

COLUMBIA SPORTSWEAR CO
Form 10-Q
August 07, 2007
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2007

OR

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

For the transition period from _____ to _____

COLUMBIA SPORTSWEAR COMPANY

(Exact name of registrant as specified in its charter)

Oregon
(State or other jurisdiction of
incorporation or organization)

0-23939
(Commission File Number)

93-0498284
(IRS Employer
Identification Number)

14375 Northwest Science Park Drive
(Address of principal executive offices)

Portland, Oregon
(503) 985-4000

97229
(Zip Code)

(Registrant's telephone number, including area code)

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

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Title of each class	Name of each exchange on which registered
Common Stock	The NASDAQ Stock Market
Securities registered pursuant to Section 12(g) of the Act: None	

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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 August 1, 2007 was 36,104,936.

Table of Contents

COLUMBIA SPORTSWEAR COMPANY

JUNE 30, 2007

INDEX TO FORM 10-Q

	PAGE NO.
PART I. FINANCIAL INFORMATION	
<u>Item 1 Financial Statements – Columbia Sportswear Company (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets</u>	2
<u>Condensed Consolidated Statements of Operations</u>	3
<u>Condensed Consolidated Statements of Cash Flows</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5
<u>Item 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	24
<u>Item 4 Controls and Procedures</u>	24
PART II. OTHER INFORMATION	
<u>Item 1A Risk Factors</u>	25
<u>Item 2 Unregistered Sales of Securities and Use of Proceeds</u>	29
<u>Item 4 Submissions of Matters to Vote of Security Holders</u>	29
<u>Item 6 Exhibits</u>	30
<u>Signature</u>	31

Table of Contents**Item 1 FINANCIAL STATEMENTS**

COLUMBIA SPORTSWEAR COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 107,948	\$ 64,880
Short-term investments	156,547	155,170
Accounts receivable, net of allowance of \$5,721 and \$6,732, respectively	184,204	285,858
Inventories, net (Note 2)	309,722	212,323
Deferred income taxes	28,163	26,740
Prepaid expenses and other current assets	14,657	12,713
Total current assets	801,241	757,684
Property, plant, and equipment, net of accumulated depreciation of \$150,217 and \$145,569, respectively	200,021	199,426
Intangibles and other assets (Note 3)	52,963	52,681
Goodwill (Note 3)	17,273	17,498
Total assets	\$ 1,071,498	\$ 1,027,289
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Notes payable	\$	\$ 3,540
Accounts payable	120,383	88,107
Accrued liabilities	53,663	64,379
Income taxes payable		31,523
Deferred income taxes	1,009	948
Current portion of long-term debt	146	159
Total current liabilities	175,201	188,656
Deferred income taxes	8,786	7,794
Other liabilities (Note 9)	21,893	136
Total liabilities	205,880	196,586
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock; 10,000 shares authorized; none issued and outstanding		
Common stock (no par value); 125,000 shares authorized; 36,101 and 35,998 issued and outstanding	27,128	24,370
Retained earnings	797,932	771,939
Accumulated other comprehensive income (Note 4)	40,558	34,394
Total shareholders' equity	865,618	830,703

Total liabilities and shareholders' equity	\$ 1,071,498	\$ 1,027,289
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See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Net sales	\$ 218,560	\$ 211,553	\$ 508,200	\$ 471,764
Cost of sales	127,985	130,129	290,927	278,703
Gross profit	90,575	81,424	217,273	193,061
Selling, general, and administrative expense	79,222	77,080	169,583	161,899
Net licensing income	(1,054)	(1,119)	(2,050)	(2,124)
Income from operations	12,407	5,463	49,740	33,286
Interest income	(2,816)	(2,054)	(5,060)	(4,192)
Interest expense	17	139	69	379
Income before income tax	15,206	7,378	54,731	37,099
Income tax expense	5,169	2,545	18,608	12,799
Net income	\$ 10,037	\$ 4,833	\$ 36,123	\$ 24,300
Earnings per share (Note 5):				
Basic	\$ 0.28	\$ 0.13	\$ 1.00	\$ 0.66
Diluted	0.27	0.13	0.99	0.65
Cash dividends per share:	\$ 0.14	\$	\$ 0.28	\$
Weighted average shares outstanding :				
Basic	36,179	36,555	36,180	36,712
Diluted	36,548	36,965	36,552	37,134

See accompanying notes to condensed consolidated financial statements.

Table of Contents**COLUMBIA SPORTSWEAR COMPANY****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Six Months Ended June 30,	
	2007	2006
Cash Provided By (Used In) Operating Activities:		
Net income	\$ 36,123	\$ 24,300
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	14,398	11,883
Loss on disposal of property, plant, and equipment	165	215
Deferred income tax benefit	(266)	(1,708)
Stock-based compensation	3,696	6,403
Tax benefit from employee stock plans	2,822	2,010
Excess tax benefit from employee stock plans	(1,602)	(787)
Changes in operating assets and liabilities:		
Accounts receivable	105,418	127,565
Inventories	(95,475)	(75,714)
Prepaid expenses and other current assets	(1,837)	(3,322)
Other assets	538	149
Accounts payable	28,533	24,808
Accrued liabilities	(11,467)	(6,897)
Income taxes payable	(9,577)	(10,471)
Net cash provided by operating activities	71,469	98,434
Cash Provided by (Used in) Investing Activities:		
Purchases of short-term investments	(211,654)	(177,925)
Sales of short-term investments	210,270	210,875
Capital expenditures	(13,250)	(37,163)
Acquisitions, net of cash acquired		(35,377)
Proceeds from sale of licenses		1,700
Proceeds from sale of property, plant, and equipment	23	9
Other liabilities	(45)	(52)
Net cash used in investing activities	(14,656)	(37,933)
Cash Provided by (Used in) Financing Activities:		
Proceeds from notes payable	14,148	6,672
Repayments on notes payable	(17,773)	(53,345)
Repayment of long-term debt	(11)	(2,560)
Proceeds from issuance of common stock	13,673	9,192
Excess tax benefit from employee stock plans	1,602	787
Cash dividends paid	(10,130)	
Repurchase of common stock	(17,433)	(75,489)
Net cash used in financing activities	(15,924)	(114,743)
Net Effect of Exchange Rate Changes on Cash	2,179	777

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Net Increase (Decrease) in Cash and Cash Equivalents	43,068	(53,465)
Cash and Cash Equivalents, Beginning of Period	64,880	101,091
Cash and Cash Equivalents, End of Period	\$ 107,948	\$ 47,626

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period for interest, net of capitalized interest	\$ 66	\$ 394
Cash paid during the period for income taxes	28,166	22,915

Supplemental Disclosures of Non-Cash Financing Activities:

Assumption of Montrail debt	\$	\$ 5,833
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See accompanying notes to condensed consolidated financial statements.

Table of Contents

COLUMBIA SPORTSWEAR COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

The accompanying unaudited condensed consolidated financial statements have been prepared by the management of Columbia Sportswear Company (the Company) and in the opinion of management contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position as of June 30, 2007, the results of operations for the three and six months ended June 30, 2007 and 2006 and cash flows for the six months ended June 30, 2007 and 2006. The results of operations for the three and six months ended June 30, 2007 are not necessarily indicative of the results to be expected for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The Company, however, believes that the disclosures contained in this report comply with the requirements of Section 13(a) of the Securities Exchange Act of 1934 for a Quarterly Report on Form 10-Q and are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Reclassifications:

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

Use of estimates:

The preparation of condensed consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ materially from these estimates and assumptions. Some of these more significant estimates relate to revenue recognition, allowance for doubtful accounts, inventory, product warranty, and income taxes.

Concentration of credit risk:

The Company had one customer that accounted for approximately 10.8% of accounts receivable outstanding at December 31, 2006. No single customer accounted for greater than or equal to 10 percent of accounts receivable or revenues at June 30, 2007.

Cash and cash equivalents:

Cash and cash equivalents are stated at cost and include investments with maturities of three months or less at the date of acquisition. Cash and cash equivalents were \$107,948,000 and \$64,880,000 at June 30, 2007 and December 31, 2006, respectively, primarily consisting of money market funds and certificates of deposit.

Short-term investments:

Short-term investments consist of variable rate demand notes and obligations and municipal auction rate notes that generally mature up to 30 years from the purchase date. Investments with maturities beyond one year may be classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. All cash and short-term investments are classified as available-for-sale securities and are recorded at fair value with any unrealized gains and losses reported, net of tax, in other comprehensive income. Realized gains or losses are determined based on the specific identification method. The Company has no investments considered to be trading securities. The carrying value of available-for-sale securities approximates fair market value due to their

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short-term interest rate reset periods. At June 30, 2007, short-term investments included \$11,465,000 of variable rate demand notes and obligations and municipal auction rate notes that had been redeemed as of a trade date on or before June 30, 2007, but continued to accrue interest until cash settled on a date after June 30, 2007. At December 31, 2006, short-term investments included \$20,000,000 of variable rate demand notes and obligations and municipal auction rate notes that had been redeemed as of a trade date on or before December 31, 2006, but continued to accrue interest until cash settled on a date after December 31, 2006.

