

COLUMBIA SPORTSWEAR CO  
Form 10-Q  
November 06, 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 September 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)

\_\_\_\_\_  

<b>Oregon</b> (State or other jurisdiction of incorporation or organization)	<b>0-23939</b> (Commission File Number)	<b>93-0498284</b> (IRS Employer Identification Number)
<b>14375 Northwest Science Park Drive</b> (Address of principal executive offices)	<b>Portland, Oregon</b> <b>(503) 985-4000</b>	<b>97229</b> (Zip Code)

(Registrant's telephone number, including area code)

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

Edgar Filing: COLUMBIA SPORTSWEAR CO - Form 10-Q

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
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 November 1, 2007 was 36,122,547.

---

**Table of Contents**

**COLUMBIA SPORTSWEAR COMPANY**

**SEPTEMBER 30, 2007**

INDEX TO FORM 10-Q

	<b>PAGE NO.</b>
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1 - Financial Statements - Columbia Sportswear Company (Unaudited)	
<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
<b>PART II. OTHER INFORMATION</b>	
<u>Item 1A - Risk Factors</u>	25
<u>Item 6 - Exhibits</u>	29
<u>Signature</u>	30

**Table of Contents****Item 1 FINANCIAL STATEMENTS****COLUMBIA SPORTSWEAR COMPANY****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)****(Unaudited)**

	September 30, 2007	December 31, 2006
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 48,914	\$ 64,880
Short-term investments	66,907	155,170
Accounts receivable, net of allowance of \$8,902 and \$6,732, respectively	393,643	285,858
Inventories, net (Note 2)	320,593	212,323
Deferred income taxes	28,759	26,740
Prepaid expenses and other current assets	17,115	12,713
<b>Total current assets</b>	<b>875,931</b>	<b>757,684</b>
Property, plant, and equipment, net of accumulated depreciation of \$159,683 and \$145,569, respectively	202,869	199,426
Intangibles and other assets (Note 3)	53,174	52,681
Goodwill (Note 3)	17,273	17,498
<b>Total assets</b>	<b>\$ 1,149,247</b>	<b>\$ 1,027,289</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Notes payable	\$	\$ 3,540
Accounts payable	79,828	88,107
Accrued liabilities	75,305	64,379
Income taxes payable (Note 9)	17,441	31,523
Deferred income taxes	1,184	948
Current portion of long-term debt	204	159
<b>Total current liabilities</b>	<b>173,962</b>	<b>188,656</b>
Deferred income taxes	9,911	7,794
Other liabilities (Note 9)	25,811	136
<b>Total liabilities</b>	<b>209,684</b>	<b>196,586</b>
Commitments and contingencies (Note 10)		
Shareholders' Equity:		
Preferred stock; 10,000 shares authorized; none issued and outstanding		
Common stock (no par value); 125,000 shares authorized; 36,122 and 35,998 issued and outstanding	29,241	24,370
Retained earnings	855,485	771,939
Accumulated other comprehensive income (Note 4)	54,837	34,394
<b>Total shareholders' equity</b>	<b>939,563</b>	<b>830,703</b>

Edgar Filing: COLUMBIA SPORTSWEAR CO - Form 10-Q

Total liabilities and shareholders' equity	\$ 1,149,247	\$ 1,027,289
--	--------------	--------------

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)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Net sales	\$ 471,081	\$ 454,140	\$ 979,281	\$ 925,904
Cost of sales	267,550	255,892	558,477	534,595
Gross profit	203,531	198,248	420,804	391,309
Selling, general, and administrative expense	112,197	108,292	281,780	270,191
Net licensing income	(1,256)	(1,226)	(3,306)	(3,350)
Income from operations	92,590	91,182	142,330	124,468
Interest income	(2,090)	(1,238)	(7,150)	(5,430)
Interest expense	30	311	99	690
Income before income tax	94,650	92,109	149,381	129,208
Income tax expense (Note 9)	32,041	31,778	50,649	44,577
Net income	\$ 62,609	\$ 60,331	\$ 98,732	\$ 84,631
Earnings per share (Note 5):				
Basic	\$ 1.73	\$ 1.69	\$ 2.73	\$ 2.33
Diluted	1.72	1.67	2.70	2.30
Cash dividends per share:	\$ 0.14	\$	\$ 0.42	\$
Weighted average shares outstanding :				
Basic	36,112	35,687	36,157	36,366
Diluted	36,445	36,059	36,517	36,768

See accompanying notes to condensed consolidated financial statements.

