UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2004

OR

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

For the transition period from ______ to ______

COLUMBIA SPORTSWEAR COMPANY
(Exact name of registrant as specified in its charter)

Oregon	**0-23939**	**93-0498284**
(State or other jurisdiction of incorporation or organization)	**(Commission File Number)**	**(IRS Employer Identification Number)**

14375 Northwest Science Park Drive Portland, Oregon	**97229**
(Address of principal executive offices)	**(Zip Code)**

(503) 985-4000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

The number of shares of Common Stock outstanding on April 23, 2004 was 40,453,116.

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COLUMBIA SPORTSWEAR COMPANY
March 31, 2004

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Item 1 – *FINANCIAL STATEMENTS*

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

	March 31, 2004	December 31, 2003
ASSETS		
Current Assets:		
Cash and cash equivalents	$288,059	$ 264,585
Accounts receivable, net of allowance of $9,350 and $8,852, respectively	169,972	206,024
Inventories (Note 3)	128,077	126,808
Deferred tax asset	17,183	17,442
Prepaid expenses and other current assets	6,889	5,371
Total current assets	610,180	620,230
Property, plant, and equipment, net	131,238	126,247
Intangibles and other assets (Note 4)	25,499	25,132
Goodwill	12,157	12,157
Total assets	$779,074	$ 783,766
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 40,082	$ 62,432
Accrued liabilities	32,847	43,789
Income taxes payable	10,475	8,069
Current portion of long-term debt	4,625	4,596
Total current liabilities	88,029	118,886
Long-term debt	15,867	16,335
Deferred tax liability	8,503	7,716
Total liabilities	112,399	142,937
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock; 10,000 shares authorized; none issued and outstanding	—	—
Common stock; 125,000 shares authorized; 40,425 and 40,253 issued and outstanding, respectively	187,993	182,188
Retained earnings	455,326	435,364
Accumulated other comprehensive income	23,356	23,277
Total shareholders' equity	666,675	640,829
Total liabilities and shareholders' equity	$779,074	$ 783,766

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2004	2003
Net sales	$206,670	$168,871
Cost of sales	112,787	92,127
Gross profit	93,883	76,744
Selling, general, and administrative expense	64,529	53,161
Net licensing income	(697)	(105)
Income from operations	30,051	23,688
Interest income	(978)	(622)
Interest expense	80	439
Income before income tax	30,949	23,871
Income tax expense	10,987	8,952
Net income (Note 5)	$ 19,962	$ 14,919
Earnings per share (Note 6):		
Basic	$ 0.50	$ 0.38
Diluted	0.49	0.37
Weighted average shares outstanding:		
Basic	40,318	39,768
Diluted	40,996	40,399

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2004	**2003**
Cash Provided Operating Activities:		
Net income	$ 19,962	$ 14,919
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,389	5,492
Loss on disposal of property, plant, and equipment	47	165
Deferred income taxes	787	(73)
Tax benefit from employee stock plans	1,761	329
Changes in operating assets and liabilities:		
Accounts receivable	34,973	33,633
Inventories	(1,381)	(11,244)
Prepaid expenses and other current assets	(1,514)	1,396
Other assets	85	293
Accounts payable	(20,464)	(14,109)
Accrued liabilities	(10,779)	(10,972)
Income taxes payable	1,898	1,763
Net cash provided by operating activities	30,764	21,592
Cash Provided by (Used in) Investing Activities:		
Mountain Hardwear net assets acquired, net of cash	—	(29,865)
Capital expenditures	(11,186)	(1,716)
Proceeds from sale of property, plant, and equipment	5	—
Net cash used in investing activities	(11,181)	(31,581)
Cash Provided by (Used in) Financing Activities:		
Proceeds from notes payable	7,296	48
Repayments on notes payable	(7,296)	—
Repayment of Mountain Hardwear debt	—	(6,413)
Repayment of long-term debt	(516)	(463)
Proceeds from employee stock plans	4,044	1,289
Net cash provided by (used in) financing activities	3,528	(5,539)
Net Effect of Exchange Rate Changes on Cash	363	55
Net Increase (Decrease) in Cash and Cash Equivalents	23,474	(15,473)
Cash and Cash Equivalents, Beginning of Period	264,585	194,670
Cash and Cash Equivalents, End of Period	$288,059	$179,197
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for interest, net of capitalized interest	$ 81	$ 445
Cash paid during the period for income taxes	6,683	5,912
Supplemental Disclosures of Non-Cash Financing Activities:		
Assumption of Mountain Hardwear debt	$ —	$ 6,413

See accompanying notes to condensed consolidated financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

The accompanying unaudited condensed consolidated financial statements have been prepared by the management of Columbia Sportswear Company (the "Company") and in the opinion of management contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position as of March 31, 2004 and the results of operations for the three months ended March 31, 2004 and 2003 and cash flows for the three months ended March 31, 2004 and 2003. The results of operations for the three months ended March 31, 2004 are not necessarily indicative of the results to be expected for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The Company, however, believes that the disclosures contained herein 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 financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

Certain reclassifications of amounts reported in the prior period financial statements have been made to conform to classifications used in the current period financial statements.

Beginning with the Company's annual report for the year ended December 31, 2003, net licensing income was presented as a separate line item in the Company's consolidated statement of operations for all years presented. Net licensing income has historically been presented as an offset to selling, general and administrative ("SG&A") expense.

Use of estimates:

The preparation of condensed consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates and assumptions.

Stock-based compensation:

The Company has elected to follow the accounting provisions of Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees," for stock-based compensation and to furnish the pro forma disclosures required under Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." No stock-based employee compensation cost is reflected in net income because all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of the grant.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based compensation (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2004	2003
Net income, as reported	$19,962	$14,919
Add: Stock-based employee compensation expense included in reported net income, net of tax	—	—
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	2,209	1,984
Pro forma net income	$17,753	$12,935
Earnings per share - basic		
As reported	$ 0.50	$ 0.38
Pro forma	0.44	0.33
Earnings per share - diluted		
As reported	$ 0.49	$ 0.37
Pro forma	0.43	0.32

The effects of applying SFAS No. 123 in this pro forma disclosure are not necessarily indicative of future amounts.

Product warranty:

Some of our products carry limited warranty provisions for defects in quality and workmanship. A reserve is established at the time of sale to cover estimated warranty costs based on the Company's history of warranty repairs and replacements. A summary of accrued warranties for the three months ended March 31, 2004 and 2003 is as follows (in thousands):

	Three Months Ended March 31,	
	2004	2003
Balance at beginning of period	$ 8,642	$ 7,800
Charged to costs and expenses	1,277	1,316
Claims settled	(1,286)	(1,019)
Balance at end of period	$ 8,633	$ 8,097

Recent Accounting Pronouncements:

In April 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 149, "Amendments of Statement No. 133 on Derivative Instruments and Hedging Activities," which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is effective for contracts and hedging transactions executed or modified after June 30, 2003. The adoption of this statement did not have a material effect on the Company's financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. The adoption of this statement did not have a material effect on the Company's financial position, results of operations or cash flows.