Table of Contents**COLUMBIA SPORTSWEAR COMPANY****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****Stock-based compensation:****1997 Stock Incentive Plan**

The Company's 1997 Stock Incentive Plan (the Plan) provides for issuance of up to 7,400,000 shares of the Company's Common Stock, of which 1,286,327 shares were available for future grants under the Plan at June 30, 2007. The Plan allows for grants of incentive stock options, non-statutory stock options, restricted stock awards, restricted stock units and other stock-based awards. The Company uses original issuance shares to satisfy share-based payments.

Stock Options

Options to purchase the Company's common stock are granted at prices equal to or greater than the fair market value on the date of grant. Options granted prior to 2001 generally vest and become exercisable ratably over a period of five years from the date of grant and expire ten years from the date of grant. Options granted after 2000 generally vest and become exercisable over a period of four years (25 percent on the first anniversary date following the date of grant and monthly thereafter) and expire ten years from the date of the grant, with the exception of most options granted in 2005. Most options granted in 2005 vest one year from the date of grant and expire ten years from the date of grant.

The Company estimates the fair value of stock options using the Black-Scholes model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, the expected option term, the expected volatility of the Company's stock over the option's expected term, the risk-free interest rate over the option's expected term, and the Company's expected annual dividend yield. Assumptions are evaluated and revised as necessary to reflect changes in market conditions and the Company's experience. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by people who receive equity awards.

The following table shows the weighted average assumptions for the three and six months ended June 30, 2007 and 2006:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Expected term	5.64 years	5.82 years	5.07 years	6.0 years
Expected stock price volatility	32.97%	38.49%	29.10%	39.40%
Risk-free interest rate	4.68%	5.06%	4.59%	4.90%
Expected dividend yield ⁽¹⁾	1%	0%	1%	0%
Estimated average fair value per option granted	\$23.36	\$22.48	\$19.16	\$22.88

⁽¹⁾ On November 30, 2006, the Company began paying a quarterly cash dividend.

The following table summarizes stock option activity for the six months ended June 30, 2007:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 31, 2006	1,579,150	\$ 41.93	6.78	\$ 21,761

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Granted	254,942	61.97		
Cancelled	(27,194)	51.71		
Exercised	(368,624)	37.09		
Options outstanding at June 30, 2007	1,438,274	\$ 46.54	7.08	\$ 31,852
Options vested and expected to vest at June 30, 2007	1,368,391	\$ 46.10	6.98	\$ 30,899
Options exercisable at June 30, 2007	894,921	\$ 41.18	5.94	\$ 24,611

Table of Contents**COLUMBIA SPORTSWEAR COMPANY****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

The aggregate intrinsic value in the table above represents pre-tax intrinsic value that would have been realized if all options had been exercised on the last business day of the period indicated, based on the Company's closing stock price on that day. Total stock option compensation expense for the six months ended June 30, 2007 and 2006 was \$2,398,000 and \$6,254,000, respectively. At June 30, 2007 and 2006, unrecognized costs related to stock options totaled approximately \$8,887,000 and \$9,222,000, respectively, before any related tax benefit. The unrecognized costs related to stock options are being amortized over the related vesting period using the straight-line attribution method. Unrecognized costs related to stock options at June 30, 2007 are expected to be recognized over a weighted average period of 2.82 years.

Restricted Stock Units

Service-based restricted stock units are granted at no cost to key employees and generally vest over three years from the date of grant. Performance-based restricted stock units are granted at no cost to certain members of the Company's senior executive team, excluding the Chairman and the President and Chief Executive Officer and generally vest over a performance period of between two and one-half and three years with an additional required service period of one year.

Restricted stock units vest in accordance with the terms and conditions established by the Compensation Committee of the Board of Directors, and are based on continued service and, in some instances, on individual performance and/or Company performance.

Prior to 2007, the fair value of service-based and performance-based restricted stock units was determined based on the number of units granted and the closing price of the Company's common stock on the date of grant. Effective January 1, 2007, the fair value of service-based and performance-based restricted stock units is discounted by the present value of the future stream of dividends over the vesting period using the Black-Scholes model. The relevant assumptions used in the Black-Scholes model to compute the discount are the vesting period, dividend yield and closing price of the Company's common stock on the date of grant. This change in valuation method is the result of the Company's initiation of a quarterly cash dividend in the fourth quarter of 2006.

The following table presents the weighted average assumptions for the three and six months ended June 30, 2007:

	Three Months Ended June 30, 2007	Six Months Ended June 30, 2007
Vesting period	2.73 years	3.11 years
Expected dividend yield ⁽¹⁾	1%	1%
Estimated average fair value per restricted stock unit granted	\$64.09	\$60.61

⁽¹⁾ On November 30, 2006, the Company began paying a quarterly cash dividend.

The following table summarizes the restricted stock unit activity for the six months ended June 30, 2007:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Restricted stock units outstanding at December 31, 2006	99,688	\$ 49.06
Granted	95,540	60.61
Vested	(8,619)	52.06
Forfeited	(10,204)	53.16

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Restricted stock units outstanding at June 30, 2007	176,405	\$	54.93
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Restricted stock unit compensation expense for the six months ended June 30, 2007 and 2006 was \$1,298,000 and \$149,000, respectively. At June 30, 2007 and 2006, unrecognized costs related to restricted stock units totaled approximately \$7,490,000 and \$1,541,000, respectively, before any related tax benefit. The unrecognized costs related to restricted stock units are being amortized over the related vesting period using the straight-line attribution method. These unrecognized costs at June 30, 2007 are expected to be recognized over a weighted average period of 2.47 years. The total fair value of restricted stock units vested during the six months ended June 30, 2007 was \$703,000. No restricted stock units vested in the six months ended June 30, 2006.

Table of Contents**COLUMBIA SPORTSWEAR COMPANY****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****Product warranty:**

On certain products, the Company provides a limited warranty covering defects in material and workmanship. A reserve is established at the time of sale to cover estimated warranty costs based on the Company's history of warranty repairs and replacements. A summary of accrued warranties and related activity for the three and six months ended June 30, 2007 and 2006 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Balance at beginning of period	\$ 11,270	\$ 10,003	\$ 11,162	\$ 9,907
Charged to costs and expenses	537	1,083	1,508	2,319
Claims settled	(611)	(686)	(1,474)	(1,826)
Balance at end of period	\$ 11,196	\$ 10,400	\$ 11,196	\$ 10,400

Recent Accounting Pronouncements:

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of FASB Statement No. 115*. This standard permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of this statement to have a material effect on its consolidated financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)*. SFAS No. 158 requires a company to recognize an asset for a defined benefit pension or postretirement plan's overfunded status or a liability for a plan's underfunded status in its statement of financial position, and to recognize changes in that funded status through other comprehensive income in the year in which the changes occur. SFAS No. 158 will not change the amount of net periodic benefit expense recognized in an entity's results of operations. SFAS No. 158 is effective for fiscal years ending after December 15, 2006. The adoption of this statement did not have a material effect on the Company's financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 establishes a framework for measuring the fair value of assets and liabilities. This framework is intended to increase consistency in how fair value determinations are made under various existing accounting standards that permit, or in some cases require, estimates of fair market value. SFAS No. 157 also expands financial statement disclosure requirements about a company's use of fair value measurements, including the effect of such measures on earnings. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not expect the adoption of this statement to have a material effect on its consolidated financial position, results of operations or cash flows.

In September 2006, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108). The intent of SAB 108 is to reduce diversity in practice for the method companies use to quantify financial statement misstatements, including the effect of prior year uncorrected errors. SAB 108 establishes an approach that requires quantification of financial statement errors using both an income statement and a cumulative balance sheet approach. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of this statement did not have a material effect on the Company's financial position, results of operations or cash flows.

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In July 2006, the FASB issued Financial Accounting Standards Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109*. FIN 48 creates a single model to address accounting for uncertainty in tax positions and clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The cumulative effect, if any, of adopting FIN 48 is recorded in retained earnings. See Note 9.

Table of Contents**COLUMBIA SPORTSWEAR COMPANY****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****NOTE 2 INVENTORIES, NET**

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

Inventories, net, consist of the following (in thousands):

	June 30, 2007	December 31, 2006
Raw materials	\$ 1,914	\$ 2,219
Work in process	23,220	10,664
Finished goods	284,588	199,440
	\$ 309,722	\$ 212,323

NOTE 3 INTANGIBLE ASSETS AND GOODWILL

Intangible assets with indefinite useful lives are not amortized and are periodically evaluated for impairment. Intangible assets that are determined to have finite lives are amortized over their useful lives.

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

	June 30, 2007		December 31, 2006	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Patents	\$ 1,603	\$ (469)	\$ 1,603	\$ (381)
Intangible assets not subject to amortization:				
Trademarks and trade names	\$ 46,771		\$ 46,771	
Goodwill	17,273		17,498	
	\$ 64,044		\$ 64,269	

Amortization expense for intangible assets subject to amortization is estimated to be \$175,000 in each of 2007, 2008, 2009, and 2010 and \$138,000 in 2011.

Other non-current assets totaled \$5,058,000 and \$4,688,000 at June 30, 2007 and December 31, 2006, respectively.

