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

FORM 10-Q

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

For the quarterly period ended September 30, 2019
OR

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

For the transition period from_______to_______
Commission file number 0-23939

COLUMBIA SPORTSWEAR COMPANY

(Exact name of registrant as specified in its charter)

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

14375 Northwest Science Park Drive
Portland, Oregon 97229
(Address of principal executive offices and zip code)
(503) 985-4000
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	COLM	The Nasdaq Stock Market LLC

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

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

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

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

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

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

The number of shares of Common Stock outstanding on October 25, 2019 was 67,525,997.

COLUMBIA SPORTSWEAR COMPANY
SEPTEMBER 30, 2019

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PART I—FINANCIAL INFORMATION

Item 1. ***FINANCIAL STATEMENTS***

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

	September 30, 2019	December 31, 2018	September 30, 2018
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 16)	$ 239,311	$ 437,825	$ 182,175
Restricted cash (Note 17)	—	13,970	13,970
Short-term investments (Note 16)	1,477	262,802	269,313
Accounts receivable, net of allowance of $9,672, $11,051, and $9,176, respectively	646,414	449,382	552,442
Inventories	717,396	521,827	617,194
Prepaid expenses and other current assets	94,253	79,500	77,763
Total current assets	1,698,851	1,765,306	1,712,857
Property, plant and equipment, at cost, net of accumulated depreciation of $515,300, $489,354, and $483,857, respectively	349,302	291,596	284,744
Operating lease right-of-use assets (Note 8)	389,558	—	—
Intangible assets, net (Note 5)	124,340	126,575	127,320
Goodwill	68,594	68,594	68,594
Deferred income taxes	80,193	78,155	68,913
Other non-current assets	40,242	38,495	36,911
Total assets	$ 2,751,080	$ 2,368,721	$ 2,299,339
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term borrowings (Note 6)	$ —	$ —	$ 8,311
Accounts payable	201,806	274,435	237,344
Accrued liabilities (Note 7)	279,932	275,684	255,682
Operating lease liabilities (Note 8)	62,756	—	—
Income taxes payable	13,653	22,763	8,247
Total current liabilities	558,147	572,882	509,584
Non-current operating lease liabilities (Note 8)	366,515	—	—
Income taxes payable	48,619	50,791	62,090
Deferred income taxes	7,711	9,521	13
Other long-term liabilities	22,982	45,214	46,056
Total liabilities	1,003,974	678,408	617,743
Commitments and contingencies (Note 9)			
Columbia Sportswear Company Shareholders' Equity:			
Preferred stock; 10,000 shares authorized; none issued and outstanding	—	—	—
Common stock (no par value); 250,000 shares authorized; 67,562, 68,246, and 69,270, issued and outstanding, respectively (Note 10)	—	—	210
Retained earnings	1,754,379	1,677,920	1,669,390
Accumulated other comprehensive loss (Note 13)	(7,273)	(4,063)	(4,235)
Total Columbia Sportswear Company shareholders' equity	1,747,106	1,673,857	1,665,365
Non-controlling interest (Note 4)	—	16,456	16,231
Total equity	1,747,106	1,690,313	1,681,596
Total liabilities and equity	$ 2,751,080	$ 2,368,721	$ 2,299,339

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Net sales	$ 906,793	$ 795,801	$ 2,087,611	$ 1,884,728
Cost of sales	460,098	412,098	1,050,596	972,966
Gross profit	446,695	383,703	1,037,015	911,762
Selling, general and administrative expenses	299,249	259,267	791,767	724,827
Net licensing income	4,569	4,708	11,090	11,279
Income from operations	152,015	129,144	256,338	198,214
Interest income, net	1,399	2,524	7,370	7,748
Other non-operating income (expense), net	(563)	736	915	372
Income before income tax	152,851	132,404	264,623	206,334
Income tax expense	(33,593)	(30,029)	(48,159)	(44,735)
Net income	119,258	102,375	216,464	161,599
Net income attributable to non-controlling interest	—	2,223	—	6,603
Net income attributable to Columbia Sportswear Company	$ 119,258	$ 100,152	$ 216,464	$ 154,996
Earnings per share attributable to Columbia Sportswear Company (Note 12):				
Basic	$ 1.76	$ 1.44	$ 3.19	$ 2.22
Diluted	$ 1.75	$ 1.42	$ 3.15	$ 2.19
Weighted average shares outstanding (Note 12):				
Basic	67,593	69,589	67,935	69,895
Diluted	68,180	70,357	68,620	70,685

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	$ 119,258	$ 102,375	$ 216,464	$ 161,599
Other comprehensive income (loss):				
Unrealized holding gains (losses) on available-for-sale securities, net	—	(162)	56	(158)
Unrealized gains on derivative transactions (net of tax effects of $(801), $(1,062), $(369), and $(6,036), respectively)	2,414	2,896	1,866	18,542
Foreign currency translation adjustments (net of tax effects of $1,560, $(39), $2,447 and $1,780, respectively)	(8,389)	(562)	(5,033)	(12,565)
Other comprehensive income (loss)	(5,975)	2,172	(3,111)	5,819
Comprehensive income	113,283	104,547	213,353	167,418
Comprehensive income attributable to non-controlling interest	—	2,256	—	7,255
Comprehensive income attributable to Columbia Sportswear Company	$ 113,283	$ 102,291	$ 213,353	$ 160,163

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net income	$ 216,464	$ 161,599
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation, amortization, and non-cash lease expense	88,775	43,544
Loss on disposal or impairment of property, plant, and equipment	4,866	1,979
Deferred income taxes	(3,157)	2,103
Stock-based compensation	13,159	10,247
Changes in operating assets and liabilities:		
Accounts receivable	(199,416)	(125,433)
Inventories	(198,999)	(188,544)
Prepaid expenses and other current assets	(12,596)	(7,968)
Other assets	(3,981)	(9,782)
Accounts payable	(65,191)	(14,263)
Accrued liabilities	6,497	38,193
Income taxes payable	(11,286)	(7,200)
Operating lease assets and liabilities	(39,010)	—
Other liabilities	5,716	(2,541)
Net cash used in operating activities	(198,159)	(98,066)
Cash flows from investing activities:		
Purchases of short-term investments	(181,257)	(426,278)
Sales and maturities of short-term investments	445,501	252,727
Capital expenditures	(104,527)	(45,189)
Proceeds from sale of property, plant, and equipment	—	18
Net cash provided by (used in) investing activities	159,717	(218,722)
Cash flows from financing activities:		
Proceeds from credit facilities	74,053	36,051
Repayments on credit facilities	(74,053)	(27,740)
Proceeds from issuance of common stock related to stock-based compensation	17,687	16,508
Tax payments related to stock-based compensation	(5,739)	(4,221)
Repurchase of common stock	(116,239)	(107,222)
Purchase of non-controlling interest	(17,880)	—
Cash dividends paid	(48,917)	(46,160)
Cash dividends paid to non-controlling interest	—	(19,949)
Net cash used in financing activities	(171,088)	(152,733)
Net effect of exchange rate changes on cash	(2,954)	(7,500)
Net decrease in cash, cash equivalents and restricted cash	(212,484)	(477,021)
Cash, cash equivalents and restricted cash, beginning of period	451,795	673,166
Cash, cash equivalents and restricted cash, end of period	$ 239,311	$ 196,145
Supplemental disclosures of cash flow information:		
Cash paid during the period for income taxes	$ 73,413	$ 47,041
Supplemental disclosures of non-cash investing and financing activities:		
Property, plant and equipment acquired through increase in liabilities	$ 11,638	$ 7,380

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30, 2019					
	Columbia Sportswear Company Shareholders' Equity					
	Common Stock					
	Shares Outstanding	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
BALANCE, JUNE 30, 2019	67,586	$ 100	$ 1,656,392	$ (1,298)	$ —	$ 1,655,194
Net income	—	—	119,258	—	—	119,258
Other comprehensive income (loss):						
Unrealized holding gains on derivative transactions, net	—	—	—	2,414	—	2,414
Foreign currency translation adjustment, net	—	—	—	(8,389)	—	(8,389)
Cash dividends ($0.24 per share)	—	—	(16,231)	—	—	(16,231)
Issuance of common stock related to stock-based compensation, net	135	6,251	—	—	—	6,251
Stock-based compensation expense	—	4,378	—	—	—	4,378
Repurchase of common stock	(159)	(10,729)	(5,040)	—	—	(15,769)
BALANCE, SEPTEMBER 30, 2019	67,562	$ —	$ 1,754,379	$ (7,273)	$ —	$ 1,747,106

	Three Months Ended September 30, 2018					
	Columbia Sportswear Company Shareholders' Equity					
	Common Stock					
	Shares Outstanding	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
BALANCE, JUNE 30, 2018	69,988	$ 23,162	$ 1,623,612	$ (6,374)	$ 13,975	$ 1,654,375
Net income	—	—	100,152	—	2,223	102,375
Other comprehensive income (loss):						
Unrealized holding losses on available-for-sale securities, net	—	—	—	(162)	—	(162)
Unrealized holding gains on derivative transactions, net	—	—	—	2,352	544	2,896
Foreign currency translation adjustment, net	—	—	—	(51)	(511)	(562)
Cash dividends ($0.22 per share)	—	—	(15,304)	—	—	(15,304)
Issuance of common stock related to stock-based compensation, net	42	1,446	—	—	—	1,446
Stock-based compensation expense	—	3,648	—	—	—	3,648
Repurchase of common stock	(760)	(28,046)	(39,070)	—	—	(67,116)
BALANCE, SEPTEMBER 30, 2018	69,270	$ 210	$ 1,669,390	$ (4,235)	$ 16,231	$ 1,681,596

See accompanying notes to condensed consolidated financial statements.

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

	Nine months ended September 30, 2019					
	Columbia Sportswear Company Shareholders' Equity					
	Common Stock					
	Shares Outstanding	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
BALANCE, DECEMBER 31, 2018	68,246	$ —	$ 1,677,920	$ (4,063)	$ 16,456	$ 1,690,313
Net income	—	—	216,464	—	—	216,464
Purchase of non-controlling interest	—	—	—	(99)	(16,456)	(16,555)
Other comprehensive income (loss):						
Unrealized holding gains on available-for-sale securities, net	—	—	—	56	—	56
Unrealized holding gains on derivative transactions, net	—	—	—	1,866	—	1,866
Foreign currency translation adjustment, net	—	—	—	(5,033)	—	(5,033)
Cash dividends ($0.72 per share)	—	—	(48,917)	—	—	(48,917)
Issuance of common stock related to stock-based compensation, net	507	11,948	—	—	—	11,948
Stock-based compensation expense	—	13,159	—	—	—	13,159
Repurchase of common stock	(1,191)	(25,107)	(91,088)	—	—	(116,195)
BALANCE, SEPTEMBER 30, 2019	67,562	$ —	$ 1,754,379	$ (7,273)	$ —	$ 1,747,106

	Nine Months Ended September 30, 2018					
	Columbia Sportswear Company Shareholders' Equity					
	Common Stock					
	Shares Outstanding	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
BALANCE, DECEMBER 31, 2017	69,995	$ 45,829	$ 1,585,009	$ (8,887)	$ 30,308	$ 1,652,259
Net income	—	—	154,996	—	6,603	161,599
Other comprehensive income (loss):						
Unrealized holding losses on available-for-sale securities, net	—	—	—	(158)	—	(158)
Unrealized holding gains on derivative transactions, net	—	—	—	17,472	1,070	18,542
Foreign currency translation adjustment, net	—	—	—	(12,147)	(418)	(12,565)
Dividends to non-controlling interest	—	—	—	—	(21,332)	(21,332)
Adoption of new accounting standards	—	—	14,615	(515)	—	14,100
Cash dividends ($0.66 per share)	—	—	(46,160)	—	—	(46,160)
Issuance of common stock related to stock-based compensation, net	535	12,286	—	—	—	12,286
Stock-based compensation expense	—	10,247	—	—	—	10,247
Repurchase of common stock	(1,260)	(68,152)	(39,070)	—	—	(107,222)
BALANCE, SEPTEMBER 30, 2018	69,270	$ 210	$ 1,669,390	$ (4,235)	$ 16,231	$ 1,681,596

See accompanying notes to condensed consolidated financial statements.

