UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1998
-------------------------------------

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) |

| | |
|---|---|
| 6600 North Baltimore Portland, Oregon | 97203 |
| (Address of principal executive offices) | (Zip Code) |

(503) 286-3676
- ------------------------------------------------------------------------------
(Registrant's telephone number, including area code)

Not Applicable
- ------------------------------------------------------------------------------
(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___X___ NO _______

The number of shares of Common Stock outstanding on November 12, 1998, was 25,247,343.

COLUMBIA SPORTSWEAR COMPANY

SEPTEMBER 30, 1998

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ITEM 1 - Financial Statements

<TABLE>
<CAPTION>

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

| | September 30, 1998 | December 31, 1997 |
|---|---|---|
| ASSETS | | |
| <S> | <C> | <C> |
| Current Assets: | | |
| Cash and cash equivalents | $ 9,704 | $ 4,001 |
| Accounts receivable, net of allowance of $3,798 and $2,461, respectively | 169,312 | 76,086 |
| Inventories (Note 2) | 86,561 | 48,300 |
| Deferred tax asset (Note 3) | 13,500 | - |
| Prepaid expenses and other current assets | 1,457 | 2,430 |
| Total current assets | 280,534 | 130,817 |
| Property, plant, and equipment, net | 63,634 | 35,277 |
| Intangibles and other assets | 3,317 | 8,383 |
| Total assets | $ 347,485 | $ 174,477 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Notes payable | $ 72,501 | $ 20,427 |
| Accounts payable | 53,984 | 21,765 |
| Accrued liabilities | 21,650 | 13,128 |
| Income taxes payable | 17,202 | (229) |
| Current portion of long-term debt | 197 | 154 |
| Distribution payable | - | 5,866 |
| Total current liabilities | 165,534 | 61,111 |
| Long-term debt | 27,327 | 2,831 |
| Deferred tax liability (Note 3) | 5,500 | - |
| Total liabilities | 198,361 | 63,942 |
| Shareholders' Equity: | | |
| Preferred stock; 10,000 shares authorized; none issued and outstanding | - | - |

| | | |
|---|---|---|
| Common stock; 50,000 shares authorized; 25,247 and 18,792 issued and outstanding | 124,883 | 17,886 |
| Retained earnings | 32,342 | 101,805 |
| Accumulated foreign currency translation adjustment | (3,478) | (3,806) |
| Unearned portion of restricted stock issued for future services | (4,623) | (5,350) |
| Total shareholders' equity | 149,124 | 110,535 |
| Total liabilities and shareholders' equity | $ 347,485 | $ 174,477 |

</TABLE>

See accompanying notes to condensed consolidated financial statements



<TABLE>
<CAPTION>

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| <S> | <C> | <C> | <C> | <C> |
| Net sales | $ 173,956 | $ 154,165 | $ 316,071 | $ 258,355 |
| Cost of sales | 94,311 | 82,756 | 179,106 | 144,571 |
| Gross profit | 79,645 | 71,409 | 136,965 | 113,784 |
| Selling, general, and administrative | 39,497 | 33,399 | 94,474 | 77,757 |
| Income from operations | 40,148 | 38,010 | 42,491 | 36,027 |
| Interest expense, net | 1,513 | 1,483 | 2,735 | 2,497 |
| Income before income tax | 38,635 | 36,527 | 39,756 | 33,530 |
| Income tax expense (Note 3) | 15,763 | 2,002 | 14,219 | 1,730 |
| Net income (Note 5) | $ 22,872 | $ 34,525 | $ 25,537 | $ 31,800 |
| Net income per share (Note 4): | | | | |
| Basic | $ 0.91 | $ 1.84 | $ 1.10 | $ 1.69 |
| Diluted | $ 0.90 | $ 1.84 | $ 1.08 | $ 1.69 |
| Weighted average shares outstanding: | | | | |
| Basic | 25,247 | 18,792 | 23,219 | 18,792 |
| Diluted | 25,503 | 18,792 | 23,561 | 18,792 |

</TABLE>

See accompanying notes to condensed consolidated financial statements



<TABLE>
<CAPTION>

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | 1998 | 1997 |

| <S> | <C> | <C> |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | $ 25,537 | $ 31,800 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 5,508 | 5,238 |
| Non-cash compensation | 727 | 727 |
| Loss on disposal of property, plant, and equipment | 19 | 1 |
| Deferred income tax provision | (8,000) | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (91,655) | (84,165) |
| Inventories | (38,076) | (34,709) |
| Prepaid expenses and other current assets | (397) | 248 |
| Intangibles and other assets | (852) | (2,702) |
| Accounts payable | 30,577 | 29,974 |
| Accrued liabilities | 8,564 | 8,459 |
| Income taxes payable | 17,419 | 840 |
| | --------- | --------- |
| Net cash used in operating activities | (50,629) | (44,289) |
| | --------- | --------- |
| CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Additions to property, plant, and equipment | (33,474) | (9,369) |
| Proceeds from sale of property, plant, and equipment | 160 | 49 |
| Maturity of short-term investments | - | 815 |
| | --------- | --------- |
| Net cash used in investing activities | (33,314) | (8,505) |
| | --------- | --------- |
| CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Net borrowings on notes payable | 52,250 | 66,018 |
| Issuance (repayment) on long-term debt | 24,538 | (100) |
| Proceeds from options exercised | 147 | - |
| Proceeds from initial public offering | 107,934 | - |
| Distributions paid to shareholders | (95,128) | (11,211) |
| | --------- | --------- |
| Net cash provided by financing activities | 89,741 | 54,707 |
| | --------- | --------- |
| NET EFFECT OF EXCHANGE RATE CHANGES ON CASH | (95) | (138) |
| | --------- | --------- |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 5,703 | 1,775 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 4,001 | 3,283 |
| | ========= | ========= |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 9,704 | $ 5,058 |
| | ========= | ========= |

