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

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2020

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 000-23939

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**COLUMBIA SPORTSWEAR COMPANY**

(Exact name of registrant as specified in its charter)

**Oregon**

(State or other jurisdiction of incorporation or organization)

**93-0498284**

(IRS Employer Identification Number)

**14375 Northwest Science Park Drive**

**Portland, Oregon 97229**

(Address of principal executive offices and zip code)

**(503) 985-4000**

(Registrant's telephone number, including area code)

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

**Title of each class**

Common stock

**Trading Symbol(s)**

COLM

**Name of each  
exchange on which registered**

The NASDAQ Global Select Market

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, a 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

Non-accelerated Filer

Emerging Growth Company

Accelerated Filer

Smaller Reporting 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 23, 2020 was 66,211,981.

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COLUMBIA SPORTSWEAR COMPANY  
SEPTEMBER 30, 2020

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**PART I—FINANCIAL INFORMATION**
**Item 1. FINANCIAL STATEMENTS**

**COLUMBIA SPORTSWEAR COMPANY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

<i>(in thousands)</i>	September 30, 2020	December 31, 2019	September 30, 2019
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 313,429	\$ 686,009	\$ 239,311
Short-term investments	1,095	1,668	1,477
Accounts receivable, net of allowance of \$ 29,760, \$8,925, and \$9,672, respectively	479,376	488,233	646,414
Inventories	771,724	605,968	717,396
Prepaid expenses and other current assets	82,175	93,868	94,253
Total current assets	1,647,799	1,875,746	1,698,851
Property, plant and equipment, at cost, net of accumulated depreciation of \$ 550,097, \$523,092, and \$515,300, respectively	322,167	346,651	349,302
Operating lease right-of-use assets	351,277	394,501	389,558
Intangible assets, net	121,471	123,595	124,340
Goodwill	68,594	68,594	68,594
Deferred income taxes	77,055	78,849	80,193
Other non-current assets	63,951	43,655	40,242
Total assets	<u>\$ 2,652,314</u>	<u>\$ 2,931,591</u>	<u>\$ 2,751,080</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 164,332	\$ 255,372	\$ 201,806
Accrued liabilities	257,040	295,723	279,932
Operating lease liabilities	73,409	64,019	62,756
Income taxes payable	4,813	15,801	13,653
Total current liabilities	499,594	630,915	558,147
Non-current operating lease liabilities	337,108	371,507	366,515
Income taxes payable	49,195	48,427	48,619
Deferred income taxes	7,149	6,361	7,711
Other long-term liabilities	36,452	24,934	22,982
Total liabilities	929,498	1,082,144	1,003,974
<b>Commitments and contingencies (Note 7)</b>			
<b>Shareholders' Equity:</b>			
Preferred stock; 10,000 shares authorized; none issued and outstanding	—	—	—
Common stock (no par value); 250,000 shares authorized; 66,210, 67,561, and 67,562, issued and outstanding, respectively	13,142	4,937	—
Retained earnings	1,716,044	1,848,935	1,754,379
Accumulated other comprehensive loss	(6,370)	(4,425)	(7,273)
Total shareholders' equity	1,722,816	1,849,447	1,747,106
Total liabilities and shareholders' equity	<u>\$ 2,652,314</u>	<u>\$ 2,931,591</u>	<u>\$ 2,751,080</u>

See accompanying notes to condensed consolidated financial statements.

**COLUMBIA SPORTSWEAR COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

<i>(in thousands, except per share amounts)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales	\$ 701,092	\$ 906,793	\$ 1,585,931	\$ 2,087,611
Cost of sales	358,184	460,098	825,079	1,050,596
Gross profit	342,908	446,695	760,852	1,037,015
Selling, general and administrative expenses	261,192	299,249	755,664	791,767
Net licensing income	3,927	4,569	8,168	11,090
Income from operations	85,643	152,015	13,356	256,338
Interest income (expense), net	(280)	1,399	728	7,370
Other non-operating income (expense), net	(465)	(563)	2,208	915
Income before income tax	84,898	152,851	16,292	264,623
Income tax expense	(22,147)	(33,593)	(4,035)	(48,159)
Net income	\$ 62,751	\$ 119,258	\$ 12,257	\$ 216,464
<b>Earnings per share:</b>				
Basic	\$ 0.95	\$ 1.76	\$ 0.18	\$ 3.19
Diluted	\$ 0.94	\$ 1.75	\$ 0.18	\$ 3.15
<b>Weighted average shares outstanding:</b>				
Basic	66,179	67,593	66,427	67,935
Diluted	66,537	68,180	66,807	68,620

See accompanying notes to condensed consolidated financial statements.

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

<i>(in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income	\$ 62,751	\$ 119,258	\$ 12,257	\$ 216,464
Other comprehensive loss:				
Unrealized holding gains on available-for-sale securities, net	—	—	—	56
Unrealized gains (losses) on derivative transactions (net of tax effects of \$3,995, \$(801), \$1,371 and \$(369), respectively)	(11,685)	2,414	(5,022)	1,866
Foreign currency translation adjustments (net of tax effects of \$(290), \$1,560, \$(253) and \$2,447, respectively)	11,175	(8,389)	3,077	(5,033)
Other comprehensive loss	(510)	(5,975)	(1,945)	(3,111)
Comprehensive income	\$ 62,241	\$ 113,283	\$ 10,312	\$ 213,353

See accompanying notes to condensed consolidated financial statements.

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

<i>(in thousands)</i>	Nine Months Ended September 30,	
	2020	2019
<b>Cash flows from operating activities:</b>		
Net income	\$ 12,257	\$ 216,464
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation, amortization, and non-cash lease expense	102,283	88,775
Provision for uncollectible accounts receivable	24,684	(242)
Loss on disposal or impairment of property, plant and equipment, and right-of-use assets	8,981	4,866
Deferred income taxes	4,306	(3,157)
Stock-based compensation	12,802	13,159
Changes in operating assets and liabilities:		
Accounts receivable	(17,130)	(199,174)
Inventories	(160,090)	(198,999)
Prepaid expenses and other current assets	9,098	(12,596)
Other assets	(20,786)	(3,981)
Accounts payable	(89,790)	(65,191)
Accrued liabilities	(41,182)	6,497
Income taxes payable	(10,011)	(11,286)
Operating lease assets and liabilities	(41,459)	(39,010)
Other liabilities	8,077	5,716
Net cash used in operating activities	(197,960)	(198,159)
<b>Cash flows from investing activities:</b>		
Purchases of short-term investments	(35,044)	(181,257)
Sales and maturities of short-term investments	36,630	445,501
Capital expenditures	(25,164)	(104,527)
Net cash provided by (used in) investing activities	(23,578)	159,717
<b>Cash flows from financing activities:</b>		
Proceeds from credit facilities	387,992	74,053
Repayments on credit facilities	(388,465)	(74,053)
Payment of line of credit issuance fees	(2,096)	—
Proceeds from issuance of common stock related to stock-based compensation	4,793	17,687
Tax payments related to stock-based compensation	(4,454)	(5,739)
Repurchase of common stock	(132,889)	(116,239)
Purchase of non-controlling interest	—	(17,880)
Cash dividends paid	(17,195)	(48,917)
Net cash used in financing activities	(152,314)	(171,088)
<b>Net effect of exchange rate changes on cash</b>	1,272	(2,954)
<b>Net decrease in cash and cash equivalents</b>	(372,580)	(212,484)
<b>Cash and cash equivalents, beginning of period</b>	686,009	451,795
<b>Cash and cash equivalents, end of period</b>	\$ 313,429	\$ 239,311
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for income taxes	\$ 18,385	\$ 73,413
<b>Supplemental disclosures of non-cash investing and financing activities :</b>		
Property, plant and equipment acquired through increase in liabilities	\$ 4,774	\$ 11,638

See accompanying notes to condensed consolidated financial statements.

**COLUMBIA SPORTSWEAR COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
(Unaudited)

<i>(in thousands, except per share amounts)</i>	Three Months Ended September 30, 2020				
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares Outstanding	Amount			
<b>BALANCE, JUNE 30, 2020</b>	66,148	\$ 5,396	\$ 1,653,293	\$ (5,860)	\$ 1,652,829
Net Income	—	—	62,751	—	62,751
Other comprehensive loss:					
Unrealized holding losses on derivative transactions, net	—	—	—	(11,685)	(11,685)
Foreign currency translation adjustment, net	—	—	—	11,175	11,175
Issuance of common stock related to stock-based compensation, net	62	2,656	—	—	2,656
Stock-based compensation expense	—	5,090	—	—	5,090
<b>BALANCE, SEPTEMBER 30, 2020</b>	66,210	\$ 13,142	\$ 1,716,044	\$ (6,370)	\$ 1,722,816

<i>(in thousands, except per share amounts)</i>	Three Months Ended September 30, 2019				
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares Outstanding	Amount			
<b>BALANCE, JUNE 30, 2019</b>	67,586	\$ 100	\$ 1,656,392	\$ (1,298)	\$ 1,655,194
Net Income	—	—	119,258	—	119,258
Other comprehensive 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)
<b>BALANCE, SEPTEMBER 30, 2019</b>	67,562	\$ —	\$ 1,754,379	\$ (7,273)	\$ 1,747,106

See accompanying notes to condensed consolidated financial statements.

**COLUMBIA SPORTSWEAR COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
(Unaudited)

	Nine months ended September 30, 2020				
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares Outstanding	Amount			
<b>BALANCE, DECEMBER 31, 2019</b>	67,561	\$ 4,937	\$ 1,848,935	\$ (4,425)	\$ 1,849,447
Net Income	—	—	12,257	—	12,257
Other comprehensive loss:					
Unrealized holding losses on derivative transactions, net	—	—	—	(5,022)	(5,022)
Foreign currency translation adjustment, net	—	—	—	3,077	3,077
Cash dividends (\$0.26 per share)	—	—	(17,195)	—	(17,195)
Issuance of common stock related to stock-based compensation, net	206	339	—	—	339
Stock-based compensation expense	—	12,802	—	—	12,802
Repurchase of common stock	(1,557)	(4,936)	(127,953)	—	(132,889)
<b>BALANCE, SEPTEMBER 30, 2020</b>	<u>66,210</u>	<u>\$ 13,142</u>	<u>\$ 1,716,044</u>	<u>\$ (6,370)</u>	<u>\$ 1,722,816</u>

	Nine Months Ended September 30, 2019					
	Columbia Sportswear Company Shareholders' Equity					
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total
Shares Outstanding	Amount					
<b>BALANCE, DECEMBER 31, 2018</b>	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 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)
<b>BALANCE, SEPTEMBER 30, 2019</b>	<u>67,562</u>	<u>\$ —</u>	<u>\$ 1,754,379</u>	<u>\$ (7,273)</u>	<u>\$ —</u>	<u>\$ 1,747,106</u>

See accompanying notes to condensed consolidated financial statements.



## COLUMBIA SPORTSWEAR COMPANY

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

**NOTE 1—BASIS OF PRESENTATION AND ORGANIZATION**

The accompanying unaudited condensed consolidated financial statements have been prepared by the management of Columbia Sportswear Company (together with its wholly owned subsidiaries, 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, 2020, December 31, 2019 and September 30, 2019, and the results of operations for the three and nine months ended September 30, 2020 and 2019, and cash flows for the nine months ended September 30, 2020 and 2019. The December 31, 2019 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, 2019. 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, 2020 are not necessarily indicative of results to be expected for other quarterly periods or for the full year.

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 Securities and Exchange Commission. 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, as amended, 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, 2019.

***Principles of Consolidation***

The condensed consolidated financial statements include the accounts of Columbia Sportswear Company and its wholly owned subsidiaries. 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 the more significant estimates relate to revenue recognition, allowance for uncollectible accounts receivable, excess, close-out and slow moving inventory, product warranty, impairment of long-lived assets, intangible assets and goodwill, income taxes, and stock-based compensation.

***COVID-19***

A novel strain of coronavirus ("COVID-19") was first identified in China in December 2019 and a global pandemic of respiratory disease caused by COVID-19 was declared by the World Health Organization in March 2020.

The current environment of uncertainty significantly affected the September 30, 2020 estimates for allowance for uncollectible accounts receivable and excess, close-out and slow-moving inventory. These estimates involve assumptions about future events. The allowance for uncollectible accounts receivable includes assumptions about the future financial condition of the Company's customers and their ability to make required payments. The provision for excess, close-out and slow moving inventory includes assumptions about future demand for the Company's products and the Company's ability to sell them at a profit.

As a result of lower consumer demand related to the COVID-19 pandemic, the Company tested certain retail locations and their respective lease right-of-use assets for impairment. For the three and nine months ended September 30, 2020, impairment charges for certain underperforming retail stores were \$0.1 million and \$6.7 million, respectively. These charges were recognized in *Selling, general and administrative expenses* ("SG&A expense"). Additionally, as a result of the COVID-19 pandemic and a significant decline in projected net sales, the prAna brand's trademark and goodwill were tested for impairment as of March 31, 2020. While no impairment was indicated during the first quarter 2020 tests, the degree by which the fair value of the prAna reporting unit and trademark exceeded their respective carrying values declined from the Company's 2019 impairment test. After performing both qualitative and quantitative analysis, including review of future long-term revenue and cash flow assumptions, the Company concluded a triggering event requiring measurement of the prAna brand's trademark and goodwill for impairment during the quarter ended September 30, 2020 did not occur.

As of September 30, 2020, the Company received or negotiated lease concessions related to the effects of the COVID-19 pandemic on a portion of its stores. In April 2020, the Financial Accounting Standards Board ("FASB") issued a Staff Q&A, Topic 842 and 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic. The FASB staff indicated that it would be acceptable for entities to make an election to account for lease concessions related to the effects of the COVID-19 pandemic consistent with how they would be accounted for as though enforceable rights and obligations for those concessions existed in the original contract. The Company elected to account for lease concessions related to the effects of the COVID-19 pandemic in accordance with the Staff Q&A. For concessions that provide a deferral of payments with no substantive changes to the consideration in the original contract, the Company continues to recognize

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

expense during the deferral period. For concessions in the form of lease abatements, the reduced lease payments are accounted for as reductions to variable lease expense. In the periods presented, lease concessions reducing variable lease expense were not material.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law in the United States on March 27, 2020. The CARES Act provides payroll tax credits for employee retention, deferral of payroll tax payments and several income tax provision modifications. Additionally, there are other subsidies and incentives provided by foreign governments in the countries where the Company conducts business. For the three and nine months ended September 30, 2020, \$2.8 million and \$7.1 million, respectively, of government subsidies and incentives reduced SG&A expense.

**Recently Adopted Accounting Pronouncements**

Effective January 1, 2020, the Company adopted Accounting Standards Update ("ASU") No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) issued by the FASB in August 2018, 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. The Company adopted the standard using the prospective method and anticipates an increase in cloud-specific implementation assets as specific cloud initiatives are executed by the Company. These assets will generally be included in *Other non-current assets* in the Condensed Consolidated Balance Sheets and will amortize over their assessed useful lives or the term of the underlying cloud computing hosting contract, whichever is shorter. Upon the adoption of the standard, there was no immediate impact to the Company's financial position, results of operations or cash flows.

Effective January 1, 2020, the Company adopted ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment issued by the FASB in January 2017, 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. The impact of the new standard will depend on the specific facts and circumstances of future individual goodwill impairments, if any.

Effective January 1, 2020, the Company adopted ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments issued by the FASB in June 2016, as well as the clarifying amendments subsequently issued. 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. Upon adoption of the standard, there was no immediate impact to the Company's financial position, results of operations or cash flows. On an ongoing basis, the Company will contemplate forward-looking economic conditions in recording lifetime expected credit losses for the Company's financial assets measured at cost, such as the Company's trade receivables and certain short-term investments.

**Summary of Significant Accounting Policies**

Except as disclosed below, there have been no significant changes to the Company's significant accounting policies as described in Note 2 in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

The following significant accounting policies have been updated since the Company's 2019 Annual Report on Form 10-K as a result of the adoption of ASU No. 2016-13 and ASU No. 2018-15, respectively:

**Accounts Receivable**

Accounts receivable have been reduced by an allowance for doubtful accounts. The Company maintains the allowance for estimated losses resulting from the inability of the Company's customers to make required payments. The allowance represents the current estimate of lifetime expected credit losses over the remaining duration of existing accounts receivable considering current market conditions and supportable forecasts when appropriate. The estimate is a result of the Company's ongoing evaluation of collectability, customer creditworthiness, historical levels of credit losses, and future expectations. Write-off activity and recoveries for the periods presented were not material.

**Cloud Computing Arrangements**

The Company's CCAs primarily relate to various enterprise resource planning systems, as well as other supporting systems. These assets are generally included in *Other non-current assets* in the Condensed Consolidated Balance Sheets and amortize on a straight-line basis over their assessed useful lives or the term of the underlying cloud computing hosting contract, whichever is shorter. As of September 30, 2020, assets were in-service with useful lives ranging from ten months to five years. As of September 30, 2020, CCA assets consisted of capitalized implementation costs of \$ 24.1 million and associated accumulated amortization of \$0.7 million. Changes in these assets are recorded in *Other assets* within operating activities in the Condensed Consolidated Statements of Cash Flows.

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

**Recent Accounting Pronouncements Not Yet Adopted**

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which, among other things, removes specific exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods, as well as targeted impacts to the accounting for taxes under hybrid tax regimes. This standard is effective beginning in the first quarter of 2021 on a prospective basis, with early adoption permitted. The Company is currently evaluating the impact this accounting standard will have on the Company's financial position, results of operations or cash flows.

**NOTE 2—REVENUES**

**Disaggregated Revenue**

As disclosed below in Note 12, the Company has four geographic reportable segments: United States ("U.S."), Latin America and Asia Pacific ("LAAP"), Europe, Middle East and Africa ("EMEA"), and Canada.