NOTE 2 - ACQUISITION

On March 31, 2003, the Company acquired Mountain Hardwear, Inc. ("Mountain Hardwear") for aggregate consideration of approximately $36 million, including approximately $30 million in cash and $6 million of debt assumption. Mountain Hardwear, which is based in Richmond, California, designs, develops and markets technically advanced equipment and apparel for outdoor enthusiasts and professionals. The acquisition was accounted for under the purchase method of accounting and the results of operations of Mountain Hardwear have been recorded in the Company's consolidated financial statements beginning on April 1, 2003. The cost of the acquisition was allocated on the basis of the estimated fair value of the assets acquired and the liabilities assumed. The fair values of assets and liabilities acquired are presented below (in thousands):

Cash	$ 370
Accounts receivable	6,236
Inventory	8,600
Prepaids and other assets	19
Property, plant and equipment	440
Intangible assets	28,357
Total assets acquired	44,022
Accounts payable and accrued liabilities	1,181
Deferred tax liabilities	6,193
Debt	6,413
Total liabilities assumed	13,787
Net assets acquired	$30,235

Intangible assets acquired consist of $15.0 million for the trademark and trade names of Mountain Hardwear, $12.2 million for goodwill and $1.2 million related to patents. The $16.2 million of purchase price allocated to the trademark and trade names and patents was determined by management, and in part, by a third party appraiser through established valuation techniques. The trademark and trade names and goodwill are not subject to amortization as these assets are deemed to have indefinite useful lives. Patents are subject to amortization over 17 years from the date filed with the U.S. Patent and Trademark Office. At the time of the acquisition, the remaining useful lives of these patents ranged from 13 to 15 years and the weighted average useful life is 14.3 years. These intangible assets will be reviewed for impairment in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets."

NOTE 3 - INVENTORIES

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

Inventories consist of the following (in thousands):

	March 31, 2004	December 31, 2003
Raw materials	$ 3,446	$ 3,386
Work in process	6,838	3,692
Finished goods	117,793	119,730
	$ 128,077	$ 126,808

NOTE 4 - INTANGIBLE ASSETS AND GOODWILL

The Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002. In accordance with SFAS No. 142, certain intangible assets with indefinite useful lives are no longer being amortized and are periodically evaluated for impairment. Certain intangible assets that are determined to have definite lives are continuing to be amortized over their useful lives. The Company reviews and tests its goodwill and intangible assets for impairment in the fourth quarter of each year and when events or changes in circumstances indicate that the carrying amount of such assets may be impaired.

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

	March 31, 2004		December 31, 2003	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Patents	$ 1,200	$ (84)	$ 1,200	$ (63)
Intangible assets not subject to amortization:				
Trademarks and trade names	$21,971		$21,971	
Goodwill	12,157		12,157	
	$34,128		$34,128	

Amortization expense for intangible assets subject to amortization in each of the next five fiscal years is estimated to be $84,000 in each of 2004, 2005, 2006, 2007 and 2008.

NOTE 5 - COMPREHENSIVE INCOME

Accumulated other comprehensive income reported on the Company's consolidated balance sheets consists of foreign currency translation adjustments and the unrealized gains and losses, net of applicable taxes, on derivative transactions. Comprehensive income, net of related tax effects, is as follows (in thousands):

	Three months ending March 31,	
	2004	2003
Net income	$19,962	$14,919
Unrealized derivative holding gains losses arising during period, net of tax	3,666	445
Reclassification adjustment for losses included in net income	(937)	(209)
Net unrealized gains on derivative transactions	2,729	236
Foreign currency translation adjustments	(2,650)	4,798
Total comprehensive income	$20,041	$19,953

Accumulated other comprehensive income consisted of the following (in thousands):

	Foreign currency translation	Unrealized holding gains (losses) on derivative transactions	Accumulated other comprehensive income
Balances at December 31, 2003	$ 25,741	$ (2,464)	$ 23,277
Activity for the three months ended March 31, 2004	(2,650)	2,729	79
Balances at March 31, 2004	$ 23,091	$ 265	$ 23,356

NOTE 6 - EARNINGS PER SHARE

SFAS No. 128, "Earnings per Share," requires dual presentation of basic and diluted earnings per share ("EPS"). Basic EPS is based on the weighted average number of common shares outstanding. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

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There were no adjustments to net income in computing diluted EPS for the three months ended March 31, 2004 and 2003. A reconciliation of the common shares used in the denominator for computing basic and diluted EPS is as follows (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2004	2003
Weighted average common shares outstanding, used in computing basic earnings per share	40,318	39,768
Effect of dilutive stock options	678	631
Weighted average common shares outstanding, used in computing diluted earnings per share	40,996	40,399
Earnings per share of common stock:		
Basic	$ 0.50	$ 0.38
Diluted	0.49	0.37

Options to purchase an additional 0 and 794,000 shares of common stock were outstanding at March 31, 2004 and 2003, respectively, but these shares were excluded in the computation of diluted EPS because their effect would be antidilutive.

In June 2003, the Company repurchased 234,831 unvested shares of its common stock awarded to a former key employee under a Deferred Compensation Conversion Agreement (the “Agreement”). The repurchase cost was approximately $498,000 and was accounted for as a reduction to shareholders’ equity.

In April 2004, the Company’s Board of Directors authorized the repurchase of up to $100 million of the Company’s common stock. Shares of the Company’s common stock may be purchased in the open market or through privately negotiated transactions, subject to the market conditions. The repurchase program does not obligate the Company to acquire any specific number of shares or acquire shares over any specified period of time.

NOTE 7- SEGMENT INFORMATION

The Company operates in one industry segment: the design, production, marketing and selling of active outdoor apparel, including outerwear, sportswear, footwear, related accessories and equipment.

The geographic distribution of the Company’s net sales, income before income tax, and identifiable assets are summarized in the following tables (in thousands). In addition to the geographic distribution, the Company’s net sales by major product line are also summarized below. Inter-geographic net sales, which are recorded at a negotiated mark-up and eliminated in consolidation, are not material.