</TABLE>

See accompanying notes to condensed consolidated financial statements



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

NOTE 1. BASIS OF PRESENTATION

The accompanying 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 September 30, 1998, and the results of operations for the three months ended and the nine months ended September 30, 1998 and 1997 and cash flows for the nine months ended September 30, 1998 and 1997. It should be understood that accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. The results of operations for the three months and nine months ended September 30, 1998 are not necessarily indicative of the results to be expected for the full year.

The accompanying financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's final prospectus, which forms part of the registration statement on Form S-1 (file no.

333-43199) filed in connection with the Company's initial public offering of 6,440,000 shares (including an over-allotment option of 840,000 shares) of its Common Stock (the "IPO").

NOTE 2. INVENTORIES

Inventories consist of the following (in thousands):

| | September 30, 1998 | December 31, 1997 |
|---|---|---|
| Raw Materials | $ 3,159 | $ 4,565 |
| Work In process | 4,096 | 7,637 |
| Finished goods | 79,306 | 36,098 |
| | $ 86,561 | $ 48,300 |

NOTE 3. INCOME TAXES

The condensed consolidated statement of operations reflects adjustments for income taxes as if the Company had been subject to federal and state income taxes at an effective tax rate of 40%, 40.8% and 40.8% for the three month period ended March 31, June 30 and September 30, 1998, respectively. Net income tax expense for the three months ended September 30, 1998 was $15,763,000.

In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", the Company recorded a net deferred tax asset of $2,000,000 for cumulative temporary differences between financial statement and income tax bases of the Company's assets and liabilities by recording a benefit for such deferred tax assets in its condensed consolidated statement of operations on March 26, 1998, the termination date of the S corporation (the "Termination Date"). Such deferred tax assets are based on the cumulative temporary difference upon the conversion from an S corporation to a C corporation on the Termination Date.

Deferred income taxes arise from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. During the three months ended September 30, 1998 the Company recorded a net change in these temporary differences of $3,500,000, resulting in a net deferred tax asset of $8,000,000. The net deferred tax asset consists of a current asset of $13,500,000 and a non-current liability of $5,500,000 at September 30, 1998.



NOTE 4. EARNINGS PER SHARE

Statement of Financial Accounting Standards 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.

There were no adjustments to net income in computing diluted earnings per share for the three months ended September 30, 1998 and 1997. A reconciliation of the common shares used in the denominator for computing basic and diluted earnings per share is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| Weighted average common shares outstanding, used in computing basic earnings per share | 25,247 | 18,792 | 23,219 | 18,792 |

| | | | | |
|---|---|---|---|---|
| Effect of dilutive stock options | 256 | - | 342 | - |
| Weighted-average common shares outstanding, used in computing diluted earnings per share | 25,503 | 18,792 | 23,561 | 18,792 |
| Earnings per share of common stock: | | | | |
| Basic | $ 0.91 | $ 1.84 | $ 1.10 | $ 1.69 |
| Diluted | $ 0.90 | $ 1.84 | $ 1.08 | $ 1.69 |

</TABLE>

NOTE 5. COMPREHENSIVE INCOME

On January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income". The schedule detailing the components of comprehensive income is as follows:

<TABLE>
<CAPTION>

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| <S> | <C> | <C> | <C> | <C> |
| Net income | $ 22,872 | $ 34,525 | $ 25,537 | $ 31,800 |
| Foreign currency translation adjustments | (140) | (94) | 328 | (1,053) |
| Comprehensive income | $ 22,732 | $ 34,431 | $ 25,865 | $ 30,747 |

</TABLE>

NOTE 6. NEW ACCOUNTING PRONOUNCEMENTS

During 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information". Adoption of this statement will not impact the Company's consolidated financial position, results of operations or cash flows, and will be limited to the form and content of its disclosures. This statement is effective for fiscal years beginning after December 15, 1997. Management has not yet determined which operating segments it will disclose.

During 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities ". This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company has not yet determined the impact of SFAS No. 133 on its financial statements.



ITEM 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

The statements in this report concerning certain expected future expenses as a percentage of net sales, future financing and working capital requirements, and the Year 2000 issue constitute forward - looking statements that are subject to risks and uncertainties. Factors that could adversely affect selling, general and administrative expense as a percentage of net sales include, but are not limited to, increased competitive factors (including increased competition, new product offerings by competitors and price pressures), unfavorable seasonal differences in sales volume, changes in consumer preferences, as well as an inability to increase sales to department stores or to open and operate new concept shops on favorable terms. Other factors could include a failure to manage growth effectively (including timely implementation of the Company's enterprise system and expansion of its distribution center) and unavailability of independent manufacturing, labor or supplies at reasonable prices. In addition, unfavorable business conditions, disruptions in the outerwear, sportswear and rugged footwear industries or changes in the general economy could have adverse effects. Factors that could materially affect future financing requirements include, but are not limited to, the ability to obtain additional financing on acceptable terms. Factors that could materially affect future working capital requirements include, but are not limited to, the industry factors and general business conditions noted above. Factors that could materially affect the Year 2000 issue include, but are not limited to, unanticipated costs associated with any required modifications to the Company's computer systems and associated software.