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:

<i>(in thousands)</i>	Three Months Ended September 30, 2020				
	U.S.	LAAP	EMEA	Canada	Total
<b>Product category net sales</b>					
Apparel, Accessories and Equipment	\$ 332,713	\$ 70,026	\$ 66,160	\$ 41,221	\$ 510,120
Footwear	112,907	20,925	32,999	24,141	190,972
Total	<u>\$ 445,620</u>	<u>\$ 90,951</u>	<u>\$ 99,159</u>	<u>\$ 65,362</u>	<u>\$ 701,092</u>
<b>Sales channel net sales</b>					
Wholesale	\$ 282,850	\$ 50,723	\$ 85,074	\$ 52,820	\$ 471,467
Direct-to-consumer	162,770	40,228	14,085	12,542	229,625
Total	<u>\$ 445,620</u>	<u>\$ 90,951</u>	<u>\$ 99,159</u>	<u>\$ 65,362</u>	<u>\$ 701,092</u>

<i>(in thousands)</i>	Three Months Ended September 30, 2019				
	U.S.	LAAP	EMEA	Canada	Total
<b>Product category net sales</b>					
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	<u>\$ 581,263</u>	<u>\$ 123,246</u>	<u>\$ 104,403</u>	<u>\$ 97,881</u>	<u>\$ 906,793</u>
<b>Sales channel net sales</b>					
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	<u>\$ 581,263</u>	<u>\$ 123,246</u>	<u>\$ 104,403</u>	<u>\$ 97,881</u>	<u>\$ 906,793</u>

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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<i>(in thousands)</i>	Nine months ended September 30, 2020				
	U.S.	LAAP	EMEA	Canada	Total
<b>Product category net sales</b>					
Apparel, Accessories and Equipment	\$ 793,846	\$ 193,815	\$ 145,100	\$ 73,445	\$ 1,206,206
Footwear	210,887	67,097	68,198	33,543	379,725
Total	<u>\$ 1,004,733</u>	<u>\$ 260,912</u>	<u>\$ 213,298</u>	<u>\$ 106,988</u>	<u>\$ 1,585,931</u>
<b>Sales channel net sales</b>					
Wholesale	\$ 559,052	\$ 139,316	\$ 180,416	\$ 78,546	\$ 957,330
Direct-to-consumer	445,681	121,596	32,882	28,442	628,601
Total	<u>\$ 1,004,733</u>	<u>\$ 260,912</u>	<u>\$ 213,298</u>	<u>\$ 106,988</u>	<u>\$ 1,585,931</u>

<i>(in thousands)</i>	Nine Months Ended September 30, 2019				
	U.S.	LAAP	EMEA	Canada	Total
<b>Product category net sales</b>					
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	<u>\$ 1,309,014</u>	<u>\$ 357,719</u>	<u>\$ 267,278</u>	<u>\$ 153,600</u>	<u>\$ 2,087,611</u>
<b>Sales channel net sales</b>					
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	<u>\$ 1,309,014</u>	<u>\$ 357,719</u>	<u>\$ 267,278</u>	<u>\$ 153,600</u>	<u>\$ 2,087,611</u>

**Performance Obligations**

For the three and nine months ended September 30, 2020 and 2019, *Net sales* recognized from performance obligations related to prior periods were not material. *Net sales* expected to be recognized in any future period related to remaining performance obligations is not material.

**Contract Balances**

As of September 30, 2020, December 31, 2019 and September 30, 2019, contract liabilities included in *Accrued liabilities* on the Condensed Consolidated Balance Sheets, which consisted of obligations associated with the Company's gift card and customer loyalty programs, were not material.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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**NOTE 3—INTANGIBLE ASSETS, NET**

Intangible assets, net consisted of the following:

<i>(in thousands)</i>	September 30, 2020	December 31, 2019	September 30, 2019
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	(14,198)	(13,311)	(12,979)
Customer relationships	(16,950)	(15,713)	(15,300)
Total accumulated amortization	(31,148)	(29,024)	(28,279)
Net carrying amount	6,050	8,174	8,919
Intangible assets not subject to amortization	115,421	115,421	115,421
Intangible assets, net	<u>\$ 121,471</u>	<u>\$ 123,595</u>	<u>\$ 124,340</u>

Amortization expense for intangible assets subject to amortization was \$ 0.6 million and \$0.7 million for the three months ended September 30, 2020 and 2019, respectively, and was \$2.1 million and \$2.2 million for the nine months ended September 30, 2020 and 2019, respectively.

Annual amortization expense is estimated to be as follows for the years 2020 through 2024:

<i>(in thousands)</i>	
2020	\$ 2,537
2021	1,650
2022	1,650
2023	1,650
2024	688

**NOTE 4—SHORT-TERM BORROWINGS AND CREDIT LINES**

At the beginning of 2020, the Company had an unsecured, committed revolving line of credit agreement, maturing on August 1, 2023 with monthly variable commitments available for funding that averaged \$50.0 million over the course of a calendar year. In March 2020, the Company entered into a first amendment to its unsecured, committed revolving line of credit agreement to remove the seasonality within the commitment levels and provide \$125.0 million in committed borrowing availability through December 31, 2020. In April 2020, the Company entered into a second amended and restated credit agreement (the "restated credit agreement") which amended and restated the committed revolving line of credit agreement. The restated credit agreement provides for (i) a secured, committed revolving line of credit, maturing on August 1, 2023 with a commitment available for funding of \$ 125.0 million (the "Revolving A Loan"), (ii) a secured, committed revolving line of credit, maturing April 13, 2021, with a commitment available for funding of \$400.0 million (the "Revolving B Loan", together with the Revolving A Loan, the "Revolving Loans"), and (iii) an uncommitted \$ 100.0 million incremental facility, which may be added to the Revolving B Loan if it is executed on, upon request by the Company to the administrative agent. Advances under the Revolving Loans can be either LIBOR loans or base rate loans. LIBOR loans bear interest on the outstanding principal amount thereof for each interest period at a rate per annum equal to LIBOR (subject to a LIBOR floor) plus a margin ranging from 2.00% to 2.75% (the "LIBOR Margin"). Base rate loans bear interest on the outstanding principal amount thereof at a rate per annum equal to the LIBOR Margin plus the greater of (i) daily reset one month LIBOR or (ii) in the case of Revolving A Loans, the LIBOR floor; provided that if the lenders are unable to price loans based on LIBOR, base rate loans will bear interest at an interest rate per annum equal to a margin ranging from 1.00% to 1.75% plus the higher of (A) the rate of interest most recently announced by the administrative agent as its prime rate or (B) the federal funds rate plus 1.50%. In addition, the restated credit agreement requires the Company to comply with certain financial covenants. If the Company is in default, it is required to comply with certain restrictions on dividend payments and stock repurchases. In connection with the restated agreement, the Company entered into a collateral agreement under which the obligations of the Company were secured by all assets of the Company and Columbia Brands USA, LLC, except for intellectual property, real property, equity interests in foreign subsidiaries and certain other exclusions. Effective July 10, 2020, the Company entered into a first amendment (the "first amendment") to its restated credit agreement. The first amendment provides for

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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suspensions of and adjustments to the financial covenants beginning on July 1, 2020 through December 31, 2020 (the "covenant suspension period") as follows: (i) the funded debt ratio no longer needs to be maintained during the covenant suspension period, (ii) the interest coverage ratio no longer needs to be maintained during the covenant suspension period, and (iii) the Company must maintain liquidity (inclusive of unrestricted and unencumbered cash-on-hand of the Company and its subsidiaries and, with certain limitations, availability under the revolving credit facilities provided for in the restated credit agreement) of not less than \$200.0 million as of each calendar month end during the covenant suspension period. In addition, the minimum LIBOR floors were revised to be 0.50% in the case of both Revolving A and Revolving B loans. The first amendment also provides for a letter of credit facility and contains modifications to certain other negative covenants, including a change to the negative indebtedness covenant to allow for up to \$350 million in additional unsecured indebtedness. In connection with the first amendment, the Company amended and restated the collateral agreement, originally dated April 15, 2020 to provide for a pledge by the Company and Columbia Brands USA, LLC of 65% of their equity interests in foreign subsidiaries. At September 30, 2020, the Company was in compliance with all associated covenants, and there was no balance outstanding under these lines and facility.

The Company's Canadian subsidiary has available an unsecured and uncommitted line of credit, which is payable on demand, guaranteed by the Company, and provides for borrowings up to a maximum of CAD\$30.0 million (approximately US\$22.4 million) at September 30, 2020. The revolving line accrues interest at the Canadian Prime rate for CAD overdraft borrowings or Bankers' Acceptance rate plus 150 basis points for Bankers' Acceptance loans. As of September 30, 2020, there was no balance outstanding under this line of credit.

At the beginning of 2020, the Company's European subsidiary had two separate unsecured and uncommitted lines of credit, guaranteed by the Company, and provides for borrowings up to a maximum of €25.8 million and €5.0 million. In June 2020, the Company's European subsidiary entered into an agreement which replaced the €5.0 million line with a €4.4 million secured, committed line of credit, and a €0.6 million unsecured and uncommitted line of credit. The combined available borrowings of the three lines was approximately US\$36.2 million at September 30, 2020. Borrowings under the €25.8 million line accrue interest at a base rate of 185 basis points plus 200 basis points. Borrowings under the €4.4 million and €0.6 million lines each accrue interest at 75 basis points. As of September 30, 2020, there was no balance outstanding under these facilities.

At the beginning of the third quarter of 2020, the Company's Japanese subsidiary had available two separate unsecured and uncommitted overdraft facilities guaranteed by the Company providing for borrowing up to a maximum of US\$7.0 million and ¥300.0 million. During the third quarter of 2020, the overdraft facility with a maximum borrowing of ¥300.0 million was modified to increase the maximum borrowing to ¥1.5 billion. The combined maximum borrowings of the two lines were approximately US\$21.2 million at September 30, 2020. Borrowings under the ¥1.5 billion overdraft facility accrue interest at the Tokyo Interbank Offered Rate plus 0.50 basis points and borrowings under the US\$7.0 million overdraft facility accrue interest at 200 basis points. As of September 30, 2020, there was no balance outstanding under these facilities.

The Company's Korea subsidiary has available an unsecured and uncommitted overdraft facility guaranteed by the Company providing for borrowing up to a maximum of US\$20.0 million at September 30, 2020. Borrowings under the overdraft facility accrue interest at the Korea three month CD rate plus 200 basis points. As of September 30, 2020, there was no balance outstanding under this overdraft facility.

At the beginning of the third quarter of 2020, the Company's Chinese subsidiary had available an unsecured and uncommitted overdraft and clean advance facility guaranteed by the Company providing for borrowings of advances or overdrafts up to a maximum of US\$20.0 million at September 30, 2020. Borrowings under the facility accrue interest on advances of RMB at 4.15%, advances of USD based on LIBOR plus 2.0% per annum or overdrafts of RMB based on 110% of the PBOC rate. In September 2020, the Company's Chinese subsidiary entered into an unsecured and uncommitted line of credit, guaranteed by the Company that provides for borrowings up to a maximum of RMB140.0 million. Borrowings under the facility accrue interest at the one year loan prime rate less 10 basis points. The combined available borrowings of the two lines were approximately US\$40.5 million at September 30, 2020. As of September 30, 2020, there was no balance outstanding under these facilities.

**NOTE 5—INCOME TAXES**

For the three months ended September 30, 2020 and 2019, the Company's effective income tax rates were 26.1% and 22.0%, respectively. For the nine months ended September 30, 2020 and 2019, the effective income tax rates were 24.8% and 18.2%, respectively. The increase in the effective income tax rate for the three months ended September 30, 2020 compared to the three months ended September 30, 2019 was primarily driven by the change in mix of book income or loss among jurisdictions. The increase in the effective income tax rate for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 was driven primarily by the change in mix of book income or loss among jurisdictions, and the recognition in 2019 of a one-time tax benefit related to the passage of a Swiss tax reform package.

Income tax expense, deferred tax assets and related liabilities are based on estimates. In the three months ended March 31, 2020, a \$ 1.5 million valuation allowance adjustment was recorded related to the expected portion of tax benefits that would not be realized in certain foreign jurisdictions based on available evidence. The likelihood of realizing the benefits of the deferred tax assets was assessed as of

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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September 30, 2020 and no additional valuation allowance adjustment was recorded. The Company will continue to monitor the realizability of deferred tax assets, particularly in certain foreign jurisdictions where the economic impacts of the COVID-19 pandemic may result in net operating losses. The ability to recover these deferred tax assets depends on several factors, including results of operations and the ability to project future taxable income in those jurisdictions. If it is determined that some additional portion of the tax benefits will not be realized, valuation allowance would be recorded, which would increase income tax expense. Total deferred tax assets as of September 30, 2020 were approximately \$77.1 million, of which approximately \$7.7 million related to foreign jurisdictions where the Company expects to incur significant net operating losses in the near term, although the risks of failing to realize these benefits vary across jurisdictions.

**NOTE 6—PRODUCT WARRANTY**

Some of the Company's products carry life-time or 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 and replacements 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:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Balance at beginning of period	\$ 13,334	\$ 13,186	\$ 14,466	\$ 13,186
Provision for warranty claims	525	645	1,430	3,140
Warranty claims	(493)	(440)	(2,378)	(2,899)
Other	175	(180)	23	(216)
Balance at end of period	\$ 13,541	\$ 13,211	\$ 13,541	\$ 13,211

**NOTE 7—COMMITMENTS AND CONTINGENCIES**

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 8—SHAREHOLDERS' EQUITY**

Since the inception of the Company's stock repurchase plan in 2004 through September 30, 2020, the Company's Board of Directors has authorized the purchase of \$1.1 billion of the Company's common stock. As of September 30, 2020, the Company had repurchased 26.8 million shares under this program at an aggregate purchase price of \$1,017.8 million. Shares repurchased generally settle subsequent to the trade date. 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. During the three months ended March 31, 2020, the Company repurchased an aggregate of \$132.9 million of common stock under the stock repurchase plan authorized by the Company's Board of Directors and a pre-established written trading plan. In mid-March 2020, to reduce capital outflows and preserve capital, the Company suspended share repurchases. The Company did not repurchase common stock during the three months ended September 30, 2020.

**NOTE 9—STOCK-BASED COMPENSATION**

At its Annual Meeting held on June 3, 2020, the Company's shareholders approved the Company's 2020 Stock Incentive Plan (the "2020 Plan"), and the 2020 Plan became effective on that date following such approval. The 2020 Plan replaced the Company's 1997 Stock Incentive Plan (the "Prior Plan") and no new awards will be granted under the Prior Plan. The terms and conditions of the awards granted under the Prior Plan will remain in effect with respect to awards granted under the Prior Plan. The Company has reserved 3 million shares of common stock for issuance under the 2020 Plan, plus up to an aggregate of 1.5 million shares of the Company's common stock that were previously authorized and available for issuance under the Prior Plan. The 2020 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.



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**Stock-based compensation expense**

Stock-based compensation expense consisted of the following:

<i>(in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Stock options	\$ 1,775	\$ 1,509	\$ 5,234	\$ 4,600
Restricted stock units	3,315	2,869	7,568	8,559
Total	\$ 5,090	\$ 4,378	\$ 12,802	\$ 13,159

**Stock Options**

During the nine months ended September 30, 2020, the Company granted a total of 660,071 stock options at a weighted average grant date fair value of \$14.67. As of September 30, 2020, unrecognized costs related to outstanding stock options totaled \$ 13.3 million, before any related tax benefit. As of September 30, 2020, unrecognized costs related to stock options are expected to be recognized over a weighted average period of 2.59 years.

**Restricted Stock Units**

During the nine months ended September 30, 2020, the Company granted 209,972 restricted stock units at an estimated average grant date fair value of \$79.43. As of September 30, 2020, unrecognized costs related to outstanding restricted stock units totaled \$ 21.5 million, before any related tax benefit. As of September 30, 2020, unrecognized costs related to restricted stock units are expected to be recognized over a weighted average period of 2.34 years.

**NOTE 10—EARNINGS PER SHARE**

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

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

<i>(in thousands, except per share amounts)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Weighted average shares of common stock outstanding, used in computing basic earnings per share	66,179	67,593	66,427	67,935
Effect of dilutive stock options and restricted stock units	358	587	380	685
Weighted average shares of common stock outstanding, used in computing diluted earnings per share	66,537	68,180	66,807	68,620
Earnings per share of common stock:				
Basic	\$ 0.95	\$ 1.76	\$ 0.18	\$ 3.19
Diluted	\$ 0.94	\$ 1.75	\$ 0.18	\$ 3.15

Stock options, service-based restricted stock units, and performance-based restricted stock units representing 1,156,073 and 1,282,086 shares of common stock for the three and nine months ended September 30, 2020, respectively, were outstanding but were excluded from the computation of diluted EPS because their effect would have been anti-dilutive under the treasury stock method or because the shares were subject to performance conditions that had not been met.

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

**NOTE 11—ACCUMULATED OTHER COMPREHENSIVE LOSS**

*Accumulated other comprehensive loss* on the Company's Condensed Consolidated Balance Sheets is net of applicable taxes, and 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.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(Unaudited)**

The following table sets forth the changes in *Accumulated other comprehensive loss* for the three months ended September 30, 2020:

<i>(in thousands)</i>	Unrealized losses on available-for-sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at June 30, 2020	\$ (4)	\$ 16,145	\$ (22,001)	\$ (5,860)
Other comprehensive income (loss) before reclassifications	—	(6,398)	11,175	4,777
Amounts reclassified from accumulated other comprehensive loss <sup>(1)</sup>	—	(5,287)	—	(5,287)
Net other comprehensive income (loss) during the period	—	(11,685)	11,175	(510)
Balance at September 30, 2020	<u>\$ (4)</u>	<u>\$ 4,460</u>	<u>\$ (10,826)</u>	<u>\$ (6,370)</u>

<sup>(1)</sup>Amounts reclassified are recorded in *Net sales*, *Cost of sales*, or *Other non-operating income (expense)*, net on the Condensed Consolidated Statements of Operations. Refer to Note 13 for further information regarding classifications.

The following table sets forth the changes in *Accumulated other comprehensive loss* for three months ended September 30, 2019:

<i>(in thousands)</i>	Unrealized 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 <sup>(1)</sup>	—	(3,901)	—	(3,901)
Net other comprehensive income (loss) during the period	—	2,414	(8,389)	(5,975)
Balance at September 30, 2019	<u>\$ (4)</u>	<u>\$ 13,731</u>	<u>\$ (21,000)</u>	<u>\$ (7,273)</u>

<sup>(1)</sup>Amounts reclassified are recorded in *Net sales* or *Cost of sales* on the Condensed Consolidated Statements of Operations. Refer to Note 13 for further information regarding classifications.