NOTE 4 COMPREHENSIVE INCOME

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net income	\$ 10,037	\$ 4,833	\$ 36,123	\$ 24,300
Other comprehensive income:				
Unrealized derivative holding losses arising during period	(1,651)	(3,278)	(1,456)	(4,069)
Reclassification to net income of previously deferred (gains) losses on derivative transactions	(205)	955	(439)	1,424
Foreign currency translation adjustments	6,437	7,553	8,059	9,858
Other comprehensive income	4,581	5,230	6,164	7,213
Comprehensive income	\$ 14,618	\$ 10,063	\$ 42,287	\$ 31,513

Table of Contents**COLUMBIA SPORTSWEAR COMPANY****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

Accumulated other comprehensive income, net of related tax effects, consisted of the following (in thousands):

	Foreign currency translation	Unrealized holding losses on derivative transactions	Accumulated other comprehensive income
Balance at December 31, 2006	\$ 35,668	\$ (1,274)	\$ 34,394
Activity for the six months ended June 30, 2007	8,059	(1,895)	6,164
Balance at June 30, 2007	\$ 43,727	\$ (3,169)	\$ 40,558

NOTE 5 EARNINGS PER SHARE

SFAS No. 128, *Earnings per Share* requires dual presentation of basic and diluted earnings per share (EPS). Basic EPS is based on the weighted average number of common shares outstanding. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted EPS, the basic weighted average number of shares is increased by the dilutive effect of stock option and restricted stock units determined using the treasury stock method.

A reconciliation of the common shares used in the denominator for computing basic and diluted EPS is as follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Weighted average common shares outstanding, used in computing basic earnings per share	36,179	36,555	36,180	36,712
Effect of dilutive stock options and restricted stock units	369	410	372	422
Weighted-average common shares outstanding, used in computing diluted earnings per share	36,548	36,965	36,552	37,134
Earnings per share of common stock:				
Basic	\$ 0.28	\$ 0.13	\$ 1.00	\$ 0.66
Diluted	0.27	0.13	0.99	0.65

Stock options and service-based restricted stock units representing 296,159 and 587,518 shares of common stock were outstanding for the three months ended June 30, 2007 and 2006, respectively, and 241,755 and 624,989 shares of common stock were outstanding for the six months ended June 30, 2007 and 2006, respectively, but these shares were excluded in the computation of diluted EPS because their effect would be anti-dilutive. Performance-based restricted stock units representing 6,297 and 5,233 shares were excluded in the computation of diluted EPS for the three and six months ended June 30, 2007, respectively, as these shares were subject to performance conditions that had not been met. No performance-based restricted stock units were outstanding for the three and six months ended June 30, 2006.

Since the inception of the Company's stock repurchase plan in 2004, the Company's Board of Directors has authorized the repurchase of \$400,000,000 of the Company's common stock and the Company has repurchased 6,286,603 shares under this program at an aggregate purchase

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price of approximately \$301,615,000. 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.

NOTE 6 SEGMENT INFORMATION

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

Table of Contents**COLUMBIA SPORTSWEAR COMPANY****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net sales to unrelated entities:				
United States	\$ 117,054	\$ 118,904	\$ 272,553	\$ 263,291
Europe	31,617	29,086	85,763	77,061
Canada	11,969	12,534	37,736	38,915
Other International	57,920	51,029	112,148	92,497
	\$ 218,560	\$ 211,553	\$ 508,200	\$ 471,764
Income (loss) before income tax:				
United States	\$ 6,344	\$ 297	\$ 26,105	\$ 13,684
Europe	(2,667)	(3,715)	3,057	719
Canada	629	1,632	6,123	6,614
Other International	8,084	7,001	14,397	11,783
Interest and other income and eliminations	2,816	2,163	5,049	4,299
	\$ 15,206	\$ 7,378	\$ 54,731	\$ 37,099
Interest (income) expense, net:				
United States	\$ (2,544)	\$ (2,274)	\$ (5,179)	\$ (4,657)
Europe	569	1,105	1,062	1,333
Canada	(487)	(67)	(356)	(29)
Other International	(337)	(679)	(518)	(460)
	\$ (2,799)	\$ (1,915)	\$ (4,991)	\$ (3,813)
Income tax expense (benefit):				
United States	\$ 4,869	\$ 1,778	\$ 13,853	\$ 8,611
Europe	(649)	(1,324)	511	(240)
Canada	(45)	336	1,781	2,050
Other International	994	1,755	2,463	2,378
	\$ 5,169	\$ 2,545	\$ 18,608	\$ 12,799
Depreciation and amortization expense:				
United States	\$ 4,987	\$ 3,956	\$ 8,675	\$ 8,127
Europe	2,458	1,594	4,780	3,083
Canada	58	117	128	221

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Other International	564	236	815	452
	\$ 8,067	\$ 5,903	\$ 14,398	\$ 11,883

	June 30,	December 31,
	2007	2006
Assets:		
United States	\$ 1,026,412	\$ 988,867
Europe	384,747	386,716
Canada	109,887	98,054
Other International	131,566	133,648
Total identifiable assets	1,652,612	1,607,285
Eliminations and reclassifications	(581,114)	(579,996)
Total assets	\$ 1,071,498	\$ 1,027,289

Table of Contents**COLUMBIA SPORTSWEAR COMPANY****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Net sales to unrelated entities:				
Outerwear	\$ 39,812	\$ 43,184	\$ 99,658	\$ 98,385
Sportswear	124,411	112,175	287,493	253,983
Footwear	42,482	43,192	95,389	93,910
Accessories and equipment	11,855	13,002	25,660	25,486
	\$ 218,560	\$ 211,553	\$ 508,200	\$ 471,764

NOTE 7 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The Company hedges against the currency risk associated with firmly committed and anticipated transactions for the next twelve months denominated in European euros, Canadian dollars and Japanese yen. The Company accounts for these instruments as cash flow hedges. In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activity*, as amended, such financial instruments are marked to market with the offset to accumulated other comprehensive income and subsequently recognized as a component of cost of goods sold when the underlying transaction is recognized. Hedge effectiveness is determined by evaluating whether gains and losses on hedges will offset gains and losses on the underlying exposures. Hedge ineffectiveness was not material during the six months ended June 30, 2007 and 2006.

NOTE 8 ACQUISITIONS

On March 31, 2006, the Company acquired a group of trademarks from Pacific Trail, Inc. (Pacific Trail) and the London Fog Group, Inc., as a result of a bankruptcy auction, for \$20,400,000. On March 31, 2006, the Company sold the acquired Dockers brand licenses formerly owned by the London Fog Group for \$1,700,000. The Pacific Trail® brand is known for producing quality outerwear apparel at an exceptional value. Net intangible assets acquired from Pacific Trail consisted of \$14,800,000 for the trademarks and \$3,900,000 for goodwill. The \$14,800,000 of purchase price allocated to the trademarks was determined by management, based in part on a third party appraisal using established valuation techniques.

On January 26, 2006, the Company acquired substantially all of the assets of Montrail, Inc. (Montrail) for cash consideration of \$15,000,000 plus the assumption of certain liabilities less \$225,000 for certain purchase price adjustments made in January 2007. The Montrail® brand is recognized as a premium outdoor footwear brand with a reputation for delivering technical, high performance trail running, hiking, and climbing footwear for outdoor enthusiasts. The acquisition was accounted for under the purchase method of accounting and the results of operations have been recorded in the Company's consolidated financial statements since January 26, 2006. The cost of the acquisition was allocated on the basis of the estimated fair value of the assets acquired and the liabilities assumed. The effect of this acquisition was not material to the Company's results of operations; therefore, pro forma financial information has not been included. The fair values of assets and liabilities acquired are presented below (in thousands):

Cash	\$ 23
Accounts receivable	1,778
Inventory	6,878
Prepays and other assets	112
Property, plant and equipment	597

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Intangible assets	11,914
Total assets acquired	21,302
Accounts payable and accrued liabilities	694
Note payable	5,833
Total liabilities assumed	6,527
Net assets acquired	\$ 14,775

Intangible assets acquired from Montrail consisted of \$10,000,000 for trademarks, \$714,000 for goodwill, \$700,000 for a patent and \$500,000 for order backlog. The \$11,200,000 of purchase price allocated to the trademark, patent and order backlog was determined by management, based in part on a third party appraisal using established valuation techniques. Patents are subject to amortization over the lesser of 17 years from the date filed with the United States (U.S.) Patent and Trademark Office or the estimated useful life. At the time of the acquisition, the remaining useful life of the patent was approximately 11 years. The order backlog was amortized over the period for which the orders were shipped in 2006. At June 30, 2006, the order backlog was fully amortized.

Table of Contents

COLUMBIA SPORTSWEAR COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The goodwill and trademarks acquired are not subject to amortization because these assets are deemed to have indefinite useful lives. These intangible assets are reviewed for impairment in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*.

NOTE 9 INCOME TAXES

The Company adopted the provisions of FIN 48 on January 1, 2007. The Company did not recognize a material adjustment in the liability for unrecognized tax benefits as a result of the implementation of FIN 48. At the adoption date of January 1, 2007, the Company had \$20,307,000 of unrecognized tax benefits, including related penalties and interest, all of which would affect the effective tax rate if recognized.