Results of Operations

Three Months Ended September 30,1998 Compared to Three Months Ended September 30, 1997

Net sales: Net sales increased 12.8% to $174.0 million for the three month period ended September 30, 1998 from $154.2 million for the comparable period in 1997. Domestic sales increased 11.4% to $139.6 million for the three month period ended September 30, 1998 from $125.3 million for the comparable period in 1997. Net international sales, excluding Canada, increased 15.0% to $14.6 million for the three month period ended September 30, 1998 from $12.7 million for the comparable period in 1997. Canadian sales increased 22.2% to $19.8 million for the three month period ended September 30, 1998 from $16.2 million compared to the same period in 1997. These increases were attributable to increased sales of fall units primarily in Europe, Canada, and the United States.

Gross Profit: Gross profit as a percentage of net sales was 45.8% for the three months ended September 30, 1998 compared to 46.3% for the comparable period in 1997. The change in gross margin primarily was due to increased domestic sales of spring close-out products and a higher portion of lower margin Canadian sales during the three months ended September 30, 1998.

Selling, General and Administrative Expense: Selling, general, and administrative expense increased 18.3% to $39.5 million for the three months ended September 30, 1998 from $33.4 million for the comparable period in 1997, primarily as a result of an increase in variable selling and operating expenses to support both the higher level of sales and continued investment in operational infrastructure. As a percentage of sales, selling, general, and administrative expenses increased to 22.7% for the three months ended September 30, 1998 from 21.7% for the comparable period in 1997, reflecting the Company's emphasis in ensuring adequate infrastructure to support its planned growth. The Company believes that in the short term selling, general, and administrative expense as a percentage of sales will increase as the new distribution center and enterprise information system are capitalized and begin depreciating beginning in the fourth quarter of 1998. The Company believes that in the longer term it will be able to leverage selling, general, and administrative expense as a percentage of sales as its international operations become more established and its sportswear and footwear sales expand.



Interest Expense: Interest expense increased by 2.0% for the three months ended September 30, 1998 from the comparable period in 1997. The increase was attributable to additional borrowing requirements for working capital needed to fund the growth in sales activity for the three months ended September 30, 1998.

Nine Months Ended September 30,1998 Compared to Nine Months Ended September 30, 1997

Net sales: Net sales increased 22.3% to $316.1 million for the nine month period ended September 30, 1998 from $258.4 million for the comparable period in 1997. Domestic sales increased 22.3% to $255.2 million for the nine month period ended September 30, 1998 from $208.6 million for the comparable period in 1997. Net international sales, excluding Canada, increased 23.8% to $32.2 million for the nine month period ended September 30, 1998 from $26.0 million for the comparable period in 1997. Canadian sales increased 20.7% to $28.6 million for the nine month period ended September 30, 1998 from $23.7 million compared to the same period in 1997. These increases were attributable to strong domestic sales of spring sportswear units in the first and second quarters, coupled with timely shipments of fall product in Europe, Canada, and the United States.

Gross Profit: Gross profit as a percentage of net sales was 43.3% for the nine months ended September 30, 1998 compared to 44.0% for the comparable period in 1997. The decrease in gross margin was due to increased domestic sales of carryover fall 1997 products and current year spring 1998 close-out products and a higher portion of lower margin sportswear during the nine months ended September 30, 1998.

Selling, General and Administrative Expense: Selling, general, and administrative expense increased 21.5% to $94.5 million for the nine months ended September 30, 1998 from $77.8 million for the comparable period in 1997, primarily as a result of an increase in variable selling and operating expenses to support both the higher level of sales and continued investment in operational infrastructure. As a percentage of sales, selling, general, and administrative expenses decreased to 29.9% for the nine months ended September 30, 1998 from 30.1% for the comparable period in 1997, reflecting the Company's operating expense leverage during the nine months ended September 30, 1998. The Company believes that in the short term selling, general, and administrative expense as a percentage of sales will increase as the new distribution center and enterprise information system are capitalized and begin depreciating beginning in the fourth quarter of 1998. The Company believes that in the longer term it will be able to resume leveraging selling, general, and administrative as a percentage of sales as its international operations become more established and its sportswear and footwear sales expand.

Interest Expense: Interest expense increased by 9.5% for the nine months ended September 30, 1998 from the comparable period in 1997. The increase was attributable to additional borrowing requirements for working capital needed to fund the growth in sales activity for the nine months ended September 30, 1998.

Provision For Income Taxes: Income tax expense for the nine months ended September 30, 1998 includes a deferred income tax benefit of $2.0 million as a result of the conversion to C corporate status in connection with the initial public offering.

