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

Form 10-K

(Mark One)

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

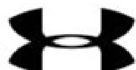
For the fiscal year ended December 31, 2018

or

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

For the transition period from to

Commission File No. 001-33202



UNDER ARMOUR, INC.
(Exact name of registrant as specified in its charter)

Maryland	**52-1990078**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1020 Hull Street Baltimore, Maryland 21230	**(410) 454-6428**
(Address of principal executive offices) (Zip Code)	**(Registrant's Telephone Number, Including Area Code)**

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

Class A Common Stock	**New York Stock Exchange**
Class C Common Stock	**New York Stock Exchange**
(Title of each class)	**(Name of each exchange on which registered)**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes ☑ No ☐

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 or Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
	Emerging growth company ☐

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

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

As of June 29, 2018, the last business day of our most recently completed second fiscal quarter, the aggregate market value of the registrant's Class A Common Stock and Class C Common Stock held by non-affiliates was $4,163,565,041 and $4,673,904,814, respectively.

As of January 31, 2019, there were 187,788,898 shares of Class A Common Stock, 34,450,000 shares of Class B Convertible Common Stock and 226,515,394 shares of Class C Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Under Armour, Inc.'s Proxy Statement for the Annual Meeting of Stockholders to be held on May 9, 2019 are incorporated by reference in Part III of this Form 10-K.

UNDER ARMOUR, INC.

ANNUAL REPORT ON FORM 10-K
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PART I

ITEM 1. BUSINESS

General

Our principal business activities are the development, marketing and distribution of branded performance apparel, footwear and accessories for men, women and youth. The brand's performance apparel and footwear are engineered in many designs and styles for wear in nearly every climate to provide a performance alternative to traditional products. Our products are sold worldwide and are worn by athletes at all levels, from youth to professional, on playing fields around the globe, as well as by consumers with active lifestyles.

We generate net revenues from the sale of our products globally to national, regional, independent and specialty wholesalers and distributors. We also generate net revenue from the sale of our products through our direct to consumer sales channel, which includes our brand and factory house stores and websites. In addition, we generate net revenues through product licensing and digital fitness subscriptions and digital advertising on our Connected Fitness applications. A large majority of our products are sold in North America; however we believe that our products appeal to athletes and consumers with active lifestyles around the globe.

We plan to continue to grow our business over the long term through increased sales of our apparel, footwear and accessories, expansion of our wholesale distribution, growth in our direct to consumer sales channel and expansion in international markets. Our digital strategy is focused on supporting these long term objectives, emphasizing the connection and engagement with our consumers through multiple digital touch points, including through our Connected Fitness business.

We were incorporated as a Maryland corporation in 1996. As used in this report, the terms "we," "our," "us," "Under Armour" and the "Company" refer to Under Armour, Inc. and its subsidiaries unless the context indicates otherwise. We have registered trademarks around the globe, including UNDER ARMOUR®, HEATGEAR®, COLDGEAR® and the Under Armour UA Logo, and we have applied to register many other trademarks. This Annual Report on Form 10-K also contains additional trademarks and tradenames of our Company and our subsidiaries. All trademarks and tradenames appearing in this Annual Report on Form 10-K are the property of their respective holders.

Products

Our product offerings consist of apparel, footwear and accessories for men, women and youth. We market our products at multiple price levels and provide consumers with products that we believe are a superior alternative to traditional athletic products. In 2018, sales of apparel, footwear and accessories represented 67%, 20% and 8% of net revenues, respectively. Licensing arrangements and revenue from our Connected Fitness business represented the remaining 5% of net revenues. Refer to Note 16 to the Consolidated Financial Statements for net revenues by product.

Apparel

Our apparel is offered in a variety of styles and fits intended to enhance comfort and mobility, regulate body temperature and improve performance regardless of weather conditions. Our apparel is engineered to replace traditional non-performance fabrics in the world of athletics and fitness with performance alternatives designed and merchandised with a variety of innovative techniques and gearlines. Our primary gearlines are marketed to tell a very simple story about our highly technical products and extend across the sporting goods, outdoor and active lifestyle markets. We market our apparel for consumers to choose HEATGEAR® when it is hot and COLDGEAR® when it is cold. Within each gearline our apparel comes in three primary fit types: compression (tight fit), fitted (athletic fit) and loose (relaxed).

HEATGEAR® is designed to be worn in warm to hot temperatures under equipment or as a single layer. While a sweat-soaked traditional non-performance T-shirt can weigh two to three pounds, HEATGEAR® is engineered with a microfiber blend designed to wick moisture from the body which helps the body stay cool, dry and light. We offer HEATGEAR® in a variety of tops and bottoms in a broad array of colors and styles for wear in the gym or outside in warm weather.

COLDGEAR® is designed to wick moisture from the body while circulating body heat from hot spots to help maintain core body temperature. Our COLDGEAR® apparel provides both dryness and warmth in a single light

layer that can be worn beneath a jersey, uniform, protective gear or ski-vest, and our COLDGEAR® outerwear products protect the athlete, as well as the coach and the fan from the outside in. Our COLDGEAR® products generally sell at higher prices than our other gearlines.

Footwear

Our footwear offerings include running, basketball, cleated, slides and performance training, sportstyle, and outdoor footwear. Our footwear is light, breathable and built with performance attributes for athletes. Our footwear is designed with innovative technologies including UA HOVR™, Anafoam™, UA Clutch Fit® and Charged Cushioning®, which provide stabilization, directional cushioning and moisture management engineered to maximize the athlete's comfort and control.

Accessories

Accessories primarily includes the sale of athletic performance gloves, bags and headwear. Our accessories include HEATGEAR® and COLDGEAR® technologies and are designed with advanced fabrications to provide the same level of performance as our other products.

Connected Fitness

We offer digital fitness subscriptions, along with digital advertising through our MapMyFitness, MyFitnessPal and Endomondo platforms. Our MapMyFitness platform includes applications, such as MapMyRun and MapMyRide.

License

We have agreements with licensees to develop certain Under Armour apparel, accessories and equipment. In order to maintain consistent quality and performance, our product, marketing, sales and quality assurance teams are involved in substantially all steps of the design and go to market process in order to maintain brand and compliance standards and consistency. During 2018, our licensees offered collegiate, National Football League ("NFL") and National Basketball Association ("NBA") apparel and accessories, baby and youth apparel, team uniforms, socks, water bottles, eyewear and other specific hard goods equipment that feature performance advantages and functionality similar to our other product offerings.

Marketing and Promotion

We currently focus on marketing our products to consumers primarily for use in athletics, fitness, and training activities and as part of an active lifestyle. We seek to drive consumer demand by building brand awareness that our products deliver advantages to help athletes perform better.

Sports Marketing

Our marketing and promotion strategy begins with providing and selling our products to high-performing athletes and teams at the high school, collegiate and professional levels. We execute this strategy through outfitting agreements, professional, club, and collegiate sponsorship, individual athlete and influencer agreements and by providing and selling our products directly to team equipment managers and to individual athletes. We also seek to sponsor and host consumer events to drive awareness and brand authenticity from a grassroots level by hosting combines, camps and clinics for young athletes in many sports. As a result, our products are seen on the field and on the court, and by various consumer audiences through the internet, television, magazines and live at sporting events. This exposure to consumers helps us establish on-field authenticity as consumers can see our products being worn by high-performing athletes.

We are the official outfitter of athletic teams in several high-profile collegiate conferences. We are an official supplier of footwear and gloves to the NFL and a partner with the NBA which allows us to market our NBA athletes in game uniforms in connection with our products, including basketball footwear. We are the official headwear and performance apparel provider for the NFL Scouting Combine and the official partner and title sponsor of the NBA Draft Combine. In each case we have the right to sell licensed combine training apparel and headwear. In 2018, we exited our agreement to be the Official On-Field Uniform Supplier, Official Authentic Performance Apparel Partner, and Official Connected Fitness Partner of MLB, while retaining our rights as an Official Performance Footwear Supplier and Sponsor of MLB. In 2018, we worked with a manufacturing and distribution partner to sell MLB fan wear at retail. We sponsor and sell our products to international sports teams, which helps to drive brand awareness in various countries and regions around the world.

Media

We feature our products in a variety of national digital, broadcast, and print media outlets. We also utilize social and mobile media to engage consumers and promote connectivity with our brand and our products. For example, in 2018, we had a digitally led marketing approach for the launch of our UA HOVR™ run franchise, which included a variety of content on various social media platforms.

Retail Presentation

The primary goal of our retail marketing strategy is to increase brand floor space dedicated to our products within our major retail accounts. The design and funding of Under Armour point of sale displays and concept shops within our major retail accounts has been a key initiative for securing prime floor space, educating the consumer and creating an exciting environment for the consumer to experience our brand. Under Armour point of sale displays and concept shops enhance our brand's presentation within our major retail accounts with a shop-in-shop approach, using dedicated floor space exclusively for our products, including flooring, lighting, walls, displays and images.

Sales and Distribution

The majority of our sales are generated through wholesale channels, which include national and regional sporting goods chains, independent and specialty retailers, department store chains, institutional athletic departments and leagues and teams. In various countries where we do not have direct sales operations, we sell our products to independent distributors or we engage licensees to sell our products.

We also sell our products directly to consumers through our own network of brand and factory house stores and through websites globally. Factory house stores serve an important role in our overall inventory management by allowing us to sell a significant portion of excess, discontinued and out-of-season products while maintaining the pricing integrity of our brand in our other distribution channels. Through our brand house stores, consumers experience the premium full expression of our brand while having broader access to our performance products. In 2018, sales through our wholesale, direct to consumer, licensing and Connected Fitness channels represented 60%, 35%, 3% and 2% of net revenues, respectively.

