting of Award shall continue during a medical, family or military leave of absence, whether paid or unpaid, and (ii) vesting of Award shall be suspended during, and the amount of the cash payment deliverable at the Vesting Date shall be proportionately reduced as a result of, any other unpaid leave of absence. In the event of a Recipient's Qualified Termination, the Recipient's Award shall not be immediately forfeited and shall instead be eligible to vest on a prorated basis as provided in Section 1(b) of this Agreement. For purposes of this Agreement, "retirement" shall have the same meaning as provided in the applicable policy maintained by the Company or the Employer for the benefit of the Recipient or, in the absence of such policy, as determined by the Board in its discretion in accordance with applicable law.

(2) *Forfeiture of Award on Violation of Code of Business Conduct and Ethics.* Recipient acknowledges that compliance with the Company's Code of Business Conduct and Ethics is a condition to the receipt and vesting of the Award. If, during the term of this Agreement, the Board of Directors (or a committee of directors designated by the Board of Directors) determines in good faith that the Recipient's conduct is or has been in violation of the Company's Code of Business Conduct and Ethics, then the Board of Directors or committee may cause the Recipient to immediately forfeit all or a portion of the unvested Award granted pursuant to this Agreement and the Recipient shall have no right to receive the related cash payment.

(3) *Forfeiture or Increase of Award Based on Performance.* For the period beginning _____ and

ending _____ (the "Performance Period"), the Award shall be adjusted as follows.

(i) 50% of the Award (the "Operating Income Component") is subject to increase or forfeiture (and if forfeited the Recipient shall have no right to receive the related cash payment) based on the Cumulative Operating Income of the Company in the Performance Period, as defined below. The Operating Income Component will be adjusted by multiplying it by the "Payout as a % of Target" percentage set forth in the table below. If results are between data points, the percentage of the Award payable shall be determined by interpolation between data points.

50% Weighting - OI		
Cum. Op. Inc.	Goal as % of Plan	Payout as a % of Target
<\$	<%	%
\$	%	%
\$	%	%
\$	%	%
\$	%	%
\$	%	%
\$	%	%
\$	%	%

"Cumulative Operating Income" means the sum of the annual income from operations for each of the fiscal years in the Performance Period as set forth in the audited consolidated financial statements of the Company, excluding the following items (collectively, the "Excluded Effects"), for the Performance Period:

(ii) 50% of the Award (the "ROIC Component") is subject to increase or forfeiture (and if forfeited the Recipient shall have no right to receive the related cash payment) based on the Average ROIC of the Company in the Performance Period, as defined below. The ROIC Component will be adjusted by multiplying it by the "Payout as a % of Target" percentage set forth in the table below. If results are between data points, the percentage of the Award payable shall be determined by interpolation between data points.

50% Weighting - ROIC		
Cum. Op. Inc.	Goal as % of Plan	Payout as a % of Target
<\$	<%	%
\$	%	%
\$	%	%
\$	%	%
\$	%	%
\$	%	%
\$	%	%
\$	%	%
\$	%	%

"Average ROIC" means the average annual percentage return on invested capital in the Performance Period, excluding the Excluded Effects. The return on invested capital is calculated as follows.

$$ROIC = \frac{\text{(net operating profit after taxes)}}{\text{(average total assets) - (average excess cash) - (average non-interest-bearing current liabilities)}}$$

The sum of the Award adjustments calculated in (i) and (ii) above will represent the final payout result under the Award.

Notwithstanding the foregoing, the Compensation Committee may, in its sole discretion, disregard all or any part of any Excluded Effects when determining the Performance Results for the Performance Period.

(d) *Restrictions on Transfer and Delivery on Death.* The Recipient may not sell, transfer, assign, pledge or otherwise encumber or dispose of the Award subject to this Agreement. If the Recipient dies before the delivery date, the shares will be delivered to the Recipient's estate.

(e) *Payment.* As soon as practicable following the Vesting Date, provided that the Recipient has completed, signed and returned any documents and taken any additional action the Company deems appropriate, the Company shall pay in cash the amount represented by the vested portion of the Award to the Recipient. In the event of the Recipient's death or total disability, the cash payment will be made to the Recipient's beneficiary or executor.