COLUMBIA SPORTSWEAR COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1—BASIS OF PRESENTATION AND ORGANIZATION

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

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

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

Principles of Consolidation

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

Estimates and Assumptions

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Recently Adopted Accounting Pronouncements

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

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

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

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

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

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

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

Recent Accounting Pronouncements Not Yet Adopted

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

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

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

NOTE 3—REVENUES

Disaggregated Revenue

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

COLUMBIA SPORTSWEAR COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

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

(in thousands)	Three Months Ended September 30, 2019				
	United States	LAAP	EMEA	Canada	Total
Product category net sales					
Apparel, Accessories and Equipment	$ 459,633	$ 93,486	$ 66,058	$ 65,532	$ 684,709
Footwear	121,630	29,760	38,345	32,349	222,084
Total	$ 581,263	$ 123,246	$ 104,403	$ 97,881	$ 906,793
Sales channel net sales					
Wholesale	$ 396,275	$ 77,934	$ 91,329	$ 86,993	$ 652,531
Direct-to-consumer	184,988	45,312	13,074	10,888	254,262
Total	$ 581,263	$ 123,246	$ 104,403	$ 97,881	$ 906,793

(in thousands)	Three Months Ended September 30, 2018				
	United States	LAAP	EMEA	Canada	Total
Product category net sales					
Apparel, Accessories and Equipment	$ 406,474	$ 92,869	$ 63,950	$ 54,294	$ 617,587
Footwear	89,687	25,510	36,401	26,616	178,214
Total	$ 496,161	$ 118,379	$ 100,351	$ 80,910	$ 795,801
Sales channel net sales					
Wholesale	$ 320,102	$ 72,121	$ 87,434	$ 70,099	$ 549,756
Direct-to-consumer	176,059	46,258	12,917	10,811	246,045
Total	$ 496,161	$ 118,379	$ 100,351	$ 80,910	$ 795,801

(in thousands)	Nine months ended September 30, 2019				
	United States	LAAP	EMEA	Canada	Total
Product category net sales					
Apparel, Accessories and Equipment	$ 1,081,942	$ 267,919	$ 183,168	$ 109,909	$ 1,642,938
Footwear	227,072	89,800	84,110	43,691	444,673
Total	$ 1,309,014	$ 357,719	$ 267,278	$ 153,600	$ 2,087,611
Sales channel net sales					
Wholesale	$ 756,558	$ 200,083	$ 231,219	$ 124,119	$ 1,311,979
Direct-to-consumer	552,456	157,636	36,059	29,481	775,632
Total	$ 1,309,014	$ 357,719	$ 267,278	$ 153,600	$ 2,087,611

(in thousands)	Nine Months Ended September 30, 2018				
	United States	LAAP	EMEA	Canada	Total
Product category net sales					
Apparel, Accessories and Equipment	$ 970,194	$ 263,849	$ 168,306	$ 99,854	$ 1,502,203
Footwear	168,981	86,983	88,806	37,755	382,525
Total	$ 1,139,175	$ 350,832	$ 257,112	$ 137,609	$ 1,884,728
Sales channel net sales					
Wholesale	$ 636,108	$ 192,967	$ 223,018	$ 109,324	$ 1,161,417
Direct-to-consumer	503,067	157,865	34,094	28,285	723,311
Total	$ 1,139,175	$ 350,832	$ 257,112	$ 137,609	$ 1,884,728

During the fourth quarter of 2018, the Company determined that it had understated wholesale and overstated direct-to-consumer ("DTC") net sales by $5.0 million and $11.5 million in the LAAP segment for the three and nine months ended September 30, 2018, respectively, with no effect on LAAP segment total net sales. The Company assessed the significance of the misclassifications and concluded that they were not material to any prior periods. As a result, the LAAP segment wholesale and DTC net sales for the three and nine months ended September 30, 2018 in the table above have been revised from amounts previously reported to correct the misclassifications. These corrections had no effect on the Company's Condensed Consolidated Statements of Operations.

Performance Obligations

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

Contract Balances

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

NOTE 4—NON-CONTROLLING INTEREST

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

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

NOTE 5—INTANGIBLE ASSETS, NET

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

(in thousands)	September 30, 2019	December 31, 2018	September 30, 2018
Intangible assets subject to amortization:			
Patents and purchased technology	$ 14,198	$ 14,198	$ 14,198
Customer relationships	23,000	23,000	23,000
Gross carrying amount	37,198	37,198	37,198
Accumulated amortization:			
Patents and purchased technology	(12,979)	(11,981)	(11,649)
Customer relationships	(15,300)	(14,063)	(13,650)
Total accumulated amortization	(28,279)	(26,044)	(25,299)
Net carrying amount	8,919	11,154	11,899
Intangible assets not subject to amortization	115,421	115,421	115,421
Intangible assets, net	$ 124,340	$ 126,575	$ 127,320

Amortization expense for intangible assets subject to amortization was $0.7 million for each of the three months ended September 30, 2019 and 2018 and was $2.2 million for each of the nine months ended September 30, 2019 and 2018.

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

(in thousands)		
2019	$	2,980
2020		2,537
2021		1,650
2022		1,650
2023		1,650

NOTE 6—SHORT-TERM BORROWINGS AND CREDIT LINES

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

The Company's European subsidiary has available two separate unsecured and uncommitted lines of credit guaranteed by the Company providing for borrowing up to a maximum of €25.8 million and €5.0 million, respectively (combined approximately US$33.7 million), at September 30, 2019. The line of credit with a maximum borrowing of €5.0 million accrues interest based on the Euro Overnight Index Average plus 75 basis points. During the first quarter of 2019, the interest rate on the line of credit with a maximum borrowing of €25.8 million was modified to accrue interest based on the European Central Bank refinancing rate plus 75.0 basis points. There was no balance outstanding under either of these lines of credit at September 30, 2019, December 31, 2018 and September 30, 2018.

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

NOTE 7—PRODUCT WARRANTY

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

A reconciliation of product warranties is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2019	2018	2019	2018
Balance at beginning of period	$ 13,186	$ 11,857	$ 13,186	$ 12,339
Provision for warranty claims	645	555	3,140	2,997
Warranty claims	(440)	(378)	(2,899)	(3,088)
Other	(180)	50	(216)	(164)
Balance at end of period	$ 13,211	$ 12,084	$ 13,211	$ 12,084

NOTE 8—LEASES

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

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

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

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

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

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

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

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

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

(in thousands)	Three Months Ended	Nine Months Ended
Operating lease cost	$ 20,072	$ 57,592
Variable lease cost	12,676	38,572
Short term lease cost	3,442	5,614
	$ 36,190	$ 101,778

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

(in thousands)	
Cash paid for amounts included in the measurement of operating lease liabilities	$ 56,843
Operating lease liabilities arising from obtaining ROU assets[(1)]	$ 467,075

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

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

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

Weighted average remaining lease term	6.99 years
Weighted average discount rate	3.89 %

COLUMBIA SPORTSWEAR COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

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

(in thousands)	
2019	$ 20,119
2020	76,258
2021	68,625
2022	63,532
2023	58,579
Thereafter	212,496
Total lease payments	499,609
Less: imputed interest	(70,338)
Total lease liabilities	429,271
Less: current obligations	(62,756)
Long-term lease obligations	$ 366,515

As of September 30, 2019, the Company has additional operating lease commitments that have not yet commenced of $13.6 million. These leases will commence in 2019 and 2020 with lease terms of 1 to 11 years.

Disclosures related to periods prior to adoption of ASC 842

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

(in thousands)	Three Months Ended	Nine Months Ended
Rent expense included in SG&A expense	$ 32,058	$ 96,370
Rent expense included in Cost of sales	448	1,257
	$ 32,506	$ 97,627

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

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

NOTE 9—COMMITMENTS AND CONTINGENCIES

Inventory Purchase Obligations

Inventory purchase obligations consist of open production purchase orders and other commitments for raw materials and sourced apparel, footwear, accessories, and equipment. At September 30, 2019, inventory purchase obligations were $356.5 million.

Litigation

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

NOTE 10—SHAREHOLDERS' EQUITY

Shares of the Company's common stock may be repurchased in the open market or through privately negotiated transactions, subject to market conditions. The repurchase program does not obligate the Company to acquire any specific number of shares or to acquire shares over any specified period of time. Shares repurchased generally settle subsequent to their trade date. During the three and nine months ended September 30, 2019, the Company repurchased an aggregate of $15.8 million and $116.2 million, respectively, of common stock under the stock repurchase plan authorized by the Company's Board of Directors. During the three and nine months ended September 30, 2018, the Company repurchased an aggregate of $67.1 million and $107.2 million, respectively, of common stock under the stock repurchase plan.

NOTE 11—STOCK-BASED COMPENSATION

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

Stock-based compensation expense consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2019	2018	2019	2018
Stock options	$ 1,509	$ 1,277	$ 4,600	$ 3,571
Restricted stock units	2,869	2,371	8,559	6,676
Total	$ 4,378	$ 3,648	$ 13,159	$ 10,247

Stock Options

During the nine months ended September 30, 2019, the Company granted a total of 394,730 stock options at a weighted average grant date fair value of $22.53. At September 30, 2019, unrecognized costs related to outstanding stock options totaled $11.6 million, before any related tax benefit. The unrecognized costs related to stock options are amortized over the related vesting period using the straight-line attribution method. Unrecognized costs related to stock options at September 30, 2019 are expected to be recognized over a weighted average period of 2.39 years.

Restricted Stock Units

During the nine months ended September 30, 2019, the Company granted 169,134 restricted stock units at an estimated average grant date fair value of $95.47. At September 30, 2019, unrecognized costs related to outstanding restricted stock units totaled $21.8 million, before any related tax benefit. The unrecognized costs related to restricted stock units are being amortized over the related vesting period using the straight-line attribution method. These unrecognized costs at September 30, 2019 are expected to be recognized over a weighted average period of 2.30 years.