Liquidity and Capital Resources

The Company financed its operations in the nine months ended September 30, 1998 primarily through net borrowings on notes payable and net proceeds from the Company's initial public offering after distributions to shareholders. At September 30, 1998, the Company had total cash equivalents of $9.7 million compared to $5.0 million at September 30, 1997. Cash used in operating activities was $50.6 million for the nine months ended September 30, 1998 and $44.3



million for the comparable period in 1997. This increase was primarily due to an increase in inventories and accounts receivable to support actual and anticipated increases in sales volume.

The Company's primary capital requirements are for working capital, investing activities associated with expansion of its distribution center, systems development and general corporate needs. Net cash used in investing activities was $33.3 million for the nine months ended September 30, 1998 and $8.5 million for the comparable period in 1997.

Cash provided by financing activities was $89.7 million for the nine months ended September 30, 1998 and $54.7 for the comparable period in 1997. The increase in net cash provided from financing activities was primarily due to proceeds from senior promissory notes and the Company's initial public offering, net of distributions to shareholders, offset by a decrease in net short term borrowings.

To fund its working capital requirements, the Company has available unsecured revolving lines of credit with aggregate seasonal limits ranging from $75 to $115 million. As of September 30, 1998, $60.0 million was outstanding under these lines of credit bearing interest at a rate of 6.0% per annum. Additionally, the Company maintains credit agreements in order to provide the Company unsecured lines of credit with a combined limit of $115 million available as an import line of credit for issuing documentary letters of credit.

In connection with current capital projects, the Company entered into a note purchase agreement. Pursuant to the note purchase agreement, the Company issued senior promissory notes in the aggregate principal amount of $25 million, bearing an interest rate of 6.68% and maturing August 11, 2008. Proceeds from the notes are being used to finance the expansion of the Company's distribution center in Portland, Oregon. Up to an additional $15 million in shelf notes may be issued under the note purchase agreement.

Proceeds from the IPO net of underwriting discounts and commissions totaled $107.9 million, of which an amount equal to the greater of $95 million or the amount of the Company Subchapter S accumulated adjustments account as of the Termination Date was declared as a dividend to shareholders of record on March 23, 1998. As of April 1, 1998, $95 million had been distributed to such shareholders. The Company has not yet determined the final amount of the Subchapter S accumulated adjustments account as of the Termination date, but expects the account to amount to approximately $102 million. The Company believes that its liquidity requirements for at least the next 12 months will be adequately covered by the IPO net proceeds, short term arrangements and the proceeds from the senior notes.

Year 2000 Compliance

The Company has made extensive efforts over the past several years to upgrade or replace all enterprise level software and hardware platforms. A part of the selection criteria for new software and hardware systems were global software support and Year 2000 compliance. The Company is expending capital for new enterprise management information systems, expected to be fully operational by late 1998, which will address the Year 2000 issue on all core Company business systems. These include, but are not limited to, financial, manufacturing and inventory management, distribution, and sales order processing applications. The Company has other ancillary systems such as sales reporting, product development, retail, merchandising and design that are scheduled to be modified as required to address Year 2000 issues in a timely fashion. Desktop productivity systems, networking and communications are also integral to the Company's operations and have been surveyed for Year 2000 compliance. Non-compliant components and software have been identified and are scheduled for replacement or upgrade where necessary by mid-1999. Non-Information Technology systems such as Company-owned manufacturing equipment, office equipment and local office telephone systems are being assessed for related Year 2000 risks. The Company conducts business with several customers via Electronic Data Interchange (EDI) and will implement and test Year 2000 compliant standards and software to help ensure uninterrupted service. The majority of the Company's product sourcing is performed through independent manufacturers primarily in Southeast Asia. Although analyses are



underway, an initial review of these facilities indicates that most operations and business processes are manual in nature and, consequently, the Company does not expect the Year 2000 issue will impact its ability to effectively source its products.

The Company's enterprise management information systems were implemented primarily to improve its business processes rather than solely to address Year 2000 compliance issues. The costs associated with bringing the Company's ancillary, desktop productivity, networking, communication and non-Information Technology systems into Year 2000 compliance are being assessed; however, the Company does not expect the aggregate of these costs will materially affect its liquidity and capital resources.

The Company has undergone what it believes is a reasonable and thorough review of Year 2000 issues on its operations, liquidity and financial condition and identified the related issues and risks. As a result of this review, the Company believes no identified issues or reasonably foreseeable circumstances should have a material affect on the company.

The most reasonable likely issue facing the Company regarding Year 2000 compliance is the inability of compliant software or systems to perform as intended. Although the Company does not have a comprehensive contingency plan, it expects to apply its own resources and the resources of system providers to solve these issues as they are identified. The Company will continue to take appropriate measures to assure that its operating systems are prepared for Year 2000 related issues. It should be understood that the Company is reliant on many external parties and their related systems which could affect the Company's ability to meet possible eventualities. Such external entities include, but are not limited to, certain United States and foreign governmental agencies, material suppliers, and product manufacturers as well as service providers such as freight forwarders, transportation, and utilities companies. In addition, the Company as well as these external entities are expecting that the software and hardware put into place will perform all functions as expected.