	Three Months Ended March 31,	
	2004	2003
Net sales to unrelated entities:		
United States	$115,258	$ 99,569
Canada	22,376	18,076
Europe	42,932	32,196
Other International	26,104	19,030
	$206,670	$168,871

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	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Income (loss) before income tax:		
United States	$15,380	$13,778
Canada	(70)	2,783
Europe	9,237	3,047
Other International	4,534	2,843
Interest income, net and eliminations	1,868	1,420
	$30,949	$23,871

	March 31, 2004	December 31, 2003
Total assets:		
United States	$ 776,260	$ 729,533
Canada	62,590	69,184
Europe	156,220	163,514
Other International	44,078	46,985
	1,039,148	1,009,216
Eliminations	(260,074)	(225,450)
Total assets	$ 779,074	$ 783,766

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Net sales to unrelated entities:		
Outerwear	$ 40,442	$ 36,049
Sportswear	116,965	97,781
Footwear	38,385	29,663
Accessories	8,225	5,378
Equipment (1)	2,653	—
	$206,670	$168,871

(1) The equipment product category was introduced with the acquisition of Mountain Hardwear and consists primarily of tents and sleeping bags.

NOTE 8 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As part of the Company's risk management programs, the Company uses a variety of financial instruments, including foreign currency option and forward exchange contracts. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company hedges against the currency risk associated with firmly committed and anticipated transactions for the next twelve months denominated in European euros, Canadian dollars or Japanese yen.

The Company accounts for these instruments as cash flow hedges. In accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activity," as amended, such financial instruments are marked to market with the offset to accumulated other comprehensive income and subsequently recognized as a component of cost of goods sold when the underlying transaction is recognized. Hedge effectiveness is determined by evaluating whether gains and losses on hedges will offset gains and losses on the underlying exposures. Hedge ineffectiveness was not material during the three months ended March 31, 2004 and 2003.

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

Forward Looking Statements

This Quarterly Report, including Items 1, 2 and 3 of Part I, contains forward-looking statements. Forward-looking statements include any statements related to our expectations regarding future performance or conditions, including any statements regarding:

- potential sales growth in domestic and international markets;
- sales growth in merchandise categories;
- increased sales to department stores and footwear specialty shops;
- implementation and performance of new management information systems and distribution facilities;
- access to raw materials and factory capacity; and
- financing and working capital requirements and resources.

These forward-looking statements, and others we make from time to time, are subject to many risks and uncertainties. Many factors could cause actual results to differ materially from those projected in forward-looking statements, including the risks described below under the heading "Factors That May Affect Our Business and the Price of Our Common Stock." Risk factors that may affect our business and liquidity, future financing and working capital requirements and availability include:

- international risks, including trade disruptions, political instability in foreign markets, exchange rate fluctuations, and changes in quotas and tariffs or other duties;
- unfavorable economic conditions generally and weakness in consumer confidence;
- the financial health of our customers;
- our ability to fully and cost-effectively integrate Mountain Hardwear into our existing operations;
- our ability to effectively deliver products to customers in a timely manner despite potential service interruptions;
- effects of unseasonable weather (including, for example, warm weather in the winter and cold weather in the spring, each of which affects demand for our products);
- our reliance on product acceptance by consumers;
- our dependence on independent manufacturers and suppliers;
- the effectiveness of our sales and marketing efforts;
- intense competition in the industry (which we expect to increase);
- our ability to achieve and manage growth effectively;
- business disruptions and costs arising from disease outbreak, acts of terrorism, or military activities around the globe;
- our ability to effectively implement and expand our distribution facilities;
- the availability of labor, raw materials and other resources on favorable terms; and
- our ability to establish and protect our intellectual property.

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.

Overview

Since our initial public offering in 1998, our net sales have steadily increased from $427.3 million in 1998 to $951.8 million in 2003, which equates to a compound annual growth rate of 17.4% for this period. Although we cannot predict with certainty any results on a prospective basis, we remain optimistic that we will continue to benefit from global market opportunities for each of our key product categories. To capitalize on these opportunities, we are committed to our four-pronged growth strategy of enhancing the retail productivity of our customers, leveraging the Columbia brand in international markets, further developing our existing merchandise categories and selectively broadening our retail distribution. With our well developed sourcing and distribution infrastructure, coupled with a proven design and product development team, we believe that we are well positioned for future growth.

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For the quarter ended March 31, 2004, we achieved sales growth in each of our product categories. Sportswear represented more than 50% of our sales growth during the quarter led by significant gains in the United States. Domestically, sales growth from sportswear was principally led by our shorts business with gains also realized in our pants and tops businesses. Sportswear sales growth was also achieved in all of our international markets including Europe, Canada and our other international markets. Sales growth from footwear represented more than 20% of our consolidated sales growth. Footwear sales growth was primarily derived from our international markets led by Europe. Our sandals business drove our footwear growth in the United States, Europe, Canada and other international markets.

From a global perspective, sales growth was realized in each major geographical area in which we operate. In absolute dollars, sales growth was led by the United States followed by Europe, our other international markets and Canada. The growth in the United States was primarily attributable to the strength of our sportswear business. Our international sales growth was enhanced by favorable foreign currency exchange rates in our direct markets as foreign currencies strengthened in relation to the U.S. dollar. Although changes in foreign currency exchange rates favorably affected our sales and earnings growth during the quarter, we believe our growth excluding changes in currency exchange rates is the result of well developed products, exceptional sourcing capabilities and strategically focused promotional activities.

As part of our growth strategy to provide a head-to-toe product offering, we have expanded our product line from our traditional outerwear category to other products including sportswear and footwear. We continue to experience a shift in our sales product mix from our outerwear category to our other product categories. Although sales growth was achieved in all product categories during the quarter, sales growth, in percentage terms, in the footwear and accessories categories outpaced outerwear and sportswear sales growth. Our sportswear and footwear products typically sell at lower gross margins than our outerwear products. Overall gross margins typically contract as sales growth increases in these lower margin product categories. During the first quarter, however, the favorable effect of foreign currency fluctuations offset overall gross margin contraction as a result of increased sales of sportswear and footwear products. For the remainder of 2004, we anticipate some margin contraction due to the continued shift in sales product mix, as we expect sales from footwear and sportswear to continue to grow faster than outerwear sales. During the first quarter, our footwear and sportswear product sales grew 29.3% and 19.6%, respectively, compared to the first quarter last year, which is attributable to overall product acceptance by our customers both in the United States and internationally. The outerwear product category was more successful internationally, with sales growth in Europe, Canada and other international markets. In the United States, outerwear sales declined slightly due to the relative maturity of the outerwear product category.

Results of Operations

Net income increased $5.1 million, or 34.2%, to $20.0 million for the first quarter of 2004 from $14.9 million for the comparable period in 2003. Fully diluted earnings per share increased $0.12 to $0.49 for the first quarter of 2004 from $0.37 for the first quarter of 2003.