NOTE 12—EARNINGS PER SHARE

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	2019	2018	2019	2018
Weighted average shares of common stock outstanding, used in computing basic earnings per share	67,593	69,589	67,935	69,895
Effect of dilutive stock options and restricted stock units	587	768	685	790
Weighted average shares of common stock outstanding, used in computing diluted earnings per share	68,180	70,357	68,620	70,685
Earnings per share of common stock attributable to Columbia Sportswear Company:				
Basic	$ 1.76	$ 1.44	$ 3.19	$ 2.22
Diluted	$ 1.75	$ 1.42	$ 3.15	$ 2.19

Stock options, service-based restricted stock units, and performance-based restricted stock representing 440,993 and 240,357 shares of common stock for the three months ended September 30, 2019 and 2018, respectively, and 378,617 and 349,381 shares of common stock for the nine months ended September 30, 2019 and 2018, respectively, were outstanding but were excluded from the computation of diluted EPS because their effect would be anti-dilutive under the treasury stock method, or because the shares were subject to performance conditions that had not been met.

NOTE 13—ACCUMULATED OTHER COMPREHENSIVE LOSS

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

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

(in thousands)	Unrealized gains (losses) on available-for-sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at June 30, 2019	$ (4)	$ 11,317	$ (12,611)	$ (1,298)
Other comprehensive income (loss) before reclassifications	—	6,315	(8,389)	(2,074)
Amounts reclassified from accumulated other comprehensive loss	—	(3,901)	—	(3,901)
Net other comprehensive income (loss) income during the period	—	2,414	(8,389)	(5,975)
Balance at September 30, 2019	$ (4)	$ 13,731	$ (21,000)	$ (7,273)

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

(in thousands)	Unrealized gains (losses) on available-for-sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at June 30, 2018	$ —	$ 3,889	$ (10,263)	$ (6,374)
Other comprehensive income (loss) before reclassifications	(162)	541	(51)	328
Amounts reclassified from accumulated other comprehensive loss	—	1,811	—	1,811
Net other comprehensive income (loss) during the period	(162)	2,352	(51)	2,139
Balance at September 30, 2018	$ (162)	$ 6,241	$ (10,314)	$ (4,235)

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

(in thousands)	Unrealized gains (losses) on available-for-sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at December 31, 2018	$ (60)	$ 11,964	$ (15,967)	$ (4,063)
Other comprehensive income (loss) before reclassifications	56	9,119	(5,033)	4,142
Amounts reclassified from accumulated other comprehensive loss	—	(7,253)	—	(7,253)
Net other comprehensive income (loss) during the period	56	1,866	(5,033)	(3,111)
Purchase of non-controlling interest	—	(99)	—	(99)
Balance at September 30, 2019	$ (4)	$ 13,731	$ (21,000)	$ (7,273)

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

	Unrealized gains (losses) on available-for-sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at December 31, 2017	$ (4)	$ (10,716)	$ 1,833	$ (8,887)
Other comprehensive income (loss) before reclassifications	(158)	16,088	(12,147)	3,783
Amounts reclassified from accumulated other comprehensive loss	—	1,384	—	1,384
Net other comprehensive income (loss) during the period	(158)	17,472	(12,147)	5,167
Adoption of ASU 2017-12	—	(515)	—	(515)
Balance at September 30, 2018	$ (162)	$ 6,241	$ (10,314)	$ (4,235)

NOTE 14—SEGMENT INFORMATION

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2019	2018	2019	2018
Net sales to unrelated entities:				
United States	$ 581,263	$ 496,161	$ 1,309,014	$ 1,139,175
LAAP	123,246	118,379	357,719	350,832
EMEA	104,403	100,351	267,278	257,112
Canada	97,881	80,910	153,600	137,609
	$ 906,793	$ 795,801	$ 2,087,611	$ 1,884,728
Segment income from operations:				
United States	$ 156,190	$ 125,862	$ 298,366	$ 243,332
LAAP	17,081	17,183	53,822	51,548
EMEA	18,162	14,782	36,905	26,328
Canada	27,024	17,944	30,417	21,236
Total segment income from operations	218,457	175,771	419,510	342,444
Unallocated corporate expenses	(66,442)	(46,627)	(163,172)	(144,230)
Interest income, net	1,399	2,524	7,370	7,748
Other non-operating income (expense)	(563)	736	915	372
Income before income taxes	$ 152,851	$ 132,404	$ 264,623	$ 206,334

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

In addition, during the fourth quarter of 2018, the Company determined that it had incorrectly allocated certain amounts of operating income to its United States segment, resulting in the overstatement of both total segment income from operations and unallocated corporate expenses by $4.5 million and $10.8 million for the three and nine months ended September 30, 2018, respectively. The Company assessed the significance of the misclassifications and concluded that they were not material to any prior periods. As a result, the United States and total segment income

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

Concentrations

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

NOTE 15—FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

(in thousands)	September 30, 2019	December 31, 2018	September 30, 2018
Derivative instruments designated as cash flow hedges:			
Currency forward contracts	$ 412,041	$ 399,348	$ 434,738
Derivative instruments not designated as cash flow hedges:			
Currency forward contracts	235,945	379,701	289,772

At September 30, 2019, $11.9 million of deferred net gains on both outstanding and matured derivatives recorded in *Other comprehensive income* are expected to be reclassified to *Net income* during the next twelve months as a result of underlying hedged transactions also being recorded in *Net sales* or *Cost of sales* in the Condensed Consolidated Statements of Operations. Actual amounts ultimately reclassified to *Net sales* or *Cost of sales* in the Condensed Consolidated Statements of Comprehensive Income are dependent on U.S. dollar exchange rates in effect against the euro, renminbi, Canadian dollar, and yen when outstanding derivative contracts mature.

At September 30, 2019, the Company's derivative contracts had a remaining maturity of less than four years. The maximum net exposure to any single counterparty, which is generally limited to the aggregate unrealized gain of all contracts with that counterparty, was less than $7.0 million at September 30, 2019. All of the Company's derivative counterparties have credit ratings that are investment grade or higher. The Company is a party to master netting arrangements that contain features that allow counterparties to net settle amounts arising from multiple

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

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

(in thousands)	Balance Sheet Classification	September 30, 2019	December 31, 2018	September 30, 2018
Derivative instruments designated as cash flow hedges:				
Derivative instruments in asset positions:				
Currency forward contracts	Prepaid expenses and other current assets	$ 16,603	$ 11,818	$ 7,262
Currency forward contracts	Other non-current assets	4,830	9,922	7,963
Derivative instruments in liability positions:				
Currency forward contracts	Accrued liabilities	201	47	584
Currency forward contracts	Other long-term liabilities	109	1	—
Derivative instruments not designated as cash flow hedges:				
Derivative instruments in asset positions:				
Currency forward contracts	Prepaid expenses and other current assets	1,857	1,797	865
Derivative instruments in liability positions:				
Currency forward contracts	Accrued liabilities	320	970	154

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

	Statement of Operations Classification	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)		2019	2018	2019	2018
Currency Forward and Option Contracts:					
Derivative instruments designated as cash flow hedges:					
Gain recognized in other comprehensive income (loss), net of tax	—	$ 6,315	$ 866	$ 9,119	$ 16,493
Gain reclassified from accumulated other comprehensive loss to income for the effective portion	Net sales	172	17	282	41
Gain (loss) reclassified from accumulated other comprehensive loss to income for the effective portion	Cost of sales	5,087	(4,192)	7,208	(7,796)
Gain (loss) recognized in income for amount excluded from effectiveness testing and for the ineffective portion	Net sales	—	4	(31)	16
Gain recognized in income for amount excluded from effectiveness testing and for the ineffective portion	Cost of sales	—	1,637	2,380	5,458
Derivative instruments not designated as cash flow hedges:					
Gain recognized in income	Other non-operating income (expense), net	1,855	372	1,281	2,606

NOTE 16—FAIR VALUE MEASURES

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

Level 1 — observable inputs such as quoted prices for identical assets or liabilities in active liquid markets;
Level 2 — inputs, other than the quoted market prices in active markets, that are observable, either directly or indirectly; or observable market prices in markets with insufficient volume or infrequent transactions; and
Level 3 — unobservable inputs for which there is little or no market data available, that require the reporting entity to develop its own assumptions.

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

(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 72,941	$ —	$ —	$ 72,941
Other short-term investments:				
Mutual fund shares	1,477	—	—	1,477
Other current assets:				
Derivative financial instruments (Note 15)	—	18,460	—	18,460
Other non-current assets:				
Money market funds	1,528	—	—	1,528
Mutual fund shares	11,362	—	—	11,362
Derivative financial instruments (Note 15)	—	4,830	—	4,830
Total assets measured at fair value	$ 87,308	$ 23,290	$ —	$ 110,598
Liabilities:				
Accrued liabilities:				
Derivative financial instruments (Note 15)	$ —	$ 521	$ —	$ 521
Other long-term liabilities:				
Derivative financial instruments (Note 15)	—	109	—	109
Total liabilities measured at fair value	$ —	$ 630	$ —	$ 630

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

COLUMBIA SPORTSWEAR COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

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

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

[1] Investments have remaining maturities of less than one year.

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

(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 70,573	$ —	$ —	$ 70,573
Available-for-sale short-term investments[1]:				
U.S. Government treasury bills	—	267,861	—	267,861
Other short-term investments:				
Mutual funds shares	1,452	—	—	1,452
Other current assets:				
Derivative financial instruments (Note 15)	—	8,127	—	8,127
Other non-current assets:				
Mutual fund shares	9,950	—	—	9,950
Derivative financial instruments (Note 15)	—	7,963	—	7,963
Total assets measured at fair value	$ 81,975	$ 283,951	$ —	$ 365,926
Liabilities:				
Accrued liabilities:				
Derivative financial instruments (Note 15)	$ —	$ 738	$ —	$ 738
Total liabilities measured at fair value	$ —	$ 738	$ —	$ 738

[1] Investments have remaining maturities of less than one year.

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

Non-recurring Fair Value Measurements

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

NOTE 17—RELATED PARTY TRANSACTIONS

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

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

The China joint venture declared a cash dividend of RMB341.3 million (approximately US$53.3 million) in June 2018 to stockholders of record as of June 14, 2018 and paid the dividend in the third quarter of 2018. The dividend paid to Swire was RMB136.5 million (approximately US$21.3 million at the date of declaration, which equated to approximately US$20.0 million on the date of payment). The dividend paid to the Company of $32.0 million was eliminated in consolidation. In addition, in September 2018, the Company and Swire entered into an EITA, under which the Company committed to buy out the 40% non-controlling interest in the joint venture. The buyout was subject to various terms and conditions. As part of the buyout arrangement, in September 2018 the Company placed $14.0 million in an escrow account as a portion of the funds needed to complete the buyout in early 2019. The escrow amount was shown as *Restricted cash* on the Condensed Consolidated Balance Sheets at December 31, 2018 and September 30, 2018.