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

	<b>Nine Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
<b>Cash Provided By (Used In) Operating Activities:</b>		
Net income	\$ 98,732	\$ 84,631
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	22,193	17,729
Loss on disposal of property, plant, and equipment	227	289
Deferred income tax provision (benefit)	593	(759)
Stock-based compensation	5,429	8,436
Tax benefit from employee stock plans	2,902	2,536
Excess tax benefit from employee stock plans	(1,672)	(1,023)
Changes in operating assets and liabilities:		
Accounts receivable	(97,097)	(84,000)
Inventories	(101,679)	(76,272)
Prepaid expenses and other current assets	(3,992)	(3,166)
Other assets	523	(46)
Accounts payable	(12,768)	(12,925)
Accrued liabilities	8,691	17,367
Income taxes payable	11,875	18,128
Net cash used in operating activities	(66,043)	(29,075)
<b>Cash Provided by (Used in) Investing Activities:</b>		
Purchases of short-term investments	(218,669)	(196,805)
Sales of short-term investments	307,010	314,300
Capital expenditures	(20,132)	(43,507)
Acquisitions, net of cash acquired		(35,377)
Proceeds from sale of licenses		1,700
Proceeds from sale of property, plant, and equipment	28	11
Other liabilities	12	(532)
Net cash provided by investing activities	68,249	39,790
<b>Cash Provided by (Used in) Financing Activities:</b>		
Proceeds from notes payable	29,550	36,835
Repayments on notes payable	(33,174)	(53,759)
Repayment of long-term debt	(17)	(6,610)
Proceeds from issuance of common stock	14,279	14,102
Excess tax benefit from employee stock plans	1,672	1,023
Cash dividends paid	(15,186)	
Repurchase of common stock	(17,739)	(75,489)
Net cash used in financing activities	(20,615)	(83,898)
<b>Net Effect of Exchange Rate Changes on Cash</b>	<b>2,443</b>	<b>1,090</b>

Edgar Filing: COLUMBIA SPORTSWEAR CO - Form 10-Q

<b>Net Decrease in Cash and Cash Equivalents</b>	(15,966)	(72,093)
<b>Cash and Cash Equivalents, Beginning of Period</b>	64,880	101,091
<b>Cash and Cash Equivalents, End of Period</b>	\$ 48,914	\$ 28,998
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid during the period for interest, net of capitalized interest	\$ 92	\$ 742
Cash paid during the period for income taxes	39,529	26,738
<b>Supplemental Disclosures of Non-Cash Financing Activities:</b>		
Assumption of Montrail debt	\$	\$ 5,833

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 September 30, 2007, the results of operations for the three and nine months ended September 30, 2007 and 2006 and cash flows for the nine months ended September 30, 2007 and 2006. The results of operations for the three and nine months ended September 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 September 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 \$48,914,000 and \$64,880,000 at September 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

## Edgar Filing: COLUMBIA SPORTSWEAR CO - Form 10-Q

short-term interest rate reset periods. 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 in January 2007. At September 30, 2007, short-term investments did not include any such variable rate demand notes and obligations or municipal auction rate notes.

**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 1,302,085 shares were available for future grants under the Plan at September 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 nine months ended September 30, 2007 and 2006:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007 <sup>(2)</sup>	2006	2007	2006
Expected term		5.0 years	5.07 years	5.13 years
Expected stock price volatility		31.71%	29.10%	32.74%
Risk-free interest rate		4.78%	4.59%	4.80%
Expected dividend yield <sup>(1)</sup>		0%	1%	0%
Estimated average fair value per option granted		\$17.59	\$19.16	\$18.29

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

<sup>(2)</sup> There were no stock options granted during the three months ended September 30, 2007.

The following table summarizes stock option activity for the nine months ended September 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
Granted	254,942	61.97		

Edgar Filing: COLUMBIA SPORTSWEAR CO - Form 10-Q

Cancelled	(35,906)	52.71		
Exercised	(381,516)	37.43		
Options outstanding at September 30, 2007	1,416,670	\$ 46.48	6.80	\$ 14,187
Options vested and expected to vest at September 30, 2007	1,352,171	\$ 46.05	6.71	\$ 13,990
Options exercisable at September 30, 2007	939,940	\$ 41.59	5.79	\$ 12,910

**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 nine months ended September 30, 2007 and 2006 was \$3,397,000 and \$8,014,000, respectively. At September 30, 2007 and 2006, unrecognized costs related to stock options totaled approximately \$7,650,000 and \$8,949,000, 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 September 30, 2007 are expected to be recognized over a weighted average period of 2.64 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 nine months ended September 30, 2007:

	<b>Three Months Ended September 30, 2007 <sup>(2)</sup></b>	<b>Nine Months Ended September 30, 2007</b>
Vesting period		3.11 years
Expected dividend yield <sup>(1)</sup>		1%
Estimated average fair value per restricted stock unit granted		\$60.61

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

<sup>(2)</sup> There were no restricted stock units granted during the three months ended September 30, 2007.

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

	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value Per Share</b>
Restricted stock units outstanding at December 31, 2006	99,688	\$ 49.06
Granted	95,540	60.61
Vested	(21,522)	49.75
Forfeited	(12,249)	53.09
Restricted stock units outstanding at September 30, 2007	161,457	\$ 55.50

## Edgar Filing: COLUMBIA SPORTSWEAR CO - Form 10-Q

Restricted stock unit compensation expense for the nine months ended September 30, 2007 and 2006 was \$2,032,000 and \$422,000, respectively. At September 30, 2007 and 2006, unrecognized costs related to restricted stock units totaled approximately \$6,668,000 and \$4,295,000, 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 September 30, 2007 are expected to be recognized over a weighted average period of 2.24 years. The total fair value of restricted stock units vested during the nine months ended September 30, 2007 was \$1,071,000. No restricted stock units vested in the nine months ended September 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 is as follows (in thousands):

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Balance at beginning of period	\$ 11,196	\$ 10,400	\$ 11,162	\$ 9,907
Charged to costs and expenses	521	1,257	2,029	3,440
Claims settled	(320)	(589)	(1,794)	(2,279)
Balance at end of period	\$ 11,397	\$ 11,068	\$ 11,397	\$ 11,068

***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. 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 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 was adopted in the first quarter of 2007. The cumulative effect, if any, of adopting FIN 48 is recorded in retained earnings. See Note 9.