The following table sets forth, for the periods indicated, the percentage relationship to net sales of specified items in our consolidated statements of operations:

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Net sales	100.0%	100.0%
Cost of sales	54.6	54.6
Gross profit	45.4	45.4
Selling, general and administrative	31.2	31.5
Net licensing income	(0.3)	(0.1)
Income from operations	14.5	14.0
Interest income, net	(0.5)	(0.1)
Income before income tax	15.0	14.1
Income tax expense	5.3	5.3
Net income	9.7%	8.8%

Quarter Ended March 31, 2004 Compared to Quarter Ended March 31, 2003

Net Sales: Consolidated net sales increased 22.4% to $206.7 million for the first quarter of 2004 from $168.9 million for the comparable period in 2003. Our net sales growth was realized across all major geographic regions in which we operate. On an international basis, net sales growth was driven by the expansion of our European business, followed by our Canadian and other international businesses.

Net sales growth was attributable to an increase in unit sales volume across all geographic markets and product categories. Moreover, net sales growth was achieved in each of our product categories, in both dollars and unit volumes. In absolute dollar terms, net sales growth was led by sportswear, followed by footwear, outerwear, accessories and equipment. In terms of unit volume, net sales growth was led by sportswear, followed by footwear, accessories, outerwear and equipment.

For the first quarter of 2004, we continued to experience a shift in our sales product mix as sales of footwear and accessories grew faster than outerwear and sportswear. Although sales growth from footwear and accessories outpaced the sales growth from sportswear in percentage terms, over 50% of our sales growth for the quarter was the result of increased sportswear sales. For the first quarter of 2004, outerwear represented 19.5% of net sales compared to 21.3% for the first quarter of 2003 while sportswear decreased to 56.6% for the first quarter of 2004 from 57.9% for the first quarter of 2003. Footwear and accessories increased to 18.6% and 4.0%, respectively, for the first quarter of 2004 from 17.6% and 3.2%, respectively, for the first quarter of 2003. With our acquisition of Mountain Hardwear, we have a new product category, equipment, which represented 1.3% of our net sales for the first quarter of 2004.

Net sales from outerwear increased $4.4 million, or 12.2%, to $40.4 million for the first quarter of 2004 from $36.0 million for the comparable period in 2003. Our outerwear business was more successful internationally where we experienced sales growth in Europe, Canada and our other international geographic locations. Net sales from sportswear increased $19.2 million, or 19.6%, to $117.0 million for the first quarter of 2004 from $97.8 million for the comparable period in 2003. Sportswear sales growth was led by the United Sales followed by Europe, Canada and other international markets. Net sales from footwear increased $8.7 million, or 29.3%, to $38.4 million for the first quarter of 2004 from $29.7 million for the comparable period in 2003. Footwear sales growth was led by Europe followed by Canada, our other international markets and the United States. Net sales from accessories increased $2.8 million, or 51.9%, to $8.2 million for the first quarter of 2004 from $5.4 million for the comparable period in 2003. Sales growth for accessories was primarily the result of increased sales in the United States. Europe and our other international markets also contributed to the accessories sales growth. Net sales from equipment, a new product category resulting from our acquisition of Mountain Hardwear, represented $2.7 million of our net sales during the first quarter of 2004. The equipment product category consists primarily of tents and sleeping bags.

Net sales in the United States increased $15.7 million, or 15.8%, to $115.3 million for the first quarter of 2004 from $99.6 million for the comparable period in 2003. Net sales growth in the United States accounted for 41.5% of the 22.4% increase in consolidated net sales. Excluding Mountain Hardwear, domestic net sales increased 7.1%. The increase in domestic net sales was the result of increased sales from sportswear, accessories and footwear partially offset by a slight decrease in the outerwear category.

Europe's net sales increased $10.7 million, or 33.2%, to $42.9 million for the first quarter of 2004 from $32.2 million for the comparable period in 2003. Excluding changes in currency exchange rates, Europe's net sales increased 14.5%. Europe's net sales growth accounted for 28.3% of the 22.4% increase in consolidated net sales. Sales growth was achieved across all product categories in Europe for the first quarter of 2004. Footwear led Europe's sales growth followed by sportswear, outerwear, and accessories.

Canada's net sales increased $4.3 million, or 23.8%, to $22.4 million for the first quarter of 2004 from $18.1 million for the comparable period in 2003. Excluding changes in currency exchange rates, Canada's net sales increased 8.2%. Canada's net sales growth accounted for 11.4% of the 22.4% increase in consolidated net sales. Net sales growth was led by sportswear followed by footwear and outerwear. Net sales from accessories decreased slightly for the first quarter of 2004.

Net sales from other international geographies including Japan, Korea and our international distributors increased $7.1 million, or 37.4%, to $26.1 million for the first quarter of 2004 from $19.0 million for the comparable period in 2003. Excluding changes in currency exchange rates, other international sales increased 31.9%. Other international sales growth accounted for 18.8% of the 22.4% increase in consolidated net sales. Net sales growth was achieved across all product categories, led by outerwear followed by sportswear, accessories and footwear.

Gross Profit*:* Gross profit, as a percentage of net sales, was flat at 45.4% for the first quarter in 2004 and the comparable period in 2003. Although our gross margin remained unchanged in comparison to the first quarter of last year, our gross margins were favorably impacted by fluctuations in foreign currencies offset by the unfavorable effects of shifts in product mix, shifts in product styles domestically and lower gross margins in the United States on sales of fall close-out products, compared to the same period in 2003.

A shift in product mix from our higher-margin outerwear products to our lower-margin products such as footwear had an unfavorable impact on gross margin. In general, our outerwear products carry higher gross margins followed by our accessories, sportswear and footwear products. For the first quarter of 2004, outerwear sales represented 19.5% of net sales compared to 21.3% of net sales for the first quarter of 2003. Sportswear also decreased to 56.6% of net sales for the first quarter of 2004 from 57.9% of net sales for the comparable period in 2003. Conversely, footwear and accessories sales represented 18.6% and 4.0% of net sales for the first quarter of 2004 compared to 17.6% and 3.2% of net sales for the first quarter of 2003, respectively. For the remainder of 2004, we anticipate the shift in product sales mix will continue to exert pressure on our gross margins.

Our gross margins may not be comparable to those of other entities, because some entities include all of the costs related to their distribution network in cost of sales. Some companies such as ours, however, have chosen to include these expenses as a component of selling, general and administrative expense.

Selling, General and Administrative Expense: Selling, general and administrative ("SG&A") expense includes all costs associated with our design, marketing, distribution and corporate functions including depreciation and amortization. Our quarterly report for the quarter ended March 31, 2003 and prior periods included net licensing income as an offset to SG&A expense. For the purposes of this quarterly report for the quarter ended March 31, 2004 and our annual report for the year ended December 31, 2003, net licensing income is presented as a separate line item in our consolidated statement of operations for each period presented.