We believe the trend toward performance products is global and plan to continue to introduce our products and simple merchandising story to athletes throughout the world. We are introducing our performance products and services outside of North America in a manner consistent with our past brand-building strategy, including selling our products directly to teams and individual athletes in these markets, thereby providing us with product exposure to broad audiences of potential consumers.

Our primary business operates in four geographic segments: (1) North America, comprising the United States and Canada, (2) Europe, the Middle East and Africa "EMEA", (3) Asia-Pacific, and (4) Latin America. Each of these geographic segments operate predominantly in one industry: the design, development, marketing and distribution of performance apparel, footwear and accessories. We also operate our Connected Fitness business as a separate segment. The majority of corporate service costs within North America have not been allocated to our other segments. As we continue to grow our business outside of North America, a larger portion of our corporate overhead costs have begun to support global functions. During 2019, we plan to exclude certain corporate costs from our segment profitability measures. We believe this presentation will provide the users of our financial statements with increased transparency and comparability of our operating segments.

Our North America segment accounted for approximately 72% of our net revenues for 2018. Approximately 26% of our net revenues were generated from our international segments in 2018. Approximately 2% of our net revenues were generated from our Connected Fitness segment in 2018. No customer accounted for more than 10% of our net revenues in 2018. We plan to continue to grow our business over the long term in part through continued expansion in new and established international markets. Refer to Note 16 to the Consolidated Financial Statements for net revenues by segment.

North America

We sell our branded apparel, footwear and accessories in North America through our wholesale and direct to consumer channels. Net revenues generated from the sales of our products in the United States were $3.5 billion, $3.6 billion and $3.8 billion for the years ended December 31, 2018, 2017 and 2016 respectively.

Our direct to consumer sales are generated through our brand and factory house stores and internet websites. As of December 31, 2018, we had 163 factory house stores in North America primarily located in outlet centers throughout the United States. As of December 31, 2018, we had 16 brand house stores in North America. Consumers can purchase our products directly from our e-commerce website, www.underarmour.com.

In addition, we earn licensing revenue in North America based on our licensees' sale of collegiate and league apparel and accessories, as well as sales of other licensed products.

We distribute the majority of our products sold to our North American wholesale customers and our own retail stores and e-commerce businesses from distribution facilities we lease and operate in California, Maryland and Tennessee. In addition, we distribute our products in North America through third-party logistics providers with primary locations in Canada, New Jersey and Florida. In some instances, we arrange to have products shipped from the factories that manufacture our products directly to customer-designated facilities.

EMEA

We sell our apparel, footwear and accessories primarily through wholesale customers, website operations, independent distributors and a limited number of stores we operate in certain European countries. We also sell our branded products to various sports clubs and teams in Europe. We generally distribute our products to our retail customers and e-commerce consumers in Europe through a third-party logistics provider in the Netherlands. We sell our apparel, footwear and accessories through independent distributors in the Middle East and Africa.

Asia-Pacific

We sell our apparel, footwear and accessories products in China, South Korea and Australia through stores operated by our distribution and wholesale partners, along with website operations and stores we operate. We also sell our products to distributors in New Zealand, Taiwan, Hong Kong and other countries in Southeast Asia where we do not have direct sales operations. We distribute our products in Asia-Pacific primarily through a third-party logistics provider based in Hong Kong.

We have a license agreement with Dome Corporation, which produces, markets and sells our branded apparel, footwear and accessories in Japan. Our branded products are sold in Japan to large sporting goods retailers, independent specialty stores and professional sports teams, and through licensee-owned retail stores. We hold an equity method investment in Dome.

Latin America

We sell our products in Mexico, Chile, Colombia and Argentina through wholesale customers, website operations and brand and factory house stores. In these countries we operate through third-party distribution facilities. In other Latin American countries we distribute our products through independent distributors which are sourced primarily through our international distribution hub in Panama. On October 1, 2018, we sold our Brazilian Subsidiary. In connection with this sale, we entered into a license and distribution agreement with a third party that will continue to sell our products in Brazil.

Connected Fitness

In 2013, we began offering digital fitness subscriptions, along with digital advertising through our MapMyFitness platform. In 2015, we acquired the Endomondo and MyFitnessPal platforms to create our Connected Fitness segment. We plan to engage this community by developing innovative services and other digital solutions to impact how athletes and fitness-minded individuals train, perform and live.

Seasonality

Historically, we have recognized a majority of our net revenues and a significant portion of our income from operations in the last two quarters of the year, driven primarily by increased sales volume of our products during the fall selling season, including our higher priced cold weather products, along with a larger proportion of higher margin direct to consumer sales. The level of our working capital generally reflects the seasonality and growth in our business. We generally expect inventory, accounts payable and certain accrued expenses to be higher in the second and third quarters in preparation for the fall selling season.

Product Design and Development

Our products are developed in collaboration with our product development teams and manufactured with technical fabrications produced by third parties. This approach enables us to select and create superior, technically advanced materials, curated to our specifications, while focusing our product development efforts on style, performance and fit.

With a mission to make athletes better, we seek to deliver superior performance in all products. Our developers proactively identify opportunities to create and improve performance products that meet the evolving needs of our consumer. We design products with consumer-valued technologies, utilizing color, texture and fabrication to enhance our consumers perception and understanding of product use and benefits.

Our product development team works closely with our sports marketing and sales teams as well as professional and collegiate athletes to identify product trends and determine market needs. For example, these teams worked closely to identify the opportunity and market for our COLDGEAR® Infrared product, which is a ceramic print technology on the inside of our garments that provides athletes with lightweight warmth, and UA HOVR™, a proprietary underfoot cushioning wrapped in a mesh web, equipped with a MapMyRun powered sensor designed to deliver energy return and real-time coaching. In 2017 we also opened our newest center for footwear performance innovation located in Portland, Oregon, bringing together footwear design and development teams into a centralized location.

Sourcing, Manufacturing and Quality Assurance

Many of the specialty fabrics and other raw materials used in our apparel products are technically advanced products developed by third parties and may be available, in the short term, from a limited number of sources. The fabric and other raw materials used to manufacture our apparel products are sourced by our contracted manufacturers from a limited number of suppliers pre-approved by us. In 2018, approximately 49% of the fabric used in our apparel products came from 5 suppliers. These fabric suppliers have primary locations in Taiwan, Malaysia, Mexico, Vietnam and Turkey. The fabrics used by our suppliers and manufacturers are primarily synthetic and involve raw materials, including petroleum based products that may be subject to price fluctuations and shortages. We also use cotton in some of our apparel products, as a blended fabric and also in our CHARGED COTTON® line. Cotton is a commodity that is subject to price fluctuations and supply shortages. Additionally, our footwear uses raw materials that are sourced from a diverse base of third party suppliers. This includes chemicals and petroleum-based components such as rubber that are also subject to price fluctuations and supply shortages.

Substantially all of our products are manufactured by unaffiliated manufacturers. In 2018, our apparel and accessories products were manufactured by 44 primary contract manufacturers, operating in 16 countries, with approximately 58% of our apparel and accessories products manufactured in Jordan, Vietnam, China and Malaysia. Of our 44 primary contract manufacturers, 10 produced approximately 55% of our apparel and accessories products. In 2018, our footwear products were manufactured by five primary contract manufacturers, operating primarily in China, Vietnam and Indonesia. These five primary contract manufacturers produced approximately 87% of our footwear products.

All manufacturers across all product divisions are evaluated for quality systems, social compliance and financial strength by our internal teams prior to being selected and on an ongoing basis. Where appropriate, we strive to qualify multiple manufacturers for particular product types and fabrications. We also seek out vendors that can perform multiple manufacturing stages, such as procuring raw materials and providing finished products, which helps us to control our cost of goods sold. We enter into a variety of agreements with our contract manufacturers, including non-disclosure and confidentiality agreements, and we require that all of our manufacturers adhere to a code of conduct regarding quality of manufacturing, working conditions and other social concerns. We do not, however, have any long term agreements requiring us to utilize any manufacturer, and no manufacturer is required to produce our products for the long term. We have subsidiaries strategically located near our key partners to support our manufacturing, quality assurance and sourcing efforts for our products. We also manufacture a limited number of products, primarily for high-profile athletes and teams, on-premises in our quick turn, Special Make-Up Shop located at one of our facilities in Maryland.

Inventory Management

Inventory management is important to the financial condition and operating results of our business. We manage our inventory levels based on existing orders, anticipated sales and the rapid-delivery requirements of our customers. Our inventory strategy is focused on continuing to meet consumer demand while improving our inventory efficiency over the long term by putting systems and processes in place to improve our inventory management. These systems and processes, including our new global operating and financial reporting information technology system, are designed to improve our forecasting and supply planning capabilities. In addition to systems and processes, key areas of focus that we believe will enhance inventory performance are added discipline around the purchasing of product, production lead time reduction, and better planning and execution in selling of excess inventory through our factory house stores and other liquidation channels.

Our practice, and the general practice in the apparel, footwear and accessory industries, is to offer retail customers the right to return defective or improperly shipped merchandise. As it relates to new product introductions, which can often require large initial launch shipments, we commence production before receiving orders for those products from time to time.