The Company conducts business globally, and as a result, the Company or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Canada, China, France, Germany, Hong Kong, Italy, Japan, South Korea, Switzerland, the United Kingdom and the U.S. At the adoption date, the Company had effectively settled all material income tax matters through the year 2003. The Company is currently under examination in the U.S. for the 2004 and 2005 tax years by the Internal Revenue Service. Internationally, the Company is currently under examination in Canada for the tax years 2002 through 2004, France for the tax years 2003 through 2005, and Italy for the tax years 2004 through 2007. Open tax years, including those mentioned above, contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, timing, or inclusion of revenue and expenses or the sustainability of income tax credits for a given examination cycle. Based on the status of these examinations and the protocol of finalizing examinations by the relevant taxing authorities, which could include formal legal proceedings, an estimate of the range of significant increase or decrease to previously recorded uncertain tax positions within 12 months of the adoption date cannot be made.

The Company recognizes interest expense and penalties related to income tax matters in income tax expense. At the adoption date, the Company had approximately \$2,971,000 of accrued interest and penalties related to uncertain tax positions. The liability for the payment of interest and penalties did not materially change at June 30, 2007.

Consistent with the provisions of FIN 48, the Company reclassified \$21,384,000 at the adoption date, and an additional \$447,000 at June 30, 2007, of income tax liabilities from current to non-current liabilities because payment of cash is not anticipated within one year from the balance sheet date. These non-current income tax liabilities are recorded in Other Liabilities in the Condensed Consolidated Balance Sheet. Income tax liabilities for uncertain tax positions at December 31, 2006, prior to the adoption of FIN 48, have not been reclassified.

NOTE 10 SUBSEQUENT EVENT

In July 2007, the Board of Directors approved a quarterly dividend of \$0.14 per share, payable on August 30, 2007 to shareholders of record on August 16, 2007.

Table of Contents

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

This quarterly report contains forward-looking statements. Forward-looking statements include any statements related to our expectations regarding future performance conditions or market position, including any statements regarding anticipated sales growth across markets, distribution channels and product categories, access to raw materials and factory capacity, and financing and working capital requirements and resources.

These forward-looking statements, and others we make from time to time, are subject to a number of risks and uncertainties. Many factors may cause actual results to differ materially from those projected in forward-looking statements, including the risks described below in Part II, Item 1A, Risk Factors. 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.

The following discussion of our results of operations and liquidity and capital resources, including known trends and uncertainties identified by management, should be read in conjunction with the condensed consolidated financial statements and accompanying notes that appear elsewhere in this quarterly report.

All references to quarters relate to the quarter ended June 30 of the particular year.

Overview

Since our initial public offering in 1998, our net sales have steadily increased from \$427.3 million in 1998 to \$1,287.7 million in 2006, which equates to a compound annual growth rate of 15% for this period. Although we cannot predict future results with certainty, our long-term goal is to capitalize on global market opportunities for each of our brands and key product categories. We are committed to our growth strategies of enhancing the channel productivity of our existing customers, leveraging our brands internationally, further developing our existing merchandise categories, increasing our sales into the department store and specialty footwear channels and expanding the global awareness of our brands through license agreements. With our well-developed sourcing and distribution infrastructure and proven design and product development team, we believe that we are well positioned for future long-term growth.

Highlights for the quarter ended June 30, 2007 are as follows:

Net sales increased \$7.0 million, or 3%, to \$218.6 million from \$211.6 million for the comparable period in 2006. Excluding changes in currency exchange rates, net sales increased 2%. The increase in sales was driven by continued growth in the sportswear category and in major markets outside of North America, and offset by weakness in the United States and Canada sales and a shift in timing of international distributor shipments to the third quarter of 2007.

Gross profit increased 290 basis points to 41.4% of net sales from 38.5% of net sales for the comparable period in 2006. Gross margins increased due to improvements in our sportswear margins, a higher mix of full price sales, and favorable effects of foreign currency exchange rates, partially offset by a higher mix of international distributor sales, which generally carry lower gross margins.

Selling, general and administrative (SG&A) expense increased \$2.1 million, or 3%, to \$79.2 million from \$77.1 million for the comparable period in 2006. We expect full year 2007 SG&A expense, as a percentage of net sales, to expand compared to 2006 due primarily to incremental depreciation expense associated with the recent upgrade of our Portland, Oregon distribution center and the expansion of our distribution center in Cambrai, France.

Net income was \$10.0 million or \$0.27 per diluted share compared to \$4.8 million or \$0.13 per diluted share for the comparable period in 2006.

Results of Operations

Net income increased \$5.2 million, or 108%, to \$10.0 million for the second quarter of 2007 from \$4.8 million for the comparable period in 2006. Diluted earnings per share was \$0.27 for the second quarter of 2007 compared to \$0.13 for the comparable period in 2006.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	58.6	61.5	57.2	59.1
Gross profit	41.4	38.5	42.8	40.9
Selling, general and administrative expense	36.2	36.4	33.4	34.3
Net licensing income	(0.5)	(0.5)	(0.4)	(0.5)
Income from operations	5.7	2.6	9.8	7.1
Interest income, net	(1.3)	(0.9)	(1.0)	(0.8)
Income before income tax	7.0	3.5	10.8	7.9
Income tax expense	2.4	1.2	3.7	2.7
Net income	4.6%	2.3%	7.1%	5.2%

Quarter Ended June 30, 2007 Compared to Quarter Ended June 30, 2006

Net Sales: Consolidated net sales increased 3% to \$218.6 million for the second quarter of 2007 from \$211.6 million for the comparable period in 2006. Excluding changes in currency exchange rates, consolidated net sales increased 2%.

Reconciliation of Net Sales Changes to Net Sales Changes Excluding Changes in Currency Exchange Rates (a non-GAAP financial measure)

Net sales from year to year are affected by changes in selling prices and unit volume as well as changes in currency exchange rates where we have sales in foreign locations. Our net sales changes excluding the effect of changes in currency exchange rates are presented below. We disclose changes in sales excluding changes in currency exchange rates because we use the measure to understand sales growth excluding any impact from foreign currency exchange rate changes. In addition, our foreign sales management teams are generally evaluated and compensated in part based on the results of operations excluding currency exchange rate changes for their respective regions. Amounts calculated in accordance with accounting principles generally accepted in the United States of America, or GAAP, are denoted.

	Three Months	
	Ended June 30, 2007	
	Amount (millions)	% Change
Consolidated:		
Net sales change (GAAP)	\$ 7.0	3%
Effect of currency exchange rate changes	(2.5)	(1)
Net sales change excluding changes in currency exchange rates	\$ 4.5	2%
United States:		
Net sales change (GAAP)	\$ (1.8)	(2)%

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<i>Europe:</i>		
Net sales change (GAAP)	\$ 2.5	9%
Effect of currency exchange rate changes	(2.4)	(8)
Net sales change excluding changes in currency exchange rates	\$ 0.1	1%
<i>Canada:</i>		
Net sales change (GAAP)	\$ (0.6)	(5)%
Effect of currency exchange rate changes	(0.2)	(1)
Net sales change excluding changes in currency exchange rates	\$ (0.8)	(6)%
<i>Other International:</i>		
Net sales change (GAAP)	\$ 6.9	14%
Effect of currency exchange rate changes	0.1	
Net sales change excluding changes in currency exchange rates	\$ 7.0	14%

Table of Contents

The increase in net sales was driven by our Other International and European businesses, and was offset by decreases in our United States and Canadian businesses. By product category, increased net sales was led by sportswear, offset by decreased net sales in outerwear, footwear, and accessories and equipment.

Net sales from sportswear increased \$12.2 million, or 11%, to \$124.4 million for the second quarter of 2007 from \$112.2 million for the comparable period in 2006. We primarily attribute the increase in sportswear sales to an increase in sales of spring 2007 product in the United States, followed by Europe and Other International, offset by a slight decrease in Canada. The increase in sportswear sales was driven by continued growth in the United States resulting from a broad assortment of products, competitive pricing and related consumer demand, particularly for knit and woven tops and shorts.

Net sales from outerwear decreased \$3.4 million, or 8%, to \$39.8 million for the second quarter of 2007 from \$43.2 million for the comparable period in 2006. The decrease in outerwear sales was led by Europe, followed by the United States and Canada offset by an increase in net sales in Other International. The decrease in sales of outerwear in Europe was primarily due to dry spring weather in 2006 which resulted in retailers buying less outerwear for the 2007 spring season. The decrease in outerwear sales in the United States was primarily the result of a lower volume of close-out product sales compared to the same period in 2006. The decreases in sales of outerwear were offset by sales growth in Other International which we primarily attribute to continued strength in certain key international distributor markets, including Russia and Hong Kong/China.

Net sales from footwear decreased \$0.7 million, or 2%, to \$42.5 million for the second quarter of 2007 from \$43.2 million for the comparable period in 2006. Footwear sales decreased in the United States, offset by an increase in footwear sales in Other International, Europe and Canada. The decrease in footwear sales in the United States was due to a lower volume of close-out product sales combined with an undifferentiated spring 2007 Columbia footwear product line. Other International's footwear sales growth was largely attributable to strong sales of men's casual footwear to key international distributor markets.

Net sales from accessories and equipment decreased \$1.1 million, or 8%, to \$11.9 million for the second quarter of 2007 from \$13.0 million for the comparable period in 2006. Accessories and equipment sales decreased in the United States offset by sales growth in Other International, while net sales in Europe and Canada remained essentially flat.