Euro Currency Conversion

European Union ("EU") finance members have approved 11 of the 15 EU member states for participation in economic and monetary union. On January 1, 1999, the euro will be adopted as the national currency of the participating countries - Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain. Initially, the euro will be used for non-cash transactions. Currencies of the participating member states ("legacy currencies") will remain legal tender until January 1, 2002. On this date, euro-denominated bills and coins will be issued for use in cash transactions. Currently, the Company is in the process of determining the effect of this change on its European operations and information systems.

ITEM 3 - Quantitative and Qualitative Disclosures About Market Risk

Not Applicable



PART II. OTHER INFORMATION

ITEM 5 - Other Information

In accordance with amendments adopted on May 21, 1998 to Rule 14a-4 under the Securities and Exchange Act of 1934, if notice of a shareholder proposal to be raised at the annual meeting of shareholders is received at the principal executive offices of the Company after March 12, 1999 (45 days prior to the month and in 1999 corresponding to the date on which the Company expects to mail its proxy materials for the 1999 annual meeting), proxy voting on that proposal when and if raised at the 1999 annual meeting will be subject to the discretionary voting authority of the designated proxy holders. Any shareholder proposal to be considered for inclusion in proxy materials for the Company's 1999 annual meeting must be received at the principal executive offices of the Company no later than December 22, 1998.

ITEM 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

10.1. Buying Agency Agreement between the Company and Nissho Iwai American Corporation dated October 1, 1998

27.1 Financial Data Schedule

(b) Reports on Form 8-K

None.



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.

COLUMBIA SPORTSWEAR COMPANY

Date: 11/12/98 PATRICK D. ANDERSON

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Patrick D. Anderson
Chief Financial Officer
and Authorized Officer

BUYING AGENCY AGREEMENT

DATED: OCTOBER 1, 1998

BETWEEN: NISSHO IWAI AMERICAN CORPORATION "NIAC"
1211 S.W. Fifth Avenue
Portland, Oregon 97204

AND: COLUMBIA SPORTSWEAR COMPANY "COLUMBIA"
6600 N. Baltimore Street
Portland, Oregon 97203

WHEREAS, NIAC and COLUMBIA entered into a certain Buying Agency Agreement dated January 1, 1992 pursuant to which COLUMBIA appointed NIAC as its buying agent with respect to COLUMBIA brand clothing products which COLUMBIA purchased outside the United States for resale in the United States; and

WHEREAS, that Buying Agency Agreement, as subsequently amended, will expire on September 30, 1998; and

WHEREAS, COLUMBIA and NIAC now desire to enter into a new Buying Agency Agreement pursuant to which COLUMBIA appoints NIAC as a buying agent with respect to COLUMBIA brand clothing products which will be purchased outside the United States for resale by COLUMBIA in the United States (collectively the "Goods").

NOW, THEREFORE, the parties agree as follows:

ARTICLE I

AGREEMENT TO PURCHASE

During each year of this Agreement, COLUMBIA agrees that it shall purchase through NIAC, as its buying agent, at least eighty-five percent (85%) of the Goods which COLUMBIA purchases outside of the United States for resale by COLUMBIA in the United States.

ARTICLE II
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AGREEMENT TO PROCURE GOODS
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2.1 During the term of the Agreement, NIAC will purchase as COLUMBIA's

agent under purchase price terms specified as F.O.B. vessel loading port of country of origin (hereinafter referred to as "F.O.B. Price"), all Goods requested by COLUMBIA and arrange for delivery of such Goods as directed by COLUMBIA, to a delivery point within the United States after clearing U.S. Customs ("Delivery Point"). COLUMBIA shall be responsible for locating the supply source for the Goods ("Suppliers") and negotiating the purchase, the F.O.B. Price, and delivery schedules for such Goods with the Suppliers. COLUMBIA will also be responsible for negotiating all terms and conditions with any freight forwarder or transportation provider involved in the movement and delivery of the Goods.

2.2 On behalf of COLUMBIA, NIAC shall advance the costs for acquisition of the Goods and other costs incurred in bringing the Goods to the Delivery Point including, without limitation, the amount paid by NIAC to the Supplier for the Goods purchased, transportation costs, costs of loading and unloading, costs of insurance, any costs incurred in protecting the Goods, custom duties, and fees of custom brokers for handling air shipments ("Reimbursable Costs"). Reimbursable Costs will not include bank service charges, fees of custom brokers (except for air shipments), and NIAC's overhead costs, including salaries paid to NIAC's employees.

ARTICLE III
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PAYMENT FOR GOODS

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3.1 At the direction of COLUMBIA, NIAC shall arrange for payment on behalf of COLUMBIA to the Supplier of the Goods. Payment to the Supplier shall be made as directed by COLUMBIA either through an at sight letter of credit opened by NIAC to the Supplier ("L/C") or through a direct wire transfer of funds from NIAC to the Supplier or its designated bank.

3.2 NIAC shall have the right to choose which bank it utilizes for the opening of any L/C used for payment of the Goods. If NIAC should choose to use a bank that does not presently have a system in place with NIAC which allows for the direct electronic exchange of information associated with the L/C, NIAC will use its best efforts to secure such a system with that bank as soon as possible.

ARTICLE IV
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REIMBURSEMENT TERMS
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4.1 COLUMBIA shall (i) reimburse NIAC for all Reimbursable Costs, and (ii) pay a commission to NIAC for its services as COLUMBIA's buying agent in the amount of one and one half percent (1.5%) of the F.O.B Price of the Goods ("Commission").