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

NOTE 18—INCOME TAXES

For the three months ended September 30, 2019 and 2018, the effective income tax rates were 22.0% and 22.7%, respectively. For the nine months ended September 30, 2019 and 2018, the effective income tax rates were 18.2% and 21.7%, respectively. The effective income tax rate for the nine months ended September 30, 2019 was impacted by discrete items, primarily the passage of a Swiss tax reform package in May 2019, which resulted in a $6.6 million second-quarter tax benefit related to the revaluation of the Company’s Swiss deferred tax assets at a higher rate.

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

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

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

Our Business

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

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

Seasonality and Variability of Business

Our business is affected by the general seasonal trends common to the industry, including seasonal weather and discretionary consumer shopping and spending patterns. Our products are marketed on a seasonal basis and our sales are weighted substantially toward the third and fourth quarters, while our operating costs are more equally distributed throughout the year. In 2018, approximately 60% of our net sales and approximately 80% of our operating income were realized in the second half of the year, illustrating our dependence upon sales results in the second half of the year, as well as the less seasonal nature of our operating costs. Due to the earlier shipment of Fall 2019 wholesale orders in the third quarter of 2019, we expect a shift of profitability, with a greater portion of the second half of 2019 financial results moving into the third quarter from the fourth quarter compared to the second half of 2018.

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

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

Business Outlook

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

- Growth, performance and profitability of our global DTC operations;
- Unseasonable weather conditions or other unforeseen factors affecting consumer demand and the resulting effect on cancellations of advance wholesale and distributor orders, sales returns, customer accommodations, replenishment orders and reorders, DTC sales, changes in mix and volume of full price sales in relation to promotional and closeout product sales, and suppressed customer and end-consumer demand in subsequent seasons;

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

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

Strategic Priorities

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

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

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

Consumer-First Platform ("C1")

During 2017, we commenced investment in our C1 initiative, which encompasses the global retail platform and IT systems to support the growth and continued development of our omnichannel capabilities. The objective of this initiative is consistent with our strategic priorities to deliver an enhanced consumer experience and to modernize and standardize our processes and systems to enable us to better anticipate and deliver against the needs of our consumers. In the quarter ended September 30, 2019, we rolled out the C1 platform to 140 of our stores in North America, including all Columbia, SOREL and Mountain Hardwear stores.

Experience First ("X1")

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

We are working toward a phased implementation of X1. In the quarter ended June 30, 2019, we implemented X1 across 10 countries in Europe-direct and for the prAna brand in the U.S. We expect the North America implementation to continue in 2020 for the Columbia, SOREL and Mountain Hardwear brands.

Project CONNECT

During 2017, we initiated Project CONNECT, aimed at aligning our resources to accelerate execution on our strategic priorities, including initiatives to drive net sales, capture cost of sales efficiencies, generate SG&A expense savings, and improve our marketing effectiveness. Efficiencies within cost of sales have created a meaningful benefit to product margin driven by assortment optimization, design-to-value initiatives and DTC pricing and markdown optimization. The financial benefits from these initiatives are reflected in our 2019 financial results. As we realize these benefits in 2018 and 2019, we are reallocating resources to our strategic priorities, including incremental demand creation spending, and other investments to drive growth across our brands and distribution channels. We anticipate sustaining the financial benefits driven from Project CONNECT, but do not expect the continued level of incremental improvement in the Company's gross margin in 2020.

Results of Operations

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

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

Highlights of the Third Quarter of 2019

- Net sales increased $111.0 million, or 14%, to $906.8 million from $795.8 million in the third quarter of 2018.
- Income from operations increased $22.9 million, or 18%, to $152.0 million from $129.1 million in the third quarter of 2018.
- Net income attributable to Columbia Sportswear Company increased $19.1 million, or 19%, to $119.3 million, or $1.75 per diluted share, from $100.2 million, or $1.42 per diluted share, in the third quarter of 2018.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	50.7	51.8	50.3	51.6
Gross profit	49.3	48.2	49.7	48.4
Selling, general and administrative expenses	33.0	32.6	37.9	38.5
Net licensing income	0.5	0.6	0.5	0.6
Income from operations	16.8	16.2	12.3	10.5
Interest income, net	0.2	0.3	0.4	0.4
Other non-operating income (expense), net	(0.1)	0.1	—	—
Income before income tax	16.9	16.6	12.7	10.9
Income tax expense	(3.7)	(3.7)	(2.3)	(2.3)
Net income	13.2	12.9	10.4	8.6
Net income attributable to non-controlling interest	—	0.3	—	0.4
Net income attributable to Columbia Sportswear Company	13.2 %	12.6 %	10.4 %	8.2 %

Results of Operations — Consolidated

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

Net Sales: Consolidated net sales increased $111.0 million, or 14% (15% constant-currency), to $906.8 million for the third quarter of 2019 from $795.8 million for the comparable period in 2018.

Sales by Brand

Net sales by brand are summarized in the following table:

	Three Months Ended September 30,					
(In millions, except for percentage changes)	Reported Net Sales 2019	Adjust for Foreign Currency Translation	Constant-currency Net Sales 2019[(1)]	Reported Net Sales 2018	Reported Net Sales % Change	Constant-currency Net Sales % Change
Columbia	$ 729.5	$ 5.6	$ 735.1	$ 640.9	14%	15%
SOREL	116.1	1.1	117.2	91.2	27%	29%
prAna	38.5	0.1	38.6	39.9	(4)%	(3)%
Mountain Hardwear	22.7	(0.1)	22.6	23.0	(1)%	(2)%
Other	—	—	—	0.8	(100)%	(100)%
	$ 906.8	$ 6.7	$ 913.5	$ 795.8	14%	15%

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

Columbia brand net sales increased $88.6 million, or 14% (15% constant-currency), to $729.5 million, led by increased net sales primarily in the U.S. wholesale business, followed by Canada and the U.S. DTC businesses. Results included increased net sales across all product categories.

SOREL brand net sales increased $24.9 million, or 27% (29% constant-currency), to $116.1 million, driven primarily by increased net sales in the U.S. wholesale and Canada businesses.

prAna brand net sales decreased $1.4 million, or 4% (3% constant-currency), to $38.5 million.

Mountain Hardwear brand net sales decreased $0.3 million, or 1% (2% constant-currency), to $22.7 million.

Sales by Product Category

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

	Three Months Ended September 30,					
(In millions, except for percentage changes)	Reported Net Sales 2019	Adjust for Foreign Currency Translation	Constant-currency Net Sales 2019[(1)]	Reported Net Sales 2018	Reported Net Sales % Change	Constant-currency Net Sales % Change
Apparel, Accessories and Equipment	$ 684.7	$ 4.5	$ 689.2	$ 617.6	11%	12%
Footwear	222.1	2.2	224.3	178.2	25%	26%
	$ 906.8	$ 6.7	$ 913.5	$ 795.8	14%	15%

Apparel, accessories and equipment net sales increased $67.1 million, or 11% (12% constant-currency), to $684.7 million. Increased apparel, accessories and equipment net sales were driven by net sales growth led by the U.S. wholesale business, followed by Canada and U.S. DTC businesses. The increase in apparel, accessories and equipment net sales was concentrated in the Columbia brand.

Footwear net sales increased $43.9 million, or 25% (26% constant-currency), to $222.1 million. Increased footwear net sales were driven by sales growth in across all regions, primarily in the U.S. and Canada, and was led by the SOREL brand, followed by the Columbia brand.

Sales by Channel

Net sales by channel are summarized in the following table:

	Three Months Ended September 30,					
(In millions, except for percentage changes)	Reported Net Sales 2019	Adjust for Foreign Currency Translation	Constant-currency Net Sales 2019[1]	Reported Net Sales 2018[2]	Reported Net Sales % Change	Constant-currency Net Sales % Change
Wholesale	$ 652.6	$ 5.3	$ 657.9	$ 549.8	19%	20%
DTC	254.2	1.4	255.6	246.0	3%	4%
	$ 906.8	$ 6.7	$ 913.5	$ 795.8	14%	15%

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

Wholesale channel net sales increased $102.8 million, or 19% (20% constant-currency), to $652.6 million, driven by increased net sales across all regions, primarily in the U.S. and Canada.

DTC channel net sales increased $8.2 million, or 3% (4% constant-currency), to $254.2 million, driven by increased net sales in the U.S. The DTC channel faced a difficult comparison to the third quarter of 2018, which increased 23% from the third quarter of 2017, primarily due to net sales increases in the U.S.

Gross Profit: Gross profit as a percentage of net sales increased to 49.3% in the third quarter of 2019 from 48.2% for the comparable period in 2018. Gross profit expansion was primarily due to:

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

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

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

SG&A expense increased $40.0 million, or 15%, to $299.2 million, or 33.0% of net sales, for the third quarter of 2019, from $259.3 million, or 32.6% of net sales, for the comparable period in 2018.

The SG&A expense increase was primarily due to:

- Increased expenses to support our expanding global DTC operations;
- Increased personnel costs to support business growth and strategic projects;
- Increased IT spending, including our C1 and X1 initiatives;
- Increased demand creation spending; and
- The non-recurrence of an insurance claim recovered in the third quarter of 2018.

Income from Operations: Income from operations increased $22.9 million, or 18%, to $152.0 million in the third quarter of 2019 from $129.1 million for the comparable period in 2018. Income from operations as a percentage of net sales increased to 16.8% in the third quarter of 2019, compared to 16.2% in the comparable period in 2018.

Income Tax Expense: Income tax expense increased $3.6 million to $33.6 million for the third quarter of 2019, from $30.0 million for the comparable period in 2018. Our effective income tax rate was 22.0% for the third quarter of 2019, compared to 22.7% for the same period in 2018.

Net Income Attributable to Columbia Sportswear Company: Net income increased $19.1 million, or 19%, to $119.3 million, or $1.75 per diluted share, for the third quarter of 2019 from $100.2 million, or $1.42 per diluted share, for the comparable period in 2018, which included $3.3 million, net of tax, of benefit in connection with an insurance claim, $1.5 million of incremental tax expense related to the TCJA and $0.9 million, net of tax, of Project CONNECT program expenses and discrete costs. The third quarter of 2019 net income includes the benefit of full ownership of our China business, which became a wholly owned subsidiary effective January 2019. In the third quarter of 2018, the non-controlling interest share of net income was $2.2 million, or $0.03 per diluted share.

Nine Months Ended September 30, 2019 Compared to the Nine Months Ended September 30, 2018

Net Sales: Consolidated net sales increased $202.9 million, or 11% (12% constant-currency), to $2,087.6 million for the nine months ended September 30, 2019, from $1,884.7 million for the comparable period in 2018.

Sales by Brand

Net sales by brand are summarized in the following table:

	Nine Months Ended September 30,					
(In millions, except for percentage changes)	Reported Net Sales 2019	Adjust for Foreign Currency Translation	Constant-currency Net Sales 2019	Reported Net Sales 2018	Reported Net Sales % Change	Constant-currency Net Sales % Change
Columbia	$ 1,736.6	$ 22.4	$ 1,759.0	$ 1,564.5	11%	12%
SOREL	170.7	1.7	172.4	133.4	28%	29%
prAna	118.4	0.1	118.5	120.3	(2)%	(1)%
Mountain Hardwear	61.9	0.5	62.4	63.4	(2)%	(2)%
Other	—	—	—	3.1	(100)%	(100)%
	$ 2,087.6	$ 24.7	$ 2,112.3	$ 1,884.7	11%	12%

Columbia brand net sales increased $172.1 million, or 11% (12% constant-currency), to $1,736.6 million for the nine months ended September 30, 2019 from $1,564.5 million for the comparable period in 2018, led by increased net sales in the U.S. wholesale and DTC businesses, as well as increased net sales across all product categories.