The following table sets forth the changes in *Accumulated other comprehensive loss* for the nine months ended September 30, 2020:

<i>(in thousands)</i>	Unrealized losses on available-for- sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at December 31, 2019	\$ (4)	\$ 9,482	\$ (13,903)	\$ (4,425)
Other comprehensive income before reclassifications	—	4,617	3,077	7,694
Amounts reclassified from accumulated other comprehensive loss <sup>(1)</sup>	—	(9,639)	—	(9,639)
Net other comprehensive income (loss) during the period	—	(5,022)	3,077	(1,945)
Balance at September 30, 2020	<u>\$ (4)</u>	<u>\$ 4,460</u>	<u>\$ (10,826)</u>	<u>\$ (6,370)</u>

<sup>(1)</sup>Amounts reclassified are recorded in *Net sales*, *Cost of sales*, or *Other non-operating income (expense)*, net on the Condensed Consolidated Statements of Operations. Refer to Note 13 for further information regarding classifications.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**(Unaudited)**

The following table sets forth the changes in *Accumulated other comprehensive loss* for the nine months ended September 30, 2019:

<i>(in thousands)</i>	Unrealized gains (losses) on available-for-sale securities	Unrealized holding gains (losses) on derivative transactions	Foreign currency translation adjustments	Total
Balance at December 31, 2018	\$ (60)	\$ 11,964	\$ (15,967)	\$ (4,063)
Other comprehensive income (loss) before reclassifications	56	9,119	(5,033)	4,142
Amounts reclassified from accumulated other comprehensive loss <sup>(1)</sup>	—	(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)

<sup>(1)</sup>Amounts reclassified are recorded in *Net sales* or *Cost of sales* on the Condensed Consolidated Statements of Operations. Refer to Note 13 for further information regarding classifications.

**NOTE 12—SEGMENT INFORMATION**

The Company has four reportable geographic segments: U.S., 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, active and everyday lifestyle apparel, footwear, accessories, and equipment products. 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, as well as 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, 2020 and 2019.

<i>(in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales to unrelated entities:				
U.S.	\$ 445,620	\$ 581,263	\$ 1,004,733	\$ 1,309,014
LAAP	90,951	123,246	260,912	357,719
EMEA	99,159	104,403	213,298	267,278
Canada	65,362	97,881	106,988	153,600
	<u>\$ 701,092</u>	<u>\$ 906,793</u>	<u>\$ 1,585,931</u>	<u>\$ 2,087,611</u>
Segment income from operations:				
U.S.	\$ 96,577	\$ 156,190	\$ 118,454	\$ 298,366
LAAP	4,736	17,081	8,690	53,822
EMEA	18,959	18,162	19,032	36,905
Canada	19,767	27,024	15,142	30,417
Total segment income from operations	140,039	218,457	161,318	419,510
Unallocated corporate expenses	(54,396)	(66,442)	(147,962)	(163,172)
Interest income (expense), net	(280)	1,399	728	7,370
Other non-operating income (expense), net	(465)	(563)	2,208	915
Income before income tax	<u>\$ 84,898</u>	<u>\$ 152,851</u>	<u>\$ 16,292</u>	<u>\$ 264,623</u>

**Concentrations**

The Company had one customer that accounted for 11.4% of *Accounts receivable, net of allowance* on the Condensed Consolidated Balance Sheets as of September 30, 2020. The Company had one customer that accounted for 13.9% of *Accounts receivable, net of allowance* as of December 31, 2019. No single customer accounted for 10% or more of *Accounts receivable, net of allowance* as of September 30, 2019. No

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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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, 2020 or 2019.

**NOTE 13—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 United States dollar inventory purchases. Subsidiaries that use United States 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 United States 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 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 loss* 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*.

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 United States 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:

<i>(in thousands)</i>	September 30, 2020	December 31, 2019	September 30, 2019
Derivative instruments designated as cash flow hedges:			
Currency forward contracts	\$ 419,402	\$ 471,822	\$ 412,041
Derivative instruments not designated as cash flow hedges:			
Currency forward contracts	224,573	214,086	235,945

At September 30, 2020, \$5.1 million of deferred net gains on both outstanding and matured derivatives recorded in *Other comprehensive loss* 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 United States dollar exchange rates in effect against the euro, pound sterling, renminbi, Canadian dollar, and yen when outstanding derivative contracts mature.

At September 30, 2020, 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 \$2.9 million at September 30, 2020. 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.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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The following table presents the balance sheet classification and fair value of derivative instruments:

<i>(in thousands)</i>	Balance Sheet Classification	September 30, 2020	December 31, 2019	September 30, 2019
<b>Derivative instruments designated as cash flow hedges:</b>				
Derivative instruments in asset positions:				
Currency forward contracts	Prepaid expenses and other current assets	\$ 4,729	\$ 11,855	\$ 16,603
Currency forward contracts	Other non-current assets	3,454	4,159	4,830
Derivative instruments in liability positions:				
Currency forward contracts	Accrued liabilities	2,034	1,313	201
Currency forward contracts	Other long-term liabilities	1,186	768	109
<b>Derivative instruments not designated as cash flow hedges:</b>				
Derivative instruments in asset positions:				
Currency forward contracts	Prepaid expenses and other current assets	2,211	2,146	1,857
Derivative instruments in liability positions:				
Currency forward contracts	Accrued liabilities	381	953	320

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

<i>(in thousands)</i>	Statement of Operations Classification	Three Months Ended September 30,		Nine Months Ended September 30,	
		2020	2019	2020	2019
<b>Currency Forward and Option Contracts:</b>					
Derivative instruments designated as cash flow hedges:					
Gain (loss) recognized in other comprehensive loss, net of tax	—	\$ (6,398)	\$ 6,315	\$ 4,617	\$ 9,119
Gain reclassified from accumulated other comprehensive income or loss to income for the effective portion	Net sales	80	172	123	282
Gain reclassified from accumulated other comprehensive income or loss to income for the effective portion	Cost of sales	6,906	5,087	11,527	7,208
Gain reclassified from accumulated other comprehensive income or loss to income as a result of cash flow hedge discontinuance	Other non-operating income (expense), net	60	—	1,177	—
Loss recognized in income for amount excluded from effectiveness testing and for the ineffective portion	Net sales	—	—	—	(31)
Gain recognized in income for amount excluded from effectiveness testing and for the ineffective portion	Cost of sales	—	—	—	2,380
Derivative instruments not designated as cash flow hedges:					
Gain (loss) recognized in income	Other non-operating income (expense), net	(1,795)	1,855	(465)	1,281

**COLUMBIA SPORTSWEAR COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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**NOTE 14—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 the Company would receive to sell an asset or pay 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.

The Company's assets and liabilities measured at fair value are categorized as Level 1 or Level 2 instruments. 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, that are directly or indirectly observable in the marketplace and quoted prices in markets with limited volume or infrequent transactions.

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2020 were as follows:

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents:				
Money market funds	\$ 56,337	\$ —	\$ —	\$ 56,337
Other short-term investments:				
Money market funds	70	—	—	70
Mutual fund shares	1,025	—	—	1,025
Other current assets:				
Derivative financial instruments	—	6,940	—	6,940
Other non-current assets:				
Money market funds	4,621	—	—	4,621
Mutual fund shares	11,974	—	—	11,974
Derivative financial instruments	—	3,454	—	3,454
Total assets measured at fair value	<u>\$ 74,027</u>	<u>\$ 10,394</u>	<u>\$ —</u>	<u>\$ 84,421</u>
<b>Liabilities:</b>				
Accrued liabilities:				
Derivative financial instruments	\$ —	\$ 2,415	\$ —	\$ 2,415
Other long-term liabilities:				
Derivative financial instruments	—	1,186	—	1,186
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ 3,601</u>	<u>\$ —</u>	<u>\$ 3,601</u>

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

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 were as follows:

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents:				
Money market funds	\$ 288,926	\$ —	\$ —	\$ 288,926
United States government treasury bills	—	34,928	—	34,928
Commercial paper	—	33,587	—	33,587
Other short-term investments:				
Mutual fund shares	1,668	—	—	1,668
Other current assets:				
Derivative financial instruments	—	14,001	—	14,001
Other non-current assets:				
Money market funds	1,792	—	—	1,792
Mutual fund shares	12,172	—	—	12,172
Derivative financial instruments	—	4,159	—	4,159
Total assets measured at fair value	<u>\$ 304,558</u>	<u>\$ 86,675</u>	<u>\$ —</u>	<u>\$ 391,233</u>
<b>Liabilities:</b>				
Accrued liabilities:				
Derivative financial instruments	\$ —	\$ 2,266	\$ —	\$ 2,266
Other long-term liabilities:				
Derivative financial instruments	—	768	—	768
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ 3,034</u>	<u>\$ —</u>	<u>\$ 3,034</u>

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

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents:				
Money market funds	\$ 72,941	\$ —	\$ —	\$ 72,941
Other short-term investments:				
Mutual funds shares	1,477	—	—	1,477
Other current assets:				
Derivative financial instruments	—	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	—	4,830	—	4,830
Total assets measured at fair value	<u>\$ 87,308</u>	<u>\$ 23,290</u>	<u>\$ —</u>	<u>\$ 110,598</u>
<b>Liabilities:</b>				
Accrued liabilities:				
Derivative financial instruments	\$ —	\$ 521	\$ —	\$ 521
Other long-term liabilities:				
Derivative financial instruments	—	109	—	109
Total liabilities measured at fair value	<u>\$ —</u>	<u>\$ 630</u>	<u>\$ —</u>	<u>\$ 630</u>

**COLUMBIA SPORTSWEAR COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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***Non-recurring Fair Value Measurements***

Certain non-financial assets are measured at fair value on a non-recurring basis, primarily long-lived assets, intangible assets, goodwill, and lease right-of-use assets. In connection with periodic evaluations for potential impairment, the inputs used to measure the fair value of these assets are primarily unobservable inputs and, as such, considered Level 3 fair value measurements. See Note 1 for discussion of 2020 impairment charges.



## **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 statements regarding consumer demand, capital outflows, operating expense, our ability to manage credit risk, sales volumes, inventory production and fulfillment, marketing strategies, income from operations, net sales, profitability, cash and our ability to meet our cash needs. Forward-looking statements often use words such as "will", "anticipate", "estimate", "expect", "should", "may", and other words and terms of similar meaning or reference future dates. Our expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis; however, each forward-looking statement involves a number of risks and uncertainties, including those described in Part II, Item 1A, Risk Factors in this quarterly report. We caution that forward-looking statements are inherently less reliable than historical information. 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. New factors emerge from time to time and it is not possible for us to predict or assess the effects of all such factors or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

### **Our Business**

As one of the largest outdoor, active and everyday lifestyle apparel and footwear companies in the world, we design, develop, market, and distribute outdoor, active and everyday 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 direct-to-consumer ("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.

### **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 2019, approximately 60% of our net sales and approximately 75% 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.

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.

### **Impacts of COVID-19**

COVID-19 was first identified in China in December 2019 and a global pandemic of respiratory disease caused by COVID-19 was declared by the World Health Organization in March 2020. In response to this pandemic, many regional and local governments worldwide implemented travel restrictions, business shutdowns or slowdowns, and shelter-in-place or stay-at-home orders.

Lower consumer demand related to the COVID-19 pandemic began to impact our financial performance in China in late January, Korea and Japan in early February and North America and Europe in March, due to store closures, reduced operating hours and decreased retail traffic. In addition, many of our wholesale customers and international distributors experienced a similar timeline and closed stores or reduced operating hours, resulting in lower than expected sales, cancellation of orders and a slowing of receipt of shipments of our products.

The vast majority of our stores closed due to the pandemic and reopened in China and Korea by late April and in the U.S., Europe, Japan, and Canada predominantly within the May and June timeframe. Throughout the third quarter 2020, while there were isolated temporary store closures from local regulations or safety concerns, the vast majority of our owned stores remained open. Overall, our store retail traffic trends remain well below prior year levels. We continue to restrict store capacity to accommodate social distancing measures, which is impacting the performance of our retail operations. Stores in destination locations and tourist-dependent markets remain some of the most severely impacted stores within our fleet.

Throughout the first nine months of 2020, our global DTC e-commerce business remained operational, supported by the employees in our distribution centers and call centers. During the third quarter, our DTC e-commerce business grew 55% year-over-year and represented 12%

of our global net sales during the quarter. We anticipate our global e-commerce sales growth to remain high for the remainder of the year compared to 2019.

While work has been done throughout the pandemic to mitigate its effect on our inventory supply, the combined effect of retail stores closures and the resulting decrease in consumer demand, as well as actions taken by our wholesale customers to preserve their capital and liquidity, caused higher than normal inventory levels. We received significant order cancellations during the first half of 2020, and, simultaneously, curtailed planned inventory purchases. Our unsold inventory as of September 30, 2020 was slightly elevated compared to September 2019. Nonetheless, it has declined sequentially compared to June 30, 2020. We anticipate profitably selling the remaining inventory in current and future seasons by leveraging our wholesale customers, DTC e-commerce platforms and stores, the majority of which are outlet stores. We expect earlier holiday marketing and promotional activities as retailers seek to mitigate social distancing and shipping capacity constraints to encourage consumers to stretch holiday shopping over a longer time period.

The COVID-19 pandemic also impacted our distribution centers, call centers, retail stores, third-party manufacturing partners and other vendors, due to the effects of facility closures, reductions in operating hours, labor and equipment shortages, port congestion, and real time changes in operating procedures to comply with local government guidelines, while maintaining enhanced health and safety protocols. Our work-from-home policies continue in many regions, including the United States.

In response to the uncertainty of the pandemic described above, we enhanced our liquidity position during the year by taking various actions, including:

- increasing our total available committed and uncommitted credit lines and facilities to provide approximately \$665 million of borrowing capacity, of which \$530 million is committed and available;
- suspending the quarterly dividend and share repurchases; and
- reducing planned capital expenditures.

We have initiated numerous cost containment measures across the organization, including lowering personnel related expenses, reducing demand creation spend, and minimizing discretionary expenditures. These measures reflect our effort to lower 2020 operating expenses by more than \$100 million compared to last year, before expenses related to the COVID-19 pandemic. We are executing cost reduction and resource allocation actions that will impact our cost structure for 2021 and beyond. While certain of these cost containment actions will result in permanent expense reductions, a significant portion of these costs will likely return in 2021, including incentive compensation expense and certain discretionary expenses, such as travel costs. We are executing these actions to ensure the business is structured for sustainable and profitable growth in the face of the evolving market landscape.

See the Liquidity and Capital Resources section below for additional information.

### **Business Outlook**

The ongoing business disruption and uncertainty surrounding the pandemic makes it difficult to predict our future results. Although our financial performance has been impacted by the pandemic, we anticipate 2020 profitability to be heavily concentrated in the second half of the year. Absent further deterioration in trends due to the pandemic, we anticipate continued sequential improvement in our fundamental operating and financial performance in the fourth quarter. We anticipate sales volumes to remain below prior year levels in the fourth quarter. We expect future material financial impacts associated with the COVID-19 pandemic, including, but not limited to, lower global net sales, the delay of inventory production and fulfillment, and costs associated with the COVID-19 pandemic.

Factors that could significantly affect our full year 2020 financial results include:

- lower consumer demand as a result of effects from the COVID-19 pandemic and/or related governmental actions and regulations;
- growth, performance and profitability of our global DTC operations, including depressed consumer traffic in our retail stores and recent elevated DTC e-commerce growth trends;
- our ability to staff and operate our distribution centers to fulfill DTC e-commerce demand while providing a safe working environment with adequate social distancing and other safety precautions;
- equipment and labor capacity of third-party logistics providers to service the demands of our business and the retail industry generally;
- increasing consumer expectations and competitive pressures related to various aspects of our e-commerce business, including speed of product delivery, shipping charges, return privileges and other evolving expectations;
- impairment of long-lived assets, operating lease right-of-use assets, intangible assets and/or goodwill;
- 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 our inventory, including liquidating excess inventory timely and profitably through closeout sales in our wholesale and DTC businesses, in a market with elevated inventory;

- the stability of our DTC e-commerce platforms and continued optimization of our North America retail information technology systems;
- difficult economic, geopolitical and competitive environments in certain key markets globally, coupled with increasing global economic uncertainty; and
- 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 cancellation of customer shipments and/or increased credit exposure associated with any such shipments.

### **Strategic Priorities**

We are committed to driving sustainable and profitable long-term growth and investing in our strategic priorities to:

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

### *Capital Allocation*

We are committed to maintaining a strong balance sheet in order to provide ourselves with maximum strategic flexibility and access to additional liquidity, if warranted. In response to the COVID-19 pandemic, we immediately shifted our capital allocation strategies to reduce capital outflows. As our business recovers from the pandemic and cash flows become more reliable and predictable, we will review our strategy to return value to shareholders. This includes management's review of resuming our share repurchase program and our Board of Directors' review of reinstating quarterly dividends.

### *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 behaviors towards mobile devices. It encompasses re-implementation of our e-commerce platforms to offer improved search, browsing, checkout, mobile payment tenders, and customer care experiences for mobile shoppers. In 2019, we implemented X1 across 10 countries in Europe-Direct and for the prAna brand in the U.S. In the third quarter of 2020, we implemented X1 in North America for the Columbia, SOREL and Mountain Hardwear brands. Going forward, we are focused on optimizing the X1 platform.

### **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 United States 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 2020**

Lower net sales and profitability in third quarter 2020 compared to third quarter 2019 primarily reflect the ongoing negative effects of the COVID-19 pandemic.

- Net sales decreased \$205.7 million, or 23%, to \$701.1 million from \$906.8 million in the third quarter of 2019.
- Income from operations decreased \$66.4 million, or 44%, to \$85.6 million from \$152.0 million in the third quarter of 2019.
- Net income decreased \$56.5 million, or 47%, to \$62.8 million, or \$0.94 per diluted share, from \$119.3 million, or \$1.75 per diluted share, in the third quarter of 2019.