Intellectual Property

We believe we own the material trademarks used in connection with the marketing, distribution and sale of our products, both domestically and internationally, where our products are currently sold or manufactured. Our major trademarks include the UA Logo and UNDER ARMOUR®, both of which are registered in the United States, Canada, Mexico, the European Union, Japan, China and numerous other countries. We also own trademark registrations for other trademarks including, among others, UA®, ARMOUR®, HEATGEAR®, COLDGEAR®, PROTECT THIS HOUSE®, I WILL®, and many trademarks that incorporate the term ARMOUR such as ARMOURBOX®, ARMOUR® FLEECE, and ARMOUR BRA®. We also own applications to protect new connected fitness branding such as MyFitnessPal®, MapMyFitness® and associated MapMy marks and UNDER ARMOUR CONNECTED FITNESS™. We own domain names for our primary trademarks (most notably underarmour.com and ua.com) and hold copyright registrations for several commercials, as well as for certain artwork. We intend to continue to strategically register, both domestically and internationally, trademarks and copyrights we utilize today and those we develop in the future. We will continue to aggressively police our trademarks and pursue those who infringe, both domestically and internationally.

We believe the distinctive trademarks we use in connection with our products are important in building our brand image and distinguishing our products from those of others. These trademarks are among our most valuable assets. In addition to our distinctive trademarks, we also place significant value on our trade dress, which is the overall image and appearance of our products, and we believe our trade dress helps to distinguish our products in the marketplace.

We traditionally have had limited patent protection on some of the technology, materials and processes used in the manufacture of our products. In addition, patents are increasingly important with respect to our innovative products and new businesses and investments. As we continue to expand and drive innovation in our products, we expect to seek patent protection on products, features and concepts we believe to be strategic and important to our business. We will continue to file patent applications where we deem appropriate to protect our new products, innovations and designs that align with our corporate strategy. We expect the number of applications to increase as our business grows and as we continue to expand our products and innovate.

Competition

The market for performance apparel, footwear and accessories is highly competitive and includes many new competitors as well as increased competition from established companies expanding their production and marketing of performance products. Many of the fabrics and technology used in manufacturing our products are not unique to us, and we own a limited number of fabric or process patents. Many of our competitors are large apparel and footwear companies with strong worldwide brand recognition and significantly greater resources than us, such as Nike and Adidas. We also compete with other manufacturers, including those specializing in performance apparel and footwear, and private label offerings of certain retailers, including some of our retail customers.

In addition, we must compete with others for purchasing decisions, as well as limited floor space at retailers. We believe we have been successful in this area because of the relationships we have developed and the strong sales of our products. However, if retailers earn higher margins from our competitors' products, they may favor the display and sale of those products.

We believe we have been able to compete successfully because of our brand image and recognition, the performance and quality of our products and our selective distribution policies. We also believe our focused gearline merchandising story differentiates us from our competition. In the future we expect to compete for consumer preferences and expect that we may face greater competition on pricing. This may favor larger competitors with lower production costs per unit that can spread the effect of price discounts across a larger array of products and across a larger customer base than ours. The purchasing decisions of consumers for our products often reflect highly subjective preferences that can be influenced by many factors, including advertising, media, product sponsorships, product improvements and changing styles.

Employees

As of December 31, 2018, we had approximately 15,000 employees, including approximately 9,600 in our brand and factory house stores and approximately 1,800 at our distribution facilities. Approximately 7,000 of our employees were full-time. Most of our employees are located in the United States. None of our employees in the United States are currently covered by a collective bargaining agreement and there are no material collective bargaining agreements in effect in any of our international locations. We have had no labor-related work stoppages, and we believe our relations with our employees are good.

Available Information

We will make available free of charge on or through our website at https://about.underarmour.com/ our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file these materials with the Securities and Exchange Commission. We also post on this website our key corporate governance documents, including our board committee charters, our corporate governance guidelines and our code of conduct and ethics.

ITEM 1A. RISK FACTORS

Forward-Looking Statements

Some of the statements contained in this Form 10-K and the documents incorporated herein by reference constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts, such as statements regarding our future financial condition or results of operations, our prospects and strategies for future growth, the anticipated benefits of our restructuring plans, the impact of recent tax reform legislation on our results of operations, the development and introduction of new products and the implementation of our marketing and branding strategies. In many cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “outlook,” “potential” or the negative of these terms or other comparable terminology.

The forward-looking statements contained in this Form 10-K and the documents incorporated herein by reference reflect our current views about future events and are subject to risks, uncertainties, assumptions and changes in circumstances that may cause events or our actual activities or results to differ significantly from those expressed in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future events, results, actions, levels of activity, performance or achievements. Readers are cautioned not to place undue reliance on these forward-looking statements. A number of important factors could cause actual results to differ materially from those indicated by these forward-looking statements, including, but not limited to, those factors described in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These factors include without limitation:

- changes in general economic or market conditions that could affect overall consumer spending or our industry;
- changes to the financial health of our customers;
- our ability to successfully execute our long-term strategies;
- our ability to successfully execute any restructuring plans and realize expected benefits;
- our ability to effectively drive operational efficiency in our business;
- our ability to manage the increasingly complex operations of our global business;
- our ability to comply with existing trade and other regulations, and the potential impact of new trade and tax regulations on our profitability;
- our ability to effectively develop and launch new, innovative and updated products;
- our ability to accurately forecast consumer demand for our products and manage our inventory in response to changing demands;
- any disruptions, delays or deficiencies in the design, implementation or application of our new global operating and financial reporting information technology system;
- increased competition causing us to lose market share or reduce the prices of our products or to increase significantly our marketing efforts;
- fluctuations in the costs of our products;
- loss of key suppliers or manufacturers or failure of our suppliers or manufacturers to produce or deliver our products in a timely or cost-effective manner, including due to port disruptions;
- our ability to further expand our business globally and to drive brand awareness and consumer acceptance of our products in other countries;
- our ability to accurately anticipate and respond to seasonal or quarterly fluctuations in our operating results;
- our ability to successfully manage or realize expected results from acquisitions and other significant investments or capital expenditures;
- risks related to foreign currency exchange rate fluctuations;
- our ability to effectively market and maintain a positive brand image;
- the availability, integration and effective operation of information systems and other technology, as well as any potential interruption of such systems or technology;
- risks related to data security or privacy breaches;
- our ability to raise additional capital required to grow our business on terms acceptable to us;
- our potential exposure to litigation and other proceedings; and
- our ability to attract key talent and retain the services of our senior management and key employees.

The forward-looking statements contained in this Form 10-K reflect our views and assumptions only as of the date of this Form 10-K. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

Our results of operations and financial condition could be adversely affected by numerous risks. You should carefully consider the risk factors detailed below in conjunction with the other information contained in this Form 10-K. Should any of these risks actually materialize, our business, financial condition and future prospects could be negatively impacted.

During a downturn in the economy, consumer purchases of discretionary items are affected, which could materially harm our sales, profitability and financial condition and our prospects for growth.

Many of our products may be considered discretionary items for consumers. Factors affecting the level of consumer spending for such discretionary items include general economic conditions, unemployment, the availability of consumer credit and consumer confidence in future economic conditions. Uncertainty in global economic conditions continues, and trends in consumer discretionary spending remain unpredictable. However, consumer purchases of discretionary items tend to decline during recessionary periods when disposable income is lower or during other periods of economic instability or uncertainty, which may slow our growth more than we anticipate. A downturn in the economies in markets in which we sell our products, particularly in North America, may materially harm our sales, profitability and financial condition and our prospects for growth.

We derive a substantial portion of our sales from large wholesale customers. If the financial condition of our customers declines, our financial condition and results of operations could be adversely impacted.

In 2018, sales through our wholesale channel represented approximately 60% of our net revenues. We extend credit to our wholesale customers based on an assessment of a customer’s financial condition, generally without requiring collateral. We face increased risk of order reduction or cancellation when dealing with financially ailing customers or customers struggling with economic uncertainty. During weak economic conditions, customers may be more cautious with orders or may slow investments necessary to maintain a high quality in-store experience for consumers, which may result in lower sales of our products. In addition, a slowing economy in our key markets or a continued decline in consumer purchases of sporting goods generally could have an adverse effect on the financial health of our customers. From time to time certain of our customers have experienced financial difficulties. To the extent one or more of our customers experience significant financial difficulty, bankruptcy, insolvency or cease operations, this could have a material adverse effect on our sales, our ability to collect on receivables and our financial condition and results of operations.

A decline in sales to, or the loss of, one or more of our key customers could result in a material loss of net revenues and negatively impact our prospects for growth.

We generate a significant portion of our wholesale revenues from sales to our largest customers. We currently do not enter into long term sales contracts with our key customers, relying instead on our relationships with these customers and on our position in the marketplace. As a result, we face the risk that these key customers may not increase their business with us as we expect, or may significantly decrease their business with us or terminate their relationship with us. The failure to increase our sales to these customers as much as we anticipate would have a negative impact on our growth prospects and any decrease or loss of these key customers' business could result in a material decrease in our net revenues and net income. In addition, our customers continue to experience ongoing industry consolidation, particularly in the sports specialty sector. As this consolidation continues, it increases the risk that if any one customer significantly reduces their purchases of our products, we may be unable to find sufficient alternative customers to continue to grow our net revenues, or our net revenues may decline.

We may not successfully execute our long-term strategies, which may negatively impact our results of operations.

Our ability to execute on our long-term strategies depends, in part, on successfully executing on strategic growth initiatives in key areas, such as our international business, footwear and our global direct to consumer sales channel. Our growth in these areas depends on our ability to continue to successfully expand our global network of brand and factory house stores, grow our e-commerce and mobile application offerings throughout the world and continue to successfully increase our product offerings and market share in footwear. If we are unable to grow net revenues in our international business at the rate we expect, or if our North America business, which represented 72% of our total net revenues in 2018, were to experience significant market disruption, our ability to continue to invest in these growth initiatives would be negatively impacted. In addition, our long-term strategy depends on our

ability to successfully drive expansion of our gross margins, manage our cost structure and drive return on our investments. If we cannot effectively execute our long-term growth strategies while managing costs effectively, our business could be negatively impacted and we may not achieve our expected results of operations.