Notwithstanding the foregoing, a delivery date may be delayed in order to provide the Company such time as it determines appropriate to determine tax withholding and other administrative matters; provided, however, that in any event the cash payment shall be made not later than the later to occur of the date that is 2 1/2 months from the end of (i) the Recipient's tax year that includes the Vesting Date, or (ii) the Company's tax year that includes the Vesting Date.

(f) *Taxes and Tax Withholding.*

(i) The Recipient acknowledges that under United States federal tax laws in effect on the Award Date, the Recipient will have taxable compensation income at the time of vesting based on the amount of the cash payment made to the Recipient pursuant to the Award. The Recipient shall be responsible for all taxes imposed in connection with the Award, regardless of any action the Company takes with respect to any tax withholding obligations that arise in connection with the Award. The Company makes no representation or undertaking regarding the adequacy of any tax withholding in connection with the grant or vesting of the Award.

(ii) The Company shall deduct from any and all cash payments pursuant to the Award all domestic or foreign income, employment or other tax withholding obligation, whether national, federal, state or local (the "**Tax Withholding Obligation**"), arising as a result of any grant, vesting or payment of cash pursuant to this Award, in amounts determined by the Company.

(g) *No Solicitation.* The Recipient agrees that for 18 months after the Recipient's employment with the Company terminates for any reason, with or without cause, whether by the Company or the Recipient, the Recipient shall not recruit, attempt to hire, solicit, or assist others in recruiting or hiring, any person who is an employee of the Company, or any of its subsidiaries. In addition to other remedies that may be available to the Company, the Recipient shall pay to the Company in cash, upon demand, the net value of any cash payment made under this Agreement if the Recipient violates this Section 1(g).

(h) *Not a Contract of Employment.* This Agreement shall not be construed as a contract of employment between the Company and the Recipient and nothing contained in this Agreement or in the Plan shall confer upon the Recipient any right to be continued in the employment of the Company or any subsidiary or to interfere in any way with the right of the Company or any subsidiary by whom the Recipient is employed to terminate the Recipient's employment at any time for any reason, with or without cause, or to decrease the Recipient's compensation or benefits.

2. Miscellaneous.

(a) *Entire Agreement.* This Agreement constitutes the entire agreement of the parties with regard to the subjects hereof.

(b) *Interpretation of the Plan and the Agreement.* The Board of Directors, or a committee of the Board of Directors responsible for administering the Plan (the "**Administrator**"), shall have the sole authority to interpret the provisions of this Agreement and the Plan, and all determinations by it shall be final and conclusive.

(c) *Section 409A.* The Award made pursuant to this Agreement is intended not to constitute a "nonqualified deferred compensation plan" within the meaning of Section 409A the Internal Revenue Code of 1986, as amended, and instead is intended to be exempt from the application of Section 409A. To the extent that the Award is nevertheless deemed to be subject to Section 409A, the Award shall be interpreted in accordance with Section 409A and Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance issued after the grant of the Award. Notwithstanding any provision of the Award to the contrary, in the event that the Administrator determines that the Award is or may be subject to

Section 409A, the Administrator may adopt such amendments to the Award or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (i) exempt the Award from the application of Section 409A or preserve the intended tax treatment of the benefits provided with respect to the Award, or (ii) comply with the requirements of Section 409A.

(d) *Electronic Delivery.* The Recipient consents to the electronic delivery of any prospectus and any other documents relating to this Award in lieu of mailing or other form of delivery.

(e) *Rights and Benefits.* The rights and benefits of this Agreement shall inure to the benefit of and be enforceable by the Company's successors and assigns and, subject to the restrictions on transfer of this Agreement, be binding upon the Recipient's heirs, executors, administrators, successors and assigns.

(f) *Further Action.* The parties agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

(g) *Governing Law, Venue and Jurisdiction; Attorneys' Fees.* This Agreement and the Plan will be interpreted under the laws of the state of Oregon, exclusive of choice of law rules. Venue and jurisdiction will be in the state or federal courts in Washington County, Oregon, and nowhere else. In the event either party institutes litigation hereunder, the prevailing party shall be entitled to reasonable attorneys' fees to be set by the trial court and, upon any appeal, the appellate court.