SG&A expense increased $11.3 million, or 21.2%, to $64.5 million for the first quarter of 2004 from $53.2 million for the comparable period in 2003. Excluding changes in currency exchange rates, SG&A expense increased $8.6 million, or 16.2%. Selling expense, including commissions and advertising, increased in line with sales growth.

The increase in general and administrative expense was primarily due to increases in personnel related costs, travel expenses, professional fees, and the allowance for doubtful accounts partially offset by decreases in depreciation expense and other operating expenses. The increase in personnel costs was due to an expansion of our product offerings and to support the higher level of sales and anticipated sales growth. Depreciation and amortization totaled $5.4 million for the first quarter of 2004 compared to $5.5 million for the comparable period in 2003. The decrease was primarily related to some assets in the United States becoming fully depreciated.

As a percentage of net sales, SG&A expense was 31.2% for the first quarter of 2004 compared to 31.5% for the comparable period in 2003. We expect that our initiatives to continue our global expansion will result in 2004 SG&A expense being at a comparable level to 2003 in relative terms.

Net Licensing Income: As our licensees have gained momentum in the market place with the sale of our branded products, our licensing arrangements have produced highly profitable income for the company. Although net licensing income is not a significant income driver, beginning in 2003 net licensing income was presented as a separate line item in our consolidated statement of operations for all years presented, whereas it historically had been presented as an offset to SG&A expense.

Net licensing income is derived from income that we earn through licensing our trademark across a range of categories that complement our current product offerings. For the first quarter of 2004, we realized licensing income from thirteen licensees. Products distributed by the licensees included socks, bags, packs, leather outerwear, eyewear, watches and other accessories.

Net licensing income increased $0.6 million, or 600.0%, to $0.7 million for the first quarter of 2004 from $0.1 million for the comparable period in 2003. Our increase in licensing income was led by Columbia licensed eyewear products, followed by socks and camping gear.

Interest (Income) Expense, Net*:* Interest income was $1.0 million for the first quarter of 2004 compared to $0.6 million for the comparable period in 2003. The increase in interest income was due to the higher cash balance compared to the same period in 2003. Interest expense was $80,000 for the first quarter of 2004 compared to $0.4 million for the comparable period in 2003. The decrease in interest expense was primarily attributable to an increase in capitalized interest, related to the construction of the distribution center in Henderson County, Kentucky, of approximately $0.2 million as well as repayment of short-term notes payable and long-term debt.

Income Tax Expense: The provision for income taxes increased to $11.0 million for the first quarter of 2004 from $9.0 million for the comparable period in 2003. The reduction in the annual effective tax rate from 37.0% to 35.5% is due to several factors, including an increase in the relative mix of consolidated profitability, as our international growth rates exceed our domestic growth rates, and expected reductions in our overall state income tax expense.

Seasonality of Business

Our business is affected by the general seasonal trends common to the outdoor apparel industry, with sales and profits highest in the third calendar quarter. Our products are marketed on a seasonal basis, with a product mix weighted substantially toward the fall season. Results of operations in any period should not be considered indicative of the results to be expected for any future period. The sale of our products is subject to substantial cyclical fluctuation or impact from unseasonal weather conditions. Sales tend to decline in periods of recession or uncertainty regarding future economic prospects that affect consumer spending, particularly on discretionary items. This cyclicality and any related fluctuation in consumer demand could have a material adverse effect on our results of operations, cash flows and financial position.

Liquidity and Capital Resources

Our primary ongoing funding requirements are to finance working capital and the continued growth of the business. At March 31, 2004, we had total cash equivalents of $288.1 million compared to $264.6 million at December 31, 2003. Cash provided by operating activities was $30.8 million for the three months ended March 31, 2004 and $21.6 million for the comparable period in 2003. This change was primarily due to a smaller increase in inventory in the quarter and an increase in earnings partially offset by a decrease in accounts payable.

Our primary capital requirements are for working capital, investing activities associated with the expansion of our global operations and general corporate needs. Net cash used in investing activities was $11.2 million for the three months ended March 31, 2004 and $31.6 million for the comparable period in 2003. The decrease was primarily due to the acquisition of Mountain Hardwear in 2003 for $29.9 million, net of cash acquired, partially offset by an increase in capital expenditures of $9.5 million primarily related to the construction of the distribution center in Henderson County, Kentucky.

Cash provided by financing activities was $3.5 million for the three months ended March 31, 2004 compared to cash used in financing activities of $5.5 million for the comparable period in 2003. In 2004, net cash provided by financing activities was primarily due to proceeds from the sale of stock under employee stock plans of $4.0 million, partially offset by the repayment of long-term debt of $0.5 million. In 2003, net cash used in financing activities was primarily for the repayment of Mountain Hardwear debt of $6.4 million, partially offset by proceeds from the sale of stock under employee stock plans of $1.3 million.

To fund our domestic working capital requirements, we have available unsecured revolving lines of credit with aggregate seasonal limits ranging from approximately $30 million to $75 million, of which $5 million to $50 million is committed. As of March 31, 2004, no domestic balance was outstanding under these lines of credit. Internationally, our subsidiaries have local currency operating lines in place that we guarantee with a combined limit of approximately $87.9 million at March 31, 2004. There were no balances outstanding under these lines of credit at March 31, 2004.

Additionally, we maintain unsecured import lines of credit with a combined limit of approximately $250 million at March 31, 2004, available for issuing documentary letters of credit. At March 31, 2004, outstanding letters of credit totaled $187.7 million.

As we continue our investment in global infrastructure to support our growth, we anticipate that capital expenditures for 2004 will total approximately $45 million, consisting of the continuing construction of the distribution center in Henderson County, Kentucky, maintenance capital requirements and information technology projects. In 2003, we broke ground on the construction of the Kentucky distribution center, primarily for the purpose of distributing footwear products in the United

States. This distribution center is expected to consist of approximately 450,000 square feet, cost an estimated $40 million to construct, and begin shipping products in 2005. As of March 31, 2004, capital expenditures incurred to date, including capitalized interest, for the Kentucky distribution center totaled approximately $19.8 million.