We may not fully realize the expected benefits of our restructuring plans or other operating or cost-saving initiatives, which may negatively impact our profitability.

In 2017 and 2018 we executed restructuring plans designed to more closely align our financial resources against the critical priorities of our business. These plans included initiatives to improve operational efficiencies, and included reductions in our global workforce. We may not achieve our targeted operational improvements and efficiencies, which could adversely impact our results of operations and financial condition. In addition, implementing any restructuring plan presents significant potential risks that may impair our ability to achieve anticipated operating improvements and/or cost reductions. These risks include, among others, higher than anticipated costs in implementing our restructuring plans, management distraction from ongoing business activities, failure to maintain adequate controls and procedures while executing our restructuring plans, damage to our reputation and brand image and workforce attrition beyond planned reductions. If we fail to achieve targeted operating improvements and/or cost reductions, our profitability and results of operations could be negatively impacted, which may be dilutive to our earnings in the short term.

We must successfully manage the increasingly complex operations of our global business, or our business and results of operations may be negatively impacted.

We have expanded our business and operations rapidly since our inception and we must continue to successfully manage the operational difficulties associated with expanding our business to meet increased consumer demand throughout the world. We may experience difficulties in obtaining sufficient raw materials and manufacturing capacity to produce our products, as well as delays in production and shipments, as our products are subject to risks associated with overseas sourcing and manufacturing. We must also continually evaluate the need to expand critical functions in our business, including sales and marketing, product development and distribution functions, our management information systems and other processes and technology. To support these functions, we must hire, train and manage an increasing number of employees. We may not be successful in undertaking these types of initiatives cost effectively or at all, and could experience serious operating difficulties if we fail to do so. These growth efforts could also increase the strain on our existing resources. If we experience difficulties in supporting the growth of our business, we could experience an erosion of our brand image and a decrease in net revenues and net income.

If we are unable to anticipate consumer preferences, successfully develop and introduce new, innovative and updated products or engage our consumers, our net revenues and profitability may be negatively impacted.

Our success depends on our ability to identify and originate product trends as well as to anticipate and react to changing consumer demands in a timely manner. All of our products are subject to changing consumer preferences that cannot be predicted with certainty. In addition, long lead times for certain of our products may make it hard for us to quickly respond to changes in consumer demands. Our new products may not receive consumer acceptance as consumer preferences could shift rapidly to different types of performance or other sports products or away from these types of products altogether, and our future success depends in part on our ability to anticipate and respond to these changes.

Even if we are successful in anticipating consumer preferences, our ability to adequately react to and address those preferences will in part depend upon our continued ability to develop and introduce innovative, high-quality products. If we fail to introduce technical innovation in our products or design products in the categories and styles that consumers want, demand for our products could decline and our brand image could be negatively impacted. Our failure to anticipate and respond timely to changing consumer preferences or to effectively introduce new products and enter into new product categories that are accepted by consumers could result in a decrease in net revenues and excess inventory levels, which could have a material adverse effect on our financial condition. In addition, if we experience problems with the quality of our products, our brand reputation may be negatively impacted and we may incur substantial expense to remedy the problems, which could negatively impact our results of operations.

In addition, consumer preferences regarding the shopping experience continue to rapidly evolve. If we or our wholesale customers do not provide consumers with an attractive in-store experience, or if we do not continue to provide an engaging and user-friendly digital commerce platform that attracts consumers, our brand image and results of operations could be negatively impacted.

Our results of operations could be materially harmed if we are unable to accurately forecast demand for our products.

To ensure adequate inventory supply, we must forecast inventory needs and place orders with our manufacturers before firm orders are placed by our customers. In addition, a significant portion of our net revenues are generated by at-once orders for immediate delivery to customers, particularly during the last two quarters of the year, which historically has been our peak season. If we fail to accurately forecast customer demand we may experience excess inventory levels or a shortage of product to deliver to our customers.

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

- an increase or decrease in consumer demand for our products;
- our failure to accurately forecast consumer acceptance for our new products;
- product introductions by competitors;
- unanticipated changes in general market conditions or other factors, which may result in cancellations of advance orders or a reduction or increase in the rate of reorders or at-once orders placed by retailers;
- the impact on consumer demand due to unseasonable weather conditions;
- weakening of economic conditions or consumer confidence in future economic conditions, which could reduce demand for discretionary items, such as our products; and
- terrorism or acts of war, or the threat thereof, or political or labor instability or unrest which could adversely affect consumer confidence and spending or interrupt production and distribution of product and raw materials.

Inventory levels in excess of customer demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices or in less preferred distribution channels, which could impair our brand image and have an adverse effect on gross margin. In addition, if we underestimate the demand for our products, our manufacturers may not be able to produce products to meet our customer requirements, and this could result in delays in the shipment of our products and our ability to recognize revenue, lost sales, as well as damage to our reputation and retailer and distributor relationships.

The difficulty in forecasting demand also makes it difficult to estimate our future results of operations and financial condition from period to period. A failure to accurately predict the level of demand for our products could adversely impact our profitability or cause us not to achieve our expected financial results.

Sales of performance products may not continue to grow or may decline, which could negatively impact our sales and our ability to grow our business.

We believe continued growth in industry-wide sales of performance apparel, footwear and accessories will be largely dependent on consumers continuing to transition from traditional alternatives to performance products. If consumers are not convinced these products are a better choice than traditional alternatives, growth in the industry and our business could be adversely affected. In addition, because performance products are often more expensive than traditional alternatives, consumers who are convinced these products provide a better alternative may still not be convinced they are worth the extra cost. If industry-wide sales of performance products do not continue to grow or rather decline, our sales could be negatively impacted and we may not achieve our expected financial results. In addition, our ability to continue to grow our business in line with our expectations could be adversely impacted.

We operate in highly competitive markets and the size and resources of some of our competitors may allow them to compete more effectively than we can, resulting in a loss of our market share and a decrease in our net revenues and gross profit.

The market for performance apparel, footwear and accessories is highly competitive and includes many new competitors as well as increased competition from established companies expanding their production and marketing of performance products. Because we own a limited number of fabric or process patents, our current and

future competitors are able to manufacture and sell products with performance characteristics and fabrications similar to certain of our products. Many of our competitors are large apparel and footwear companies with strong worldwide brand recognition. Due to the fragmented nature of the industry, we also compete with other manufacturers, including those specializing in products similar to ours and private label offerings of certain retailers, including some of our retail customers. Many of our competitors have significant competitive advantages, including greater financial, distribution, marketing and other resources, longer operating histories, better brand recognition among consumers, more experience in global markets and greater economies of scale. In addition, our competitors have long term relationships with our key retail customers that are potentially more important to those customers because of the significantly larger volume and product mix that our competitors sell to them. As a result, these competitors may be better equipped than we are to influence consumer preferences or otherwise increase their market share by:

- quickly adapting to changes in customer requirements or consumer preferences;
- readily taking advantage of acquisition and other opportunities;
- discounting excess inventory that has been written down or written off;
- devoting resources to the marketing and sale of their products, including significant advertising, media placement, partnerships and product endorsement;
- adopting aggressive pricing policies; and
- engaging in lengthy and costly intellectual property and other disputes.

In addition, while one of our growth strategies has been to increase floor space for our products in retail stores and generally expand our distribution to other retailers, retailers have limited resources and floor space, and we must compete with others to develop relationships with them. Increased competition by existing and future competitors could result in reductions in floor space in retail locations, reductions in sales or reductions in the prices of our products, and if retailers have better sell through or earn greater margins from our competitors' products, they may favor the display and sale of those products. Our inability to compete successfully against our competitors and maintain our gross margin could have a material adverse effect on our business, financial condition and results of operations.

Our profitability may decline as a result of increasing pressure on pricing.

Our industry is subject to significant pricing pressure caused by many factors, including intense competition, consolidation in the retail industry, pressure from retailers to reduce the costs of products and changes in consumer demand. These factors may cause us to reduce our prices to retailers and consumers or engage in more promotional activity than we anticipate, which could negatively impact our margins and cause our profitability to decline if we are unable to offset price reductions with comparable reductions in our operating costs. This could have a material adverse effect on our results of operations and financial condition. In addition, ongoing and sustained promotional activities could negatively impact our brand image.

Fluctuations in the cost of products could negatively affect our operating results.

The fabrics used by our suppliers and manufacturers are made of raw materials including petroleum-based products and cotton. Significant price fluctuations or shortages in petroleum or other raw materials can materially adversely affect our cost of goods sold. In addition, certain of our manufacturers are subject to government regulations related to wage rates, and therefore the labor costs to produce our products may fluctuate. The cost of transporting our products for distribution and sale is also subject to fluctuation due in large part to the price of oil. Because most of our products are manufactured abroad, our products must be transported by third parties over large geographical distances and an increase in the price of oil can significantly increase costs. Manufacturing delays or unexpected transportation delays can also cause us to rely more heavily on airfreight to achieve timely delivery to our customers, which significantly increases freight costs. Any of these fluctuations may increase our cost of products and have an adverse effect on our profit margins, results of operations and financial condition.

We rely on third-party suppliers and manufacturers to provide raw materials for and to produce our products, and we have limited control over these suppliers and manufacturers and may not be able to obtain quality products on a timely basis or in sufficient quantity.