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,	
	2020	2019	2020	2019
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	51.1	50.7	52.0	50.3
Gross profit	48.9	49.3	48.0	49.7
Selling, general and administrative expenses	37.3	33.0	47.6	37.9
Net licensing income	0.6	0.5	0.4	0.5
Income from operations	12.2	16.8	0.8	12.3
Interest income (expense), net	—	0.2	0.1	0.4
Other non-operating income (expense), net	(0.1)	(0.1)	0.1	—
Income before income tax	12.1	16.9	1.0	12.7
Income tax expense	(3.1)	(3.7)	(0.2)	(2.3)
Net income	9.0 %	13.2 %	0.8 %	10.4 %

### Results of Operations — Consolidated

#### Quarter Ended September 30, 2020 Compared to Quarter Ended September 30, 2019

**Net Sales:** Consolidated net sales decreased \$205.7 million, or 23%, to \$701.1 million for the third quarter of 2020 from \$906.8 million for the comparable period in 2019. The overall decrease primarily reflects the negative impacts from the ongoing COVID-19 pandemic.

Net sales by brand, product category and channel are summarized in the following table:

	Three Months Ended September 30,					
	Reported Net Sales 2020	Adjust for Foreign Currency Translation	Constant-currency Net Sales 2020 <sup>(1)</sup>	Reported Net Sales 2019	Reported Net Sales % Change	Constant-currency Net Sales % Change <sup>(1)</sup>
<i>(In millions, except for percentage changes)</i>						
<b>Brand Net Sales:</b>						
Columbia	\$ 559.7	\$ (3.3)	\$ 556.4	\$ 729.5	(23)%	(24)%
SOREL	91.5	(0.5)	91.0	116.1	(21)%	(22)%
prAna	30.5	—	30.5	38.5	(21)%	(21)%
Mountain Hardwear	19.4	(0.1)	19.3	22.7	(15)%	(15)%
Total	\$ 701.1	\$ (3.9)	\$ 697.2	\$ 906.8	(23)%	(23)%
<b>Product Category Net Sales:</b>						
Apparel, Accessories and Equipment	\$ 510.2	\$ (2.8)	\$ 507.4	\$ 684.7	(25)%	(26)%
Footwear	190.9	(1.1)	189.8	222.1	(14)%	(15)%
Total	\$ 701.1	\$ (3.9)	\$ 697.2	\$ 906.8	(23)%	(23)%
<b>Channel Net Sales:</b>						
Wholesale	\$ 471.5	\$ (3.2)	\$ 468.3	\$ 652.6	(28)%	(28)%
DTC	229.6	(0.7)	228.9	254.2	(10)%	(10)%
Total	\$ 701.1	\$ (3.9)	\$ 697.2	\$ 906.8	(23)%	(23)%

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

**Gross Profit:** Gross profit as a percentage of net sales contracted to 48.9% in the third quarter of 2020 from 49.3% for the comparable period in 2019, primarily due to lower DTC product margins reflecting elevated promotional activity and freight costs.

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 decreased \$38.1 million, or 13%, to \$261.2 million, or 37.3% of net sales, for the third quarter of 2020, from \$299.2 million, or 33.0% of net sales, for the comparable period in 2019, primarily reflecting:

- decreased demand creation;
- lower retail expenses, primarily resulting from lower personnel expenses; and
- decreased information technology project-related expenses; partially offset by
- other expenses related to the COVID-19 pandemic.

In March 2020, we initiated numerous cost containment measures across the organization to mitigate the impacts of COVID-19 on our business. See additional discussion of these measures in the Impacts of COVID-19 discussion above.

**Income from Operations:** Income from operations was \$85.6 million, or 12.2% of net sales, in the third quarter of 2020 compared to income from operations of \$152.0 million, or 16.8% of net sales, in the comparable period in 2019.

**Income Tax Expense:** Income tax expense was \$22.1 million for the third quarter of 2020, compared to \$33.6 million for the comparable period in 2019. Our effective income tax rate was 26.1% for the third quarter of 2020, compared to 22.0% for the same period in 2019. Our effective tax rate increased compared to prior year primarily due to the change in mix of book income or loss among jurisdictions.

**Net Income:** Net income was \$62.8 million, or \$0.94 per diluted share, for the third quarter of 2020 compared to \$119.3 million, or \$1.75 per diluted share, for the comparable period in 2019.

### Nine Months Ended September 30, 2020 Compared to the Nine Months Ended September 30, 2019

**Net Sales:** Consolidated net sales decreased \$501.7 million, or 24%, to \$1,585.9 million for the nine months ended September 30, 2020 from \$2,087.6 million for the comparable period in 2019. The decrease primarily reflects the impact of the ongoing COVID-19 pandemic, resulting in temporary store closures, including our wholesale customers' stores, and lower consumer demand. Net sales decreased across all regions, brands and product categories, primarily in the U.S. wholesale, U.S. DTC and LAAP businesses.

Net sales by brand, product category and channel are summarized in the following table:

	Nine Months Ended September 30,					
	Reported Net Sales 2020	Adjust for Foreign Currency Translation	Constant- currency Net Sales 2020 <sup>(1)</sup>	Reported Net Sales 2019	Reported Net Sales % Change	Constant-currency Net Sales % Change <sup>(1)</sup>
<i>(In millions, except for percentage changes)</i>						
<b>Brand Net Sales:</b>						
Columbia	\$ 1,297.2	\$ 1.5	\$ 1,298.7	\$ 1,736.6	(25)%	(25)%
SOREL	143.5	(0.4)	143.1	170.7	(16)%	(16)%
prAna	94.7	—	94.7	118.4	(20)%	(20)%
Mountain Hardwear	50.5	0.1	50.6	61.9	(18)%	(18)%
Total	<u>\$ 1,585.9</u>	<u>\$ 1.2</u>	<u>\$ 1,587.1</u>	<u>\$ 2,087.6</u>	(24)%	(24)%
<b>Product Category Net Sales:</b>						
Apparel, Accessories and Equipment	\$ 1,206.2	\$ 0.8	\$ 1,207.0	\$ 1,642.9	(27)%	(27)%
Footwear	379.7	0.4	380.1	444.7	(15)%	(15)%
Total	<u>\$ 1,585.9</u>	<u>\$ 1.2</u>	<u>\$ 1,587.1</u>	<u>\$ 2,087.6</u>	(24)%	(24)%
<b>Channel Net Sales:</b>						
Wholesale	\$ 957.3	\$ (0.6)	\$ 956.7	\$ 1,312.0	(27)%	(27)%
DTC	628.6	1.8	630.4	775.6	(19)%	(19)%
Total	<u>\$ 1,585.9</u>	<u>\$ 1.2</u>	<u>\$ 1,587.1</u>	<u>\$ 2,087.6</u>	(24)%	(24)%

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

**Gross Profit:** Gross profit as a percentage of net sales, decreased to 48.0% in the nine months ended September 30, 2020, from 49.7% for the comparable period in 2019, primarily reflecting:

- lower wholesale product margins resulting from higher close-out sales mix; and
- lower DTC product margins, reflecting elevated promotional activity; partially offset by
- favorable sales mix, resulting from a higher proportion of DTC e-commerce sales, which generally carry higher gross margins.

**Selling, General and Administrative Expense:** SG&A expense decreased \$36.1 million, or 4.6%, to \$755.7 million, or 47.6% of net sales, for the nine months ended September 30, 2020, from \$791.8 million, or 37.9% of net sales, for the comparable period in 2019, primarily reflecting:

- lower retail expenses of \$26.7 million, primarily resulting from lower personnel expenses due to store closures;
- decreased demand creation of \$22.0 million;
- discretionary expenses associated with cost containment efforts; and
- lower incentive compensation; partially offset by
- increased bad debt expense of \$24.7 million, reflecting heightened accounts receivable risk resulting from the ongoing COVID-19 pandemic; and
- increased other expenses of \$21.7 million related to the COVID-19 pandemic.

In March 2020, we initiated numerous cost containment measures across the organization to mitigate the impacts of COVID-19 on our business. See additional discussion of these measures in the Impacts of COVID-19 discussion above.

**Income from Operations:** Income from operations was \$13.4 million, or 0.8% of net sales, for the nine months ended September 30, 2020 compared to income from operations of \$256.3 million, or 12.3% of net sales for the comparable period in 2019.

**Income Tax Expense:** Income tax expense was \$4.0 million for the nine months ended September 30, 2020 compared to \$48.2 million for the comparable period in 2019. Our effective income tax rate was 24.8% for the nine months ended September 30, 2020 compared to 18.2% for the same prior year in 2019. Our effective income tax rate for the nine months ended September 30, 2020 increased compared to prior year primarily due to the change in mix of book income or loss among jurisdictions, as well as the favorable impact of the passage of a Swiss tax reform package on our effective income tax rate for the comparable period in 2019.

**Net Income:** Net income was \$12.3 million, or \$0.18 per share, for the nine months ended September 30, 2020 compared to net income of \$216.5 million, or \$3.15 per diluted share, for the comparable period in 2019.

#### Results of Operations — Segment

##### Quarter Ended September 30, 2020 Compared to Quarter Ended September 30, 2019

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

	Three Months Ended September 30,					
	Reported Net Sales 2020	Adjust for Foreign Currency Translation	Constant- currency Net Sales 2020 <sup>(1)</sup>	Reported Net Sales 2019	Reported Net Sales % Change	Constant- currency Net Sales % Change <sup>(1)</sup>
<i>(In millions, except for percentage changes)</i>						
U.S.	\$ 445.6	\$ —	\$ 445.6	\$ 581.3	(23)%	(23)%
LAAP	90.9	(0.6)	90.3	123.2	(26)%	(27)%
EMEA	99.2	(3.6)	95.6	104.4	(5)%	(8)%
Canada	65.4	0.3	65.7	97.9	(33)%	(33)%
	<u>\$ 701.1</u>	<u>\$ (3.9)</u>	<u>\$ 697.2</u>	<u>\$ 906.8</u>	<u>(23)%</u>	<u>(23)%</u>

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

Unless otherwise noted below, lower net sales primarily reflects the ongoing negative effects of the COVID-19 pandemic compared to the same period in 2019.

- U.S. net sales decreased \$135.7 million, or 23%, to \$445.6 million for the third quarter of 2020 from \$581.3 million for the comparable period in 2019. The U.S. net sales decrease was driven primarily by lower net sales in the U.S. wholesale business, and, to a lesser extent, lower net sales in the U.S. DTC business. The net sales decrease in the U.S. DTC business was driven by decreased net sales from retail stores, partially offset by increased net sales from our e-commerce business.
- LAAP region net sales decreased \$32.3 million, or 26% (27% constant-currency), to \$90.9 million for the third quarter of 2020 from \$123.2 million for the comparable period in 2019. The net sales decrease in the LAAP region was primarily driven by decreased net sales in our China, Japan and LAAP distributor businesses, and to a lesser extent, decreased net sales in our Korea business.
- EMEA region net sales decreased \$5.2 million, or 5% (8% constant-currency), to \$99.2 million for the third quarter of 2020 from \$104.4 million for the comparable period in 2019. The net sales decrease in the EMEA region was driven by decreased net sales in our Europe-direct business, partially offset by increased net sales in our EMEA distributor business resulting from a greater portion of Fall 2020 shipments falling into the third quarter 2020 compared to Fall 2019 shipments in the prior year.
- Canada net sales decreased \$32.5 million, or 33%, to \$65.4 million for the third quarter of 2020 from \$97.9 million for the comparable period in 2019. The net sales decrease in Canada was primarily driven by decreased net sales in our wholesale business.

**Segment Income from Operations:** Segment income from operations includes net sales, cost of sales, SG&A expenses, and net licensing income for each of our four reportable geographic segments. Typically, income from operations as a percentage of net sales in the U.S. is 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.

Generally, we anticipate this trend will 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, typically 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. To the extent 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:

<i>(In millions, except for percentage changes)</i>	Three Months Ended September 30,		
	2020	2019	Change (\$)
U.S.	\$ 96.6	\$ 156.2	\$ (59.6)
LAAP	4.7	17.1	(12.4)
EMEA	19.0	18.2	0.8
Canada	19.7	27.0	(7.3)
Total segment income from operations	140.0	218.5	(78.5)
Unallocated corporate expenses	(54.4)	(66.5)	(12.1)
Income from operations	\$ 85.6	\$ 152.0	\$ (66.4)

Unless otherwise noted below, lower income from operations primarily reflects the ongoing negative effects of the COVID-19 pandemic compared to the same period in 2019.

- U.S. income from operations of \$96.6 million, or 21.7% of net sales, for the third quarter of 2020 decreased \$59.6 million from \$156.2 million, or 26.9% of net sales, for the comparable period in 2019. The decrease in operating income primarily reflects the fixed cost base of our U.S. operations coupled with a significant decline in sales due to the COVID-19 pandemic. Gross margin contracted due to increased promotional activity to drive consumer demand in our U.S. DTC business, primarily for U.S. retail stores. U.S. SG&A expense increased as a percentage of net sales to 28.5% for the third quarter of 2020, compared to 23.1% for the same period in 2019. U.S. SG&A expense for the third quarter of 2020 included COVID-19 related expenses.
- LAAP income from operations of \$4.7 million, or 5.2% of net sales, for the third quarter of 2020 decreased \$12.4 million from \$17.1 million, or 13.9% of net sales, for the comparable period in 2019. The decrease resulted from a decline in net sales primarily reflecting the impact of the COVID-19 pandemic and lower gross margin due to increased promotions and discounts to drive consumer demand and liquidate excess inventories. LAAP SG&A expense increased as a percentage of net sales to 46.6% for the third quarter of 2020 compared to 39.4% for the same period in 2019.
- EMEA income from operations of \$19.0 million, or 19.1% of net sales, for the third quarter of 2020 increased \$0.8 million from \$18.2 million, or 17.4% of net sales, for the comparable period in 2019. The increase was driven by increased gross margin due to favorable comparisons to last year and SG&A expense leverage. EMEA SG&A expense decreased as a percentage of net sales to 26.3% for the third quarter of 2020 compared to 27.6% for the same period of 2019.
- Canada income from operations of \$19.7 million, or 30.2% of net sales, for the third quarter of 2020 decreased \$7.3 million from \$27.0 million, or 27.6% of net sales, for the comparable period in 2019. The decrease was primarily driven by decreased wholesale net sales from order cancellations received earlier in the year, partially offset by increased gross margin. Canada SG&A expense increased as a percentage of net sales to 17.5% for the third quarter of 2020 compared to 16.9% for the same period of 2019.

Unallocated corporate expenses decreased by \$12.1 million to \$54.4 million for the third quarter of 2020 from \$66.5 million for the comparable period in 2019.

#### **Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019**

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

<i>(In millions, except for percentage changes)</i>	Nine Months Ended September 30,					
	Reported Net Sales 2020	Adjust for Foreign Currency Translation	Constant-currency Net Sales 2020 <sup>(1)</sup>	Reported Net Sales 2019	Reported Net Sales % Change	Constant-currency Net Sales % Change <sup>(1)</sup>
U.S.	\$ 1,004.7	\$ —	\$ 1,004.7	\$ 1,309.0	(23)%	(23)%
LAAP	260.9	2.7	263.6	357.7	(27)%	(26)%
EMEA	213.3	(1.7)	211.6	267.3	(20)%	(21)%
Canada	107.0	0.2	107.2	153.6	(30)%	(30)%
	<u>\$ 1,585.9</u>	<u>\$ 1.2</u>	<u>\$ 1,587.1</u>	<u>\$ 2,087.6</u>	<u>(24)%</u>	<u>(24)%</u>

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

Unless otherwise noted below, net sales decreases within all regions primarily reflect the impact of temporary store closures, including our wholesale customers' stores, and lower consumer demand resulting from the ongoing COVID-19 pandemic compared to the same period in 2019.



- U.S. net sales decreased \$304.3 million, or 23%, to \$1,004.7 million for the nine months ended September 30, 2020 from \$1,309.0 million for the comparable period in 2019. U.S. net sales decreased in our U.S. wholesale and DTC businesses primarily reflecting the ongoing impacts from the COVID-19 pandemic, including actions taken to curtail purchases of Fall 2020 inventory and rationalize our Fall 2020 order book. The net sales decrease in the U.S. DTC business was driven by decreased net sales from retail stores, partially offset by increased net sales from our e-commerce business.
- LAAP region net sales decreased \$96.8 million, or 27% (26% constant-currency), to \$260.9 million for the nine months ended September 30, 2020 from \$357.7 million for the comparable period in 2019. The net sales decrease in the LAAP region was primarily driven by decreased net sales in our China and Japan businesses, and to a lesser extent, decreased net sales in the LAAP distributors and Korea businesses.
- EMEA region net sales decreased \$54.0 million, or 20% (21% constant-currency), to \$213.3 million for the nine months ended September 30, 2020 from \$267.3 million for the comparable period in 2019. The net sales decrease in the EMEA region was led by decreased net sales in our Europe-direct business, followed by our EMEA distributor business.
- Canada net sales decreased \$46.6 million, or 30%, to \$107.0 million for the nine months ended September 30, 2020 from \$153.6 million for the comparable period in 2019. The net sales decrease in Canada was primarily driven by decreased net sales in our wholesale business.

**Segment Income from Operations:** The following table presents segment income from operations for each reportable segment:

<i>(In millions, except for percentage changes)</i>	Nine Months Ended September 30,		
	2020	2019	Change (\$)
U.S.	\$ 118.5	\$ 298.4	\$ (179.9)
LAAP	8.7	53.8	(45.1)
EMEA	19.0	36.9	(17.9)
Canada	15.1	30.4	(15.3)
Total segment income from operations	161.3	419.5	(258.2)
Unallocated corporate expenses	(147.9)	(163.2)	(15.3)
Income from operations	\$ 13.4	\$ 256.3	\$ (242.9)

Unless otherwise noted below, segment income from operations within all regions decreased due to the impact of temporary store closures, including our wholesale customers' stores, lower consumer demand, higher inventory reserves and increased bad debt expenses primarily resulting from the ongoing COVID-19 pandemic, compared to strong sales performance for the comparable period in 2019.