SOREL brand net sales increased $37.3 million, or 28% (29% constant-currency), to $170.7 million for the nine months ended September 30, 2019 from $133.4 million for the comparable period in 2018, primarily driven by net sales growth in the U.S. wholesale, the U.S. DTC and Canada businesses.

prAna brand net sales decreased $1.9 million, or 2% (1% constant-currency), to $118.4 million.

Mountain Hardwear brand net sales decreased $1.5 million, or 2%, to $61.9 million.

Sales by Product Category

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

	Nine Months Ended September 30,					
(In millions, except for percentage changes)	Reported Net Sales 2019	Adjust for Foreign Currency Translation	Constant-currency Net Sales 2019	Reported Net Sales 2018	Reported Net Sales % Change	Constant-currency Net Sales % Change
Apparel, Accessories and Equipment	$ 1,642.9	$ 17.4	$ 1,660.3	$ 1,502.2	9%	11%
Footwear	444.7	7.3	452.0	382.5	16%	18%
	$ 2,087.6	$ 24.7	$ 2,112.3	$ 1,884.7	11%	12%

Apparel, accessories and equipment net sales increased $140.7 million, or 9% (11% constant-currency), to $1,642.9 million. Increased apparel, accessories and equipment net sales were driven by sales growth from the U.S. businesses, as well as increased net sales in the Canada, EMEA distributor, Europe-direct, and Japan businesses. The increase in apparel, accessories and equipment net sales was concentrated in the Columbia brand.

Footwear net sales increased $62.2 million, or 16% (18% constant-currency), to $444.7 million. Increased footwear net sales were led by sales growth in the U.S. wholesale business, followed by the U.S. DTC and Canada businesses, partially offset by decreased net sales in the EMEA distributor business. The increase in footwear net sales was led by the SOREL brand, followed by the Columbia brand.

Sales by Channel

Net sales by channel are summarized in the following table:

	Nine Months Ended September 30,					
(In millions, except for percentage changes)	Reported Net Sales 2019	Adjust for Foreign Currency Translation	Constant-currency Net Sales 2019	Reported Net Sales 2018	Reported Net Sales % Change	Constant-currency Net Sales % Change
Wholesale	$ 1,312.0	$ 16.4	$ 1,328.4	$ 1,161.4	13%	14%
DTC	775.6	8.3	783.9	723.3	7%	8%
	$ 2,087.6	$ 24.7	$ 2,112.3	$ 1,884.7	11%	12%

Wholesale channel net sales increased $150.6 million, or 13% (14% constant-currency), to $1,312.0 million, driven by increased net sales across all regions, led by the U.S.

DTC channel net sales increased $52.3 million, or 7% (8% constant-currency), to $775.6 million, primarily due to increased net sales in the U.S.

Gross Profit: Gross profit, as a percentage of net sales, increased to 49.7% in the nine months ended September 30, 2019, from 48.4% for the comparable period in 2018, primarily due to a favorable impact from Project CONNECT benefits, including our design-to-value, assortment optimization and manufacturing efficiency initiatives.

Selling, General and Administrative Expense: SG&A expense increased $66.9 million, or 9%, to $791.8 million, or 37.9% of net sales, for the nine months ended September 30, 2019, from $724.8 million, or 38.5% of net sales, for the comparable period in 2018.

The SG&A expense increase was primarily due to:

- Increased expenses to support our expanding global DTC operations;
- Increased personnel costs to support business growth and strategic projects;
- Increased IT spending, including our C1 and X1 initiatives;
- Increased demand creation spending; and
- The non-recurrence of an insurance claim recovered in the third quarter of 2018; partially offset by
- The non-recurrence of Project CONNECT program expenses and discrete costs; and
- The impact of weakening foreign currencies relative to the U.S. dollar.

Income from Operations: Income from operations increased $58.1 million, or 29%, to $256.3 million for the nine months ended September 30, 2019 from $198.2 million for the comparable period in 2018. Income from operations as a percentage of net sales increased to 12.3% for the nine months ended September 30, 2019, compared to 10.5% in the comparable period in 2018.

Income Tax Expense: Income tax expense increased $3.4 million to $48.2 million for the nine months ended September 30, 2019 from $44.7 million for the comparable period in 2018. Our effective income tax rate decreased to 18.2% for the nine months ended September 30, 2019 from 21.7% for the same period in 2018. The effective income tax rate for the nine months ended September 30, 2019 was impacted by the passage of a Swiss tax reform package in the second quarter of 2019, which resulted in a $6.6 million tax benefit related to the revaluation of our Swiss deferred tax assets at a higher rate.

Net Income Attributable to Columbia Sportswear Company: Net income increased $61.5 million, or 40%, to $216.5 million, or $3.15 per diluted share, for the nine months ended September 30, 2019 from $155.0 million, or $2.19 per diluted share, for the comparable period in 2018, which included $10.7 million, net of tax, of Project CONNECT program expense and discrete costs, $3.3 million, net of tax, of benefit in connection with an insurance claim and $2.7 million of incremental income tax expense related to the TCJA. Net income for the nine months ended September 30, 2019 includes the benefit of full ownership of our China business, which became a wholly owned subsidiary effective January 2019. In the comparable period of 2018, the non-controlling interest share of net income was $6.6 million or $0.09 per diluted share.

***Results of Operations* — Segment**

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

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

	Three Months Ended September 30,					
(In millions, except for percentage changes)	Reported Net Sales 2019	Adjust for Foreign Currency Translation	Constant-currency Net Sales 2018[1]	Reported Net Sales 2018	Reported Net Sales % Change	Constant-currency Net Sales % Change[1]
United States	$ 581.3	$ —	$ 581.3	$ 496.2	17%	17%
LAAP	123.2	1.7	124.9	118.4	4%	5%
EMEA	104.4	4.1	108.5	100.3	4%	8%
Canada	97.9	0.9	98.8	80.9	21%	22%
	$ 906.8	$ 6.7	$ 913.5	$ 795.8	14%	15%

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

U.S. net sales increased $85.1 million, or 17%, to $581.3 million for the third quarter of 2019 from $496.2 million for the comparable period in 2018. U.S. net sales increased in both our wholesale and DTC businesses. The net sales increase in our wholesale business was driven by the shipment of higher Fall 2019 advance orders, a greater portion of Fall 2019 shipments falling into the third quarter of 2019 compared to Fall 2018 shipments in the third quarter of 2018, favorable net reorder and cancellation rates, and higher replenishment sales. The net sales increase in our DTC business was led by increased net sales from our retail stores, followed by our e-commerce business.

LAAP region net sales increased $4.8 million, or 4% (5% constant-currency), to $123.2 million for the third quarter of 2019 from $118.4 million for the comparable period in 2018. The net sales increase in the LAAP region was driven by our LAAP distributor and Japan businesses, partially offset by a net sales decrease in our China business, while Korea net sales remained relatively flat.

EMEA region net sales increased $4.1 million, or 4% (8% constant-currency), to $104.4 million for the third quarter of 2019 from $100.3 million for the comparable period in 2018. Net sales increased in our Europe-direct business, primarily driven by a greater portion of Fall 2019 shipments falling into the third quarter of 2019 compared to Fall 2018 shipments for the third quarter of 2018, higher closeout sales and, to a lesser extent, DTC sales growth. Net sales increased in our EMEA distributor business, primarily driven by increased Fall 2019 shipments.

Canada net sales increased $17.0 million, or 21% (22% constant-currency), to $97.9 million for the third quarter of 2019 from $80.9 million for the comparable period in 2018. The net sales increase in Canada was primarily driven by increased net sales in our wholesale business and a greater portion of Fall 2019 shipments falling into the third quarter of 2019 compared to Fall 2018 shipments for the third quarter of 2018.

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

We anticipate this trend to continue until other segments achieve scale efficiencies from higher levels of net sales volume relative to the fixed cost structure necessary to operate the business. The EMEA segment, in particular, has realized lower operating margins compared to other segments due to a relatively higher fixed cost structure associated with our supply chain and administrative functions, compared to net sales. As net sales increase in the EMEA segment, we would anticipate an improvement in the operating income margin of that segment. The following table presents segment income from operations for each reportable segment for the three months ended September 30:

	Three Months Ended September 30,			
(In millions, except for percentage changes)	2019	2018[1]	Change ($)	Change (%)
United States	$ 156.2	$ 125.9	30.3	24 %
LAAP	17.1	17.2	(0.1)	(1)%
EMEA	18.2	14.8	3.4	23 %
Canada	27.0	17.9	9.1	51 %
Total segment income from operations	$ 218.5	$ 175.8	42.7	24 %

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

Segment income from operations in the U.S.increased $30.3 million to $156.2 million, or 26.9% of net sales, for the third quarter of 2019 from $125.9 million, or 25.4% of net sales, for the comparable period in 2018. The increase in income from operations was driven by net sales growth

from both the wholesale and DTC businesses, combined with improved gross margin reflecting financial benefits from Project CONNECT. U.S. SG&A expense decreased as a percentage of net sales to 23.1% of net sales for the third quarter of 2019 compared to 23.7% for the same period in 2018.

Segment income from operations in the LAAP region decreased $0.1 million to $17.1 million, or 13.9% of net sales, for the third quarter of 2019 from $17.2 million, or 14.5% of net sales, for the comparable period in 2018.

Segment income from operations in the EMEA region increased $3.4 million to $18.2 million, or 17.4% of net sales, for the third quarter of 2019 from $14.8 million, or 14.7% of net sales, for the comparable period in 2018. The increase in income from operations resulted from increases in net sales in our Europe-direct and EMEA distributor businesses, combined with improved gross margin, reflecting financial benefits from Project CONNECT.

Segment income from operations in Canada increased $9.1 million to $27.0 million, or 27.6% of net sales, for the third quarter of 2019 from $17.9 million, or 22.2% of net sales, for the comparable period in 2018. The increase in income from operations resulted from increases in net sales driven by our Canada wholesale business, combined with improved gross margin, reflecting financial benefits from Project CONNECT.