Many of the materials used in our products are technically advanced products developed by third parties and may be available, in the short-term, from a very limited number of sources. Substantially all of our products are manufactured by unaffiliated manufacturers, and, in 2018, 10 manufacturers produced approximately 55% of our apparel and accessories products, and five produced approximately 87% of our footwear products. We have no long term contracts with our suppliers or manufacturing sources, and we compete with other companies for fabrics, raw materials, production and import quota capacity.

We may experience a significant disruption in the supply of fabrics or raw materials from current sources or, in the event of a disruption, we may be unable to locate alternative materials suppliers of comparable quality at an acceptable price, or at all. In addition, our unaffiliated manufacturers may not be able to fill our orders in a timely manner. If we experience significant increased demand, or we lose or need to replace an existing manufacturer or supplier as a result of adverse economic conditions or other reasons, additional supplies of fabrics or raw materials or additional manufacturing capacity may not be available when required on terms that are acceptable to us, or at all, or suppliers or manufacturers may not be able to allocate sufficient capacity to us in order to meet our requirements. In addition, even if we are able to expand existing or find new manufacturing or fabric sources, we may encounter delays in production and added costs as a result of the time it takes to train our suppliers and manufacturers on our methods, products and quality control standards. Any delays, interruption or increased costs in the supply of fabric or manufacture of our products could have an adverse effect on our ability to meet retail customer and consumer demand for our products and result in lower net revenues and net income both in the short and long term.

We have occasionally received, and may in the future continue to receive, shipments of product that fail to conform to our quality control standards. In that event, unless we are able to obtain replacement products in a timely manner, we risk the loss of net revenues resulting from the inability to sell those products and related increased administrative and shipping costs. In addition, because we do not control our manufacturers, products that fail to meet our standards or other unauthorized products could end up in the marketplace without our knowledge, which could harm our brand and our reputation in the marketplace.

Labor disruptions at ports or our suppliers or manufacturers may adversely affect our business.

Our business depends on our ability to source and distribute products in a timely manner. As a result, we rely on the free flow of goods through open and operational ports worldwide and on a consistent basis from our suppliers and manufacturers. Labor disputes at various ports or at our suppliers or manufacturers create significant risks for our business, particularly if these disputes result in work slowdowns, lockouts, strikes or other disruptions during our peak importing or manufacturing seasons, and could have an adverse effect on our business, potentially resulting in canceled orders by customers, unanticipated inventory accumulation or shortages and reduced net revenues and net income.

Our limited operating experience and limited brand recognition in new markets may limit our expansion strategy and cause our business and growth to suffer.

A significant element of our future growth strategy depends on our expansion efforts outside of North America. During the year ended December 31, 2018, 72% of our net revenues were earned in our North America segment. We have limited experience with regulatory environments and market practices in certain regions outside of North America, and may face difficulties in expanding to and successfully operating in those markets. International expansion may place increased demands on our operational, managerial and administrative resources and may be more costly than we expect. In addition, in connection with expansion efforts outside of North America, we may face cultural and linguistic differences, differences in regulatory environments, labor practices and market practices and difficulties in keeping abreast of market, business and technical developments and customers' tastes and preferences. We may also encounter difficulty expanding into new markets because of more limited brand recognition leading to delayed acceptance of our products. Failure to successfully grow our business outside North America would negatively impact our ability to achieve our long-term growth targets.

Our financial results and ability to grow our business may be negatively impacted by economic, regulatory and political risks beyond our control.

Substantially all of our manufacturers are located outside of the United States and an increasing amount of our net revenue is generated by sales in our international business. As a result, we are subject to risks associated with doing business abroad, including:

- political or labor unrest, terrorism and economic instability resulting in the disruption of trade from foreign countries in which our products are manufactured;
- currency exchange fluctuations or requirements to transact in specific currencies;
- the imposition of new laws and regulations, including those relating to labor conditions, quality and safety standards, as well as rules and regulations regarding climate change;
- uncertainties and the effects of the United Kingdom’s referendum to withdraw from the European Union and the associated financial, legal, tax and trade implications;
- actions of foreign or U.S. governmental authorities impacting trade and foreign investment, particularly during periods of heightened tension between U.S. and foreign governments, including the imposition of new import limitations, duties, anti-dumping penalties, trade restrictions or restrictions on the transfer of funds;
- reduced protection for intellectual property rights in some countries;
- disruptions or delays in shipments; and
- changes in local economic conditions in countries where our stores, customers, manufacturers and suppliers are located.

These risks could hamper our ability to sell products in international markets, negatively affect the ability of our manufacturers to produce or deliver our products or procure materials and increase our cost of doing business generally, any of which could have an adverse effect on our results of operations, cash flows and financial condition. In the event that one or more of these factors make it undesirable or impractical for us to conduct business in a particular country, our business could be adversely affected.

If we fail to successfully manage or realize expected results from acquisitions and other significant investments, or if we are required to recognize an impairment of our goodwill, it may have an adverse effect on our results of operations and financial position.

From time to time we may engage in acquisition opportunities we believe are complementary to our business and brand. Integrating acquisitions can also require significant efforts and resources, which could divert management attention from more profitable business operations. If we fail to successfully integrate acquired businesses, we may not realize the financial benefits or other synergies we anticipated. In addition, in connection with our acquisitions, we may record goodwill or other indefinite-lived intangible assets. We have recognized goodwill impairment charges in the past. If an acquired business does not produce results consistent with financial models used in our analysis of an acquisition, or if reporting units carrying goodwill do not meet our current expectations of future growth rates or market factors outside of our control change significantly, then one or more of our reporting units or intangible assets might become impaired, which could have an adverse effect on our results of operations and financial position.

Our credit agreement contains financial covenants, and both our credit agreement and debt securities contain other restrictions on our actions, which could limit our operational flexibility or otherwise adversely affect our financial condition.

We have, from time to time, financed our liquidity needs in part from borrowings made under our credit facility and the issuance of debt securities. Our debt securities limit our ability to, subject to certain significant exceptions, incur secured debt and engage in sale leaseback transactions. Our credit agreement contains negative covenants that, subject to significant exceptions limit our ability, among other things to incur additional indebtedness, make restricted payments, pledge assets as security, make investments, loans, advances, guarantees and acquisitions, undergo fundamental changes and enter into transactions with affiliates. In addition, we must maintain a certain leverage ratio and interest coverage ratio as defined in the credit agreement, and in the past we have amended our credit agreement to increase these ratios in certain quarterly periods Specifically, in 2018 we amended the credit agreement to increase these ratios for the second and third quarters of 2018. Failure to comply with these operating or financial covenants could result from, among other things, changes in our results of operations or general economic conditions. These covenants may restrict our ability to engage in transactions

that would otherwise be in our best interests. Failure to comply with any of the covenants under the credit agreement or our debt securities could result in a default. In addition, the credit agreement includes a cross default provision whereby an event of default under certain other debt obligations (including our debt securities) will be considered an event of default under the credit agreement. If an event of default occurs, the commitments of the lenders under the credit agreement may be terminated and the maturity of amounts owed may be accelerated. Our debt securities include a cross acceleration provision which provides that the acceleration of certain other debt obligations (including our credit agreement) will be considered an event of default under our debt securities and, subject to certain time and notice periods, give bondholders the right to accelerate our debt securities.

We may need to raise additional capital required to grow our business, and we may not be able to raise capital on terms acceptable to us or at all.

Growing and operating our business will require significant cash outlays and capital expenditures and commitments. We have utilized cash on hand and cash generated from operations, accessed our credit facility and issued debt securities as sources of liquidity. If cash on hand and cash generated from operations are not sufficient to meet our cash requirements, we will need to seek additional capital, potentially through debt or equity financing, to fund our growth. Our ability to access the credit and capital markets in the future as a source of liquidity, and the borrowing costs associated with such financing, are dependent upon market conditions and our credit rating and outlook. Our credit ratings have been downgraded previously, and we cannot assure that we will be able to maintain our current ratings, which could increase our cost of borrowing in the future. In addition, equity financing may be on terms that are dilutive or potentially dilutive to our stockholders, and the prices at which new investors would be willing to purchase our securities may be lower than the current price per share of our common stock. The holders of new securities may also have rights, preferences or privileges which are senior to those of existing holders of common stock. If new sources of financing are required, but are insufficient or unavailable, we will be required to modify our growth and operating plans based on available funding, if any, which would harm our ability to grow our business.

Our operating results are subject to seasonal and quarterly variations in our net revenues and income from operations, which could adversely affect the price of our publicly traded common stock.

We have experienced, and expect to continue to experience, seasonal and quarterly variations in our net revenues and income from operations. These variations are primarily related to the mix of our products sold during the fall selling season, including our higher price cold weather products, along with a larger proportion of higher margin direct to consumer sales. Our quarterly results may also vary based on the timing of customer orders. The majority of our net revenues were generated during the last two quarters in each of 2018, 2017 and 2016, respectively.

Our quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including, among other things, the timing of marketing expenses and changes in our product mix. Variations in weather conditions may also have an adverse effect on our quarterly results of operations. For example, warmer than normal weather conditions throughout the fall or winter may reduce sales of our COLDGEAR® line, leaving us with excess inventory and operating results below our expectations.

As a result of these seasonal and quarterly fluctuations, we believe that comparisons of our operating results between different quarters within a single year are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of our future performance. Any seasonal or quarterly fluctuations that we report in the future may not match the expectations of market analysts and investors. This could cause the price of our publicly traded stock to fluctuate significantly.

Our financial results could be adversely impacted by currency exchange rate fluctuations.