- U.S. income from operations decreased \$179.9 million to \$118.5 million, or 11.8% of net sales, for the nine months ended September 30, 2020 from \$298.4 million, or 22.8% of net sales, for the comparable period in 2019. The decrease was driven primarily by decreased net sales combined with decreased gross margin, increased provisions for uncollectible accounts receivable, and COVID-19 related expenses, including catastrophic paid leave and furlough pay as well as severance and other pandemic related costs. U.S. SG&A expense increased as a percentage of net sales to 37.3% for the nine months ended September 30, 2020 compared to 27.4% for the same period in 2019.
- LAAP income from operations decreased \$45.1 million to \$8.7 million, or 3.3% of net sales, for the nine months ended September 30, 2020 from \$53.8 million, or 15.0% of net sales, for the comparable period in 2019. The decrease primarily resulted from decreased net sales combined with decreased gross margin. LAAP SG&A expense increased as a percentage of net sales to 48.5% for the nine months ended September 30, 2020 compared to 40.4% for the same period in 2019.
- EMEA income from operations of \$19.0 million, or 8.9% of net sales, for the nine months ended September 30, 2020 decreased \$17.9 million from \$36.9 million, or 13.8% of net sales, for the comparable period in 2019. The decrease was driven by decreased net sales combined with decreased gross margin. EMEA SG&A expense increased as a percentage of net sales to 33.6% for the nine months ended September 30, 2020 compared to 29.0% for the same period of 2019.
- Canada income from operations of \$15.1 million, or 14.2% of net sales, for the nine months ended September 30, 2020 decreased \$15.3 million from \$30.4 million, or 19.8% of net sales, for the comparable period in 2019. The decrease primarily resulted from decreased net sales partially offset by increased gross margin. Canada SG&A expense increased as a percentage of net sales to 32.6% for the nine months ended September 30, 2020 compared to 24.4% for the same period of 2019.

Unallocated corporate expenses decreased by \$15.3 million to \$147.9 million for the nine months ended September 30, 2020 from \$163.2 million for the comparable period in 2019.

#### Liquidity and Capital Resources

At September 30, 2020, we had total cash and cash equivalents of \$313.4 million, compared to \$686.0 million at December 31, 2019 and \$239.3 million at September 30, 2019. At September 30, 2020, we had approximately \$530.2 million in committed borrowing availability. Including cash, cash equivalents, short-term investments and available committed and uncommitted credit lines, we had nearly \$1 billion in total liquidity at September 30, 2020. As part of a broader capital preservation effort during the ongoing COVID-19 pandemic, in March 2020,

we suspended quarterly cash dividend payments and further share repurchases. Our Board of Directors will continue to evaluate when to reinstate future dividend distributions and management may resume share repurchases at any time, depending upon market conditions and our capital requirements. Our primary ongoing funding requirements are for working capital and capital expenditures.

We expect to meet our cash needs for the next twelve months with cash and cash equivalents, short-term investments, borrowings under our committed and uncommitted lines of credit and facilities, additional borrowing capacity, access to capital markets, and cash flows from operations. Although we believe we have adequate sources of liquidity over the long term, the success of our operations, in light of the market volatility and uncertainty as a result of the COVID-19 pandemic, among other factors, could impact our business and liquidity. We continue to monitor the credit markets, as well as our business trends, to evaluate our potential needs. We have already taken key actions to mitigate the impact of the current economic crisis on our financial position with a focus on financial liquidity enhancements, capital preservation, cost containment measures, and inventory management. See "Impacts of COVID-19" above for additional discussion.

Our business is affected by the general seasonal trends common to the industry. 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. Our cash, cash equivalents and short-term investments balances generally are 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.

#### *Short-term borrowings and credit lines*

Refer to Note 4 in Item 1 of this quarterly report for additional information regarding our lines of credit and overdraft facilities in place. At September 30, 2020, we had \$525.0 million available domestically under our restated credit agreement and, internationally, our subsidiaries had approximately \$140.3 million in committed and uncommitted lines of credit and overdraft facilities in place, which could be terminated at any time by either the applicable subsidiary or the banks, some of which were guaranteed by Columbia Sportswear Company. At September 30, 2020, there was no balance outstanding under these lines of credit and overdraft facilities. At the time of this filing, we are in compliance with all financial covenants necessary as a condition for borrowing under the restated credit agreement, as amended.

#### *Cash Flow Activities*

Net cash used in operating activities was \$198.0 million for the nine months ended September 30, 2020, compared to net cash used in operating activities of \$198.2 million for the same period in 2019. The change in operating cash flow was driven by a \$154.6 million decrease in operating cash flow provided by net income and non-cash adjustments, offset by a \$154.8 million decrease in cash used in changes in assets and liabilities. The most significant comparative changes included *Accounts receivable*, *Accrued liabilities*, and *Inventories*. The decrease in cash used in *Accounts receivable* was primarily driven by lower wholesale net sales in the third quarter of 2020. The increase in cash used in *Accrued liabilities* was primarily driven by decreases in accruals for wholesale refund liabilities, wholesale and retail return liabilities, and incentive compensation. The decrease in cash used in *Inventories* reflects lower inventory receipts and the effect of an increase in the provision for excess, close-out or slow moving inventory.

Net cash used in investing activities was \$23.6 million for the nine months ended September 30, 2020, compared to net cash provided by investing activities of \$159.7 million for the comparable period in 2019. For the 2020 period, net cash used in investing activities consisted primarily of \$25.2 million of capital expenditures, partially offset by \$1.6 million of net sales and maturities of short-term investments. For the same period in 2019, net cash provided by investing activities primarily consisted of \$264.2 million of net sales and maturities of short-term investments, partially offset by \$104.5 million of capital expenditures. The decrease in capital expenditures for the 2020 period compared to the same period in 2019 was due to lower planned 2020 capital expenditures as well as capital preservation measures taken in light of the ongoing COVID-19 pandemic.

Net cash used in financing activities was \$152.3 million for the nine months ended September 30, 2020, compared to net cash used in financing activities of \$171.1 million for the comparable period in 2019. For the 2020 period, net cash used in financing activities primarily consisted of repurchases of common stock of \$132.9 million, and dividend payments to our shareholders of \$17.2 million. For the same period in 2019, net cash used in financing activities primarily consisted of repurchases of common stock of \$116.2 million, dividend payments to our shareholders of \$48.9 million, and \$17.9 million related to the purchase of the non-controlling interest in our China joint venture.

#### *Contractual obligations*

Our inventory purchase obligations decreased to \$224.2 million at September 30, 2020 compared to \$337.2 million at December 31, 2019. There have been no other material changes to the estimated contractual commitments contained in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019.

## 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, 2019 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, allowance for uncollectible accounts receivable, excess, close-out and slow moving inventory, product warranty, impairment of long-lived assets, intangible assets and goodwill, 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 described below and disclosed in Note 1 in Item 1 of this quarterly report, 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, 2019.

### *Impairment of Long-Lived Assets, Intangible Assets and Goodwill*

Long-lived assets, which include property, plant and equipment and intangible assets with finite lives, are amortized over their estimated useful lives and are measured for impairment only when events or circumstances indicate the carrying value may be impaired. In the third quarter of 2020, we tested certain retail locations and their respective lease right-of-use assets for impairment. See Note 1 in Item 1 of this quarterly report for impairment charges recognized in 2020. Further declines in projected future performance or significant declines in market rents for retail spaces may adversely affect the recovery of retail locations assets.

Our 2019 impairment tests of goodwill and intangible assets with indefinite lives indicated that the fair value of all reporting units and intangible assets with indefinite lives exceeded their respective carry values by more than 20%, except for the prAna brand's trademark. In the prAna brand impairment analysis, the estimated fair value of its trademark exceeded its carrying value by approximately 20%. Additionally, the estimated fair value of the prAna reporting unit exceeded its carrying value by more than 30%. As a result of the COVID-19 pandemic and a significant decline in projected net sales, the prAna brand's trademark and goodwill were tested for impairment as of March 31, 2020. While no impairment was indicated during the first quarter 2020 tests, the degree by which the fair value of the prAna reporting unit and trademark exceeded their respective carrying values declined from our 2019 impairment test. After performing both qualitative and quantitative analysis, including review of future long-term revenue and cash flow assumptions, we concluded a triggering event requiring the measurement of prAna brand's trademark and goodwill for impairment as of September 30, 2020 did not occur. If, due to the current level of uncertainty relating to the COVID-19 pandemic, the prAna brand's actual or projected future performance deteriorates from the projections considered in our first quarter 2020 tests, it is possible that an impairment charge would be required.

Our impairment tests and related fair value estimates are based on a number of factors, including assumptions and estimates for projected sales, income, cash flows, discount rates, market-based multiples, remaining useful lives, and other operating performance measures. Changes in estimates or the application of alternative assumptions could produce significantly different results. These assumptions and estimates may change in the future due to changes in economic conditions, changes in our ability to meet sales and profitability objectives or changes in our business operations or strategic direction.

## Recent Accounting Pronouncements

See "Recent Accounting Pronouncements Not Yet Adopted" in Note 1 in Item 1 of this quarterly report.

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

There has not been any material change in the market risk disclosure contained in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2019.

**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***

In the quarter ended September 30, 2020 we concluded the deployment of enhancements to our e-commerce systems as part of the X1 initiative. This initiative involves 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 this project 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, 2020 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, 2019.

#### **CHANGES IN PRODUCT DEMAND CAN ADVERSELY AFFECT OUR FINANCIAL RESULTS**

#### **We are Subject to a Number of Risks Which May Adversely Affect Consumer and/or Wholesale Customer Demand for Our Products and Lead to a Decline in Sales and/or Earnings.**

These risks include, but are not limited to:

- **Volatile Economic Conditions.** We are a consumer products company and are highly dependent on consumer discretionary spending. Consumer discretionary spending behavior is inherently unpredictable. Consumer demand, and related wholesale customer demand, for our products may not support our sales targets, or may decline, especially during periods of heightened economic uncertainty in our key markets.
- **Highly Competitive Markets.** In each of our geographic markets, we face significant competition from global and regional branded apparel, footwear, accessories, and equipment companies. Retailers who are our wholesale customers often pose a significant competitive threat by designing, marketing and distributing apparel, footwear, accessories, and equipment under their own private labels. We also experience direct competition in our DTC business from retailers that are our wholesale customers. This is true in particular in the digital marketplace, where increased consumer expectations and competitive pressure related to various aspects of our e-commerce business, including speed of product delivery, shipping charges, return privileges, and other evolving expectations are key factors, and certain of our wholesale customers may be able to offer faster shipping and lower prices than our own DTC e-commerce channel.
- **Consumer Preferences and Fashion/Product Trends.** Changes in consumer preferences, consumer interest in outdoor activities, and fashion/product 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 our ability to respond to changes in a timely manner. Product development and/or production lead times for many of our products may make it more difficult for us to respond rapidly to new or changing fashion/product trends or consumer preferences.
- **Brand Images.** Our brands have wide recognition, and our success has been due in large part to our ability to maintain, enhance and protect our brand image and reputation and our consumers' and customers' connection to our brands. Our continued success depends in part on our ability to adapt to a rapidly changing media environment, including our increasing reliance on social media and online dissemination of advertising campaigns. In addition, consumer and customer sentiment could be shaped by our sustainability policies and related design, sourcing and operations decisions.
- **Weather Conditions, Including Global Climate Change Trends.** Our sales are adversely affected by unseasonable weather conditions. A significant portion of our DTC sales is dependent in part on the weather and our DTC sales growth is likely to be adversely impacted or may even decline in years in which weather conditions do not stimulate demand for our products. Unseasonable weather also impacts future sales to our wholesale customers, who may hold inventory into subsequent seasons in response to unseasonable weather. To the extent global weather patterns trend warmer, consumer and customer demand for our products may be negatively affected. Our results may be negatively impacted if management is not able to adjust expenses in a timely manner in response to unfavorable weather conditions and the resulting impact on consumer and customer demand.
- **Shifts in Retail Traffic Patterns.** Shifts in consumer purchasing patterns, including the growth of e-commerce and large one-stop digital marketplaces, e-commerce off-price retailing and online comparison shopping, in our key markets may have an adverse effect on our DTC operations and the financial health of certain of our wholesale customers, some of whom may reduce their brick and mortar store fleet, file for protection under bankruptcy laws, restructure, or cease operations. We face increased risk of order reduction and cancellation when dealing with financially ailing wholesale customers. We also extend credit to our wholesale customers based on an assessment of the wholesale customer's financial condition, generally without requiring collateral. We may

choose to limit our credit risk by reducing our level of business with wholesale 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 or at all.

- Innovation. 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. If we fail to introduce innovative products that appeal to consumers and customers, we could suffer reputational damage to our brands and demand for our products could decline.

Certain of the above risks may be or have been exacerbated by the COVID-19 pandemic, see “An Outbreak of Disease or Similar Public Health Threat, or Fear of Such an Event, Such as the COVID-19 Pandemic, Could Have, and in the Case of the COVID-19 Pandemic Has Had and is Expected to Continue to Have, a Material Adverse Impact on Our Business, Operating Results and Financial Condition.”

**Our Orders from Wholesale Customers are Subject to Cancellation, Which Could Lead to a Decline in Sales or Gross Profit, Write-downs of Excess Inventory, Increased Discounts or Extended Credit Terms to Our Wholesale Customers.**

We do not have long-term contracts with any of our wholesale customers. We do have contracts with our independent international distributors; although these contracts may have annual purchase minimums that must be met in order to retain distribution rights, the distributors are not otherwise obligated to purchase products from us. Sales to our wholesale customers (other than our international distributors) are generally on an order-by-order basis and are subject to rights of cancellation and rescheduling prior to shipment of orders. 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 wholesale customers experience a significant downturn in business or fail to remain committed to our products or brands, or if we are unable to deliver products to our wholesale customer in the agreed upon manner, these customers could postpone, reduce, cancel, or discontinue purchases from us, including after we have begun production on any order.

**Our Inability to Accurately Predict Consumer and/or Customer Demand for Our Products Could Lead to a Build-up of Inventory or a Lack of Inventory and Affect Our Gross Margin.**

We have implemented key strategic initiatives designed to improve the efficiency of our supply chain, such as spreading out the production of our products over time, which may lead to the build-up of inventory well in advance of the selling seasons for such products. Additionally, we place orders for our products with our contract manufacturers in advance of the related selling season and, as a result, are vulnerable to changes in consumer and/or customer demand for our products. Therefore, we must accurately forecast consumer and/or customer demand for our products well in advance of the selling season. We are subject to numerous risks relating to consumer and/or customer demand (see “We are Subject to a Number of Risks Which May Adversely Affect Consumer and/or Customer Demand for our Products and Lead to a Decline in Sales and/or Earnings” and “Our Orders from Wholesale Customers are Subject to Cancellation, Which Could Lead to a Decline in Sales or Gross Profit, Write-downs of Excess Inventory, Increased Discounts or Extended Credit Terms to our Wholesale Customers” for additional information). Our ability to accurately predict consumer and/or customer demand well in advance of the selling season for our products is impacted by these risks, as well as our reliance on manual processes and judgments that are subject to human error.

Our failure to accurately forecast consumer and/or customer demand could result in inventory levels in excess of demand, which may cause inventory write-downs and/or the sale of excess inventory at discounted prices through our owned outlet stores or third-party liquidation channels and could have a material adverse effect on our brand image and gross margin. In addition, we may experience additional costs relating to the storage of excess inventory.

Conversely, if we underestimate consumer and/or customer demand for our products or if our contract manufacturers are unable to supply products when we need them, we may experience inventory shortages, which may prevent us from fulfilling product orders, delay shipments of product, negatively affect our wholesale customer and consumer relationships, result in increased costs to expedite production and delivery, and diminish our ability to build brand loyalty.

***WE ARE SUBJECT TO VARIOUS RISKS IN OUR SUPPLY CHAIN.***

**Our Reliance on Contract Manufacturers, Including Our Ability to Enter into Purchase Order Commitments with Them and Maintain Quality Standards of Our Products and Standards of Manufacturing Processes at Contract Manufacturers, May Result in Lost Sales and Impact our Gross Margin and Results of Operations.**

Our products are manufactured by contract manufacturers worldwide, primarily in the Asia Pacific region. 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 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. 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, due to any number of reasons, including government issued orders that may have the effect of restricting or limiting production, we could experience supply disruptions that would hinder our ability to satisfy demand through our wholesale and DTC businesses, and we may miss delivery deadlines or incur additional costs, which may cause our customers to cancel their orders, refuse to accept deliveries or demand a reduction in purchase price.

Reliance on contract manufacturers also creates quality control risks. Contract manufacturers may need to use sub-contracted manufacturers to fulfill our orders, 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 subcontractors to meet our quality control standards, may result in diminished product quality, which in turn could result in increased order cancellations, price concessions, product returns, decreased consumer and customer demand for our products, non-compliance with our product standards or regulatory requirements, or product recalls or other regulatory actions.

We impose standards of manufacturing practices on our contract manufacturers for the benefit of workers and require compliance with our restricted substances list and product safety and other applicable laws, including environmental, health and safety and forced labor laws. We also require that our contract manufacturers impose these practices, standards and laws on their subcontractors. If a contract manufacturer or subcontractor violates labor or other laws or engages in practices that are not generally accepted as safe or ethical, 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 contract manufacturers' or subcontractors' labor and operational practices, which could have a material adverse effect on our brand image, results of operations and our financial condition.

**For Certain Materials We Depend on a Limited Number of Suppliers, Which May Cause Increased Costs or Production Delays.**

Some of the materials that are used in our products 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. As a result, from time to time, we may have difficulty satisfying our material requirements. Although we believe that we can identify and qualify additional contract manufacturers to produce or supply these materials or alternative 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.

**Our Success Depends on Our and Third-Party Distribution Facilities, and Other Third-Party Logistics Providers.**

Our ability to meet consumer and customer expectations, manage inventory, complete sales, and achieve our 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 products to and from our distribution facilities and facilities operated by third-parties. The majority 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. A small number of third-party logistics providers currently consolidate, deconsolidate and/or transload almost all of our products. While we believe that such a consolidation in these providers is in our best interest overall, any disruption in the operations of these providers or changes to the costs they charge, due to capacity or volatile fuel prices could materially impact our sales and profitability. A prolonged disruption in the operations of these providers could also require us to seek alternative distribution arrangements, which may not be on attractive terms and could lead to delays in distribution of products, either of which could have a significant and material adverse effect on our business, results of operations and financial condition. In addition, the inability of our third-party logistics providers to move products over large geographical distances in a timely manner due to disruptions or limitations at ports or borders or at third-party providers on which they rely (including air-cargo, ocean-cargo and trucking companies) could hinder our ability to satisfy demand through our wholesale and DTC businesses, and we may miss delivery deadlines or incur additional costs, which may cause our customers to cancel their orders, refuse to accept deliveries or demand a reduction in purchase price.