Net sales in the United States decreased \$1.8 million, or 2%, to \$117.1 million for the second quarter of 2007 from \$118.9 million for the comparable period in 2006. The decrease in net sales in the United States was led by footwear, followed by outerwear and accessories and equipment offset by an increase in sportswear. The decrease in footwear was due to a lower volume of close-out product sales combined with a general weakness in our spring 2007 Columbia footwear product line. Sportswear and outerwear sales were negatively affected by a higher level of spring 2007 order cancellations across all channels and most major regions in the United States, primarily due to poor retail sell through. Aside from the cancellations, sportswear sales of our spring apparel demonstrated continued strength, particularly in our men's product line.

Net sales in Europe increased \$2.5 million, or 9%, to \$31.6 million for the second quarter of 2007 from \$29.1 million for the comparable period in 2006. Excluding changes in currency exchange rates, Europe's net sales increased 1%. European sales growth was largely due to the strength of our spring 2007 sportswear and footwear product lines as a result of good sell-through early in the season due to warm weather conditions in key Western European markets offset by a decrease in outerwear sales.

Net sales in Canada decreased \$0.6 million, or 5%, to \$11.9 million for the second quarter of 2007 from \$12.5 million for the comparable period in 2006. Excluding changes in currency exchange rates, Canada's net sales decreased 6%. The decrease in Canada's net sales was primarily the result of a shift in timing of shipments from the second quarter to the third quarter in the comparable period of 2006.

Net sales from Other International, which includes our direct business in Japan and Korea and our international distributor markets worldwide, increased \$6.9 million, or 14%, to \$58.0 million for the second quarter of 2007 from \$51.1 million for the comparable period in 2006. Excluding changes in currency exchange rates, Other International sales increased 14%. Sales growth for Other International was predominantly the result of increased sales by our international distributors, followed by increased sales by our Korean and Japanese businesses. International distributor sales growth was particularly strong due to the continued strength of our distributors in Russia and Hong Kong/China. International distributor sales growth was partially reduced by a shift in timing of some shipments from the second quarter to the third quarter of 2007.

Table of Contents

The majority of our fall factory direct international distributor shipments occur in June and July of each year. Actual shipping dates can be difficult to forecast due to various factors including the significance of shipping volumes, consolidation of cargo scheduled by third party agents, factory lead-times, and shipping vessel capacity. Such timing issues in this fast growing segment can have a pronounced impact on quarterly results, particularly in our lower volume quarters.

Gross Profit: Gross profit, as a percentage of net sales, increased to 41.4% for the second quarter of 2007 from 38.5% for the comparable period in 2006. The increase in gross profit was due to several factors including improvements in our sportswear margins, a higher mix of full price sales, and favorable effects of foreign currency exchange rates, partially offset by a higher mix of international distributor sales, which generally carry lower gross margins.

Our sportswear gross margins increased in the second quarter due to modest improvement in average selling prices in our spring 2007 sportswear product line.

Sales of close-out products decreased significantly from the comparable period in 2006 as a result of a shift in timing of close-out sales.

Improvement in foreign currency hedge rates for our spring 2007 selling season favorably affected our gross profit. Since our global supply of inventory is generally purchased with U.S. dollars, the gross profit of our direct international businesses is partially dependent on the valuation of the U.S. dollar. For our spring 2007 selling season, the hedge rates for our European and Canadian businesses improved from our spring 2006 selling season.

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

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

SG&A expense increased \$2.1 million, or 3%, to \$79.2 million for the second quarter of 2007 from \$77.1 million for the comparable period in 2006. Selling expenses increased \$1.5 million, or 9%, and general and administrative expenses increased \$0.6 million, or 1%. As a percentage of net sales, SG&A expense decreased to 36.2% of net sales for the second quarter of 2007 from 36.4% of net sales for the comparable period in 2006.

Selling expenses, including commissions and advertising, increased to 8.2% of net sales for the second quarter of 2007 from 7.8% of net sales for the comparable period in 2006. The increase in selling expenses as a percentage of net sales was attributable to increased promotional spending and sample costs, partially offset by a decrease in sales commissions.

The increase in general and administrative expenses primarily resulted from an increase in depreciation expense partially offset by a reduction in personnel related costs and bad debt expense. Depreciation and amortization included in SG&A expense totaled \$7.8 million for the second quarter of 2007 compared to \$5.6 million for the same period in 2006. The increase in depreciation and amortization was related to the implementation of our Portland and European distribution projects. Personnel related costs decreased primarily as a result of higher one-time personnel-related charges incurred in the second quarter of 2006 and lower stock-based compensation expense in the second quarter of 2007. The reduction in bad debt expense was primarily the result of a more favorable composition of accounts receivable and write-off experience.

Net Licensing Income: We derive net licensing income from income that we earn through licensing our trademarks across a range of categories that complement our current product offerings. Products distributed by our licensees for the second quarter of 2007 included insulated products including soft-sided coolers, socks, performance base layer, leather outerwear and accessories, camping gear, eyewear, home furnishings, bicycles and other accessories.

Net licensing income remained flat at \$1.1 million for the second quarter of 2007 compared to the same period in 2006. The components of licensing income were led by Columbia licensed insulated products, followed by licensed bicycles, camping gear, leather accessories and socks.

Interest (Income) Expense, Net: Interest income was \$2.8 million for the second quarter of 2007 compared to \$2.0 million for the same period in 2006. The increase in interest income was due to a higher cash and cash equivalents balance compared to the same period in 2006. Interest expense was nominal for the second quarter of 2007 compared to \$0.1 million for the comparable period in 2006. The decrease in interest expense was primarily attributable to a reduction in long-term debt.

Table of Contents

Income Tax Expense: The provision for income taxes increased to \$5.2 million for the second quarter of 2007 from \$2.5 million for the comparable period in 2006 due to higher income for the second quarter of 2007 compared to the same period in 2006. Our effective income tax rate was 34.0% for the second quarter of 2007 compared to 34.5% for the same period in 2006.

Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006

Net Sales: Consolidated net sales increased 8% to \$508.2 million for the six months ended June 30, 2007 from \$471.8 million for the comparable period in 2006. Excluding changes in currency exchange rates, consolidated net sales increased 6%.

Reconciliation of Net Sales Changes to Net Sales Changes Excluding Changes in Currency Exchange Rates (a non-GAAP financial measure)

	Six Months Ended June 30, 2007	
	Amount (millions)	% Change
<i>Consolidated:</i>		
Net sales change (GAAP)	\$ 36.4	8%
Effect of currency exchange rate changes	(6.9)	(2)
Net sales change excluding changes in currency exchange rates	\$ 29.5	6%
<i>United States:</i>		
Net sales change (GAAP)	\$ 9.3	4%
<i>Europe:</i>		
Net sales change (GAAP)	\$ 8.6	11%
Effect of currency exchange rate changes	(7.2)	(9)
Net sales change excluding changes in currency exchange rates	\$ 1.4	2%
<i>Canada:</i>		
Net sales change (GAAP)	\$ (1.2)	(3)%
Effect of currency exchange rate changes	0.4	1
Net sales change excluding changes in currency exchange rates	\$ (0.8)	(2)%
<i>Other International:</i>		
Net sales change (GAAP)	\$ 19.7	21%
Effect of currency exchange rate changes	(0.1)	
Net sales change excluding changes in currency exchange rates	\$ 19.6	21%

The increase in net sales was led primarily by our Other International business, followed by our United States and European businesses, offset by a slight decrease in our Canadian business. By product category, increased net sales were led by sportswear, followed by footwear, outerwear and accessories and equipment.

Net sales from sportswear increased \$33.5 million, or 13%, to \$287.5 million from \$254.0 million for the comparable period in 2006. We primarily attribute the increase in sportswear sales to an increase in sales of spring 2007 product in the United States, followed by Europe, Other International and Canada. The increase in sportswear sales was driven by continued growth in the United States resulting from a broad assortment of products, competitive pricing and related consumer demand, particularly for our knit and woven tops, shorts and pants.

Net sales from outerwear increased \$1.2 million, or 1%, to \$99.6 million from \$98.4 million for the comparable period in 2006. The increase in outerwear sales was predominantly the result of increased sales of spring 2007 outerwear products in Other International, offset by decreased

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sales in Europe, Canada and the United States. Other International outerwear sales growth was attributable to continued strength in certain key international distributor markets, including Russia, South America, and Hong Kong/China. The decrease in net sales of outerwear in Europe was primarily due to dry spring weather in 2006, which resulted in retailers buying less outerwear for the 2007 spring season. The decrease in outerwear sales in the United States was the result of lower close-out sales of outerwear products for the first six months of 2007 compared to the same period last year.

Table of Contents

Net sales from footwear increased \$1.5 million, or 2%, to \$95.4 million from \$93.9 million for the comparable period in 2006. Footwear sales growth was led by Other International, followed by Europe, offset by decreased sales in the United States and Canada. Other International's footwear sales growth was largely attributable to strong sales of men's and women's spring footwear to key international distributor markets. Our footwear business, in general, has suffered from strong competition, undifferentiated product and several changes within our footwear merchandising and design leadership team. Despite these challenges, we believe that we have built a strong team and have a portfolio of authentic outdoor brands to execute our footwear strategies.