We generated approximately 26% of our consolidated net revenues outside the United States. As our international business grows, our results of operations could be adversely impacted by changes in foreign currency exchange rates. Revenues and certain expenses in markets outside of the United States are recognized in local foreign currencies, and we are exposed to potential gains or losses from the translation of those amounts into U.S. dollars for consolidation into our financial statements. Similarly, we are exposed to gains and losses resulting from currency exchange rate fluctuations on transactions generated by our foreign subsidiaries in currencies other than their local currencies. In addition, the business of our independent manufacturers may also be disrupted by currency

exchange rate fluctuations by making their purchases of raw materials more expensive and more difficult to finance. As a result, foreign currency exchange rate fluctuations may adversely impact our results of operations.

The value of our brand and sales of our products could be diminished if we are associated with negative publicity.

Our business could be adversely impacted if negative publicity regarding our brand, our company or our business partners diminishes the appeal of our brand to consumers. For example, while we require our suppliers, manufacturers and licensees of our products to operate their businesses in compliance with applicable laws and regulations as well as the social and other standards and policies we impose on them, including our code of conduct, we do not control their practices. A violation, or alleged violation of our policies, labor laws or other laws could interrupt or otherwise disrupt our sourcing or damage our brand image. Negative publicity regarding production methods, alleged practices or workplace or related conditions of any of our suppliers, manufacturers or licensees could adversely affect our reputation and sales and force us to locate alternative suppliers, manufacturers or licensees.

In addition, we have sponsorship contracts with a variety of athletes and feature those athletes in our advertising and marketing efforts, and many athletes and teams use our products, including those teams or leagues for which we are an official supplier. Actions taken by athletes, teams or leagues associated with our products could harm the reputations of those athletes, teams or leagues. These and other types of negative publicity, especially through social media which potentially accelerates and increases the scope of negative publicity, could negatively impact our brand image and result in diminished loyalty to our brand, regardless of whether such claims are accurate. This could have a negative effect on our sales and results of operations.

Sponsorships and designations as an official supplier may become more expensive and this could impact the value of our brand image.

A key element of our marketing strategy has been to create a link in the consumer market between our products and professional and collegiate athletes. We have developed licensing agreements to be the official supplier of performance apparel and footwear to a variety of sports teams and leagues at the collegiate and professional level and sponsorship agreements with athletes. However, as competition in the performance apparel and footwear industry has increased, the costs associated with athlete sponsorships and official supplier licensing agreements have increased, including the costs associated with obtaining and retaining these sponsorships and agreements. If we are unable to maintain our current association with professional and collegiate athletes, teams and leagues, or to do so at a reasonable cost, we could lose the on-field authenticity associated with our products, and we may be required to modify and substantially increase our marketing investments. As a result, our brand image, net revenues, expenses and profitability could be materially adversely affected.

Our failure to comply with trade and other regulations could lead to investigations or actions by government regulators and negative publicity.

The labeling, distribution, importation, marketing and sale of our products are subject to extensive regulation by various federal agencies, including the Federal Trade Commission, Consumer Product Safety Commission and state attorneys general in the U.S., as well as by various other federal, state, provincial, local and international regulatory authorities in the locations in which our products are distributed or sold. If we fail to comply with those regulations, we could become subject to significant penalties or claims or be required to recall products, which could negatively impact our results of operations and disrupt our ability to conduct our business, as well as damage our brand image with consumers. In addition, the adoption of new regulations or changes in the interpretation of existing regulations may result in significant unanticipated compliance costs or discontinuation of product sales and may impair the marketing of our products, resulting in significant loss of net revenues.

Our international operations are also subject to compliance with the U.S. Foreign Corrupt Practices Act, or FCPA, and other anti-bribery laws applicable to our operations. Although we have policies and procedures to address compliance with the FCPA and similar laws, there can be no assurance that all of our employees, agents and other partners will not take actions in violations of our policies. Any such violation could subject us to sanctions or other penalties that could negatively affect our reputation, business and operating results.

If we encounter problems with our distribution system, our ability to deliver our products to the market could be adversely affected.

We rely on a limited number of distribution facilities for our product distribution. Our distribution facilities utilize computer controlled and automated equipment, which means the operations are complicated and may be subject to a number of risks related to security or computer viruses, the proper operation of software and hardware, power interruptions or other system failures. In addition, because many of our products are distributed from a limited number of locations, our operations could also be interrupted by severe weather conditions, floods, fires or other natural disasters in these locations, as well as labor or other operational difficulties or interruptions. We maintain business interruption insurance, but it may not adequately protect us from the adverse effects that could be caused by significant disruptions in our distribution facilities, such as the long term loss of customers or an erosion of our brand image. In addition, our distribution capacity is dependent on the timely performance of services by third parties, including the shipping of product to and from our distribution facilities. If we encounter problems with our distribution facilities, our results of operations, as well as our ability to meet customer expectations, manage inventory, complete sales and achieve objectives for operating efficiencies could be materially adversely affected.

We rely significantly on information technology and any failure, inadequacy or interruption of that technology could harm our ability to effectively operate our business.

Our business relies on information technology. Our ability to effectively manage and maintain our inventory and internal reports, and to ship products to customers and invoice them on a timely basis depends significantly on our enterprise resource planning, warehouse management, and other information systems. We also heavily rely on information systems to process financial and accounting information for financial reporting purposes. Any of these information systems could fail or experience a service interruption for a number of reasons, including computer viruses, programming errors, hacking or other unlawful activities, disasters or our failure to properly maintain system redundancy or protect, repair, maintain or upgrade our systems. The failure of our information systems to operate effectively or to integrate with other systems, or a breach in security of these systems could cause delays in product fulfillment and reduced efficiency of our operations, which could negatively impact our financial results. If we experienced any significant disruption to our financial information systems that we are unable to mitigate, our ability to timely report our financial results could be impacted, which could negatively impact our stock price. We also communicate electronically throughout the world with our employees and with third parties, such as customers, suppliers, vendors and consumers. A service interruption or shutdown could have a materially adverse impact on our operating activities. Remediation and repair of any failure, problem or breach of our key information systems could require significant capital investments.

In addition, we interact with many of our consumers through both our e-commerce website and our mobile applications, and these systems face similar risk of interruption or attack. Consumers increasingly utilize these services to purchase our products and to engage with our Connected Fitness community. If we are unable to continue to provide consumers a user-friendly experience and evolve our platform to satisfy consumer preferences, the growth of our e-commerce business and our net revenues may be negatively impacted. The performance of our Connected Fitness business is dependent on reliable performance of its products, applications and services and the underlying technical infrastructure, which incorporate complex software. If this software contains errors, bugs or other vulnerabilities which impede or halt service, this could result in damage to our reputation and brand, loss of users or loss of revenue.

Data security or privacy breaches could damage our reputation, cause us to incur additional expense, expose us to litigation and adversely affect our business and results of operations.

We collect sensitive and proprietary business information as well as personally identifiable information in connection with digital marketing, digital commerce, our in-store payment processing systems and our Connected Fitness business. In particular, in our Connected Fitness business we collect and store a variety of information regarding our users, and allow users to share their personal information with each other and with third parties. We also rely on third parties for the operation of certain of our e-commerce websites, and do not control these service providers. Hackers and data thieves are increasingly sophisticated and operate large scale and complex automated attacks. Any breach of our data security or that of our service providers could result in an unauthorized release or transfer of customer, consumer, vendor, user or employee information, or the loss of valuable business data or cause a disruption in our business. These events could give rise to unwanted media attention, damage our reputation, damage our customer, consumer or user relationships and result in lost sales, fines or lawsuits. We may

also be required to expend significant capital and other resources to protect against or respond to or alleviate problems caused by a security breach, which could negatively impact our results of operations.

For example, in early 2018 an unauthorized third party acquired data associated with our Connected Fitness users' accounts for our MyFitnessPal application and website. Approximately 150 million user accounts were affected by this issue, and the affected information included usernames, email addresses and hashed passwords. A consumer class action lawsuit has been filed against us in connection with this incident, and we may face a number of legal claims or investigations by government regulators and agencies. We may also be required to incur additional expense to further enhance our data security infrastructure.

We must also comply with increasingly complex regulatory standards throughout the world enacted to protect personal information and other data. Compliance with existing, proposed and forthcoming laws and regulations can be costly and could negatively impact our profitability. In addition, an inability to maintain compliance with these regulatory standards could result in a violation of data privacy laws and regulations and subject us to litigation or other regulatory proceedings. For example, the European Union adopted a new regulation that became effective in May 2018, called the General Data Protection Regulation ("GDPR"), which requires companies to meet new requirements regarding the handling of personal data, including its use, protection and transfer and the ability of persons whose data is stored to correct or delete such data about themselves. Failure to meet the GDPR requirements could result in penalties of up to 4% of annual worldwide revenue. The GDPR also confers a private right of action on certain individuals and associations. Other jurisdictions are considering adopting similar or stricter measures. Any of these factors could negatively impact our profitability, result in negative publicity and damage our brand image or cause the size of our Connected Fitness community to decline.

We are in the process of implementing a new operating and information system, which involves risks and uncertainties that could adversely affect our business.

We are in the process of implementing a global operating and financial reporting information technology system as part of a multi-year plan to integrate and upgrade our systems and processes, which began in 2015 and will continue in phases over the next few years. The first phase of this implementation became operational during 2017 in our North America, EMEA and Connected Fitness operations. The next phase of this implementation is planned to become operational in 2019 in our Asia-Pacific region, and we are in the process of developing an implementation strategy and roll-out plan for our Latin American region. Implementation of new information systems involves risks and uncertainties. Any disruptions, delays, or deficiencies in the design, implementation or application of these systems could result in increased costs, disruptions in our ability to effectively source, sell or ship our products, delays in the collection of payment from our customers or adversely affect our ability to timely report our financial results, all of which could materially adversely affect our business, results of operations, and financial condition.