We receive our products from such third-party logistics providers at our owned distribution centers in the United States, Canada and France. The fixed costs associated with owning, operating and maintaining such 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. In addition, increases in distribution costs, including but not limited to trucking and freight costs, could adversely affect our costs.

We also receive and distribute our products through third-party logistics provider operated distribution facilities internationally and domestically. We depend on these third-party logistics providers to manage the operation of their distribution facilities as necessary to meet our business needs. If the third-party logistics providers fail to manage these responsibilities, our international and domestic distribution operations could face significant disruptions.

**OUR INVESTMENT IN STRATEGIC PRIORITIES EXPOSES US TO CERTAIN RISKS**

**We May Be Unable to Execute Our Strategic Priorities, Which Could Limit Our Ability to Invest in and Grow Our Business.**

Our strategic priorities are to drive brand awareness and sales growth through increased, focused demand creation investments, enhance consumer experience and digital capabilities in all of our channels and geographies, expand and improve global DTC operations with supporting processes and systems and invest in our people and optimize our organization across our portfolio of brands.

To implement our strategic priorities, we must continue to, among other things, modify and fund various aspects of our business, effectively prioritize our initiatives and execute effective change management. These efforts, coupled with a continuous focus on expense discipline, may place strain on internal resources, and we may have operating difficulties as a result.

Our strategic priorities also generally involve increased expenditures, which could cause our profitability or 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. This could result in a decision to delay, modify, or terminate certain initiatives related to our strategic priorities.

**Initiatives to Upgrade Our Business Processes and Information Technology Systems to Support Our Strategic Priorities Involve Many Risks Which Could Result in, Among Other Things, Business Interruptions, Higher Costs and Lost Profits.**

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 business processes and information technology systems to support the expansion and improvement of our DTC operations initiatives. Transitioning to these new or upgraded processes and systems requires significant capital investments and personnel resources. Implementation is also 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 and continued refinement 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 also experience difficulties in implementing or operating our new or upgraded business processes or information technology systems, including, but not limited to, ineffective or inefficient operations, significant system failures, system outages, delayed implementation and loss of system availability, which could lead to increased implementation and/or operational costs, loss or corruption of data, delayed shipments, excess inventory and interruptions of DTC operations resulting in lost sales and/or profits.

**We May Not Realize Returns on Our Fixed Cost Investments in Our DTC Business Operations.**

One of our strategic priorities is to expand and improve our global DTC business operations. Accordingly, we continue to make significant investments in our e-commerce platforms and brick and mortar retail locations, including the investment in our global retail platform, information technology system upgrades (See “Initiatives to Upgrade Our Business Processes and Information Technology Systems to Support Our Strategic Priorities Involve Many Risks Which Could Result in, Among Other Things, Business Interruptions, Higher Costs and Lost Profits”), and investing in inventory and personnel. Since many of the costs of our DTC operations are fixed, we may be unable to reduce expenses in order to avoid losses or negative cash flows if we have insufficient sales, including as a result of restrictions on operations. We may not be able to exit DTC brick and mortar locations and related leases, renegotiate the terms thereof, or effectively manage the profitability of our existing brick and mortar stores. In addition, obtaining real estate and effectively renewing real estate leases for our DTC brick and mortar operations is subject to the real estate market and we may not be able to secure adequate new locations or successfully renew leases for existing locations.

**WE ARE SUBJECT TO CERTAIN INFORMATION TECHNOLOGY RISKS**

**We Rely on Information Technology Systems, including Third-Party Cloud-based Solutions, and Any Failure of These Systems May Result in Disruptions or Outages in Our E-Commerce and In-Store Retail Platforms, Loss of Processing Capabilities, and/or Loss of Data, Any of Which May Have a Material Adverse Effect on Our Financial Condition, Results of Operations or Cash Flow.**

Our reputation and ability to attract, retain and serve consumers and customers is dependent upon the reliable performance of our underlying technical infrastructure and external service providers, including third-party cloud-based solutions. These systems are vulnerable to damage or interruption and we have experienced interruptions in the past. We rely on cloud-based solutions furnished by third-parties primarily to allocate resources, pay vendors, collect from customers, process transactions, develop demand and supply plans, manage product design, production, transportation, and distribution, forecast and report operating results, meet regulatory requirements and administer employee payroll and benefits, among other functions. In addition, our DTC operations, both in-store and online, rely on cloud-based solutions to process transactions. We have also designed a significant portion of our software and computer systems to utilize data processing and storage capabilities from third-party cloud solution providers. Both our on-premises and cloud-based infrastructure may be susceptible to outages due to any number of reasons, including, human error, fire, floods, power loss, telecommunications failures, terrorist attacks and similar events. Despite the implementation of security measures that we believe to be reasonable, both our on-premises and our cloud-based infrastructure may also be vulnerable to hacking, computer viruses, the installation of malware and similar disruptions either by third-parties or employees, which may result in outages. We do not have redundancy for all of our systems and our disaster recovery planning may not account for all eventualities. If we or our existing third-party cloud-based solution providers experience interruptions in service regularly or for a prolonged basis, or other similar issues, our business would be seriously harmed and, in some instances, our consumers and customers may not be able to purchase our products, which could significantly and negatively affect our sales. Additionally, our existing cloud-based solution providers have broad discretion to change and interpret their terms of service and other policies with respect to us, and they may take actions beyond our control that could harm our business. We also may not be able to control the quality of the systems and services we receive from our third-party cloud-based solution providers. Any transition of the cloud-based solutions currently provided to different cloud providers would be difficult to implement and will cause us to incur significant time and expense.

If we and/or our cloud-based solution providers are not successful in preventing outages and cyberattacks, our financial condition, results of operations and cash flow could be materially and adversely affected.

**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-party 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 customers, our employees, and our business partners, as well as credit card information in certain instances. 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. 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. 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. Any future breaches of our or our third-parties' systems 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.

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 in May 2018, and more recently, the California Consumer Privacy Act ("CCPA"), which went into effect in January 2020, required new processes be implemented to ensure compliance and now require the continued refinement of such processes as the regulations evolve, which is accomplished through significant efforts by our employees. The diverted attention of these employees may impact our operations and there may be additional costs incurred by us for third-party resources to advise on the constantly changing landscape. Additionally, violations of GDPR could result in significant penalties and non-compliance with CCPA may result in litigation from consumers or fines from the State of California.

**We Depend on Certain Legacy Information Technology Systems, Which May Inhibit Our Ability to Operate Efficiently.**

Our legacy product development, retail and other systems, on which we continue to manage a substantial portion of our business activities, rely on the availability of limited internal and external resources with the expertise to maintain the systems. In addition, our legacy systems, including aged systems in our Japanese and Korean businesses, may not support desired functionality for our operations and may inhibit our ability to operate efficiently. 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.

**WE ARE SUBJECT TO LEGAL AND REGULATORY RISKS**

**Our Success Depends on the Protection of Our Intellectual Property Rights.**

Our registered and common law trademarks, our patented or patent-pending designs and technologies, trade dress and the overall appearance and image of our products have significant value and are important to our ability to differentiate our products from those of our competitors.

As we strive to achieve product innovations, extend our brands into new product categories and expand the geographic scope of our marketing, 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. We may become subject to litigation based on allegations of infringement or other improper use of intellectual property rights of third-parties. In addition, failure to successfully obtain and maintain patents on innovations could negatively affect our ability to market and sell our products.

We regularly discover products that are counterfeit reproductions of our products or that otherwise infringe on our proprietary rights. Increased instances of counterfeit manufactured products 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.

Litigation is often necessary to defend against claims of infringement or to enforce and protect our intellectual property rights. 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.

**Certain of Our Products Are Subject to Product Regulations and/or Carry Warranties, Which May Cause an Increase Our Expenses in the Event of Non-Compliance and/or 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.

Our products are generally 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 and result in additional

expenses. 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.

**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 and our effective tax rate based on an analysis and interpretation of local tax laws and regulations and our financial projections. This analysis requires a significant amount of judgment and estimation and is often based on various assumptions about the future, which, in times of economic disruptions, are highly uncertain. 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.

On December 22, 2017, the United States 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 United States tax code. In addition, on March 27, 2020, the United States government enacted the U.S. Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). A change in interpretation of the applicable revisions to the United States 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 United States tax code, and state tax implications as a result of the TCJA and the CARES Act may cause actual amounts to differ from our provisional estimates.

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. In addition, recent efforts to reform how digital profits are taxed globally could have significant compliance and cost implications. As these changes are adopted by countries, tax uncertainty could increase and may adversely affect our provision for income taxes.

**WE OPERATE GLOBALLY AND ARE SUBJECT TO SIGNIFICANT RISKS IN MANY JURISDICTIONS**

**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, but are not limited to, the burden of complying with, and unexpected changes to, foreign and domestic laws and regulations, such as anti-corruption and forced labor 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 (such as those that may be caused by Brexit), managing a diverse and widespread workforce, political unrest, terrorist acts, military operations, disruptions or delays in shipments, disease outbreaks, such as the COVID-19 outbreak, natural disasters, and changes in economic conditions in countries in which we contract to manufacture, source raw materials or sell products. Our ability to sell products in certain markets, demand for our products in certain markets, our ability to collect accounts receivable, our contract manufacturers' ability to procure raw materials or manufacture products, distribution and logistics providers' ability to operate, our ability to operate brick and mortar stores, our workforce, and our cost of doing business (including the cost of freight and logistics) may be impacted by these events should they occur. Our exposure to these risks is heightened in Vietnam, where a significant portion of our contract manufacturing is located, in Russia, where our largest international distributor is located, and in China, where a large portion of the raw materials used in our products is sourced by our contract manufacturers. Should certain of these events occur in Vietnam, Russia or China (such as the COVID-19 outbreak), they could cause a substantial disruption to our business and have a material adverse effect on our financial condition, results of operations and cash flows.

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, including the punitive tariffs on U.S. products imported from China imposed in 2019. In addition, goods suspected of being manufactured with forced labor could be blocked from importation. The United Kingdom's June 2016 referendum, in which voters approved its exit from the European Union (commonly referred to as "Brexit"), has also created economic uncertainty relating to duties that may be imposed on our products and whether EU trade agreements allowing preferential duties will be honored. Any country in which our products are produced or sold may eliminate, adjust or impose new import and export limitations, duties, anti-dumping penalties, or other charges or restrictions, any of which could subject us to additional expense, decrease our profit margins on imported products and require us to significantly modify our current business practices.

**Fluctuations in Inflation and Currency Exchange Rates Could Result in Lower Revenues, Higher Costs and/or Decreased Margins and Earnings.**

We derive a significant portion of our sales from markets outside the United States, which consist of sales to wholesale customers and directly to consumers by our entities in Europe, Asia, and Canada and sales to independent international distributors who operate within EMEA and LAAP. The majority of our purchases of finished goods inventory from contract manufacturers are denominated in United States dollars, including purchases by our foreign entities. These purchase and sale transactions exposes us to the volatility of global economic

conditions, including fluctuations in inflation and foreign currency exchange rates. Our international revenues and expenses generally are derived from sales and operations in foreign currencies, and these revenues and expenses could be affected by currency fluctuations, specifically amounts recorded in foreign currencies and translated into United States dollars for consolidated financial reporting, as weakening of foreign currencies relative to the United States dollar adversely affects the United States dollar value of the Company's foreign currency-denominated sales and earnings.

Our exposure is increased with respect to our wholesale customers (including international distributors), where, in order to facilitate solicitation of advance orders 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 United States 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 United States dollar strengthens during the six to nine months between when we establish seasonal local-currency prices and when we purchase inventory. In addition to the direct currency exchange rate exposures described above, our wholesale business is indirectly exposed to currency exchange rate risks. Weakening of a wholesale customer's functional currency relative to the United States dollar makes it more expensive for it to purchase finished goods inventory from us, which may cause a wholesale customer to cancel orders or increase prices for our products, which may make our products less price-competitive in those markets. In addition, in order to make purchases and pay us on a timely basis, our international distributors must exchange sufficient quantities of their functional currency for United States dollars through the financial markets and may be limited in the amount of United States dollars they are able to obtain.

We employ several strategies in an effort to mitigate this transactional currency risk, but there is no assurance that these strategies 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, international 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.

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.

#### **WE ARE SUBJECT TO NUMEROUS OPERATIONAL RISKS**

##### **Our Ability to Manage Fixed Costs Across a Business That is Affected by Seasonality May Impact Our Profits.**

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, often a majority of our operating profits are generated in the second half of the year. If we are unable to manage our fixed costs in the seasons where we experience lower net sales, our profits may be adversely impacted.

##### **Labor Matters, Changes in Labor Laws and Other Labor Issues May Reduce Our Revenues and Earnings.**

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. Matters that may affect our workforce (including COVID-19 infections or the risk thereof) at contract manufacturers where our goods are produced, shipping ports, transportation carriers, retail stores, or distribution centers create risks for our business, particularly if these matters result in work shut-downs (with little to no notice), slowdowns, lockouts, strikes, limitations on the number of individuals able to work (e.g. social distancing) or other disruptions. Labor matters may have a material adverse effect on our business, potentially resulting in canceled orders by customers, inability to fulfill potential e-commerce demand, unanticipated inventory accumulation and reduced net sales and net income.

In addition, 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 people 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, parental responsibilities, health and other insurance costs and adoption of new or revised employment and labor laws and regulations, and fear of contracting COVID-19. If we are unable to locate, attract or retain qualified employees or experience higher than normal absenteeism, our ability to source, distribute and sell products in a timely and cost-effective manner may be negatively affected. Our ability to comply with labor laws, including our ability to adapt to rapidly changing labor laws, as well as provide a safe working environment may increase our risk of litigation and cause us to incur additional costs. Such risks are heightened during the COVID-19 pandemic since medical uncertainty about the virus increases the risk that safety protocols in our owned or affiliated facilities will not be effective or not be perceived as effective, or that any virus-related illnesses will be linked or alleged to be linked to such facilities, whether accurate or not.

**We May Incur Additional Expenses, Be Unable to Obtain Financing or Be Unable to Meet Financial Covenants in Current Financing Arrangements as a Result of Downturns in the Global Markets.**

Our vendors, wholesale customers, licensees 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 our wholesale 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. In addition, macroeconomic conditions, such as increased volatility or disruption in the credit markets, could adversely affect our ability to refinance existing debt.

Our restated credit agreement has various financial and other covenants. If an event of default were to occur, the lenders could, among other things, declare outstanding amounts due and payable and repossess collateral. In addition, if the financial markets were to return to recessionary conditions, the ability of one or more of the banks participating in our credit agreement to honor their commitments thereunder could be impaired.

**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.

**Extreme Weather Conditions and Natural Disasters Could Negatively Impact Our Operating Results and Financial Condition.**

Extreme weather conditions in the areas in which our retail stores, suppliers, consumers, customers, distribution centers, headquarters and vendors are located could adversely affect our operating results and financial condition. Moreover, natural disasters such as earthquakes, hurricanes and tsunamis, whether occurring in the United States or abroad, and their related consequences and effects, including energy shortages and public health issues, could disrupt our operations, the operations of our vendors and other suppliers or result in economic instability and changes in consumer spending that may negatively impact our operating results and financial condition.

**An Outbreak of Disease or Similar Public Health Threat, or Fear of Such an Event, Such as the COVID-19 Pandemic, Could Have, and in the Case of the COVID-19 Pandemic Has Had and is Expected to Continue to Have, a Material Adverse Impact on Our Business, Operating Results and Financial Condition.**

An outbreak of disease or similar public health threat, such as the COVID-19 pandemic, or fear of such an event, could have, and in the case of the COVID-19 pandemic has had and is expected to continue to have, a material adverse impact on our business, financial condition and operating results, including in the form of lower global net sales, the delay of inventory production and fulfillment, and incremental costs, such as, exceptional provisions for bad debt, severance and restructuring charges, and other related expenses (see Part I, Item 2 of this quarterly report for further discussion). Fear of contracting COVID-19, individuals contracting COVID-19 and the actions taken, and that may be taken, by governmental authorities, our third-party logistics providers, our landlords, our competitors or by us relating to the pandemic may (and in many cases, have):

- Restrict the operation of our retail store operations and our ability to meet consumer demand at our stores, including as a result of social distancing and other related COVID-19 containment measures (see "We May Not Realize Returns on Our Fixed Cost Investments in Our DTC Business Operations.");