Net sales from accessories and equipment increased \$0.2 million, or 1%, to \$25.7 million from \$25.5 million for the comparable period in 2006. Accessories and equipment sales growth was led by Other International, offset by decreased sales in the United States while net sales in Europe and Canada remained flat.

Net sales in the United States increased \$9.3 million, or 4%, to \$272.6 million from \$263.3 million for the comparable period in 2006. The increase in net sales in the United States was predominantly the result of the continued strength of sales of our spring sportswear. Sales growth was particularly strong in our men's and women's product lines. Footwear sales decreased for the quarter due to general weakness in our spring 2007 Columbia footwear product line.

Net sales in Europe increased \$8.6 million, or 11%, to \$85.7 million from \$77.1 million for the comparable period in 2006. Excluding changes in currency exchange rates, Europe's net sales increased 2%. European sales growth was largely due to the strength of our spring 2007 sportswear and footwear product lines offset by a decrease in outerwear due to dry spring weather in 2006 which resulted in retailers buying less outerwear for the 2007 spring season.

Net sales in Canada decreased \$1.2 million, or 3%, to \$37.7 million from \$38.9 million for the comparable period in 2006. Excluding changes in currency exchange rates, Canada's net sales decreased 2%. The decrease was primarily attributable to a shift in timing of shipments from the second quarter to the third quarter as well as weaker sales of Columbia and Sorel branded footwear, partially offset by increased sportswear sales.

Net sales from Other International, which includes our direct business in Japan and Korea and our international distributor markets worldwide, increased \$19.7 million, or 21%, to \$112.2 million from \$92.5 million for the comparable period in 2006. Excluding changes in currency exchange rates, Other International sales increased 21%. Sales growth for Other International was predominantly the result of increased sales by our international distributors, followed by increased sales by our Korean and Japanese businesses. International distributor sales growth was primarily attributable to the continued strength of our distributors in Russia, South America and Hong Kong/China. International distributor sales growth was partially offset by a shift in timing of some shipments from the second quarter to the third quarter of 2007.

Gross Profit: Gross profit, as a percentage of net sales, increased to 42.8% for the six months ended June 30, 2007 from 40.9% for the comparable period in 2006. The increase in gross profit was due to several factors including improvements in our sportswear margins, favorable effects of foreign currency exchange rates, prior year unfavorable effect of marking the Montrail inventory to market upon acquisition in January 2006 and higher costs associated with certain international promotional campaigns in Europe in 2006. The favorable gross profit effect of these items was partially offset by increased sales to our international distributors, which generally carry lower gross margins than our direct sales.

Our sportswear gross margins increased for the six months ended June 30, 2007 due to modest improvement in average selling prices in our spring 2007 sportswear product line.

Improvement in foreign currency hedge rates for our spring 2007 selling season favorably affected our gross profit. Since our global supply of inventory is generally purchased with U.S. dollars, the gross profit of our direct international businesses is partially dependent on the valuation of the U.S. dollar. For our spring 2007 selling season, the hedge rates for our European and Canadian businesses improved from our spring 2006 selling season.

Selling, General and Administrative Expense: SG&A expense increased \$7.7 million, or 5%, to \$169.6 million for the six months ended June 30, 2007 from \$161.9 million for the comparable period in 2006. Selling expenses increased \$3.0 million, or 7%, and general and administrative expenses increased \$4.7 million, or 4%. As a percentage of net sales, SG&A expense decreased to 33.4% of net sales for the six months ended June 30, 2007 from 34.3% of net sales for the comparable period in 2006.

Selling expenses, including commissions and advertising, decreased slightly to 8.8% of net sales for the six months ended June 30, 2007 from 8.9% of net sales for the comparable period in 2006. The slight decrease in selling expenses as a percentage of net sales was largely attributable to a reduction in commissions expense resulting from changes to our sales agency structures in Europe and the United States as well as lower advertising expenses offset by increased promotional spending and sample costs.

Table of Contents

The increase in general and administrative expenses primarily resulted from an increase in depreciation expense and bad debt expense, partially offset by a decrease in stock-based compensation expense. Depreciation and amortization included in SG&A expense totaled \$13.9 million for the six months ended June 30, 2007 compared to \$11.4 million for the same period in 2006. The increase in bad debt expense was primarily the result of a larger reduction in the allowance for accounts receivable for the six months ended June 30, 2006 compared to the same period in 2007 due to the composition of accounts receivable.

Net Licensing Income: Net licensing income remained flat at \$2.1 million for the six months ended June 30, 2007 compared to the same period in 2006. The components of licensing income were led by Columbia licensed bicycles, followed by licensed socks, insulated products, camping gear, leather accessories and eyewear.

Interest (Income) Expense, Net: Interest income was \$5.1 million for the six months ended June 30, 2007 compared to \$4.2 million for the same period in 2006. The increase in interest income was due to a higher cash and cash equivalents balance compared to the same period in 2006. Interest expense was \$0.1 for the six months ended June 30, 2007 compared to \$0.4 million for the comparable period in 2006. The decrease in interest expense was primarily attributable to a reduction in long-term debt.

Income Tax Expense: The provision for income taxes increased to \$18.6 million for the six months ended June 30, 2007 from \$12.8 million for the comparable period in 2006 due to higher income for the six months ended June 30, 2007 compared to the same period in 2006. Our effective income tax rate was 34.0% for the six months ended June 30, 2007 compared to 34.5% for the same period in 2006.

Seasonality of Business

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

Liquidity and Capital Resources

Our primary ongoing funding requirements are to finance working capital and for the continued growth of the business. At June 30, 2007, we had total cash and cash equivalents of \$107.9 million compared to \$64.9 million at December 31, 2006. Cash provided by operating activities was \$71.5 million for the six months ended June 30, 2007 compared to \$98.4 million for the same period in 2006. The change was primarily due to an increase in both receivables and inventory as a result of timing of cash receipts from a major international customer and the sequencing of shipments later in the quarter, as well as higher United States fall 2007 inventory receipts and carryover spring 2008 season inventory.

Our primary capital requirements are for working capital, investing activities associated with the expansion of our global operations and general corporate needs. Net cash used in investing activities was \$14.7 million for the six months ended June 30, 2007 and \$37.9 for the comparable period in 2006. For the 2007 period, net cash used in investing activities primarily consisted of \$13.3 million for capital expenditures and \$1.4 million for net purchases of short-term investments. For the 2006 period, net cash used in investing activities primarily consisted of \$33.7 million used for the acquisitions of Montrail and Pacific Trail, net of \$1.7 million for the sale of the acquired Dockers licenses, and \$37.2 million for capital expenditures, offset by net sales of short-term investments of \$33.0 million.

Cash used in financing activities was \$15.9 million for the six months ended June 30, 2007 compared to \$114.7 million for the comparable period in 2006. For the 2007 period, net cash used in financing activities primarily consisted of the repurchase of \$17.4 million of common stock, payment of a dividend of \$10.1 million and the net repayments of notes payable of \$3.6 million, partially offset by proceeds from the issuance of common stock of \$13.7 million. For the 2006 period, net cash used in financing activities primarily consisted of the repurchase of \$75.5 million of common stock, the net repayments of notes payable of \$46.7 million and of long-term debt of \$2.6 million, partially offset by proceeds from the issuance of common stock of \$9.2 million.

To fund our domestic working capital requirements, we have available unsecured revolving lines of credit with aggregate seasonal limits ranging from \$50.0 million to \$125.0 million, of which \$25.0 million to \$100.0 million is committed. At June 30, 2007, no balance was outstanding under these lines of credit. Internationally, our subsidiaries have local currency operating lines in place guaranteed by us with a combined limit of approximately \$114.0 million at June 30, 2007, of which \$3.4 million is designated as a European customs guarantee. At June 30, 2007, no balance was outstanding under these lines of credit.

Table of Contents

We expect to fund our future capital expenditures with existing cash and cash provided by operations. If the need arises for additional expenditures, we may need to seek additional funding. Our ability to obtain additional financing will depend on many factors, including prevailing market conditions, our financial condition, and our ability to negotiate favorable terms and conditions. Financing may not be available on terms that are acceptable or favorable to us, if at all.

Our operations are affected by seasonal trends typical in the outdoor apparel industry, and have historically resulted in higher sales and profits in the third calendar quarter. This pattern has resulted primarily from the timing of shipments to wholesale customers for the fall outerwear season. We believe that our liquidity requirements for at least the next 12 months will be adequately covered by existing cash, cash provided by operations and existing short-term borrowing arrangements.

Off-Balance Sheet Arrangements

We maintain unsecured and uncommitted import lines of credit with a combined limit of \$150.0 million at June 30, 2007, available for issuing documentary letters of credit. At June 30, 2007, we had letters of credit outstanding of \$26.5 million issued for purchase orders for inventory.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with 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 described below have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies and estimates. Because of the uncertainty inherent in these matters, actual results could differ from the estimates we use in applying the critical accounting policies. We base our ongoing estimates on historical experience and other various assumptions that we believe to be reasonable under the circumstances. Many of these critical accounting policies affect working capital account balances, including the policy for revenue recognition, the allowance for uncollectible accounts receivable, the provision for potential excess, close-out and slow moving inventory, product warranty, income taxes and stock-based compensation.