Commission is a bona fide buying agency and financing commission and is not any type of "selling commission" as that term is used in the U.S. Tariff Act of 1930, amended by the Trade Agreements Act of 1979, as set forth in 19 U.S.C.A. Section 1401a(b)(1).

4.2 After delivery of the Goods to Delivery Point, NIAC shall invoice COLUMBIA for all Reimbursable Costs and for the Commission. Any Reimbursable Costs incurred thereafter shall be billed by NIAC as soon as possible after such costs are incurred.

4.3 The "Reimbursement Starting Date" shall be (i) the date of the disbursement of funds drawn under the L/C or (ii) the date payment is made through wire transfer from NIAC to the Supplier. COLUMBIA shall pay NIAC for all Reimbursable Costs and the applicable Commission in United States currency within ninety (90) days from the Reimbursement Starting Date ("Due Date").

4.4 COLUMBIA shall pay interest to NIAC on all Reimbursable Costs and Commission at a rate equal to thirty-five (35%) basis points over the three month LIBOR published in the Wall Street Journal on the first business day of each month. Interest shall accrue from the Reimbursement Starting Date to the date of payment by COLUMBIA with the interest rate based on that which is in effect on the first of the month in which NIAC makes payment to Supplier.

4.5 Overdue interest shall be payable on all amounts due NIAC from the Due Date of said amount to the date NIAC actually receives payments thereof. The applicable overdue interest rate shall be the Prime Rate announced by Citibank N.A., New York plus two percent (2%) as set forth on each invoice issued by NIAC or the maximum rate allowed by law, whichever is lower.

ARTICLE V
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LINE OF CREDIT
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5.1 Prior to February 1 of each year, COLUMBIA shall submit to NIAC its annual preliminary financial plan for COLUMBIA's forthcoming fiscal year. Such plan will consist of monthly income statements, balance sheets, and statements of cash flows. Following a reasonable review of said annual financial plan and the financial statements, and provided NIAC is reasonably satisfied with the financial plan and the financial statements provided under Article VII "Reports and Records," NIAC shall specify the amount of the "Credit Line" which it is willing to establish for COLUMBIA for the purchase of Goods under Articles II, III and IV above for the forthcoming COLUMBIA fiscal year.



5.2 The amount of Credit Line which shall be available from time to time shall be an amount equal to the Credit Line minus (i) the amount of outstanding unpaid invoices issued by NIAC to COLUMBIA, (ii) any Reimbursable Costs and Commissions which have not yet been invoiced to COLUMBIA and (iii) the amount of any purchase orders issued to Suppliers for which payment has not yet been made, (collectively, the "Outstandings").

5.3 Notwithstanding the above, however, NIAC shall have no obligation to place orders for Goods with the Supplier ("Orders") as requested by COLUMBIA or extend credit under the Credit Line if at any time:

(a) COLUMBIA has operated at a loss during any three consecutive fiscal quarters or COLUMBIA has accumulated a loss in the current fiscal year, the total amount of which exceeds fifty percent (50%) of the amount of consolidated net worth at the end of the preceding fiscal year;

(b) The Outstandings equal one hundred percent (100%) of the Credit Line; or

(c) There is any default by COLUMBIA under this Agreement.

## ARTICLE VI

## WARRANTY LIMITATIONS AND INDEMNIFICATION

6.1 NIAC shall purchase the Goods ordered by COLUMBIA from the Suppliers. NIAC shall assign to COLUMBIA any warranties regarding the Goods, which are provided by the Suppliers, but shall not provide any warranties itself. NIAC EXPRESSLY DISCLAIMS ALL WARRANTIES, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PURPOSE. NIAC shall not be obligated to pay or give any purchase discount or allowance to COLUMBIA for defective or B grade goods. NIAC shall, however, give COLUMBIA any discounts or allowance given to NIAC by the Supplier for Goods.

6.2 COLUMBIA hereby releases and shall indemnify and hold harmless NIAC from any claim, loss, or liability arising from any claim by any third party against NIAC arising out of this Agreement, any actions or omissions of NIAC pursuant to this Agreement, or the Goods purchased hereunder unless and to the extent such claim, loss or liability arises from the sole negligence of NIAC.

6.3 COLUMBIA shall maintain with a reasonably acceptable insurance company product liability insurance in an amount per occurrence of not less than $1,000,000 covering any claim of product liability with respect to the Goods delivered by NIAC to COLUMBIA under this Agreement, naming NIAC as an additional named



insured, and providing for not less than ten (10) days' advance notice to NIAC of cancellation. COLUMBIA shall submit to NIAC promptly upon issuance of such policy of insurance and upon each anniversary thereof a certificate issued by the insurance company evidencing such insurance.

## ARTICLE VII

## REPORTS AND RECORDS

7.1 COLUMBIA shall prepare and submit to NIAC the following reports:

(a) Within forty-five (45) days following the end of each of the first three (3) COLUMBIA Fiscal Year quarters, COLUMBIA will submit to NIAC the unaudited consolidated balance sheet and statement of income as of the end of such quarter accompanied by a copy of COLUMBIA's quarterly report to the Securities and Exchange Commission, Form 10-Q.