- Lead to a decline in discretionary spending by consumers (see "We are Subject to a Number of Risks Which May Adversely Affect Consumer and/or Wholesale Customer Demand for Our Products and Lead to a Decline in Sales and/or Earnings");
- Increase reliance by the consumers on e-commerce platforms (see "We are Subject to a Number of Risks Which May Adversely Affect Consumer and/or Wholesale Customer Demand for Our Products and Lead to a Decline in Sales and/or Earnings" and "We Rely on Information Technology Systems, including Third-Party Cloud-based Solutions, and Any Failure of These Systems May Result in Disruptions or Outages in Our E-Commerce and In-Store Retail Platforms, Loss of Processing Capabilities, and/or Loss of Data, Any of Which May Have a Material Adverse Effect on Our Financial Condition, Results of Operations or Cash Flow");
- Result in canceled orders, non-payment for orders received and/or delayed payment for orders received (see "Our Orders from Wholesale Customers are Subject to Cancellation, Which Could Lead to a Decline in Sales or Gross Profit, Write-downs of Excess Inventory, Increased Discounts or Extended Credit Terms to Our Wholesale Customers");
- Impair the financial health of certain of our wholesale customers (see "We are Subject to a Number of Risks Which May Adversely Affect Consumer and/or Wholesale Customer Demand for Our Products and Lead to a Decline in Sales and/or Earnings");
- Result in a misalignment between demand and supply (see "Our Inability to Accurately Predict Consumer and/or Customer Demand for Our Products Could Lead to a Build-up of Inventory or a Lack of Inventory and Affect Our Gross Margin");
- Impact global economic conditions and cause an economic slowdown, possibly resulting in a global recession (see "We are Subject to a Number of Risks Which May Adversely Affect Consumer and/or Wholesale Customer Demand for Our Products and Lead to a Decline in Sales and/or Earnings" and "We May Incur Additional Expenses, Be Unable to Obtain Financing or Be Unable to Meet Financial Covenants in Current Financing Arrangements as a Result of Downturns in the Global Markets");
- Cause disruptions in the supply chain, including the timeliness of product deliveries and the ability to deliver product (see "Our Reliance on Contract Manufacturers, Including Our Ability to Enter Into Purchase Order Commitments with Them and Maintain Quality Standards of Our Products and Standards of Manufacturing Processes at Contract Manufacturers, May Result in Lost Sales and Impact Our Gross Margin and Results of Operations", "For Certain Materials We Depend on a Limited Number of Suppliers, Which May Cause Increased Costs or Production Delays" and "Our Success Depends on Our and Third-Party Distribution Facilities, and Other Third-Party Logistics Providers");
- Impact previous business assumptions (see "Acquisitions Are Subject to Many Risks", "We May Have Additional Tax Liabilities or Experience Increased Volatility in Our Effective Tax Rate" and "Our Inability to Accurately Predict Consumer and/or Customer Demand for Our Products Could Lead to a Build-up of Inventory or a Lack of Inventory and Affect Our Gross Margin");
- Cause the implementation of cost containment measures and reductions in capital expenditures, including those relating to strategic priorities (see "We May Be Unable to Execute Our Strategic Priorities, Which Could Limit our Ability to Invest in and Grow Our Business.");
- Increase the reliance of our employees on digital solutions (see "We Rely on Information Technology Systems, including Third-Party Cloud-based Solutions, and Any Failure of These Systems May Result in Disruptions or Outages in our E-Commerce and In-Store Retail Platforms, Loss of Processing Capabilities, and/or Loss of Data, Any of Which May Have a Material Adverse Effect on Our Financial Condition, Results of Operations or Cash Flow" and "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");
- Restrict global business and travel (see "Global Regulation and Economic and Political Conditions, as well as Potential Changes in Regulations, Legislation and Government Policy, May Negatively Affect Our Business");
- Cause currency rate fluctuations (see "Fluctuations in Inflation and Currency Exchange Rates Could Result in Lower Revenues, Higher Costs and/or Decreased Margins and Earnings");
- Impair our ability to ship product through our owned or affiliated distribution centers, including as a result of capacity reductions, shift changes, labor shortages, higher than normal absenteeism and/or the complete shut-downs of facilities for deep cleaning procedures (see "Labor Matters, Changes in Labor Laws and Other Labor Issues May Reduce Our Revenues and Earnings");
- Cause rapid changes to employment and tax law (see "Labor Matters, Changes in Labor Laws and Other Labor Issues May Reduce Our Revenues and Earnings", and "We May Have Additional Tax Liabilities or Experience Increased Volatility in Our Effective Tax Rate");
- Result in supply chain finance issues (see "We May Incur Additional Expenses, Be Unable to Obtain Financing or Be Unable to Meet Financial Covenants in Current Financing Arrangements as a Result of Downturns in the Global Markets");
- Restrict our ability to obtain financing (see "We May Incur Additional Expenses, Be Unable to Obtain Financing or Be Unable to Meet Financial Covenants in Current Financing Arrangements as a Result of Downturns in the Global Markets");
- Impair our key personnel (see "We Depend on Key Personnel");

- Result in incremental costs from the adoption of preventative measures, including providing facial coverings and hand sanitizer, rearranging operations to follow social distancing protocols, conducting temperature checks and undertaking regular and thorough disinfecting of surfaces; and/or
- Cause any number of other disruptions to our business, the risks of which may be otherwise identified herein.

In addition, the impact of COVID-19 may also exacerbate other risks discussed in this Item 1A, any of which could have a material effect on us. The COVID-19 pandemic is ongoing, and its dynamic nature, including uncertainties relating to the duration of the pandemic, the return of consumer confidence and actions that may be taken by governmental authorities, landlords, our competitors or by us to contain the pandemic or to treat its impact, makes it difficult to forecast the degree to, or the time period over, which our sales and operations will be affected.

**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 Depend on Key Personnel.**

Our future success will depend in part on our ability to attract, retain and develop key talent and to effectively manage succession. 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.

**We License our Proprietary Rights to Third-Parties and Could Suffer Reputational Damage to Our Brands if We Fail to Choose Appropriate Licensees.**

We currently license, and expect to continue licensing, certain of our proprietary rights, such as trademarks or copyrighted material, to third-parties. We rely on our licensees to help preserve the value of our brands. Although we attempt to protect our brands through approval rights, we cannot completely control the use of our licensed brands by our licensees. The misuse of a brand by or negative publicity involving a licensee could have a material adverse effect on that brand and on us.

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.

**RISKS RELATED TO OUR SECURITIES**

**Our Common Stock Price May Be Volatile.**

Our common stock is traded on the NASDAQ Global Select Market. The size of our public float and our average daily trading volume makes the price of our common stock susceptible to large degrees of fluctuation. 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.**

Five related shareholders, The Gertrude Boyle Trust, Sarah A. Bany, Timothy P. Boyle, Joseph P. Boyle, and Molly A. 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 A. Boyle can effectively control matters requiring shareholder approval without the cooperation of other shareholders.

**The Sale or Proposed Sale of a Substantial Number of Shares of Our Common Stock Could Cause the Market Price of Our Common Stock to Decline.**

Shares held by The Gertrude Boyle Trust, Sarah A. Bany, Timothy P. Boyle, Joseph P. Boyle, and Molly A. Boyle, 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.

We also may issue our capital stock or securities convertible into our capital stock from time to time in connection with a financing, acquisition, investments, or otherwise. Any such issuance could result in substantial dilution to our existing shareholders and cause the market price of our common stock to decline.

**Because We Do Not Intend to Pay Cash Dividends in the Near Term, Shareholders May Not Receive Any Return On Investment Unless They Are Able to Sell Their Common Stock for a Price Greater than Their Purchase Price.**

Our Board of Directors has suspended dividend payments. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon results of operations, financial condition, contractual restrictions, including those under our restated credit agreement, any potential future indebtedness we may incur, restrictions imposed by applicable law and other factors our Board of Directors deems relevant. Accordingly, if shareholders purchase shares of our common stock, realization of a gain on investment will depend on the appreciation of the 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	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
July 1, 2020 through July 31, 2020	—	\$ —	—	\$ 82.2
August 1, 2020 through August 31, 2020	—	—	—	\$ 82.2
September 1, 2020 through September 30, 2020	—	—	—	\$ 82.2
Total	—	\$ —	—	\$ 82.2

Since the inception of the Company's stock repurchase plan, our Board of Directors has authorized the repurchase of \$1.1 billion of our common stock. As of September 30, 2020, we had repurchased 26.8 million shares under this program at an aggregate purchase price of \$1,017.8 million, pursuant to a pre-established written plan. 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. In mid-March 2020, the Company suspended share repurchases due to the COVID-19 pandemic impacts.

**Item 6. EXHIBITS**

(a) Exhibits

3.1	<a href="#">Third Restated Articles of Incorporation (incorporated by reference to exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000) (File No. 000-23939).</a>
3.1(a)	<a href="#">Amendment to Third Restated Articles of Incorporation (incorporated by reference to exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002) (File No. 000-23939).</a>
3.1(b)	<a href="#">Second Amendment to Third Restated Articles of Incorporation (incorporated by reference to exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018) (File No. 000-23939).</a>
3.2	<a href="#">2000 Restated Bylaws of Columbia Sportswear Company, as amended (incorporated by reference to exhibit 3.2 to the Company's Form 8-K filed on March 26, 2019) (File No. 000-23939).</a>
+	10.1 <a href="#">Columbia Sportswear Company 401(k) Excess Plan, as amended.</a>
	31.1 <a href="#">Rule 13a-14(a) Certification of Timothy P. Boyle, Chairman, President and Chief Executive Officer.</a>
	31.2 <a href="#">Rule 13a-14(a) Certification of Jim A. Swanson, Executive Vice President and Chief Financial Officer.</a>
	32.1 <a href="#">Section 1350 Certification of Timothy P. Boyle, Chairman, President and Chief Executive Officer.</a>
	32.2 <a href="#">Section 1350 Certification of Jim A. Swanson, Executive Vice President and Chief Financial Officer.</a>
	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



**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.

November 5, 2020

**COLUMBIA SPORTSWEAR COMPANY**

/s/ JIM A. SWANSON

Jim A. Swanson

Executive Vice President and Chief Financial Officer

(Duly Authorized Officer and Principal Financial and Accounting Officer)

**AMENDED WORKING COPY OF  
COLUMBIA SPORTSWEAR COMPANY  
401(k) EXCESS PLAN**

As Amended by Amendments Nos. 1-10

Columbia Sportswear Company  
An Oregon Corporation  
14375 NW Science Park Drive  
Portland, OR 97229-5418

Columbia Sportswear Company (the Company) establishes this 401(k) Excess Plan (the Plan) for a select group of management or highly compensated employees. The Plan is intended to permit eligible employees to defer amounts in excess of the amounts that may be deferred under the Columbia Sportswear Company 401(k) Profit Sharing Plan (the Qualified Plan) and receive matching contributions on certain of those deferrals, if the Company, in its discretion, makes such contributions. The Plan is intended to be an unfunded, nonqualified Plan that complies with §409A of the Internal Revenue Code of 1986, as amended, (the Code) and related regulations and the related trust is intended to comply with the rules regarding grantor trusts.

**1. Relevant Dates; Adoption by Affiliates**

1.1 This Plan shall be effective April 1, 2008.

1.2 The Plan Year shall be the calendar year, except that the first Plan Year shall be a short year beginning on the effective date in 1.1 above and ending December 31, 2008.

1.3 The Company adopts this Plan for eligible employees of the Company or any affiliate, other than an affiliate excluded from the Plan by the Company.

1.3-1 “Affiliate” means a corporation, person or other entity that is a member, with an Employer, of a controlled group under §414(b) of the Code, a group of trades or businesses under common control under §414(c) of the Code, an affiliated service group under §414(m) of the Code or a group that is designated a controlled group pursuant to §414(o) of the Code.

1.3-2 “Employer” means the Company and any non-excluded affiliate.

1.4 Transfer of employment from one affiliate to another shall not cause a separation from service.

1.5 If an employee is employed by two or more affiliates at the same time, the following shall apply:

1.5-1 The employee may elect contributions out of compensation from each Employer but may not elect contributions out of compensation from an excluded affiliate.

1.5-2 The employee shall be eligible to receive matching contributions from each Employer based on elective contributions and compensation from each.

1.6 The Company shall establish the effective date of adoption of this Plan by non-excluded affiliates and any special provisions that are to be applicable only to employees of a particular affiliate. The Company may exclude an affiliate from this Plan at any time, regardless of whether the affiliate was previously a non-excluded affiliate.

## **2. Administration**

2.1 The Plan shall be administered by the Chief Human Resources Officer of the Company (the Administrator). The Administrator shall interpret the Plan, decide any questions about the rights of participants and their beneficiaries and in general administer the Plan; provided however, that the Claims Committee shall have the authority to interpret Sections 6.1 and 9 of the Plan and decide any questions about the rights of participants and their beneficiaries under Sections 6.1 and 9 of the Plan. Unless the Plan provides otherwise or the Administrator otherwise interprets the Plan, terms used in this Plan and also in the Qualified Plan shall have the same meaning. The 'Claims Committee' under this Plan shall consist of the Chief Human Resources Officer, one additional member of the 401(k) Committee and one member of the Compensation Committee of the Board of Directors.

2.2 The Administrator may delegate all or part of the administrative duties to one or more agents (the Agents). The Administrator and the Claims Committee may retain advisors for assistance. The Administrator and the Claims Committee may consult with and rely upon the advice of counsel, who may be counsel for an Employer. Any decision by the Administrator, the Claims Committee or the Agents within the decisionmaker's authority shall be final and bind all parties. The Administrator and the Claims Committee shall have absolute discretion to administer and interpret the Plan with respect to the portion of the Plan over which each has authority and carry out their duties pursuant to this Plan.

2.3 The Administrator shall be the plan administrator under federal laws and regulations applicable to plan administration and shall comply with such laws and regulations, except that the Claims Committee shall be the plan administrator under federal laws and regulations applicable to plan administration and shall comply with such laws and regulations for its responsibilities under Sections 6.1 and 9 of the Plan. The Administrator shall be the agent for service of process at the Company's address. Any person having an interest under this Plan may consult the Administrator at any reasonable time."

2.4 The Administrator may resign by giving ten days' written notice, or such shorter notice accepted by the Company. The Company shall fill any vacancy thus created as soon as practicable.

2.5 The Administrator or the Agents shall make available at least two investment vehicles for the Participants' Deferred Compensation Accounts. The investment of each Participant's Deferred Compensation Account will be governed by the election procedure in 4.6 below. Amounts deferred, and gains or losses on such amounts, shall be credited to each Participant's Deferred Compensation Account on dates determined by the Administrator or the Agents, but not less frequently than annually. The Administrator or Agents may permit Participants to designate different allocations for all prior deferred amounts and future deferrals.

### **3. Eligibility**

3.1 The Administrator shall designate the employees who may participate in the Plan for a Plan Year from among those employees of the Employers who are eligible for designation. In general, an employee shall not be eligible for a year unless the employee's base compensation for the year is expected to be at least \$225,000, as adjusted by the Administrator, determined as of the later of the preceding November 1 or the employee's date of hire by the Employer. Each employee the Administrator has designated for participation and each current or former employee with a Deferred Compensation Account shall be known as a Participant.

3.2 Participation shall begin on the later of the effective date of the Administrator's designation or the date the Administrator or the Agents give notice to the employee of his or her eligibility.

3.3 Participation in the Plan will be on a Plan-Year-by-Plan-Year basis, and participation for any Plan Year will not, of itself, entitle a Participant to participate for any other Plan Year. If a Participant ceases to be eligible to participate in the Plan but remains an employee of the Employer, the loss of eligibility shall not be treated as a separation from service and the Participant's Deferred Compensation Account shall be paid as specified in the Participant's Deferred Compensation Agreements, subject to Section 6.

### **4. Compensation Deferral**

4.1 Each employee designated for participation may elect to defer part of what would otherwise be Compensation for a Plan Year.

4.1-2 The minimum deferral is \$1,000. The maximum deferral is 70% of Compensation. Deferrals must be in multiples of \$100 or a stated percentage of Compensation.

4.1-3 "Compensation" for purposes of this Plan has the same meaning as the term "Earnings" in the Qualified Plan, except that (a) the limitation in Code §401(a)(17), currently set out in paragraph 1.1.33(c) of the Qualified Plan, on

Earnings counted shall not apply under this Plan; and (b) "Compensation" shall include any amounts deferred by an employee under this Plan pursuant to the employee's election in a Deferred Compensation Agreement. If the definition of Earnings in the Qualified Plan is modified, this Plan's definition of Compensation shall be modified to correspond, except to the extent this Plan explicitly provides otherwise.

4.1-4 A Participant may make a separate election for each of the elements comprising the Participant's Compensation. Deferrals from base salary shall be withheld in substantially equal amounts from the base salary otherwise payable for the Plan Year for which the deferral is made. Deferrals from bonuses or incentive payments and supplemental compensation shall be withheld from the bonus or incentive payment and supplemental payments otherwise payable for the Plan Year for which the deferral is made.

4.1-5 The election shall be made in a Deferred Compensation Agreement (Agreement) on a form acceptable to the Administrator or the Agents. Each Plan Year deferral will be covered by a separate Agreement.

4.2 Subject to 4.3 and the following rules, elections to defer shall be made by the date established by the Administrator or the Agents, which shall not be later than the December 31 prior to the beginning of the Plan Year in which the Compensation shall be earned.

4.2-1 For bonuses or incentive payments described in 4.2-2, the election shall be made no later than six months before the end of the performance period.

4.2-2 The rule contained in 4.2-1 shall apply only to payments contingent upon the satisfaction of preestablished organizational or individual performance criteria relating to a performance period of at least 12 consecutive months and only to a Participant who performed services for the Employer continuously from the later of the start of the incentive period or the date that Participant's performance criteria are established through the date of the election.

4.2-3 Subject to Section 6, any election shall be irrevocable with respect to that Plan Year. If no election is timely made, all Compensation shall be paid on a regular basis during the Plan Year.

4.2-4 For the first Plan Year, the election to defer shall be made by February 29, 2008, unless the Administrator or Agents set an earlier or later deadline, but not later than April 30, 2008.

4.3 An employee who becomes a Participant during a Plan Year may make an election to defer within 30 days of the date the employee becomes eligible pursuant to 3.2 above.

4.3-1 The Agreement must be completed and returned to the Administrator on or before such date as the Administrator or the Agents specify, and in any event before the first day of the period to which the election applies.

4.3-2 No election may be made with respect to bonuses or incentive payments for a year if the Participant becomes eligible after June 30 of the year.

4.4 Each year, the Employer may, in its discretion, credit to each Participant's Deferred Compensation Account a matching amount pursuant to the following rules.

4.4-1 A participant's matching credit, if any, for a year under this Plan shall be equal to the lesser of (a) or (b) below, *minus* the participant's share of the FICA tax due on the lesser of the amount determined in (a) or (b) below:

(a) The remainder of the following equation:

(1) 100% of the Participant's combined deferrals under this Plan (as defined in 4.4-5) and the Qualified Plan for the year, up to 4% of the Participant's Compensation under 4.1-3 for the year; *plus*

(2) 50% of the Participant's combined deferrals under this Plan (as defined in 4.4-5) and the Qualified Plan for the year that exceed 4% but do not exceed 6% of the Participant's Compensation under 4.1-3 for the year; *minus*

(3) The matching contribution the Participant would have been eligible to receive under the Qualified Plan for the year if the Participant had made the maximum permitted elective deferral to the Qualified Plan; or

(b) 100% of the Participant's deferrals for the year under this Plan (as defined in 4.4-5) alone. This includes, but is not limited to, the effect that a Participant who elects no deferrals to this Plan for a year will receive no matching credit for the year, regardless of the Participant's deferrals under the Qualified Plan.

4.4-2 The matching credit, if any, for a year shall be made only for Participants employed by an Employer on the last day of the Plan Year, unless the Participant's employment ended during the Plan Year due to the Participant's death or Total Disability or retirement at Normal Retirement Date under the Qualified Plan. Any matching credit shall be fully vested when made.