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

Revenue Recognition

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

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

At the time of revenue recognition, we also provide for estimated sales returns and miscellaneous claims from customers as reductions to revenues. The estimates are based on historical rates of product returns and claims. However, actual returns and claims in any future period are inherently uncertain and thus may differ from the estimates. If actual or expected future returns and claims are significantly greater or lower than the reserves that we have established, we will record a reduction or increase to net revenues in the period in which we make such a determination. Over the three year period ended December 31, 2006, our actual annual sales returns and miscellaneous claims from customers were less than two percent of net sales.

Table of Contents***Allowance for Uncollectible Accounts Receivable***

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

Inventory Obsolescence and Product Warranty

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

Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, we recognize income tax expense for the amount of taxes payable or refundable for the current year and for the amount of deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. We make assumptions, judgments and estimates to determine our current provision for income taxes, our deferred tax assets and liabilities, and our uncertain tax positions in accordance with Financial Accounting Standards Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. Our judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or our interpretation of tax laws and the resolution of current and future tax audits could significantly affect the amounts provided for income taxes in our consolidated financial statements. Our assumptions, judgments and estimates relative to the value of a deferred tax asset take into account predictions of the amount and category of future taxable income. Actual operating results and the underlying amount and category of income in future years could cause our current assumptions, judgments and estimates of recoverable net deferred taxes to be inaccurate. Any of the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ from our estimates, which could materially affect our financial position and results of operations.

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

Stock-Based Compensation

We account for stock-based compensation in accordance with Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based Payment*. Under the provisions of SFAS No. 123R, stock-based compensation cost is estimated at the grant date based on the award's fair-value and is recognized as expense over the requisite service period using the straight-line attribution method. Estimation of stock-based compensation for stock options granted, utilizing the Black-Scholes option-pricing model, requires various highly subjective assumptions including volatility and expected option life. Further, as required under SFAS No. 123R, we estimate forfeitures for stock-based awards granted, which are not expected to vest. If any of these inputs or assumptions changes significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period.

Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of FASB Statement No. 115*. This standard permits us to measure many financial instruments

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and certain other assets and liabilities at fair value on an instrument-by-instrument basis. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We do not expect the adoption of this statement to have a material effect on our consolidated financial position, results of operations or cash flows.

Table of Contents

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)*. SFAS No. 158 requires a company to recognize an asset for a defined benefit pension or postretirement plan's overfunded status or a liability for a plan's underfunded status in its statement of financial position, and to recognize changes in that funded status through other comprehensive income in the year in which the changes occur. SFAS No. 158 will not change the amount of net periodic benefit expense recognized in a company's results of operations. SFAS No. 158 is effective for fiscal years ending after December 15, 2006. The adoption of this statement did not have a material effect on our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 establishes a framework for measuring the fair value of assets and liabilities. This framework is intended to increase consistency in how fair value determinations are made under various existing accounting standards that permit, or in some cases require, estimates of fair market value. SFAS No. 157 also expands financial statement disclosure requirements about a company's use of fair value measurements, including the effect of such measures on earnings. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We do not expect the adoption of this statement to have a material effect on our consolidated financial position, results of operations or cash flows.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108). The intent of SAB 108 is to reduce diversity in practice for the method companies use to quantify financial statement misstatements, including the effect of prior year uncorrected errors. SAB 108 establishes an approach that requires quantification of financial statement errors using both an income statement and a cumulative balance sheet approach. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of this statement did not have a material effect on our financial position, results of operations or cash flows.

In July 2006, the FASB issued FIN 48. FIN 48 creates a single model to address accounting for uncertainty in tax positions and clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The cumulative effect, if any, of adopting FIN 48 is recorded in retained earnings. See Note 9 of Notes to Condensed Consolidated Financial Statements.

Table of Contents

Item 3 *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

There has not been any material change in the market risk disclosure contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Item 4 *CONTROLS AND PROCEDURES*

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

There has been no change in our internal control over financial reporting that occurred during our fiscal quarter ended June 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1A. RISK FACTORS

In addition to the other information contained in this Form 10-Q, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition, or results of operations may be materially adversely affected by any of these risks. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.

We May be Adversely Affected by Weather Conditions

Our business is adversely affected by unseasonable weather conditions. Sales of our outerwear and cold weather footwear are dependent in part on the weather and may decline in years in which weather conditions do not favor the use of these products. For example, in certain prior fall seasons, unseasonably warm weather in the United States caused customers to delay, and in some cases reduce or cancel, orders for our outerwear, which had an adverse effect on our net sales and profitability. Periods of unseasonably warm weather in the fall or winter or unseasonably cold or wet weather in the spring may have a material adverse effect on our results of operations and financial condition. Inventory accumulation by retailers resulting from unseasonable weather in one season may negatively affect orders in future seasons, which may have a material adverse effect on our results of operations and financial condition in future periods.

We May be Adversely Affected by an Economic Downturn or Economic Uncertainty

Sales of our products are subject to substantial cyclical fluctuation. Consumer demand for our products may not reach our growth targets, or may decline, when there is an economic downturn or economic uncertainty in our key markets, particularly markets in North America and Europe. For example, a slower economy in the United States in 2002 and 2003 created additional uncertainties for our customers and our business. In addition, continued volatility in the global oil markets has resulted in rising fuel prices, which shipping companies may pass on to us. Because we price our products to our customers in advance and external cost increases may be difficult to anticipate, we may not be able to pass these increased costs on to our customers. Rising oil prices and interest rates may also adversely affect consumer demand. Our sensitivity to economic cycles and any related fluctuation in consumer demand and rising shipping and other costs may have a material adverse effect on our results of operations and financial condition.

Our International Operations Involve Many Risks

We are subject to the risks generally associated with doing business abroad. These risks include foreign laws and regulations, foreign tax regimes and examinations, foreign consumer preferences, political unrest, disruptions or delays in shipments and changes in economic conditions in countries in which we manufacture or sell products. In addition, disease outbreaks, terrorist acts and United States military operations have increased the risks of doing business abroad. These factors, among others, may affect our ability to sell products in international markets, our ability to manufacture products or procure materials, and our cost of doing business. If any of these or other factors make the conduct of business in a particular country undesirable or impractical, our business may be materially and adversely affected. In addition, many of our imported products are subject to duties, tariffs or quotas that affect the cost and quantity of various types of goods imported into the United States or into our other sales markets. For example, the European Commission recently imposed additional duties on certain leather footwear imported into Europe from Vietnam and China. These duties may significantly affect the sale of our footwear in Europe. Any country in which our products are produced or sold may eliminate, adjust or impose new quotas, duties, tariffs, antidumping penalties or other charges or restrictions, any of which may have a material adverse effect on our results of operations and financial condition.

We May be Adversely Affected by the Financial Health of Retailers

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

Table of Contents

We Operate in Very Competitive Markets

The markets for outerwear, sportswear, footwear, related accessories and equipment are highly competitive, as are the markets for our licensed products. In each of our geographic markets, we face significant competition from global and regional branded apparel, footwear, accessories and equipment companies. Retailers who are our customers often pose our most significant competitive threat by marketing apparel, footwear and equipment under their own labels. For example, in 2006 our European business was negatively affected by a key customer's decision to expand its private label program, which resulted in reduced outerwear and footwear orders from that key customer. We also compete with other companies for the production capacity of independent manufacturers that produce our products and for import quota capacity. Many of our competitors are significantly larger than us, have substantially greater financial, distribution, marketing and other resources than we have, and have achieved greater recognition for their products than we have. Increased competition may result in reductions in display areas in retail locations, reductions in sales, or reductions in our profit margins, any of which may have a material adverse effect on our results of operations and financial condition.

We May be Adversely Affected by Retailer Consolidation

When retailers combine their operations through mergers, acquisitions, or other transactions, their consolidated order volume may decrease while their bargaining power and the competitive threat they pose by marketing products under their own label may increase. Some of our significant customers have consolidated their operations in the past, which in turn has had a negative effect on our business. We expect retailer consolidation to continue, which may have a material adverse effect on our results of operations and financial condition.

We Face Risks Associated with Consumer Preferences and Fashion Trends

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

Our Success Depends on Our Use of Proprietary Rights

Our registered and common law trademarks have significant value and are important to our ability to create and sustain demand for our products. We also place significant value on our trade dress, the overall appearance and image of our products. From time to time, we discover products that are counterfeit reproductions of our products or design knock offs, or that otherwise infringe on our proprietary rights. Counterfeiting activities typically increase as brand recognition increases, especially in markets outside the United States. If we are unsuccessful in challenging a party's products on the basis of trademark or design infringement, continued sales of these products may adversely affect our sales and our brand 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. Additionally, 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. Actions or decisions in the management of our intellectual property portfolio may affect the strength of the brand, which may in turn have a material adverse effect on our results of operations and financial condition.

Although we have not been materially inhibited from selling products in connection with trademark and trade dress disputes, as we extend our brand into new product categories and new product lines and expand the geographic scope of our marketing, we may become subject to litigation based on allegations of the infringement of intellectual property rights of third parties including third party copyright and patent rights. Future litigation also may be necessary to defend us against such claims or to enforce and protect our intellectual property rights. Any intellectual property litigation 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. This may have a material adverse effect on our results of operations and financial condition.