Although the Kentucky distribution center will be constructed primarily to support our footwear products, it will be designed and engineered to support other product lines as well. The facility will improve our proximity to major footwear customers and, we believe, will facilitate reorders. We expect to fund these capital expenditures with existing cash and cash provided by operations. If the need arises for additional expenditures, we may need to seek additional funding. Our ability to obtain additional credit facilities will depend on many factors, including prevailing market conditions, our financial condition, and our ability to negotiate favorable terms and conditions. We do not assure you that financing will 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 calendar quarter. This pattern has resulted primarily from the timing of shipments to wholesale customers for the fall outerwear season. We believe that our liquidity requirements for at least the next 12 months will be adequately covered by existing cash, cash provided by operations and existing short-term borrowing arrangements.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. 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 described below have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies and estimates. Because of the uncertainty inherent in these matters, actual results could differ from the estimates we use in applying the critical accounting policies. We base our ongoing estimates on historical experience and other various assumptions that we believe to be reasonable under the circumstances. Some of these critical accounting policies affect working capital account balances, including the policy for revenue recognition, the allowance for doubtful accounts receivable, and inventory obsolescence.

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

Revenue Recognition

We record wholesale revenues and licensing income when title passes and the risks and rewards of ownership have passed to the customer, based on the terms of sale. Title generally passes upon shipment or upon receipt by the customer depending on the country of the sale and the agreement with the customer. Retail store revenues are recorded at the time of sale.

In some countries outside of the United States, predominantly where we sell directly in Western Europe, precise information regarding the date of receipt by the customer is not readily available. In these cases, we estimate the date of receipt by the customer based on historical and expected delivery times by geographic location. We periodically test the accuracy of these estimates based on actual transactions. Delivery times vary by geographic location, generally from one to four days. To date, we have found these estimates to be materially accurate.

Upon shipment, we also provide for estimated sales returns and miscellaneous claims from customers as reductions to revenues. The estimates are based on historical rates of product returns and claims that have ranged from approximately one to two percent of sales. However, actual returns and claims in any future period are inherently uncertain and thus may differ from the estimates. If actual or expected future returns and claims were significantly greater or lower than the reserves that had been established, we would record a reduction or increase to net revenues in the period in which we made such a determination.

Allowance for Uncollectible Accounts Receivable

We make ongoing estimates for the uncollectibility of our accounts receivable and maintain an allowance for estimated losses resulting from the inability of our customers to make required payments. In determining the amount of the allowance, we consider our historical level of credit losses and we make judgments about the credit worthiness of customers based on ongoing credit evaluations. We analyze specific customer accounts, customer concentrations, current economic trends, and changes in customer payment terms. Because we cannot predict future changes in the financial stability of our customers, actual future losses from uncollectible accounts may differ from our estimates. If the financial condition of our customers were to deteriorate, resulting in their inability to make payments, a larger allowance could be required. If we determine a smaller or larger allowance is appropriate, we would record a credit or a charge to SG&A expense in the period in which we made the determination.

Inventory and Product Warranty

We make ongoing estimates of potential future excess, close-out or slow moving inventory and product warranty costs. We identify our excess inventory, a component of which is planned, and evaluate our purchase commitments, sales forecasts, and historical experience and make provisions as necessary to properly reflect inventory value. When evaluating our reserve for warranty costs, we consider our historical returns rates by season, product mix, current economic trends, and the historical cost to repair, replace, or refund the original sale. If we determine smaller or larger reserves were appropriate, we would record a credit or a charge to cost of sales in the period we made the determination.

Income Taxes

We record valuation allowances against our deferred tax assets, when necessary, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." We make ongoing estimates in determining the valuation allowance for the net deferred tax asset in order to reduce our deferred tax assets to the amount that is more likely than not to be realized. Although we consider future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, if we have different judgments or use different estimates in the future, these differences may affect the valuation allowance and, accordingly, income in the period we made the determination.

On a quarterly basis, we estimate what our effective tax rate will be for the full fiscal year and record a quarterly income tax provision in accordance with the anticipated effective rate. As the calendar year progresses, we periodically refine our estimate based on actual events and earnings by jurisdiction during the year. This ongoing estimation process can result in changes to our expected effective tax rate for the full calendar year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision equals the expected annual effective tax rate.

Recent Accounting Pronouncements

In April 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 149, "Amendments of Statement No. 133 on Derivative Instruments and Hedging Activities," which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is effective for contracts and hedging transactions executed or modified after June 30, 2003. The adoption of this statement did not have a material effect on our financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. The adoption of this statement did not have a material effect on our financial position, results of operations or cash flows.

Factors That May Affect Our Business and the Price of Our Common Stock

Our Business is Affected by Weather Conditions

Our business is adversely affected by unseasonal weather conditions. Sales of our outerwear and cold weather footwear are dependent in part on the weather and may decline in years in which weather conditions do not favor the use of such products. For example, in certain prior years we believe unseasonably warm weather in the United States caused customers to delay, and in some cases reduce or cancel, orders for our outerwear, which had an adverse effect on our net sales and profitability. Periods of unseasonably warm weather in the fall or winter or unseasonably cold or wet weather in the spring could have a material adverse effect on our results of operations and financial condition.

Our Sales and Earnings May be Adversely Affected by an Economic Downturn or Economic Uncertainty

Sales of our products are subject to substantial cyclical fluctuation. Consumer demand for our apparel and footwear, or our licensed products, may not reach our growth targets, or may decline, when there is an economic downturn or economic uncertainty in our key markets, particularly markets in North America and Europe. Continuing weakness in the Japanese economy, for example, has limited growth opportunities in recent years, and a slower economy in the United States in 2002 and 2003 created additional uncertainties for our customers and our business. In addition, continued volatility in the global oil markets has resulted in rising fuel prices, which many shipping companies are passing on to their customers. Our shipping costs have continued to increase over the past several years, and we expect these increases to continue. Because we price our products to our customers in advance, we may not be able to pass these increased costs on to our customers. Our sensitivity to economic cyclicality and any related fluctuation in consumer demand and rising shipping costs could have a material adverse effect on our results of operations and financial condition.

Our International Operations Involve Many Risks

We are subject to many risks generally associated with doing business abroad, including foreign governmental regulations, foreign consumer preferences, political unrest, disruptions or delays in shipments and changes in economic conditions in countries in which we manufacture or sell products. In addition, disease outbreaks, terrorist acts and U.S. military operations have increased the risks of doing business abroad. These factors, among others, could affect our ability to sell products in international markets, our ability to manufacture products or procure materials, and our cost of doing business. If any of these or other factors make the conduct of business in a particular country undesirable or impractical, our business could be materially and adversely affected. In addition, many of our imported products are subject to duties, tariffs or quotas that affect the cost and quantity of various types of goods imported into the United States or into our other sales markets. The countries in which our products are produced or sold may eliminate, adjust or impose new quotas, duties, tariffs or other restrictions, any of which could have a material adverse effect on us. We produce a significant portion of our products in China and Vietnam, and therefore adverse conditions in either country or adverse changes in that country’s trading status with the United States or with other sales markets could have a material adverse effect on our results of operations and financial condition.