**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):

Edgar Filing: COLUMBIA SPORTSWEAR CO - Form 10-Q

	September 30, 2007	December 31, 2006
Raw materials	\$ 1,656	\$ 2,219
Work in process	9,026	10,664
Finished goods	309,911	199,440
	\$ 320,593	\$ 212,323



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

	September 30, 2007		December 31, 2006	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Patents	\$ 1,603	\$ (512)	\$ 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 \$5,312,000 and \$4,688,000 at September 30, 2007 and December 31, 2006, respectively.

**NOTE 4 - COMPREHENSIVE INCOME**

Accumulated other comprehensive income (loss), 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 September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income	\$ 62,609	\$ 60,331	\$ 98,732	\$ 84,631
Other comprehensive income (loss):				
Unrealized derivative holding gains (losses) arising during period	942	1,672	(514)	(2,397)
Reclassification to net income of previously deferred (gains) losses on derivative transactions	(1,064)	(292)	(1,503)	1,132
Foreign currency translation adjustments	14,401	(1,676)	22,460	8,182
Other comprehensive income (loss)	14,279	(296)	20,443	6,917
Comprehensive income	\$ 76,888	\$ 60,035	\$ 119,175	\$ 91,548

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

	<b>Foreign currency translation</b>	<b>Unrealized holding losses on derivative transactions</b>	<b>Accumulated other comprehensive income</b>
Balance at December 31, 2006	\$ 35,668	\$ (1,274)	\$ 34,394
Activity for the nine months ended September 30, 2007	22,460	(2,017)	20,443
Balance at September 30, 2007	\$ 58,128	\$ (3,291)	\$ 54,837

**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.

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

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):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Weighted average common shares outstanding, used in computing basic earnings per share	36,112	35,687	36,157	36,366
Effect of dilutive stock options and restricted stock units	333	372	360	402
Weighted-average common shares outstanding, used in computing diluted earnings per share	36,445	36,059	36,517	36,768

Earnings per share of common stock:

Basic	\$ 1.73	\$ 1.69	\$ 2.73	\$ 2.33
Diluted	1.72	1.67	2.70	2.30

Stock options and service-based restricted stock units representing 313,174 and 613,089 shares of common stock were outstanding for the three months ended September 30, 2007 and 2006, respectively, and 249,183 and 610,020 shares of common stock were outstanding for the nine months ended September 30, 2007 and 2006, respectively, but these shares were excluded in the computation of diluted EPS because their effect would be anti-dilutive. In addition, performance-based restricted stock units representing 25,040 and 10,756 shares for the three months ended September 30, 2007 and 2006, respectively, and 24,075 and 2,971 shares for the nine months ended September 30, 2007 and 2006, respectively, were excluded from the computation of diluted EPS, as these shares were subject to performance conditions that had not been met.

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 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.

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.

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Net sales to unrelated entities:</b>				
United States	\$ 284,156	\$ 276,301	\$ 556,709	\$ 539,592
Europe	55,240	66,403	141,003	143,464
Canada	57,797	53,647	95,533	92,562
Other International	73,888	57,789	186,036	150,286
	\$ 471,081	\$ 454,140	\$ 979,281	\$ 925,904
<b>Income before income tax:</b>				
United States	\$ 59,761	\$ 58,695	\$ 85,866	\$ 72,379
Europe	7,017	11,160	10,074	11,879
Canada	15,848	13,645	21,971	20,259
Other International	10,007	7,835	24,404	19,618
Interest and other income and eliminations	2,017	774	7,066	5,073
	\$ 94,650	\$ 92,109	\$ 149,381	\$ 129,208
<b>Interest (income) expense, net:</b>				
United States	\$ (2,457)	\$ (1,547)	\$ (7,636)	\$ (6,204)
Europe	1,040	796	2,102	2,129
Canada	(272)	(7)	(628)	(36)
Other International	(371)	(169)	(889)	(629)
	\$ (2,060)	\$ (927)	\$ (7,051)	\$ (4,740)
<b>Income tax expense:</b>				
United States	\$ 18,321	\$ 24,867	\$ 32,174	\$ 33,520
Europe	6,458	856	6,969	616
Canada	6,574	5,449	8,355	7,499
Other International	688	606	3,151	2,942
	\$ 32,041	\$ 31,778	\$ 50,649	\$ 44,577
<b>Depreciation and amortization expense:</b>				
United States	\$ 4,920	\$ 3,853	\$ 13,595	\$ 11,980
Europe				