4.4-3 The matching credit shall be made in the time and form determined by the Administrator. In general, the credit shall be made at or after the end of the

Plan Year, regardless of whether matching contributions to the Qualified Plan are made during the Plan Year.

4.4-4 All of the percentages in 4.4-1(a)(1) and (2) shall be modified at the same time and to the same extent as those figures are modified in the Qualified Plan.

4.4-5 For purposes of 4.4-1, “deferrals under this Plan” for a year shall be the sum of compensation and bonus deferred under this Plan that would otherwise have been paid in the year. Thus, bonus deferral for a year for this purpose relates to the bonus earned during a *prior* year but that would, absent deferral under this Plan, have been payable during the year for which the matching credit is made.

4.5 The Administrator shall maintain a Deferred Compensation Account (the Account) for each Participant to hold the Participant’s cumulative deferrals and any Employer matching credits, plus or minus any investment gains and losses, and minus any Plan expenses and any payments made to the Participant in accordance with the provisions of Sections 5 and 6 of the Plan. Participants’ Accounts shall be held in a grantor trust established between the Company and a Trustee.

4.6 Participants shall select an investment vehicle for their Accounts with the initial Agreement and may change such selection effective the first day of each calendar quarter, or at such other times as the Administrator or the Agents permit, on advance written notice to the Administrator pursuant to procedures adopted by the Administrator or Agents. If no election is made, the Account shall remain in the same investment vehicle as the previous calendar quarter.

4.7 The Company may elect to pay any administrative fees or expenses and may allocate the cost among the Employers. Otherwise, the expenses and fees shall be deducted from Participants’ Accounts. Expenses related to the individual Account of a Participant or Beneficiary may be charged directly to that Account.

## **5. Payment from Accounts**

5.1 Subject to Sections 6 and 7, a Participant’s Payment Date shall be one of the following, as selected by the Participant pursuant to 5.3 below:

5.1-1 A date specified in the Agreement that is at least one year after the effective date of the Agreement but not later than the date the Participant would reach age 70. For example, a December 2008 election deferring compensation to be earned in 2009 could provide for payment on January 1, 2010.

5.1-2 The date that is six months after the date the Participant separates from service, for any reason, with the Company and Affiliates as defined in 1.3-1, regardless of whether the Participant serves as a director of the Company or an

Affiliate. For example, if a Participant were to elect in December 2008 to defer compensation to be earned in 2009 until six months after separation from service and then separates from service on May 1, 2010, the Payment Date under this Plan with respect to that deferral would be November 1, 2010.

5.1-3 The later of the date that is six months after the date the Participant separates from service with the Company and all Affiliates as defined in 1.3-1, regardless of whether the Participant continues to serve as a director of the Company or an Affiliate, or the date the Participant reaches an age up to 70 specified in the Agreement. For example, if, in the situation described in 5.1-2, the Participant had elected to defer until the later of six months after separation from service or attainment of age 65, and reached age 65 on April 1, 2015, the Payment Date under this Plan would be April 1, 2015.

5.2 A Participant's vested Account shall be paid in one of the following ways as selected by the Participant subject to 5.3 below:

5.2-1 In a lump sum within 30 days after the Payment Date under 5.1.

5.2-2 In a lump sum within 30 days after the January 1 following the Payment Date selected pursuant to 5.1 above.

5.2-3 In annual installments under 5.4 over a period of up to ten years, starting as soon as practicable after the January 1 following the Payment Date selected pursuant to 5.1 above.

5.3 Subject to Section 6 and the following rules, the Participant shall specify in the Agreement the Payment Date pursuant to 5.1 and the payment form pursuant to 5.2 above.

5.3-1 The selection shall be irrevocable for the portion of the Account covered by the Agreement.

5.3-2 If different selections are made in Agreements applicable to different Plan Years (or in an Agreement for a single Plan Year), the Account shall be appropriately divided for distribution, subject to 5.3-4.

5.3-3 If the vested balance of the Participant's Account is less than \$5,000, or to the extent any of the Account is not covered by a timely, complete election, payment of any such amount shall be made pursuant to 5.1-2 and 5.2-2.

5.3-4 No Participant may have more than ten different time-and-form-of-payment elections in effect at any time. For example, a five-year deferral with payment in a single sum is one payment election, a deferral to age 62 with payment in five-year installments is a second election and a deferral to age 65 with payment in five-year installments is a third election. Similarly, a deferral in



the first year of participation for five years with payment in a single sum is a separate election from a five-year deferral in the second year of participation with payment in a single sum; if the second-year deferral were for only four years with payment in a single sum, it would not be a time and form of payment different from the first year's election.

5.4 If the Participant elects payment in installments under 5.2-3, the payment term must be specified in the Agreement. The installment size shall be fixed on the Payment Date and on each later January 1 based on the distributable amount divided by the number of installments remaining. If the annual payment computed under the preceding sentence is less than \$5,000, the minimum annual payment shall be \$5,000, with a corresponding reduction in the number of annual installments. Installment payments shall be treated as a series of separate payments for purposes of 6.4 below.

5.5 The Employer shall withhold from any payments any income taxes or other amounts as required by law.

5.6 The Administrator or the Agents may in their discretion direct that payment be made in one or more of the following ways:

5.6-1 To a spouse, parent or child of legal age.

5.6-2 To one having actual custody of the person.

5.6-3 To a legal guardian or conservator.

5.6-4 To one furnishing maintenance, support or hospitalization.

## **6. Adjustment of Time and Form of Payment**

6.1 Participants may withdraw all or part of their Accounts because of Serious Financial Hardship, as determined by the Claims Committee. A payment due because of a separation from service may not be made less than six months after the date of separation from service, even upon a showing of Serious Financial Hardship.

6.1-1 "Serious Financial Hardship" means a Participant's immediate and heavy financial need that cannot be met from other reasonably available resources and is caused by one or more of the following:

(a) Accident or illness involving the Participant, or the Participant's spouse or dependent (as defined in §152 of the Code).

(b) Loss of the Participant's property due to casualty.

- (c) The need to pay uninsured medical expenses, including prescription drugs.
- (d) The need to pay the funeral expenses of a spouse or dependent (as defined in §152 of the Code).
- (e) Any other similar extraordinary and unforeseeable circumstances arising from events beyond the Participant's control, not including sending a child to college or purchasing a home.

6.1-2 The withdrawal shall be limited to the amount reasonably necessary to meet the Serious Financial Hardship.

6.1-3 If a Participant is determined by the Claims Committee to have a Serious Financial Hardship, the Claims Committee has the right to determine if the Serious Financial Hardship can be resolved by (a) cancellation of Participant's deferral election for the Plan Year only, or (b) cancellation of Participant's deferral election for the Plan Year and withdrawal of funds. Cancellation of Participant's deferral election for the Plan Year shall be canceled, effective with the pay period starting after the date the Claims Committee grants the hardship withdrawal application.

6.1-4 The Administrator or the Agents shall establish procedures for implementing withdrawals, which shall include requirements for a written application signed by the Participant and a statement of the facts causing the Serious Financial Hardship, as well as any other items required by the Claims Committee, the Administrator or the Agents.

6.1-5 The withdrawal date shall be fixed by the Administrator or the Agents, who may require a minimum advance notice and limit the amount, time and frequency of withdrawals.

6.2 On application from a Participant, the Administrator, or the Agents, in their sole discretion, may defer the Payment Date or extend the term of payment for amounts not already payable, subject to the following rules:

6.2-1 The application may request deferral or extension with respect to any or all of the time-and-form-of-payment elections in effect for the Participant. Only two such applications may be granted for any Participant, regardless of whether the application previously granted applied to fewer than all of the Participant's time-and-form-of-payment elections. The application shall include the reason the deferral or extension is requested, the changed circumstances underlying the application and any other information or documents required by the Administrator or the Agents. The Administrator or Agents may, in their

discretion, approve a deferred date for payment that would be later than would be permitted for an initial Payment Date pursuant to 5.1 above.

6.2-2 Neither the Administrator nor the Agents shall grant an application to change a Payment Date selected pursuant to 5.1-1 or one or more of the dates on which installment payments are scheduled to be made pursuant to 5.2-3 unless the application is made at least 12 months before each date on which a payment is scheduled. For example, a Participant who elected to defer a portion of salary until January 1, 2011, to be paid in a lump sum at that time, would have to apply before January 1, 2010 to be eligible to change that Payment Date and, pursuant to 6.2-4, the revised Payment Date could not be earlier than January 1, 2016.

6.2-3 An application to change a Payment Date selected pursuant to 5.1-2 or 5.1-3 or the date of an installment payment pursuant to 5.2-3 shall not apply to any amount that would be payable during the 12 months after the date the Administrator or the Agents receive the application. For example, if a Participant who elected to defer a portion of salary for payment in five annual installments starting on January 1 following the date that is six months after the date of separation from service were to apply in May 2011 to defer the start of the five annual installments until the January following the fifth anniversary of separation from service and then separate from service in June 2011, the application would not apply to the payment due January 1, 2012 (because that is less than 12 months after the date of the application), but could defer one or more of the next four payments, as designated in the application, subject to the five-year rule in 6.2-4.

6.2-4 An application shall not be granted to the extent it defers the Payment Date less than five years. For example, in 6.2-3, the Participant would either have to defer each installment whose scheduled payment changes for at least five years from its originally scheduled payment date (so the second installment payment, originally scheduled for January 1, 2013, would have to be deferred at least until January 1, 2018 and the third installment payment, if deferred, could not be paid earlier than January 1, 2019, at least five years after its originally scheduled date of January 1, 2014). Alternately, if the Participant wanted a lump sum, it would have to be paid at least five years from the *last* scheduled installment payment date (so at least to January 1, 2021, five years after the last installment payment, which would have been due January 1, 2016).

## **7. Effect of Death**

7.1 If the Participant dies, any portion of the Account for which the Payment Date had not been reached before death shall be paid to the Participant's Beneficiary, determined pursuant to 7.3, beginning as soon as practicable after the Participant's death, as follows:

7.1-1 If the amount payable to a Beneficiary is less than \$5,000, such amount shall be paid in a lump sum.

7.1-2 If 7.1-1 does not apply, payment shall be made in five substantially equal annual installments, unless a Beneficiary requests acceleration under Section 6. The first installment shall be paid as soon as practicable after the Participant's death and the second installment shall be paid in January of the year following the year of death; subsequent installments shall be paid as near as practicable to the anniversary of the second installment. If the annual payment computed under the preceding sentence is less than \$5,000, the minimum annual payment shall be \$5,000, with a corresponding reduction in the number of annual installments.

7.2 If the Participant dies, any portion of the Account for which the Payment Date had been reached before death shall continue to be paid under the payment schedule in effect at death, unless a Beneficiary requests withdrawal pursuant to 6.1.

7.3 "Beneficiary" means the person or persons or other entity or entities that have been designated by the Participant to receive, after the Participant's death, benefits under the Plan in accordance with the terms of the Plan.

7.3-1 The designation by the Participant must be on forms prescribed by the Administrator or the Agents and filed with the Administrator or Agents. Beneficiary designations may be revoked or changed by filing a new Beneficiary designation with the Administrator or Agents.

7.3-2 If more than one designated Beneficiary survives the Participant, payments shall be made equally to the surviving designated Beneficiaries, unless otherwise provided in the Beneficiary designation. Participants may designate primary and secondary Beneficiaries and Beneficiaries by right of representation.

7.3-3 If the Participant was married when the designation was made and is not married to the same spouse at death, the designation shall be void if the spouse was named as Beneficiary but the designation shall remain valid if a nonspouse Beneficiary was named.

7.3-4 Should the Participant fail to designate a Beneficiary, or should the designated Beneficiary fail to survive the Participant, the Participant's Account shall be paid to the Participant's estate.

7.3-5 Unless a proper beneficiary designation explicitly states otherwise, the designation shall apply to the Participant's entire Account.

## **8. Nature of the Employers' Obligations**

8.1 This Plan is intended to be and shall be construed as an unfunded plan. The benefits provided under this Plan shall be a general, unsecured obligation of each Employer

with respect to the Participants employed by that Employer, regardless of the existence of the grantor trust. Neither the Participant nor the Participant's Beneficiaries or estate shall have any interest in any assets of an Employer by virtue of this Plan.

8.2 The Employers shall set aside assets in a grantor trust to offset their obligations to pay benefits pursuant to this Plan, but any funds set aside shall remain subject to the general creditors of the Employers, as provided in the trust agreement.

## **9. Claims Procedure**

9.1 Any person claiming a benefit or requesting an interpretation, a ruling or information under this Plan shall present the request in writing to the Claims Committee, who shall respond in writing as soon as practicable.

9.2 If the claim or request is denied, the written notice of denial shall state:

9.2-1 The reasons for denial, with specific reference to the Plan provisions on which the denial is based.

9.2-2 A description of any additional material or information required and an explanation of why it is necessary.

9.2-3 An explanation of this claim review procedure, including a statement of the right to sue, after exhausting this claims procedure.

9.3 Any person whose claim or request is denied or who has not received a response within 60 days may request review by notice in writing to the Administrator. The original decision shall be reviewed by the Administrator, who may, but shall not be required to, grant the claimant a hearing. On review, whether or not there is a hearing, the claimant may have representation, examine and obtain copies of relevant documents and submit issues and comments in writing.

9.4 The decision on review shall take into account all comments, documents and other information submitted by the claimant relating to the claim and shall normally be made within 60 days. If an extension of time is required for a hearing or other special circumstances, the claimant shall be so notified of the special circumstances and the time limit shall be 120 days. The decision shall be in writing and shall state the reasons and the relevant provisions and offer reasonable access to documents and other information relevant to the claim. All decisions on review shall be final and bind all parties concerned.

## **10. Miscellaneous Provisions**

10.1 This Plan may be amended from time to time or terminated by a written document signed the Chief Executive Officer of the Company, but no such amendment or termination may accelerate the time of payment of benefits to Participants beyond what the Code

permits, except that if the Internal Revenue Service issues a final ruling that any amounts held under this Plan will be subject to current income tax, the Administrator may direct payment as soon as practicable to the affected Participants of the amounts to which the ruling applies.

10.2 The Chief Executive Officer of the Company may terminate further deferrals under the Plan for any reason with respect to deferrals for months beginning after the date of termination of the Plan. In the event of such cessation of deferrals, all other rights and obligations shall continue until all Deferred Compensation Accounts have been paid to all Participants under the terms of the Plan.

10.3 This Plan shall inure to the benefit of and be binding on the Employers and their successors and assigns and any corporation into which an Employer is merged or consolidated, and the Participants and their successors, heirs and legal representatives.

10.4 If a Participant terminates employment for any reason during a Plan Year for which Compensation is to be deferred, the actual deferral specified in the Participant's Agreement for the Plan Year shall be adjusted to equal the actual amounts deferred pursuant to the Agreement before such termination.

10.5 Subject to 5.6 above and the following rules, no interest provided pursuant to the Plan may be assigned, transferred, pledged, sold, conveyed, or otherwise alienated or encumbered in any way by any Participant or Beneficiary, and no such interest shall be subject to execution, attachment or similar process.

10.5-1 Any attempted sale, conveyance, assignment, pledge or encumbrance of any interest provided pursuant to the Plan, or the levy or any attachment or similar process, shall be null and void and without effect.

10.5-2 Benefits may be paid in accordance with a qualified domestic relations order (QDRO) as defined in §414(p) of the Code pursuant to procedures established by the Administrator. Benefits may be paid to an alternate payee pursuant to a QDRO before payment to the Participant would be permitted.

10.6 Except as otherwise required or permitted by this Plan or applicable law, any notice or direction under this Plan shall be in writing and effective when actually delivered or, if mailed, when deposited postpaid as first-class mail. Mail shall be directed to the address stated in this Plan or to such other address as a party specifies by notice to the other parties.

10.7 Following termination of employment, a Participant shall not be an employee of an Employer for any purpose and the payments pursuant to Sections 5, 6 or 7 shall not constitute salary or wages. A Participant shall receive such payments as retirement benefits, not as compensation for performance of any substantial services.

10.8 The Plan shall be governed by, and interpreted and enforced in accordance with, the laws of the State of Oregon, except as preempted by federal law.

Original Plan Executed as Follows: COLUMBIA SPORTSWEAR COMPANY

By s/T. Boyle

Executed: December 31, 2007

Amendment No. 1 Executed as Follows: COLUMBIA SPORTSWEAR COMPANY

By s/T. Boyle

Executed: April 18, 2011

Amendment No. 2 Executed as Follows: COLUMBIA SPORTSWEAR COMPANY

By s/T. Boyle

Executed: August 28, 2013

Amendment No. 3 Executed as Follows: COLUMBIA SPORTSWEAR COMPANY

By s/T. Boyle

Executed: April 10, 2015

Amendment No. 4 Executed as Follows: COLUMBIA SPORTSWEAR COMPANY

By s/T. Boyle

Executed: November 4, 2015

Amendment No. 5 Executed as Follows: COLUMBIA SPORTSWEAR COMPANY

By s/T. Boyle

Executed: May 4, 2017

Amendment No. 6 Executed as Follows: COLUMBIA SPORTSWEAR COMPANY

By s/T. Boyle

Executed: July 7, 2017

Amendment No. 7 Executed as Follows: COLUMBIA SPORTSWEAR COMPANY

By s/T. Boyle

Executed: October 25, 2018

Amendment No. 8 Executed as Follows: COLUMBIA SPORTSWEAR COMPANY

By s/T. Boyle

Executed: December 31, 2018

Amendment No. 9 Executed as Follows: COLUMBIA SPORTSWEAR COMPANY

By s/T. Boyle

Executed: June 5, 2020

Amendment No. 10 Executed as Follows: COLUMBIA SPORTSWEAR COMPANY

By s/T. Boyle

Executed: October 8, 2020





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## 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 5, 2020

/s/TIMOTHY P. BOYLE

Timothy P. Boyle

Chairman, President and Chief Executive Officer

(Principal Executive Officer)

## CERTIFICATION

I, Jim A. Swanson, certify that:

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

Date: November 5, 2020

/s/ JIM A. SWANSON

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Jim A. Swanson  
Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

**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, 2020, 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 5, 2020

/s/TIMOTHY P. BOYLE

Timothy P. Boyle

Chairman, President and Chief Executive Officer

(Principal Executive Officer)

**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, 2020, 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 5, 2020

/s/ JIM A. SWANSON

Jim A. Swanson

Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)