We Are Affected by the Financial Health of Retailers

We extend credit to our customers based on an assessment of a customer’s financial circumstances, generally without requiring collateral. To assist in the scheduling of production and the shipping of seasonal products, we offer customers discounts for placing pre-season orders and extended payment terms for taking delivery before the peak shipping season. These extended payment terms increase our exposure to the risk of uncollectible receivables. In addition, we face increased risk of order reduction or cancellation when dealing with financially ailing retailers or retailers struggling with economic uncertainty. Some of our significant customers have experienced financial difficulties in the past, which in turn have had an adverse effect on our business, and we believe that retailers are being more cautious than usual with orders as a result of weakness in the retail economy. A slowing economy in our key markets could have an adverse effect on the financial health of our customers, which could in turn have a material adverse effect on our results of operations and financial condition.

We Operate in Very Competitive Markets

The markets for outerwear, sportswear, rugged footwear, tents and sleeping bags 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 and footwear companies. In many instances, retailers who are our customers pose our most significant competitive threat by marketing apparel, footwear and equipment under their own labels. We also compete with other companies for the production capacity of independent manufacturers that produce our products and for import quota capacity. Many of our competitors are significantly larger and have substantially greater financial, distribution, marketing and other resources and have achieved greater recognition for their products than we have. Increased competition could result in reductions in display areas in retail locations, reductions in sales or reductions in prices of our products, any of which could have a material adverse effect on our results of operations and financial condition.

We Face Risks Associated with Consumer Preferences and Fashion Trends

Changes in consumer preferences or consumer interest in outdoor activities could have a material adverse effect on our business. In addition, although we believe that our products have not been significantly affected by past fashion trends, changes in fashion trends could have a greater impact as we expand our offerings to include more product categories in more geographic areas. Also, we face risks because our business requires us to anticipate consumer preferences. Our decisions about product designs often are made far in advance of consumer acceptance. Although we try to manage our inventory risk through early order commitments by retailers, we must generally place production orders with manufacturers before we have received all of a season's orders. If we fail to anticipate accurately and respond to consumer preferences, we could experience lower sales, excess inventories and lower profit margins, any of which could have a material adverse effect on our results of operations and financial condition.

Our Success Depends on Our Use of Proprietary Rights

Our registered and common law trademarks have significant value and are important to our ability to create and sustain demand for our products. We also place significant value on our trade dress, the overall appearance and image of our products. From time to time, we discover products that are counterfeit reproductions of our products or design "knock offs." If we are unsuccessful in challenging a party's products on the basis of trademark or design infringement, continued sales of these products could adversely affect our sales and our brand and result in the 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. Additionally, in markets outside of the United States, it may be more difficult for us to establish our proprietary rights and to challenge successfully use of those rights by other parties. Although we have not been materially inhibited from selling products in connection with trademark and trade dress disputes, as we extend our brand into new product categories and new product lines and expand the geographic scope of our marketing, we could become subject to litigation based on allegations of the infringement of intellectual property rights of third parties. Future litigation also may be necessary to defend us against such claims or to enforce and protect our intellectual property rights. Any intellectual property litigation could be costly and could cause diversion of management's attention from the operation of our business. Adverse determinations in any litigation could 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 intellectual property litigation could have a material adverse effect on our results of operations and financial condition.

Our Success Depends on Our Distribution Facilities and Systems

Our ability to meet customer expectations, manage inventory, complete sales and achieve objectives for operating efficiencies depends on the proper operation of our existing distribution facilities, the development or expansion of additional distribution capabilities and 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 center in Portland, Oregon; in Canada, we rely primarily on our distribution center in Strathroy, Ontario; and in Europe we distribute our products through our distribution center in Cambrai, France. The implementation and performance of any new distribution facility is subject to many risks generally associated with transition and startup activities, including the risk that the new distribution facility may not successfully handle distribution activities. Our distribution facilities in the United States and France are highly automated, which means 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, or other system failures. Our operations could also be interrupted by disasters, such as earthquakes (which are known to occur in the Northwestern United States) or fires. We maintain business interruption insurance, but it may not adequately protect us from the adverse effect that could be caused by significant disruptions in our distribution facilities.

We have begun construction of a new distribution center in Henderson County, Kentucky, which we will own and operate. We anticipate that the new facility will be operational in 2005. Our ability to complete a new facility is subject to a number of risks and uncertainties, including our ability to construct and integrate a new facility with existing operations in a timely manner, the availability of labor, raw materials and other inputs on anticipated terms and our ability to obtain any necessary governmental approvals.

We May Not Be Able to Implement Our Growth Strategy or Manage Growth Successfully

We face many challenges in implementing our growth strategies. For example, our expansion into international markets involves countries where we have little sales or distribution experience and where our brand is not yet widely known. Expanding our product categories involves, among other things, gaining experience with new products, gaining consumer acceptance, and establishing and protecting intellectual property rights. Increasing sales to department stores, and improving the sales productivity of our customers, will each depend on various factors, including strength of our brand name, competitive conditions, our ability to manage increased sales and future expansion, the availability of desirable locations and the negotiation of terms with retailers. Future terms with customers may be less favorable to us than those under which we now operate. Large retailers in particular increasingly seek to transfer various costs of business to their vendors, such as the cost of lost profits from product price markdowns. To implement our business strategy, we need to manage growth effectively. We need to continue to change various aspects of our business, to maintain and enhance our information systems and operations to respond to increased demand and to attract, retain and manage qualified personnel. Growth could place an increasing strain on management, financial, product design, marketing, distribution and other resources, and we could experience operating difficulties. For example, in recent years, we have undertaken a number of new initiatives that require significant management attention and corporate resources, including the development or expansion of distribution facilities on two continents, the acquisition, rejuvenation and extension of the Sorel brand, and the acquisition and integration of Mountain Hardwear, Inc. This growth involves many risks and uncertainties and, if we are unable to manage them effectively, we may not achieve our objectives, which could have a material adverse effect on our results of operations and financial condition.

Currency Exchange Rate Fluctuations May Affect our Business

We generally purchase products in U.S. dollars. However, the cost of these products sourced overseas may be affected by changes in the value of the relevant currencies. Price increases caused by currency exchange rate fluctuations could make our products less competitive or have an adverse effect on our margins. Our international revenues and expenses generally are derived from sales and operations in foreign currencies, and these revenues and expenses could be materially affected by currency fluctuations, including amounts recorded in foreign currencies and translated into U.S. dollars for consolidated financial reporting. Currency exchange rate fluctuations could also disrupt the business of the independent manufacturers that produce our products by making their purchases of raw materials more expensive and more difficult to finance. Foreign currency fluctuations could have a material adverse effect on our results of operations and financial condition.