(b) Within ninety (90) days after the end of each COLUMBIA Fiscal Year, COLUMBIA will submit to NIAC the consolidated balance sheet, statement of earnings, and statement of cash flow accompanied by (i) the audit report of COLUMBIA's independent certified public accountants and (ii) a copy of COLUMBIA's annual report to the Securities and Exchange Commission, Form 10-K.

(c) At such time, if any, that COLUMBIA provides or is required to provide to any entity extending credit to it any other report or financial information, COLUMBIA shall at the same time provide a copy thereof to NIAC.

(d) Within fifteen (15) days of its receipt of notice from the financial rating agencies, COLUMBIA will notify NIAC of any changes in COLUMBIA's S&P or Moody's credit rating.

(e) Such other information and reports relating to the affairs of COLUMBIA as NIAC may reasonably request from time to time.

7.2 All financial statements to be submitted by COLUMBIA to NIAC shall be prepared in accordance with GAAP consistently maintained by COLUMBIA.

7.3 Upon NIAC's request, COLUMBIA shall submit any documents or agreements related to customs or other purposes which are necessary for NIAC's handling of the Goods in accordance with this Agreement.

7.4 NIAC shall during the term of this Agreement and for a period of five (5) years following its termination maintain complete and accurate records of all import transactions in accordance with the requirements of customs and shall provide such records to COLUMBIA upon request.

7.5 NIAC shall, at the request of and in conjunction with COLUMBIA, provide complete and timely information in response to any investigation or inquiry from the U.S.



Customs Service or any other governmental agency. In addition, NIAC will provide any information requested by COLUMBIA for use in any lawsuit or administrative proceeding in which COLUMBIA may be involved.

7.6 In the event one or both parties should incur any material out-of-pocket expenses or costs related to any such investigations or proceedings, the parties shall negotiate in good faith to determine the responsibility for and allocation of such expenses or costs between the parties.

## ARTICLE VIII

## ORDERING FORECASTS: ORDERING PROCEDURE

8.1 In order to facilitate NIAC's procurement of Goods, COLUMBIA shall provide NIAC from time to time and as requested by NIAC with forecasts of the quantity and type of Goods COLUMBIA intends to purchase using NIAC.

8.2 COLUMBIA shall provide NIAC any purchase orders for Goods to be purchased under this Agreement as far in advance as is reasonably practicable from the planned time of production of the Goods.

8.3 NIAC will place Orders with Suppliers and if applicable arrange to open the L/C for such Orders as soon as reasonably practicable following NIAC's receipt of the order from COLUMBIA.

8.4 NIAC may delay placing the Orders and opening the L/C should any of the conditions described in Section 5.3 arise or exist.

8.5 In the event NIAC, for whatever reason, should decide with respect to any particular order that it does not wish to provide financing and to handle that order, it will immediately notify COLUMBIA of that decision. In such event, COLUMBIA shall be free to secure other financing arrangements and place the affected order without the assistance of NIAC. COLUMBIA's obligation for the applicable year under Article I would then be reduced by the amount of such affected order.

## ARTICLE IX

## INSURANCE AND CLAIMS

9.1 NIAC shall at COLUMBIA's expense maintain with a reasonably acceptable insurance company a policy which will cover all Goods while in transit Ex



Works to the ultimate Delivery Point. Such policy shall insure the Goods in an amount equal to one hundred fifty percent (150%) of the F.O.B. Price.

9.2 NIAC shall promptly process any claims with the appropriate party for damage or shortage that were incurred during the shipment and/or delivery of the

Goods. NIAC shall make every effort to settle each claim, either with the responsible party or the insurance company, for an amount which will fully compensate COLUMBIA for the total loss which COLUMBIA has incurred. NIAC shall indemnify COLUMBIA for the loss due to such damage or shortages to the extent NIAC is actually indemnified by the party responsible or the insurance company for such loss and NIAC shall promptly forward to COLUMBIA the full amount of any and all such payments.

## ARTICLE X

## CONFIDENTIAL INFORMATION

It is understood that certain of the information which COLUMBIA will provide to NIAC during the term of this Agreement is confidential. NIAC shall use its best efforts to maintain the confidentiality of all such confidential information in the same manner in which NIAC maintains its own confidential information. Upon termination of this Agreement, if requested by COLUMBIA in writing, NIAC, at its option, will deliver to COLUMBIA or destroy that confidential information of COLUMBIA which NIAC does not need to retain for its own business purpose in connection with this Agreement.

## ARTICLE XI

## COVENANT

COLUMBIA shall, so long as (i) there are any amounts outstanding payable by COLUMBIA to NIAC, or (ii) NIAC shall have any obligation to perform the services as described herein:

(a) Perform and comply with each of the provisions of the "Credit Agreement" dated July 31, 1997, between COLUMBIA and Wells Fargo Bank National Association;

(b) As soon as possible and in any event within seven (7) days after the occurrence of a default under the Credit Agreement notify NIAC in writing setting forth the details of the default and the action which COLUMBIA proposes to take with respect thereto;

(c) As soon as possible and in any event at least ninety (90) days prior to the termination of the Credit Agreement notify NIAC in writing of such termination, and in good faith negotiate with NIAC to promptly implement such financial covenants herein as shall be mutually agreed.