Changes in tax laws and unanticipated tax liabilities could adversely affect our effective income tax rate and profitability.

We are subject to income taxes in the United States (federal and state) and numerous foreign jurisdictions. Our effective income tax rate could be adversely affected in the future by a number of factors, including changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws and regulations or their interpretations and application, the outcome of income tax audits in various jurisdictions around the world, and any repatriation of non-U.S. earnings for which we have not previously provided applicable withholding tax, U.S. state income taxes, or foreign exchange rate impacts.

For example, the United States enacted the Tax Cuts and Jobs Act (the "Tax Act") on December 22, 2017, which had a significant impact to our provision for income taxes as of December 31, 2017 and December 31, 2018. The Tax Act requires complex computations to be performed that were not previously required under U.S. tax law, significant judgments to be made in interpretation of the provisions of the Tax Act and significant estimates in calculations, and the preparation and analysis of information not previously relevant or regularly produced. The U.S. Treasury Department, the Internal Revenue Service, U.S. states taxing authorities, and other standard-setting bodies could interpret or issue guidance on how provisions of the Tax Act will be applied or otherwise administered that is different from our interpretation. Additionally, many of the countries in which we do business have or are expected to adopt changes to tax laws as a result of the Base Erosion and Profit Shifting final proposals from the Organization for Economic Co-operation and Development and specific country anti-avoidance initiatives.

We regularly assess all of these matters to determine the adequacy of our tax provision, which is subject to significant judgment.

Our financial results may be adversely affected if substantial investments in businesses and operations fail to produce expected returns.

From time to time, we may invest in business infrastructure, new businesses, and expansion of existing businesses, such as the ongoing expansion of our network of brand and factory house stores and our distribution facilities, the expansion of our corporate headquarters, investments to implement our global operating and financial reporting information technology system, or investments to support our digital strategy. These investments require substantial cash investments and management attention. We believe cost effective investments are essential to business growth and profitability. The failure of any significant investment to provide the returns or synergies we expect could adversely affect our financial results. Infrastructure investments may also divert funds from other potential business opportunities.

Our future success is substantially dependent on the continued service of our senior management and other key employees.

Our future success is substantially dependent on the continued service of our senior management and other key employees, particularly Kevin A. Plank, our founder, Chairman and Chief Executive Officer and other top executives. The loss of the services of our senior management or other key employees could make it more difficult to successfully operate our business and achieve our business goals.

We also may be unable to retain existing management, product creation, innovation, sales, marketing, operational and other support personnel that are critical to our success, which could result in harm to key customer relationships, loss of key information, expertise or know-how and unanticipated recruitment and training costs.

If we are unable to attract and retain new team members, including senior management, we may not be able to achieve our business objectives.

Our growth has largely been the result of significant contributions by our current senior management, product design teams and other key employees. However, to be successful in continuing to profitably grow our business and manage our operations, we will need to continue to attract, retain and motivate highly talented management and other employees with a range of skills and experience. Competition for employees in our industry is intense and we have experienced difficulty from time to time in attracting the personnel necessary to support the growth of our business, and we may experience similar difficulties in the future. If we are unable to attract, assimilate and retain management and other employees with the necessary skills, we may not be able to grow or successfully operate our business and achieve our long term objectives.

A number of our fabrics and manufacturing technology are not patented and can be imitated by our competitors.

The intellectual property rights in the technology, fabrics and processes used to manufacture our products are generally owned or controlled by our suppliers and are generally not unique to us. Our ability to obtain patent protection for our products is limited and we currently own a limited number of fabric or process patents. As a result, our current and future competitors are able to manufacture and sell products with performance characteristics and fabrications similar to certain of our products. Because many of our competitors have significantly greater financial, distribution, marketing and other resources than we do, they may be able to manufacture and sell products based on certain of our fabrics and manufacturing technology at lower prices than we can. If our competitors do sell similar products to ours at lower prices, our net revenues and profitability could be materially adversely affected.

Our intellectual property rights could potentially conflict with the rights of others and we may be prevented from selling or providing some of our products.

Our success depends in large part on our brand image. We believe our registered and common law trademarks have significant value and are important to identifying and differentiating our products from those of our competitors and creating and sustaining demand for our products. In addition, patents are increasingly important with respect to our innovative products and new businesses and investments, including our digital business. From

time to time, we have received or brought claims relating to intellectual property rights of others, and we expect such claims will continue or increase, particularly as we expand our business and the number of products we offer. Any such claim, regardless of its merit, could be expensive and time consuming to defend or prosecute. Successful infringement claims against us could result in significant monetary liability or prevent us from selling or providing some of our products. In addition, resolution of claims may require us to redesign our products, license rights belonging to third parties or cease using those rights altogether. Any of these events could harm our business and have a material adverse effect on our results of operations and financial condition.

Our failure to protect our intellectual property rights could diminish the value of our brand, weaken our competitive position and reduce our net revenues.

We currently rely on a combination of copyright, trademark and trade dress laws, patent laws, unfair competition laws, confidentiality procedures and licensing arrangements to establish and protect our intellectual property rights. The steps taken by us to protect our proprietary rights may not be adequate to prevent infringement of our trademarks and proprietary rights by others, including imitation of our products and misappropriation of our brand. In addition, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect our proprietary rights as fully as in the United States, and it may be more difficult for us to successfully challenge the use of our proprietary rights by other parties in these countries. If we fail to protect and maintain our intellectual property rights, the value of our brand could be diminished and our competitive position may suffer.

From time to time, we discover unauthorized products in the marketplace that are either counterfeit reproductions of our products or unauthorized irregulars that do not meet our quality control standards. If we are unsuccessful in challenging a third party's products on the basis of trademark infringement, continued sales of their products could adversely impact our brand, result in the shift of consumer preferences away from our products and adversely affect our business.

We have licensed in the past, and expect to license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties. These licensees may take actions that diminish the value of our proprietary rights or harm our reputation.

We are subject to periodic claims, litigation and investigations that could result in unexpected expenses and have an adverse effect on our business, financial condition and results of operations.

Given the size and extent of our global operations, we are involved in a variety of litigation, arbitration and other legal proceedings and may be subject to investigations, audits, inquiries and similar actions, including matters related to commercial disputes, intellectual property, employment, securities, tax, accounting, class action and product liability, as well as trade, regulatory and other claims related to our business and our industry. For example, we are subject to an ongoing securities class action proceeding regarding our prior disclosures and derivative complaints regarding related matters, as well as past related party transactions, among other proceedings. We are also party to a consumer class action lawsuit filed in connection with our first quarter 2018 data security incident. Refer to Note 7 to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information regarding these specific matters. Legal proceedings in general, and securities and class action litigation and investigations in particular, can be expensive and disruptive. Any of our legal proceedings could result in damages, fines or other penalties, divert financial and management resources and result in significant legal fees. We cannot predict the outcome of any particular proceeding, and the costs incurred in these matters can be substantial, regardless of the outcome. An unfavorable outcome may have an adverse impact on our business, financial condition and results of operations or our stock price. In addition, any proceeding could negatively impact our reputation among our customers or our shareholders, as well as our brand image.

The trading prices for our Class A and Class C common stock may differ and fluctuate from time to time.

The trading prices of our Class A and Class C common stock may differ and fluctuate from time to time in response to various factors, some of which are beyond our control. These factors may include, among others, overall performance of the equity markets and the economy as a whole, variations in our quarterly results of operations or those of our competitors, our ability to meet our published guidance and securities analyst expectations, or recommendations by securities analysts. In addition, our non-voting Class C common stock has traded at a discount to our Class A common stock, and there can be no assurance that this will not continue.

Kevin Plank, our Chairman and Chief Executive Officer controls the majority of the voting power of our common stock.

Our Class A common stock has one vote per share, our Class B common stock has 10 votes per share and our Class C common stock has no voting rights (except in limited circumstances). Our Chairman and Chief Executive Officer, Kevin A. Plank, beneficially owns all outstanding shares of Class B common stock. As a result, Mr. Plank has the majority voting control and is able to direct the election of all of the members of our Board of Directors and other matters we submit to a vote of our stockholders. The Class B common stock automatically converts to Class A common stock when Mr. Plank beneficially owns less than 15.0% of the total number of shares of Class A and Class B common stock outstanding and in other limited circumstances. This concentration of voting control may have various effects including, but not limited to, delaying or preventing a change of control or allowing us to take action that the majority of our shareholders do not otherwise support. In addition, we utilize shares of our Class C common stock to fund employee equity incentive programs and may do so in connection with future stock-based acquisition transactions, which could prolong the duration of Mr. Plank’s voting control.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The following includes a summary of the principal properties that we own or lease as of December 31, 2018.

Our principal executive and administrative offices are located at an office complex in Baltimore, Maryland, which includes 400 thousand square feet of office space that we own and 126 thousand square feet that we are leasing. In 2016, we purchased buildings and parcels of land, including approximately 58 acres of land and 130 thousand square feet of office space located close to our corporate office complex, to be utilized to expand our corporate headquarters to accommodate our future growth needs. For our European headquarters, we lease an office in Amsterdam, the Netherlands. For our Latin America headquarters, we lease an office in Panama. For our Greater China headquarters, we lease an office in Shanghai, China and we plan to expand our Hong Kong office to be an Asia Pacific headquarters in 2019. Additionally, we lease space in Austin, Texas and San Francisco, California for our Connected Fitness business.