Unallocated corporate expenses increased by $19.8 million to $66.4 million for the third quarter of 2019 from $46.6 million for the comparable period in 2018. The increase of unallocated corporate expenses was primarily driven by increased personnel costs and project-related expenses to support ongoing IT system implementations.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

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

	Nine Months Ended September 30,					
(In millions, except for percentage changes)	Reported Net Sales 2019	Adjust for Foreign Currency Translation	Constant-currency Net Sales 2018[1]	Reported Net Sales 2018	Reported Net Sales % Change	Constant-currency Net Sales % Change[1]
United States	$ 1,309.0	$ —	$ 1,309.0	$ 1,139.2	15%	15%
LAAP	357.7	9.9	367.6	350.8	2%	5%
EMEA	267.3	10.8	278.1	257.1	4%	8%
Canada	153.6	4.0	157.6	137.6	12%	15%
	$ 2,087.6	$ 24.7	$ 2,112.3	$ 1,884.7	11%	12%

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

U.S. net sales increased $169.8 million, or 15%, to $1,309.0 million for the nine months ended September 30, 2019 from $1,139.2 million for the comparable period in 2018. The U.S. net sales increase was led by our wholesale business, followed by our DTC business. The net sales increase in our wholesale business was driven by the Columbia and SOREL brands. The net sales increase in our DTC business was led by increased net sales from our retail stores, followed by increased net sales from our e-commerce business.

LAAP region net sales increased $6.9 million, or 2% (5% constant-currency), to $357.7 million for the nine months ended September 30, 2019 from $350.8 million for the comparable period in 2018. The net sales increase in the LAAP region was driven by increased net sales in our Japan and LAAP distributor businesses, partially offset by decreased net sales in our China business.

EMEA region net sales increased $10.2 million, or 4% (8% constant-currency), to $267.3 million for the nine months ended September 30, 2019 from $257.1 million for the comparable period in 2018. The net sales increase in the EMEA region was driven by our EMEA distributor business and a slight increase in net sales in our Europe-direct business. The net sales increase in our EMEA distributor business was driven by sales growth to our Russia-based distributor and increased shipments of Fall 2019 orders.

Canada net sales increased $16.0 million, or 12% (15% constant-currency), to $153.6 million for the nine months ended September 30, 2019 from $137.6 million for the comparable period in 2018. The net sales increase in Canada was driven primarily by a net sales increase in our wholesale business, as well as a net sales increase in our DTC business.

Segment Income from Operations: The following table presents segment income from operations for each reportable segment for the nine months ended September 30:

	Nine Months Ended September 30,			
(In millions, except for percentage changes)	**2019**	**2018[1]**	**Change ($)**	**Change (%)**
United States	$ 298.4	$ 243.3	55.1	23%
LAAP	53.8	51.6	2.2	4%
EMEA	36.9	26.3	10.6	40%
Canada	30.4	21.2	9.2	43%
Total segment income from operations	$ 419.5	$ 342.4	77.1	23%

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

Segment income from operations in the U.S. increased $55.1 million to $298.4 million, or 22.8% of net sales, for the nine months ended September 30, 2019 from $243.3 million, or 21.4% of net sales, for the comparable period in 2018. The increase in income from operations was driven by net sales growth from both the wholesale and DTC businesses, combined with increased gross margins largely driven by financial benefits from Project CONNECT. U.S. SG&A expenses as a percentage of net sales decreased to 27.4% of net sales for the nine months ended September 30, 2019 compared to 27.8% for the same period in 2018.

Segment income from operations in the LAAP region increased $2.2 million to $53.8 million, or 15.0% of net sales, for the nine months ended September 30, 2019 from $51.6 million, or 14.7% of net sales, for the comparable period in 2018. The increase in LAAP region operating income was driven by increased net sales in our Japan and LAAP distributor businesses, partially offset by decreased net sales in China. Gross margin improvement, reflecting financial benefits from Project CONNECT, also contributed to LAAP region operating income growth.

Segment income from operations in the EMEA region increased $10.6 million to $36.9 million, or 13.8% of net sales, for the nine months ended September 30, 2019 from $26.3 million, or 10.2% of net sales, for the comparable period in 2018. The increase in EMEA region operating income was driven primarily by increased net sales in our EMEA distributor business, as well as gross margin improvement, reflecting financial benefits from Project CONNECT. EMEA region SG&A expense as a percentage of net sales decreased to 29.0% for the nine months ended September 30, 2019 compared to 29.5% for the same period in 2018.

Segment income from operations in Canada increased $9.2 million to $30.4 million, or 19.8% of net sales, for the nine months ended September 30, 2019 from $21.2 million, or 15.4% of net sales, for the comparable period in 2018. The increase in Canada operating income was driven by increased net sales in our wholesale and DTC businesses, as well as gross margin improvement, including financial benefits from Project CONNECT.

Unallocated corporate expenses increased by $18.9 million to $163.2 million for the nine months ended September 30, 2019 from $144.2 million for the comparable period in 2018. The increase of unallocated corporate expenses resulted primarily from increased personnel costs and project-related expenses to support ongoing IT system implementations.

Liquidity and Capital Resources

At September 30, 2019, we had total cash and cash equivalents of $239.3 million, compared to $437.8 million at December 31, 2018 and $182.2 million at September 30, 2018. In addition, we had short-term investments of $1.5 million at September 30, 2019, compared to $262.8 million at December 31, 2018 and $269.3 million at September 30, 2018.

Net cash used in operating activities was $198.2 million for the nine months ended September 30, 2019, compared to $98.1 million for the same period in 2018. The increase in net cash used in operating activities was primarily driven by an increase in accounts receivable primarily due to increased shipments of fall season advance orders and a greater portion of Fall 2019 shipments falling into the third quarter, as well as a decrease in accounts payable resulting from the earlier receipt and payment of inventory purchases compared to the same period in 2018.

Net cash provided by investing activities was $159.7 million for the nine months ended September 30, 2019, compared to net cash used in investing activities of $218.7 million for the comparable period in 2018. For the 2019 period, net cash provided by investing activities consisted primarily of $264.2 million of net sales and maturities of short-term investments, partially offset by $104.5 million for capital expenditures. For the same period in 2018, net cash used in investing activities primarily consisted of $173.6 million of net purchases of short-term investments and $45.2 million for capital expenditures. The increase in cash used in capital expenditures was primarily related to the expansion of our corporate headquarters and investments in our global DTC operations and technology systems.

Net cash used in financing activities was $171.1 million for the nine months ended September 30, 2019, compared to $152.7 million for the comparable period in 2018. For the 2019 period, net cash used in financing activities primarily consisted of repurchases of common stock of $116.2 million, dividend payments to Company shareholders of $48.9 million, and $17.9 million related to the purchase of the non-controlling interest in our China joint venture. For the same period in 2018, net cash used in financing activities primarily consisted of repurchases of common stock of $107.2 million and dividend payments to Company shareholders of $46.2 million and to the non-controlling interest in our China joint venture of RMB136.5 million (approximately $19.9 million).

Short-term borrowings and credit lines

We have an unsecured, committed revolving line of credit available to fund our domestic working capital requirements. Monthly variable commitments available for funding average $50.0 million over the course of a calendar year. We had no balance outstanding under this line of credit, and we were in compliance with all associated covenants at September 30, 2019. Internationally, our subsidiaries have operating lines of credit in place guaranteed by the parent company with a combined credit limit of approximately $106.1 million at September 30, 2019. At September 30, 2019, no balance was outstanding under these subsidiary lines of credit. Refer to Note 6 to the condensed consolidated financial statements for additional discussion.

Our primary ongoing funding requirements are for working capital and capital expenditures, including facilities expansions at our corporate headquarters, investment in our DTC operations, including new stores and remodels, and investment in IT systems and other enabling capabilities to support our strategic priorities. We anticipate 2019 capital expenditures of approximately $130 million to $140 million. We expect to fund our future capital expenditures with existing cash, operating cash flows and credit facilities.If the need arises, we may seek additional funding. Our ability to obtain additional financing will depend on many factors, including prevailing market conditions, our financial condition and our ability to negotiate favorable terms and conditions. Financing may not be available on terms that are acceptable or favorable to us, if at all.

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

Critical Accounting Policies and Estimates

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

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

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

Recent Accounting Pronouncements

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

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

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

Item 4. ***CONTROLS AND PROCEDURES***

Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

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

In the quarter ended September 30, 2019, we concluded the deployment of a new retail platform to our North America stores as part of the C1 initiative. We also completed implementation of a new human resources information system. These initiatives involve changes to the processes that constitute our internal control over financial reporting. We have taken steps to monitor and maintain appropriate internal control over financial reporting during these projects and will continue to evaluate these controls for effectiveness.

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

PART II—OTHER INFORMATION

Item 1. *LEGAL PROCEEDINGS*

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

Item 1A. *RISK FACTORS*

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

We May Be Unable to Execute Our Business Strategies

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

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

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

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

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

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

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

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

Our business is increasingly reliant on information technology. Information technology systems are used across our supply chain and retail operations, from design to distribution and sales, and are used as a method of communication among employees, with our subsidiaries and offices overseas and with our customers, vendors and retail stores. We rely on our information systems to allocate resources, pay vendors, collect from customers, process transactions, manage product data, develop demand and supply plans, forecast and report operating results, and meet regulatory requirements. In addition, as a result of our information technology initiatives, we are relying more heavily on third-party, cloud-based solution vendors for key elements of our technology infrastructure, which systems, as any, are vulnerable to damage or interruption and are out of our direct control. As a result, any disruption to these systems, including the loss or corruption of data and information, could have a material adverse effect on our ability to operate our business and our financial condition, results of operations or cash flows.

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

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

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

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

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

We Depend on Contract Manufacturers

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

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

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

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

Our product costs are subject to substantial fluctuation based on:

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

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

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

We May Be Adversely Affected by Volatile Economic Conditions

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

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

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

We May Be Adversely Affected by Retailer Consolidation

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

We May Be Adversely Affected by Global Credit Market Conditions

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

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

We May Be Adversely Affected by Currency Exchange Rate Fluctuations

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

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

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

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

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

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

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

Our Orders from Customers Are Subject to Cancellation

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

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

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

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

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

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

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

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

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

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

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

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

We Face Risks Associated with Consumer Preferences and Fashion Trends

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

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

Our business is adversely affected by unseasonable weather conditions. A significant portion of the sales of our products is dependent in part on the weather and likely to decline in years in which weather conditions do not stimulate demand for our products. Periods of unseasonably warm weather in the fall or winter or unseasonably cold weather in the spring and summer may have a material adverse effect on our financial condition, results of operations or cash flows. Unintended inventory accumulation by our customers resulting from unseasonable weather in one season generally negatively affects orders in future seasons, which may have a material adverse effect on our financial condition, results of operations or cash flows.

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

Acquisitions Are Subject to Many Risks

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

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

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

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

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

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

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

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

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

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

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

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

We Operate in Highly Competitive Markets

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

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

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

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

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

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

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

Our registered and common law trademarks and our patented or patent-pending designs and technologies have significant value and are important to our ability to differentiate our products from those of our competitors and to create and sustain demand for our products. We also place significant value on our trade dress and the overall appearance and image of our products. We regularly discover products that are counterfeit reproductions of our products or that otherwise infringe on our proprietary rights. Counterfeiting activities typically increase as brand

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

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

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

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

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

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

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

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

Our Investment Securities May Be Adversely Affected by Market Conditions

Our investment portfolio is subject to a number of risks and uncertainties. Changes in market conditions, such as those that accompany an economic downturn or economic uncertainty, may negatively affect the value and liquidity of our investment portfolio, perhaps significantly. Our

ability to find diversified investments that are both safe and liquid and that provide a reasonable return may be impaired, potentially resulting in lower interest income, less diversification, longer investment maturities, or other-than-temporary impairments.