## ARTICLE XII

## TERM

This Agreement shall be in effect as of October 1, 1998 and, unless sooner terminated pursuant to its provisions, shall remain in full force and effect until September 30, 2001. This Agreement shall be automatically extended for a 3-year period thereafter unless a party desiring not to renew the Agreement gives the other party written notice of its election not to renew no later than March 31, 2001.

## ARTICLE XIII

## TERMINATION AND DEFAULT

13.1 If any party shall cease to conduct its business or shall make any involuntary assignment of either its assets or its business for the benefit of creditors; if a trustee or receiver is appointed to administer or conduct its business affairs; if it is judged in any legal proceeding to be a debtor in bankruptcy; or if any insolvency proceedings are commenced against it and not terminated or dismissed within ninety (90) days, then such event shall be considered a default of the Agreement and the other party may terminate this Agreement.

13.2 In addition to the special rights of termination provided in the section above, if (i) any party fails to perform any of its material obligations in this Agreement or (ii) the lender has declared a default under the Credit Agreement and has accelerated repayment of the loan thereunder, such event shall constitute a default of this Agreement. If such non-performance is not cured within thirty (30) days after notice of such failure is sent, then the party giving the notice of non-performance may elect to terminate this Agreement. If written election to terminate is given, this Agreement shall terminate ten (10) days following delivery of this notice.

13.3 Upon Agreement expiration or termination by COLUMBIA arising from a default by NIAC under this Agreement, (i) NIAC shall affirm any and all NIAC commitments with respect to partially completed transactions including Goods in transit and pending customs matters which have not been performed at such time, (ii) COLUMBIA shall accept all orders for which NIAC has arranged for issuance of an L/C or other payment to the Supplier, and (iii) all unpaid amounts due and to become due to NIAC shall be accelerated and shall be payable upon demand.

13.4 Upon termination of this Agreement by NIAC arising from a default by COLUMBIA under this Agreement, NIAC shall have the right to rescind and/or reaffirm



any or all purchase orders which have not been performed at such time, and COLUMBIA shall be liable for all costs and expenses NIAC incurs thereby.

13.5 Upon any default the non-defaulting party shall have all rights permitted to it under law including, without limitation, the rights arising from default specified in this Agreement.

## ARTICLE XIV

## SECURITY

COLUMBIA shall not grant (or suffer the existence of) any liens, security interests or encumbrances on COLUMBIA's inventories and accounts receivable to any vendor other than NIAC without (i) at least thirty (30) days in advance of such intended grant, giving NIAC written notice thereof and (ii) granting NIAC a security interest in such assets, provided that this article shall not limit COLUMBIA's ability to grant any liens, security interests or encumbrances to COLUMBIA's banks or other institutional lenders.

## ARTICLE XV

## YEAR 2000 SYSTEMS COMPLIANCE

NIAC agrees that it will review all internal information systems that are required for the performance of this Agreement and take whatever action is necessary to replace, upgrade, or modify such systems to assure that they are century compliant for the year 2000.

## ARTICLE XVI

## GOVERNING LAW

This Agreement is made in the State of Oregon and its effectiveness, interpretation and enforcement shall be governed by the law of such state.



## ARTICLE XVII

## WAIVER

The waiver of non-performance of an obligation of a party under this Agreement in one case shall not be deemed to be waiver of non-performance of the same obligation in any other case.

ARTICLE XVIII

FORCE MAJEURE

No party shall be liable for the failure to carry out its obligations hereunder in the event that it is prevented from doing so by any act beyond its control, including without limitations, war or warlike condition, unavailability of shipping vessels, insurrection, labor disturbances, casualty, governmental tariffs or quotas, or U.S. Government credit restrictions. This Article shall not apply to COLUMBIA's obligation to make any payment as provided in this Agreement.

ARTICLE XIX

NOTICES

Any notice made in relation to this Agreement or performance thereunder shall be in writing and delivered by hand or sent by prepaid certified mail, return receipt requested, or facsimile (with a copy by certified mail) to the following addresses or such other addresses as either party may designate by notice duly given:

TO NIAC:
Nissho Iwai American Corporation
Suite 2200, Pacwest Center
1211 S.W. Fifth Avenue
Portland, OR 97204-3782
Attn: Branch General Manager
Fax No.: (503) 220-0560

WITH COPY TO:
General Counsel
Nissho Iwai American Corporation
1211 Avenue of Americas
New York, NY 10036-8880
Fax No.: (212) 840-2317



TO COLUMBIA:
Columbia Sportswear Company
6600 N. Baltimore Street
Portland, OR 97203
Attn: Chief Financial Officer
Fax No.: (503) 286-9491

ARTICLE XX

ENTIRE AGREEMENT

This instrument constitutes the entire agreement and understanding of the parties hereto with respect to the subject matter of this Agreement, and supersedes all prior discussions, agreements and understandings between the parities with respect to the said matter. No amendment, modification or assignment of this Agreement shall be binding on the parties unless made in writing expressly referring to this Agreement and signed by authorized officers or representatives of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first written above.

| NISSHO IWAI AMERICAN CORP. | COLUMBIA SPORTSWEAR COMPANY |
|---|---|
| By: /s/ YUTAKA KASE | By: /s/ TIM BOYLE |
| -------------------------------- | -------------------------------- |
| Yutaka Kase, General Manager & Senior Vice President | Tim Boyle, President |

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