Our Success Depends on Our Distribution Facilities

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Our ability to meet customer expectations, manage inventory, complete sales and achieve objectives for operating efficiencies depends on the proper operation of our existing distribution facilities, the development or expansion of additional distribution

Table of Contents

capabilities and the timely performance of services by third parties (including those involved in shipping product to and from our distribution facilities). In the United States, we rely primarily on our distribution centers in Portland, Oregon and Robards, Kentucky; in Canada, we rely primarily on our distribution center in Strathroy, Ontario; and in Europe we rely primarily on our distribution center in Cambrai, France.

Our distribution facilities in the United States and France are highly automated, which means that their operations are complicated and may be subject to a number of risks related to computer viruses, the proper operation of software and hardware, electronic or power interruptions, and other system failures. In 2007, we upgraded our Portland distribution center. Risks associated with upgrading or expanding these facilities may significantly disrupt or increase the cost of our operations.

Our distribution facilities may also be interrupted by disasters, such as earthquakes (which are known to occur in the Northwestern United States) or fires. We maintain business interruption insurance, but it may not adequately protect us from the adverse effect that may be caused by significant disruptions in our distribution facilities.

Our Success Depends on Our Information Systems

Our business is increasingly reliant on information technology. Information systems are used in all stages of our production cycle, from design to distribution, and are used as a method of communication between employees, with our subsidiaries and liaison offices overseas, as well as with our customers. We also rely on our information systems to allocate resources and forecast operating results. System failures or service interruptions may occur as the result of a number of factors, including computer viruses, hacking or other unlawful activities by third parties, disasters, or our failure to properly protect, repair, maintain, or upgrade our systems. Any interruption of critical business information systems may have a material adverse effect on our results of operations and financial condition.

Our Success Depends on Our Growth Strategies

We face many challenges in implementing our growth strategies. For example, our expansion into international markets involves countries where we have little sales or distribution experience and where our brands are not yet widely known. Expanding our product categories involves, among other things, gaining experience with new brands and products, gaining consumer acceptance, and establishing and protecting intellectual property rights. Increasing sales to department stores and improving the sales productivity of our customers will each depend on various factors, including strength of our brand names, competitive conditions, our ability to manage increased sales and future expansion, the availability of desirable locations and the negotiation of terms with retailers. Future terms with customers may be less favorable to us than those under which we now operate. Large retailers in particular increasingly seek to transfer various costs of business to their vendors, such as the cost of lost profits from product price markdowns.

To implement our business strategy, we must manage growth effectively. We must continue to modify various aspects of our business, to maintain and enhance our information systems and operations to respond to increased demand and to attract, retain and manage qualified personnel. Growth may place an increasing strain on management, financial, product design, marketing, distribution and other resources, and we may have operating difficulties as a result. For example, in recent years, we have undertaken a number of new initiatives that require significant management attention and corporate resources, including the development or expansion of distribution facilities on two continents, the acquisition of the Sorel and Pacific Trail brands, and the acquisition and integration of Mountain Hardwear, Inc. and the Montrail brand. This growth involves many risks and uncertainties that, if not managed effectively, may have a material adverse effect on our results of operations and financial condition.

We May be Adversely Affected by Currency Exchange Rate Fluctuations

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

Table of Contents

We May be Adversely Affected by Labor Disruptions

Our business depends on our ability to source and distribute products in a timely manner. Labor disputes at factories, shipping ports, transportation carriers, or distribution centers create significant risks for our business, particularly if these disputes result in work slowdowns, lockouts, strikes, or other disruptions during our peak manufacturing and importing seasons, and may have a material adverse effect on our business, potentially resulting in cancelled orders by customers, unanticipated inventory accumulation, and reduced revenues and earnings.

We Depend on Independent Manufacturers

Our products are produced by independent manufacturers worldwide. We do not operate or own any production facilities. Although we enter into a number of purchase order commitments each season, we generally do not maintain long-term manufacturing contracts. Because of these factors, manufacturing operations may fail to perform as expected or our competitors may obtain production or quota capacities that effectively limit or eliminate the availability of these resources to us. If a manufacturer fails to ship orders in a timely manner or to meet our standards or if we are unable to obtain necessary production or quota capacities, we may miss delivery deadlines, or incur additional costs, which may result in cancellation of orders, refusal to accept deliveries, a reduction in purchase prices, or increased costs, any of which may have a material adverse effect on our business. Reliance on independent manufacturers also creates quality control risks. A failure in our quality control program may result in diminished product quality, which may result in increased order cancellations and returns and decreased consumer demand for our products, which may have a material adverse effect on our results of operations and financial condition. Finally, if a manufacturer violates labor or other laws, or engages in practices that are not generally accepted as ethical in our key markets, we may be subject to significant negative publicity, consumer demand for our products may decrease, and under some circumstances we may be subject to liability for the manufacturer's practices, any of which may have a material adverse effect on our results of operations and financial condition.

We Depend on Key Suppliers

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

Our Advance Purchases of Products May Result in Excess Inventories

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

We Depend on Key Personnel

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

Our Business Is Affected by Seasonality

Our results of operations are likely to continue to fluctuate significantly from period to period. Our products are marketed on a seasonal basis; our results of operations for the quarter ended September 30 in the past have been much stronger than the results for the other quarters. This seasonality, along with other factors that are beyond our control, and that are discussed elsewhere in this section, may adversely affect our business and cause our results of operations to fluctuate. Our operating margins are also sensitive to a number of factors that are beyond our control, including shifts in product sales mix, geographic sales trends, and currency exchange rate fluctuations, all of which we expect to

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continue as we expand our product offerings and geographic penetration. Results of operations in any period should not be considered indicative of the results to be expected for any future period.

Table of Contents**We Face Risks of Product Liability and Warranty Claims**

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

Our Common Stock Price May Be Volatile

The price of our common stock has fluctuated substantially since our initial public offering. Our common stock is traded on the NASDAQ Global Select Market, which is likely to continue to have significant price and volume fluctuations that may adversely affect the market price of our common stock without regard to our operating performance. Factors such as fluctuations in financial results, variances from financial market expectations, changes in earnings estimates by analysts, or announcements by us or our competitors may also cause the market price of our common stock to fluctuate, perhaps substantially.

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

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

Item 2 UNREGISTERED SALES OF SECURITIES AND USE OF PROCEEDS**Issuer Purchases of Equity Securities**

Period	Total Number of		Total Number of	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
	Shares Purchased	Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	
April 1, 2007 to April 30, 2007				\$ 115,683,000
May 1, 2007 to May 31, 2007	271,261	\$ 63.77	271,261	98,385,000
June 1, 2007 to June 30, 2007				98,385,000
Total	271,261	\$ 63.77	271,261	\$ 98,385,000

⁽¹⁾ Since the inception of our stock repurchase plan in 2004, our Board of Directors has authorized the repurchase of \$400,000,000 of our common stock and we have repurchased 6,286,603 shares under this program at an aggregate purchase price of approximately \$301,615,000. The repurchase program does not obligate us to acquire any specific number of shares or to acquire shares over any specified period of time.

Item 4 SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's Annual Meeting of Shareholders was held on May 17, 2007. The following matters were submitted to a vote of shareholders, with the results as follows:

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1. Election of nine directors to serve until the next annual meeting and until their respective successors are elected and qualified:

	For	Withheld
Gertrude Boyle	33,214,896	203,231
Timothy P. Boyle	33,230,996	187,131
Sarah A. Bany	33,211,754	206,373
Murrey R. Albers	33,255,896	162,231
Stephen E. Babson	33,235,388	182,739
Andy D. Bryant	33,376,604	41,523
Edward S. George	33,254,686	163,441
Walter T. Klenz	33,371,617	46,510
John W. Stanton	28,805,080	4,613,047

Table of Contents

2. Ratification of the selection of Deloitte & Touche LLP as the Company's independent outside auditor for the fiscal year ending December 31, 2007:

	For	Against	Abstentions	Broker Non-Votes
	33,149,236	35,723	233,168	
Item 6	<i>EXHIBITS</i>			

(a) Exhibits

- 10.1 Continuing Letter of Credit Agreement between The Hong Kong and Shanghai Banking Corporation Limited and the Company dated May 21, 2007 (incorporated by reference to the Company's Form 8-K filed on May 22, 2007)
- 10.2 Third Amendment to Credit Agreement between the Company and Wells Fargo Bank National Association dated June 26, 2007 (incorporated by reference to the Company's Form 8-K filed on July 2, 2007)
- 31.1 Rule 13a-14(a) Certification of Timothy P. Boyle, President and Chief Executive Officer
- 31.2 Rule 13a-14(a) Certification of Bryan L. Timm, Vice President and Chief Financial Officer
- 32.1 Section 1350 Certification of Timothy P. Boyle, President and Chief Executive Officer
- 32.2 Section 1350 Certification of Bryan L. Timm, Vice President and Chief Financial Officer

Table of Contents

SIGNATURE

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

Date: August 7, 2007

COLUMBIA SPORTSWEAR COMPANY

/s/ BRYAN L. TIMM

Bryan L. Timm

Vice President and Chief Financial Officer