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

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

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

We Depend on Key Suppliers

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

We Depend on Key Personnel

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

Our Business Is Affected by Seasonality

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

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

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

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

future warranty claims, but the actual costs of servicing future warranty claims may exceed the reserve, which may also have a material adverse effect on our financial condition, results of operations or cash flows.

Our Common Stock Price May Be Volatile

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

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

Five related shareholders, Gertrude Boyle, Sarah A. Bany, Timothy P. Boyle, Joseph P. Boyle, and Molly Boyle, have historically controlled a majority of our common stock. Following Gertrude Boyle's death, Sarah A. Bany is serving as trustee of the Gertrude Boyle Trust, which holds the shares that were beneficially owned by Gertrude Boyle. As a result, if acting together, Sarah A. Bany, Timothy P. Boyle, Joseph P. Boyle, and Molly Boyle can effectively control matters requiring shareholder approval without the cooperation of other shareholders. Shares held by these shareholders, including shares held by Gertrude Boyle's trust, are available for resale, subject to the requirements of, and the rules under, the Securities Act of 1933 and the Securities Exchange Act of 1934. The sale or the prospect of the sale of a substantial number of these shares may have an adverse effect on the market price of our common stock.

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

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2019 through July 31, 2019	67,500	$ 102.80	67,500	$ 228,973,000
August 1, 2019 through August 31, 2019	47,800	96.70	47,800	224,351,000
September 1, 2019 through September 30, 2019	43,412	96.94	43,412	220,143,000
Total	158,712	$ 99.36	158,712	$ 220,143,000

[1] Since the inception of the Company's stock repurchase plan, our Board of Directors has authorized the repurchase of $1.10 billion of our common stock. As of September 30, 2019, we had repurchased 25.2 million shares under this program at an aggregate purchase price of $879.9 million. Shares of our common stock may be purchased in the open market or through privately negotiated transactions, subject to market conditions. The repurchase program does not obligate us to acquire any specific number of shares or to acquire shares over any specified period of time.

Item 5. ***OTHER INFORMATION***

On November 1, 2019, the Company entered into a Tax Differential on Supplemental Wages Agreement with Franco Fogliato (the “Fogliato Tax Agreement”) to ensure that Mr. Fogliato’s burden for certain trailing tax liabilities resulting from his relocation to the U.S. will remain at a similar level as if he were employed solely in Switzerland. The Fogliato Tax Agreement provides for (i) tax preparation services in years in which trailing tax liabilities are incurred by Mr. Fogliato and (ii) the payment of tax differential payment(s) in an amount up to $100,000 per taxable year based on a calculation performed by KPMG US LLP (or a different tax advisor as chosen by the Company), with any amount over $100,000 being subject to the discretion of the Compensation Committee of the Board of Directors of the Company. A tax differential payment in the amount of $74,201 shall be paid to Mr. Fogliato for the taxable year 2018, pursuant to the terms of the Fogliato Tax Agreement. The Fogliato Tax Agreement, and any responsibilities of the Company thereunder, shall terminate on the earlier of (i) the date that Mr. Fogliato has no trailing tax liabilities outstanding and all trailing benefits are vested, exercised or expired or (ii) the date Mr. Fogliato’s employment with the Company is terminated for any reason.

Item 6. ***EXHIBITS***

(a) Exhibits

+	10.1	Tax Differential on Supplemental Wages Agreement, dated November 1, 2019, by and between Columbia Sportswear Company and Franco Fogliato
	31.1	Rule 13a-14(a) Certification of Timothy P. Boyle, President and Chief Executive Officer
	31.2	Rule 13a-14(a) Certification of Jim A. Swanson, Senior Vice President, Chief Financial Officer
	32.1	Section 1350 Certification of Timothy P. Boyle, President and Chief Executive Officer
	32.2	Section 1350 Certification of Jim A. Swanson, Senior Vice President, Chief Financial Officer
	101	INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
	101	SCH XBRL Taxonomy Extension Schema Document
	101	CAL XBRL Taxonomy Extension Calculation Linkbase Document
	101	DEF XBRL Taxonomy Extension Definition Linkbase Document
	101	LAB XBRL Taxonomy Extension Label Linkbase Document
	101	PRE XBRL Taxonomy Extension Presentation Linkbase Document
	104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\+ Management Contract or Compensatory Plan

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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
November 7, 2019	/s/ JIM A. SWANSON
	Jim A. Swanson
	Senior Vice President, Chief Financial Officer
	(Duly Authorized Officer and Principal Financial and Accounting Officer)

EXHIBIT 10.1

TAX DIFFERENTIAL ON SUPPLEMENTAL WAGES AGREEMENT

This **TAX DIFFERENTIAL ON SUPPLEMENTAL WAGES AGREEMENT** (this "Agreement"), entered into as of November 1, 2019 (the "Effective Date"), is made by and between Columbia Sportswear Company, an Oregon corporation (together with its direct and indirect subsidiaries, successors and permitted assigns under this Agreement, the "Company"), and Franco Fogliato ("Executive")(Executive together with the Company, the "Parties", and each individually, a "Party").

WHEREAS, the Company employs Executive as its Executive Vice President, Americas General Manager;

WHEREAS, the location of Executive's employment at Avenue des Morgines 12, Geneva Business Center, Petit-Lancy, 1213 Switzerland (the "Original Jurisdiction") was ended effective July 31, 2017 and transferred to 14375 NW Science Park Dr, Portland, OR, 97229, United States (the "Relocation Jurisdiction") effective September 4, 2017 (the "Relocation Date");

WHEREAS, on the Relocation Date Executive had certain awards from the Company outstanding, including the stock options, restricted stock unit awards, short-term and long-term cash awards listed on Exhibit A, attached hereto and incorporated by reference herein (the " Trailing Benefits"), which were earned in part while employed with the Company in the Original Jurisdiction and are subject to various vesting restrictions or have not yet been exercised;

WHEREAS, income tax liabilities and other applicable tax liabilities, as may be determined in the sole and absolute discretion of the Committee, are incurred by Executive as a result of the Trailing Benefits vesting or being exercised or settled ("Trailing Benefit Tax Liabilities");

WHEREAS, the amount of such Trailing Benefit Tax Liabilities is dependent on the time spent in each jurisdiction in which Executive was located during the vesting period or prior to the time of exercise; and

WHEREAS, the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of the Company has determined that it is in the best interests of the Company and its shareholders to provide Executive with tax differential payment(s) on foreign earned supplemental wages to ensure that Executive's burden for the Trailing Benefit Tax Liabilities will remain at a similar level as if Executive were employed solely in the Original Jurisdiction subject to the terms of this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein and for other good and valuable consideration, the receipt and sufficiency of which is mutually acknowledged, the Parties agree as follows:

1. Term. This Agreement shall terminate on the earlier of (i) the date that no Trailing Benefit Tax Liabilities remain outstanding and all Trailing Benefits are vested, exercised or expired or (ii) the date Executive's employment with the Company is terminated for any reason. The Company reserves the right to terminate this Agreement at any time if Executive does not comply with the immigration and/or work permit documentation requirements for working in Portland, Oregon, United States or if at any time, in the sole opinion of the Committee, the Executive exhibits gross misconduct. Upon termination of this Agreement, Executive will be personally liable for any and all tax liabilities and any tax return preparation.
2. Tax Preparation Services. For the taxable years in which Trailing Benefit Tax Liabilities are incurred, the Company will, at its cost, contract with KPMG US LLP or a diffirent tax advisor as chosen by

the Company (the "Tax Firm") to complete the following on the Executive's behalf (the "Tax Preparation Services"):

a. prepare Swiss tax returns in order to properly report income earned while working in Original Jurisdiction and determine Swiss taxes that are owed under all applicable Swiss tax laws. This service may include tax consultation with a European office of the Tax Firm, at the Company's cost; and

b. prepare U.S. Federal and Oregon State income tax returns in order to properly report income earned while working in Relocation Jurisdiction.

To facilitate the Tax Preparation Services and the Tax Differential Calculations, Executive agrees to provide the Tax Firm such information that the Tax Firm reasonably requires in order to perform the Tax Preparation Services and the Tax Differential Calculations in a timely fashion.

3. Tax Differential Payment.

a. Calculation. For the taxable years in which Trailing Benefit Tax Liabilities are incurred, the Tax Firm will also be engaged by the Company to calculate (x) the amount paid by Executive in respect of the Trailing Benefit Tax Liabilities incurred in the Relocation Jurisdiction for such taxable year *minus* (y) the amount Executive would have paid in respect of the Trailing Benefit Tax Liabilities for such taxable year had his location of employment been the Original Jurisdiction (the "Tax Differential Calculation") each year following the completion of Executive's U.S. Federal income tax returns for the prior taxable year.

b. Amount.

i. If the Tax Differential Calculation for the applicable taxable year is greater than or equal to **ONE HUNDRED THOUSAND DOLLARS** ($100,000), at the first regularly scheduled Committee meeting following the receipt by the Company of the Tax Differential Calculation from the Tax Firm (provided, however, that such calculation must be received no later than 15 calendar days prior to the Committee meeting in order to be considered at such meeting or it shall fall into the business of the next regularly scheduled Committee meeting thereafter), the Committee shall, in its absolute and sole discretion, determine whether a payment in respect of the Trailing Tax Benefit Liabilities for the prior taxable year (the "Tax Differential Payment ") in excess of $100,000 shall be made to Executive, and, if so, the amount of such Tax Differential Payment, provided that such Tax Differential Payment payable pursuant this Section 3.b.i. shall in no event be less than **ONE HUNDRED THOUSAND DOLLARS (**$100,000). In making such determination the Committee shall consider the Tax Differential Calculation. For the avoidance of doubt, in no event shall the Tax Differential Calculation in excess of **ONE HUNDRED THOUSAND DOLLARS** $100,0000 be binding on the Committee. For avoidance of doubt, Executive shall have no legally binding right to receive any amount in excess of **ONE HUNDRED THOUSAND DOLLARS (**$100,000) pursuant to this Section 3.b.i.

ii. If the Tax Differential Calculation for the applicable taxable year is less than **ONE HUNDRED THOUSAND DOLLARS** ($100,000), the Tax Differential Payment for such applicable taxable year shall equal the Tax Differential Calculation.

c. Timing of Payment. Each Tax Differential Payment shall be paid by the Company in one installment as soon as practically possible following the later of the (i) approval of such Tax Differential Payment by the Committee, if applicable, or (ii) receipt by the Company of the

Tax Differential Calculation from the Tax Firm (each, a "Payment Date"), in each case, so long as Executive remains continuously employed by the Company from the Effective Date through each Payment Date. Notwithstanding anything in this Agreement to the contrary, all Tax Differential Payments shall be made no later than December 31 of the calendar year following the calendar year in which Executive's U.S. Federal income tax return is required to be filed (including any extensions) for the Trailing Benefits subject to such Tax Differential Payment.

d. Tax Treatment. Solely for tax purposes, the Tax Differential Payment will be treated as wages subject to applicable tax withholding. The Executive is responsible for any tax withholding on the Tax Differential Payment and will not seek reimbursement from the Company for any such withholding. In no event will the Company bear the cost of any taxes, interest, penalties, audit response/defense, or related services Executive may incur that are not specifically set forth in Section 2 or Section 3.b., including any taxes or other amounts arising by virtue of any Tax Differential Payment or any subsequent changes in the amount of any taxes payable by Executive as a result of a determination by a taxing authority, the filing of an amended tax return or otherwise.

e. Restrictions. The Tax Differential Payment may not be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance of the Tax Differential Payment shall be void and unenforceable against the Company.