(h) *Consent to Transfer Personal Data.* By signing this Agreement, the Recipient voluntarily acknowledges and consents to the collection, use, processing and transfer of personal data as described in this paragraph. The Recipient is not obliged to consent to such collection, use, processing and transfer of personal data. However, failure to provide the consent may affect the Recipient's ability to participate in the Plan. The Company and its subsidiaries hold certain personal information about the Recipient, including name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all entitlement to shares of stock awarded, canceled, purchased, vested, unvested or outstanding in the Recipient's favor, for the purpose of managing and administering the Plan ("**Data**"). The Company and/or its subsidiaries will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of the Plan, and the Company and/or any of its subsidiaries may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. These recipients may be located in the European Economic Area, or elsewhere throughout the world, including the United States. The Recipient authorizes such recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Recipient's participation in the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of stock on the Recipient's behalf to a broker or other third party with whom the Recipient may elect to deposit any shares of stock acquired pursuant to the Plan. The Recipient may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting the Company; however, withdrawing consent may affect the Recipient's ability to participate in the Plan.

(i) *Acknowledgment of Discretionary Nature of the Plan; No Vested Rights.* The Recipient acknowledges and agrees that the Plan is discretionary in nature and limited in duration, and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time. The Award under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of another award or benefits in lieu of another award in the future. Future awards, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any award, the type and amount of any award and vesting provisions.

(j) *Character of Award.* Participation in the Plan is voluntary. The value of the Award is an extraordinary item of compensation outside the scope of the Recipient's employment contract, if any. As such, the Award is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension, or retirement benefits or similar payments.

(k) *Recovery Policy.* Notwithstanding any other provision of this Agreement to the contrary and to the extent applicable to the Recipient, the Recipient acknowledges and agrees that any cash payment received by the Recipient under this Award may be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Columbia Sportswear Company Incentive Compensation Recovery Policy (the "Recovery Policy") as in effect on the Award Date (and to the extent applicable to the Recipient, a copy of which has been made available to the Recipient) and as may be amended from time to time in order to comply with changes in laws, rules or regulations that are applicable to such Award and shares of Common Stock. As a condition to the grant of this Award, to the extent applicable, the Recipient expressly agrees and consents to the Company's application, implementation and enforcement of (a) the Recovery Policy and (b) any provision of applicable law relating to cancellation, recoupment, rescission or payback

of compensation. Further, the Recipient expressly agrees that the Company may take such actions as are necessary or appropriate to effectuate the Recovery Policy (as applicable to the Recipient) or applicable law without further consent or action being required by the Recipient. For purposes of the foregoing and as a condition to the grant of this Award, the Recipient expressly and explicitly authorizes the Company to issue instructions, on the Recipient's behalf, to any third party broker/administrator engaged by the Company for purposes of administering awards granted under the Plan to re-convey, transfer or otherwise return such shares and/or other amounts to the Company. To the extent that the terms of this Agreement and the Recovery Policy conflict, the terms of the Recovery Policy shall prevail.

(m) *Counterparts*. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original.

COLUMBIA SPORTSWEAR COMPANY

By: _____

RECIPIENT

By: _____

CERTIFICATION

I, Timothy P. Boyle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Columbia Sportswear Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

/s/TIMOTHY P. BOYLE

Timothy P. Boyle

President, Chief Executive Officer

CERTIFICATION

I, Jim A. Swanson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Columbia Sportswear Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

/s/ JIM A. SWANSON

Jim A. Swanson

Senior Vice President, Chief Financial Officer

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of Columbia Sportswear Company (the "Company") on Form 10-Q for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Timothy P. Boyle, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 1, 2019

/s/TIMOTHY P. BOYLE

Timothy P. Boyle
President, Chief Executive Officer
Columbia Sportswear Company

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of Columbia Sportswear Company (the "Company") on Form 10-Q for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Jim A. Swanson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 1, 2019

/s/ JIM A. SWANSON

Jim A. Swanson

Senior Vice President, Chief Financial Officer

Columbia Sportswear Company