Labor Disruptions at Ports May Adversely Affect Our Business

Our business depends on our ability to source and distribute products in a timely manner. As a result, we rely on the free flow of goods through open and operational ports worldwide, particularly in the western United States. Labor disputes at various ports, such as those experienced at western U.S. ports in 2002, create significant risks for our business, particularly if these disputes result in work slowdowns, lockouts, strikes, or other disruptions during our peak importing seasons, and could have a material adverse effect on our business, potentially resulting in cancelled orders by customers, unanticipated inventory accumulation, and reduced revenues and earnings.

We Depend on Independent Manufacturers to Make Our Products and Meet Customer Expectations

Our products are produced by independent manufacturers worldwide. We do not operate or own any production facilities. Although we enter into a number of purchase order commitments each season, we do not have long-term contracts with some manufacturers. We therefore face risks that manufacturing operations will fail to perform as expected or that our competitors will gain production or quota capacities that we need for our business. If a manufacturer fails to ship orders in a timely manner or to meet our standards, we could miss delivery requirements, which could result in cancellation of orders, refusal to accept deliveries or a reduction in purchase prices, any of which could have a material adverse effect on our business. In an effort to ensure that our independent manufacturers operate with safe, ethical and humane working conditions, we regularly monitor factories and we enforce our requirements that each manufacturer agree to comply with our *Standards of Manufacturing Practices* and applicable laws and regulations, but we do not control these vendors or their labor practices. If a manufacturer violates labor or other laws, or engages in practices that are not generally accepted as ethical in our key markets, it could have a material adverse effect on our results of operations and financial condition.

We Depend on Key Suppliers for Some Specialty Fabrics

Some of the materials that we use may be available, in the short-term, 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. From time to time, we have experienced difficulty satisfying our raw material and finished goods requirements. Although we believe that we could identify and qualify additional factories to produce these materials, the unavailability of some existing manufacturers for supply of these materials could have a material adverse effect on our results of operations and financial condition.

Our Advance Purchases of Products May Result in Excess Inventories

To minimize our purchasing costs, the time necessary to fill customer orders and the risk of non-delivery, we place orders for our products with manufacturers prior to receiving all of our customers' orders and maintain an inventory of various products that we anticipate will be in greater demand. We may not be able to sell the products we have ordered from manufacturers or that we have in our inventory. Customers are allowed to cancel an order prior to shipment with sufficient notice. Inventory levels in excess of customer demand may result in inventory write-downs and the sale of excess inventory at discounted prices, which could have a material adverse effect on our results of operations and financial condition.

We Depend on Key Personnel

Our future success will depend in part on the continued service of key personnel, particularly Timothy Boyle, our President and Chief Executive Officer, and Gertrude Boyle, our Chairman and widely recognized advertising spokesperson. Our future success will also depend on our ability to attract and retain key managers, designers, sales people and others. We face intense competition for such individuals worldwide, and there is a significant concentration of well-funded apparel and footwear competitors in and around Portland, Oregon (including Nike and adidas-Salomon). We may not be able to attract or retain these employees, and our failure to do so could have a material adverse effect on our results of operations and financial condition.

Our Business Is Affected by Seasonality and Fluctuations in Operating Results

Our results of operations have fluctuated and are likely to fluctuate significantly from period to period. Our products are marketed on a seasonal basis, with a product mix now weighted substantially toward the fall season. Our results of operations for the quarter ended September 30 in the past have been much stronger than the results for the other quarters. This seasonality, along with other factors that are beyond our control, including general economic conditions, changes in consumer behavior, weather conditions, availability of import quotas and currency exchange rate fluctuations, could adversely affect our business and cause our results of operations to fluctuate. Results of operations in any period should not be considered indicative of the results to be expected for any future period.

We Face Risks of Product Liability and Warranty Claims

Our products are used in outdoor activities, sometimes in severe conditions. Although we have not experienced any significant expense as the result of product recalls or product liability claims, recalls or these types of claims could occur in the future and have a material adverse effect on our business. Some of our outerwear and Sorel products carry limited warranties for defects in quality and workmanship. We maintain a warranty reserve for future warranty claims, but the actual costs of servicing future warranty claims could exceed the reserve and have a material adverse effect on our results of operations and financial condition.

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 National Market, which has experienced and is likely to experience significant price and volume fluctuations that could adversely affect the market price of our common stock without regard to our operating performance. We also believe factors such as fluctuations in financial results, variances from financial market expectations, changes in earnings estimates by analysts, or announcements by us or competitors may cause the market price of the common stock to fluctuate, perhaps substantially.

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

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

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Item 3 – ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

There has not been any material change in the market risk disclosure contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

Item 4 – ***CONTROLS AND PROCEDURES***

Our management has evaluated, under the supervision and with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on that evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are 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.

There has been no change in our internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1 – *LEGAL PROCEEDINGS*

None.

Item 6 – *EXHIBITS AND REPORTS ON FORM 8-K*

(a) Exhibits

31.1	Rule 13a-14(a) Certification of Timothy P. Boyle, President and Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Bryan L. Timm, Vice President and Chief Financial Officer
32.1	Section 1350 Certification of Timothy P. Boyle, President and Chief Executive Officer
32.2	Section 1350 Certification of Bryan L. Timm, Vice President and Chief Financial Officer

(b) Reports on Form 8-K

A Form 8-K was filed on January 29, 2004, reporting the Company's financial and operating results for the fourth quarter and fiscal year ended December 31, 2003.

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SIGNATURE

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.

COLUMBIA SPORTSWEAR COMPANY

Date: May 7, 2004

/s/ BRYAN L. TIMM

Bryan L. Timm
Vice President, Chief Financial Officer, and Authorized Officer

EXHIBIT 31.1

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)) 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) 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

   (c) 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: May 7, 2004

/s/ TIMOTHY P. BOYLE

Timothy P. Boyle
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Bryan L. Timm, 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)) 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) 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

(c) 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: May 7, 2004

/s/ BRYAN L. TIMM

Bryan L. Timm
Vice President and Chief Financial Officer

EXHIBIT 32.1

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of Columbia Sportswear Company (the "Company") on Form 10-Q for the period ended March 31, 2004 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 the operation of the Company.

Dated: May 7, 2004

/s/ TIMOTHY P. BOYLE

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

EXHIBIT 32.2

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of Columbia Sportswear Company (the “Company”) on Form 10-Q for the period ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), I, Bryan L. Timm, 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 the operation of the Company.

Dated: May 7, 2004

/s/ BRYAN L. TIMM

Bryan L. Timm
Vice President and Chief Financial Officer
Columbia Sportswear Company