4. Responsibility for Taxes.

a. Regardless of any action the Company takes with respect to any or all income tax, social security, payroll tax, payment on account or other tax-related items related to the Tax Differential Payment and legally applicable to Executive ("Tax-Related Items"), Executive acknowledges that the ultimate liability for all Tax-Related Items is and remains Executive's responsibility and may exceed the amount actually withheld by the Company. Executive further acknowledges that the Company (x) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Tax Differential Payment (or any portion thereof) or Executive's receipt thereof; and (y) does not commit to and is under no obligation to structure the terms or any aspect of this Agreement or the Tax Differential Payment to reduce or eliminate Executive's liability for Tax-Related Items or achieve any particular tax result.

b. Executive authorizes the Company or its agent to satisfy the obligations with regard to all Tax-Related Items by withholding cash amounts from any Tax Differential Payment (or any portion thereof). The Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts, maximum withholding rates or other applicable withholding rates.

5. At-Will Employment. Executive's employment is at-will and may be terminated by either Executive or Company at any time and for any reason. Neither this Agreement, nor the payment of any Tax Differential Payment should be construed as a guarantee of employment for any specific period of time.

6. Miscellaneous.

a. Interpretations. Any question of administration or interpretation arising under this Agreement shall be determined by the Committee, and such determination shall be final, conclusive and binding upon all Parties.

b. Successors and Assigns; No Third-Party Beneficiaries. This Agreement shall inure to the

benefit of and be binding upon the Company and Executive and their respective heirs, successors, legal representatives and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any person other than the Company and Executive, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

c. Headings. Headings are given to the sections and subsections of this Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Agreement or any provision hereof.

d. Governing Law; Arbitration. This Agreement will be interpreted under the laws of the state of Oregon, exclusive of choice of law rules. Venue and jurisdiction will be in the state or federal courts in Washington County, Oregon, and nowhere else. In the event either Party institutes litigation hereunder, the prevailing Party shall be entitled to reasonable attorneys' fees to be set by the trial court and, upon any appeal, the appellate court. The Parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such action brought in such court or any defense of inconvenient forum for the maintenance of such action. Each of the Parties hereto agrees that a judgment in any such action may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

e. Waiver. In accepting the Tax Differential Payment , Executive acknowledges, understands and agrees that: (i) the Tax Differential Payment is voluntary and occasional and does not create any contractual or other right to receive future payment, awards, or benefits in lieu of payments or awards, even if similar payments or awards have been provided repeatedly in the past; and (ii) no claim or entitlement to compensation or damages shall arise from forfeiture of the Tax Differential Payment resulting from Executive's termination of continuous employment by the Company (for any reason whatsoever and whether or not later found to be invalid or in breach of any employment law in the country where Executive resides and/or is employed), and in consideration of the Tax Differential Payment to which Executive is otherwise not entitled, Executive irrevocably agrees never to institute any claim against the Company, waives his ability, if any, to bring any such claim, and releases the Company from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by accepting the Tax Differential Payment (or any portion thereof), Executive shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims.

f. No Advice. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding this Agreement, the payment of the Tax Differential Payment or Executive's receipt thereof. Executive is hereby advised to consult with his own personal tax, legal and financial advisors regarding this Agreement and any Tax Differential Payment.

g. Notices. Executive should send all written notices regarding this Agreement to the Company at the following address:

Columbia Sportswear Company
Attention: General Counsel
4375 NW Science Park Drive
Portland, OR
97229

h. Amendments. The Company may amend this Agreement at any time; provided that no such amendment, alteration, suspension, discontinuation or termination shall be made without Executive's consent, if such action would materially diminish any of Executive's rights under this Agreement. The Company reserves the right to impose other requirements on the Tax Differential Payment and any payments receipt in respect thereof to the extent the Company determines it is necessary or advisable under applicable law

i. Entire Agreement. This Agreement and any schedules, exhibits and other documents referred to herein and therein constitute the entire agreement and understanding among the Parties in respect of the subject matter hereof and thereof and supersede all prior and contemporaneous arrangements, agreements and understandings, both oral and written, whether in term sheets, presentations or otherwise, among the Parties, or between any of them, with respect to the subject matter hereof and thereof.

j. Severability. If any provision of this Agreement is invalid, illegal, or incapable of being enforced by any law, all other provisions of this Agreement shall remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any Party. If any provision of this Agreement is held to be invalid, illegal, or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to affect the original intent of the Parties as closely as possible in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

k. Counterparts. For the convenience of the Parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

l. Waiver. Executive acknowledges that a waiver by the Company of any provision of this Agreement or of a breach by Executive shall not operate or be construed as a waiver of any other provision of this Agreement or of any subsequent breach by Executive.

m. Section 409A. Payments under this Agreement are intended to be exempt from or comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and this Agreement will be interpreted consistently with such intent. Notwithstanding the foregoing, the Company makes no representations that this Agreement will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to this Agreement. To the extent that the provision of in-kind benefits under this Agreement is subject to Section 409A of the Code, (i) the amount of such in-kind benefits to be provided during any one calendar year shall not affect the amount of in-kind benefits to be provided in any other calendar year; and (ii) Executive's right to receive such in-kind benefits shall not be subject to liquidation or exchange for another benefit.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company and Executive have executed this Agreement as of the date set forth in the first paragraph.

COLUMBIA SPORTSWEAR COMPANY

By: /s/ Peter Bragdon
Name: Peter Bragdon
Title: Executive Vice President, Chief Administrative Officer, General Counsel and Secretary
EXECUTIVE

By: /s/ Franco Fogliato
Name: Franco Fogliato

Exhibit A

Trailing Benefits

Franco Fogliato - Trailing Liability List

U S Arrival Date: 9/4/17

Swiss Employment Ended: 7/31/17

Equity Award Type	Option No.	Grant Date	Vest Date	Exercise Date	Grant Price	Shares	Tax Return
NQ	90001216	1/30/2014	1/30/2015	2/12/2018	$ 38.155	2314	2018 Tax Return
NQ	90001216	1/30/2014	1/30/2016	2/12/2018	$ 38.155	2314	2018 Tax Return
NQ	90001216	1/30/2014	1/30/2017	2/12/2018	$ 38.155	2312	2018 Tax Return
NQ	90001216	1/30/2014	1/30/2018	2/12/2018	$ 38.155	2312	2018 Tax Return
						9252	
NQ	90001427	1/29/2015	1/29/2016	2/11/2019	$ 43.45	2224	2019 Tax Return
NQ	90001427	1/29/2015	1/29/2017	2/11/2019	$ 43.45	2223	2019 Tax Return
NQ	90001427	1/29/2015	1/29/2018	2/11/2019	$ 43.45	2223	2019 Tax Return
NQ	90001427	1/29/2015	1/29/2019	2/11/2019	$ 43.45	2223	2019 Tax Return
						8893	
NQ	90001675	1/28/2016	1/28/2017	TBD	$ 53.35	2,029	TBD
NQ	90001675	1/28/2016	1/28/2018	TBD	$ 53.35	2,028	TBD
NQ	90001675	1/28/2016	1/28/2019	TBD	$ 53.35	2,028	TBD
NQ	90001675	1/28/2016	1/28/2020	TBD	$ 53.35	2,028	TBD
						8,113	
NQ	90001932	1/26/2017	1/26/2018	TBD	$ 55.53	1,954	TBD
NQ	90001932	1/26/2017	1/26/2019	TBD	$ 55.53	1,954	TBD
NQ	90001932	1/26/2017	1/26/2020	TBD	$ 55.53	1,953	TBD
NQ	90001932	1/26/2017	1/26/2021	TBD	$ 55.53	1,953	TBD
						7,814	
NQ	90002188	7/20/2017	7/20/2018	TBD	$ 57.95	938	TBD
NQ	90002188	7/20/2017	7/20/2019	TBD	$ 57.95	938	TBD
NQ	90002188	7/20/2017	7/20/2020	TBD	$ 57.95	938	TBD
NQ	90002188	7/20/2017	7/20/2021	TBD	$ 57.95	937	TBD
						3,751	
RSU	RS003910	1/30/2014	2/1/2018	N\A	$ -	518	2018 Tax Return
RSU	RS004585	1/29/2015	2/1/2018	N\A	$ -	456	2018 Tax Return
RSU	RS004585	1/29/2015	2/1/2019	N\A	$ -	456	2019 Tax Return
						912	
RSU	RS005359	1/28/2016	2/1/2018	N\A	$ -	493	2018 Tax Return
RSU	RS005359	1/28/2016	2/1/2019	N\A	$ -	493	2019 Tax Return
RSU	RS005359	1/28/2016	2/1/2020	N\A	$ -	493	2020 Tax Return
						1,479	
RSU	RS006132	1/26/2017	2/1/2018	N\A	$ -	475	2018 Tax Return
RSU	RS006132	1/26/2017	2/1/2019	N\A	$ -	475	2019 Tax Return
RSU	RS006132	1/26/2017	2/1/2020	N\A	$ -	474	2020 Tax Return
RSU	RS006132	1/26/2017	2/1/2021	N\A	$ -	474	2021 Tax Return
						1,898	
RSU	RS006974	7/20/2017	8/1/2018	N\A	$ -	227	2018 Tax Return
RSU	RS006974	7/20/2017	8/1/2019	N\A	$ -	227	2019 Tax Return
RSU	RS006974	7/20/2017	8/1/2020	N\A	$ -	227	2020 Tax Return
RSU	RS006974	7/20/2017	8/1/2021	N\A	$ -	226	2021 Tax Return
						907	

Other Awards	Perf. Period	Vest Date	Payment Date	Total Payout	Tax Return
Long-Term Cash	FY 2017	12/31/2017	2/23/2018	$ 159,000	2018 Tax Return
Annual Bonus	FY 2017	12/31/2017	3/9/2018	$ 406,250	2018 Tax Return

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 7, 2019

/s/TIMOTHY P. BOYLE

Timothy P. Boyle
President, Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Jim A. Swanson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Columbia Sportswear Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2019

/s/ JIM A. SWANSON

Jim A. Swanson
Senior Vice President, 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 September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Timothy P. Boyle, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2019

/s/TIMOTHY P. BOYLE

Timothy P. Boyle
President, 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 September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), I, Jim A. Swanson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2019

/s/ JIM A. SWANSON

Jim A. Swanson
Senior Vice President, Chief Financial Officer
Columbia Sportswear Company