We lease our primary distribution facilities, which are located in Sparrows Point and Glen Burnie, Maryland, Mount Juliet, Tennessee and Rialto, California. Our Sparrows Point facility is a 1.3 million square foot facility, with options to renew through 2053. Our Glen Burnie facility is a 359 thousand square foot facility, with a lease term through March 2020. Our Mount Juliet facility is a 1.0 million square foot facility, with options to renew the lease term through December 2041. Our Rialto facility is a 1.2 million square foot facility with a lease term through May 2023. We believe our distribution facilities and space available through our third-party logistics providers will be adequate to meet our short term needs.

In addition, as of December 31, 2018, we leased 319 brand and factory house stores located primarily in the United States, Canada, China, Chile and Mexico with lease end dates in 2019 through 2033. We also lease additional office space for sales, quality assurance and sourcing, marketing, and administrative functions. We anticipate that we will be able to extend these leases that expire in the near future on satisfactory terms or relocate to other locations.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we have been involved in litigation and other proceedings, including matters related to commercial disputes and intellectual property, as well as trade, regulatory and other claims related to our business. Refer to Note 7 to our Consolidated Financial Statements for information on certain legal proceedings, which is incorporated by reference herein.

Executive Officers of the Registrant

Our executive officers are:

Name	Age	Position
Kevin A. Plank	46	Chief Executive Officer and Chairman of the Board
David E. Bergman	46	Chief Financial Officer
Colin Browne	55	Chief Supply Chain Officer
Kevin Eskridge	42	Chief Product Officer
Paul Fipps	46	Chief Digital Officer
Patrik Frisk	56	President and Chief Operating Officer
Jason LaRose	45	President of North America
Tchernavia Rocker	45	Chief People and Culture Officer
John Stanton	58	General Counsel and Corporate Secretary

Kevin A. Plank has been Chief Executive Officer and Chairman of the Board of Directors since 1996. Mr. Plank also serves on the Board of Directors of the National Football Foundation and College Hall of Fame, Inc. and is a member of the Board of Trustees of the University of Maryland College Park Foundation.

David E. Bergman has been Chief Financial Officer since November 2017. Mr. Bergman joined the Company in 2005 and has served in various Finance and Accounting leadership roles for the Company, including Corporate

Controller from 2006 to October 2014, Vice President of Finance and Corporate Controller from November 2014 to January 2016, Senior Vice President, Corporate Finance from February 2016 to January 2017, and acting Chief Financial Officer from February 2017 to November 2017. Prior to joining the Company, Mr. Bergman worked as a C.P.A. within the audit and assurance practices at Ernst & Young LLP and Arthur Andersen LLP.

Colin Browne has been Chief Supply Chain Officer since July 2017. Prior to that, he served as President of Global Sourcing from September 2016 to June 2017. Prior to joining our Company, he served as Vice President and Managing Director for VF Corporation, leading its sourcing and product supply organization in Asia and Africa from November 2013 to August 2016 and as Vice President of Footwear Sourcing from November 2011 to October 2013. Prior thereto, Mr. Browne served as Executive Vice President of Footwear and Accessories for Li and Fung Group LTD from September 2010 to November 2011 and Chief Executive Officer, Asia for Pentland Brands PLC from April 2006 to January 2010. Mr. Browne has over 25 years of experience leading sourcing efforts for large brands.

Kevin Eskridge has been Chief Product Officer since May 2017, with oversight of the Company's category management, product, merchandising and design functions. Mr. Eskridge joined our Company in 2009 and has served in various leadership roles including Senior Director, Outdoor from September 2009 to September 2012, Vice President, China from October 2012 to April 2015, Senior Vice President, Global Merchandising from May 2015 to June 2016 and President, Sports Performance from July 2016 to April 2017. Prior to joining our Company, he served as Vice President, Merchandising of Armani Exchange from 2006 to 2009.

Paul Fipps has been Chief Digital Officer since April 2018. Prior to that, he served as Chief Technology Officer from July 2017 to March 2018, Chief Information Officer from March 2015 and Executive Vice President of Global Operations from September 2016 to June 2017 and as Senior Vice President of Global Operations from January 2014 to February 2015. Prior to joining our Company, he served as Chief Information Officer and Corporate Vice President of Business Services at The Charmer Sunbelt Group (CSG), a leading distributor of fine wines, spirits, beer, bottled water and other beverages from May 2009 to December 2013, as Vice President of Business Services from January 2007 to April 2009 and in other leadership positions for CSG from 1998 to 2007.

Patrik Frisk has been President and Chief Operating Officer since July 2017. Prior to joining our Company, he served as Chief Executive Officer for The ALDO Group from November 2014 to April 2017. Prior thereto, he spent 10 years with VF Corporation where he served as Coalition President of Outdoor Americas with responsibility for The North Face®, Timberland®, JanSport®, lucy® and SmartWool® brands from April 2014 to November 2014, President of Timberland from September 2011 to March 2014, President of Outdoor and Action Sports, EMEA with responsibility for The North Face®, Vans®, JanSport® and Reef® brands from August 2009 to August 2011 and other leadership positions from 2004 to 2009. Before VF Corporation, he ran his own retail business in Scandinavia and held senior positions with Peak Performance and W.L. Gore & Associates.

Jason LaRose has been President of North America since October 2016. Prior to that, he served as Senior Vice President of Digital Revenue from April 2015 to September 2016 and Senior Vice President of Global E-Commerce from October 2013 to March 2015. Prior to joining our Company, he served as Senior Vice President of E-Commerce for Express, Inc. from September 2011 to September 2013. Prior thereto, Mr. LaRose served as Vice President of Multi-Channel and International Business for Sears Holding Corporation from January 2007 to September 2011. Mr. LaRose also spent five years at McKinsey & Company where he was an Associate Principal in both the Retail and Consumer Goods practices.

Tchernavia Rocker has been Chief People and Culture Officer since February 2019. Prior to joining our Company, she served more than 18 years in Human Resources leadership roles at Harley-Davidson, Inc., most recently as Vice President and Chief Human Resources Officer from June 2016 through January 2019, as General Manager, Human Resources from January 2012 through May 2016, and in various other Human Resources leadership positions since joining the company in 2000. Prior to that, she served in various HR and operations roles at Goodyear Dunlop North America Tire Inc.

John Stanton has been General Counsel since March 2013, and Corporate Secretary since February 2008. Prior thereto, he served as Vice President, Corporate Governance and Compliance from October 2007 to February 2013 and Deputy General Counsel from February 2006 to September 2007. Prior to joining our Company, he served in various legal roles at MBNA Corporation from 1993 to 2005, including as Senior Executive Vice President, Corporate Governance and Assistant Secretary. He began his legal career at the law firm Venable, LLP.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Under Armour's Class A Common Stock and Class C Common Stock are traded on the New York Stock Exchange ("NYSE") under the symbols "UAA" and "UA", respectively. As of January 31, 2019, there were 1,628 record holders of our Class A Common Stock, 6 record holders of Class B Convertible Common Stock which are beneficially owned by our Chief Executive Officer and Chairman of the Board Kevin A. Plank, and 1,216 record holders of our Class C Common Stock.

Our Class A Common Stock was listed on the NYSE under the symbol "UA" until December 6, 2016 and under the symbol "UAA" since December 7, 2016. Prior to November 18, 2005, there was no public market for our Class A Common Stock. Our Class C Common Stock was listed on the NYSE under the symbol "UA.C" since its initial issuance on April 8, 2016 and until December 6, 2016 and under the symbol "UA" since December 7, 2016.

Stock Split

On March 16, 2016, the Board of Directors approved the issuance of the Company's new Class C non-voting common stock, referred to as the Class C stock. The Class C stock was issued through a stock dividend on a one-for-one basis to all existing holders of the Company's Class A and Class B common stock. The shares of Class C stock were distributed on April 7, 2016, to stockholders of record of Class A and Class B common stock as of March 28, 2016. Stockholders' equity and all references to share and per share amounts in the accompanying consolidated financial statements have been retroactively adjusted to reflect this one-for-one stock dividend.

Dividends

No cash dividends were declared or paid during 2018 or 2017 on any class of our common stock. We currently anticipate we will retain any future earnings for use in our business. As a result, we do not anticipate paying any cash dividends in the foreseeable future. In addition, we may be limited in our ability to pay dividends to our stockholders under our credit facility. Refer to "Financial Position, Capital Resources and Liquidity" within Management's Discussion and Analysis and Note 6 to the Consolidated Financial Statements for further discussion of our credit facility.

Stock Compensation Plans

The following table contains certain information regarding our equity compensation plans.

Plan Category	Class of Common Stock	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	Class A	2,219,460	$ 8.35	10,668,282
Equity compensation plans approved by security holders	Class C	12,462,944	$ 14.82	14,995,355
Equity compensation plans not approved by security holders	Class A	135,405	$ —	—
Equity compensation plans not approved by security holders	Class C	136,362	$ —	—

The number of securities to be issued upon exercise of outstanding options, warrants and rights issued under equity compensation plans approved by security holders includes 1.4 million Class A and 10.5 million Class C restricted stock units and deferred stock units issued to employees, non-employees and directors of Under Armour; these restricted stock units and deferred stock units are not included in the weighted average exercise price calculation above. The number of securities remaining available for future issuance includes 8.0 million shares of our Class A Common Stock and 12.2 million shares of our Class C Common Stock under our Second Amended and Restated 2005 Omnibus Long-Term Incentive Plan ("2005 Stock Plan"). The number of securities remaining available for future issuance under our Employee Stock Purchase Plan includes 2.7 million of our Class A Common Stock and 2.8 million shares of our Class C Common Stock. In addition to securities issued upon the exercise of stock options, warrants and rights, the 2005 Stock Plan authorizes the issuance of restricted and unrestricted

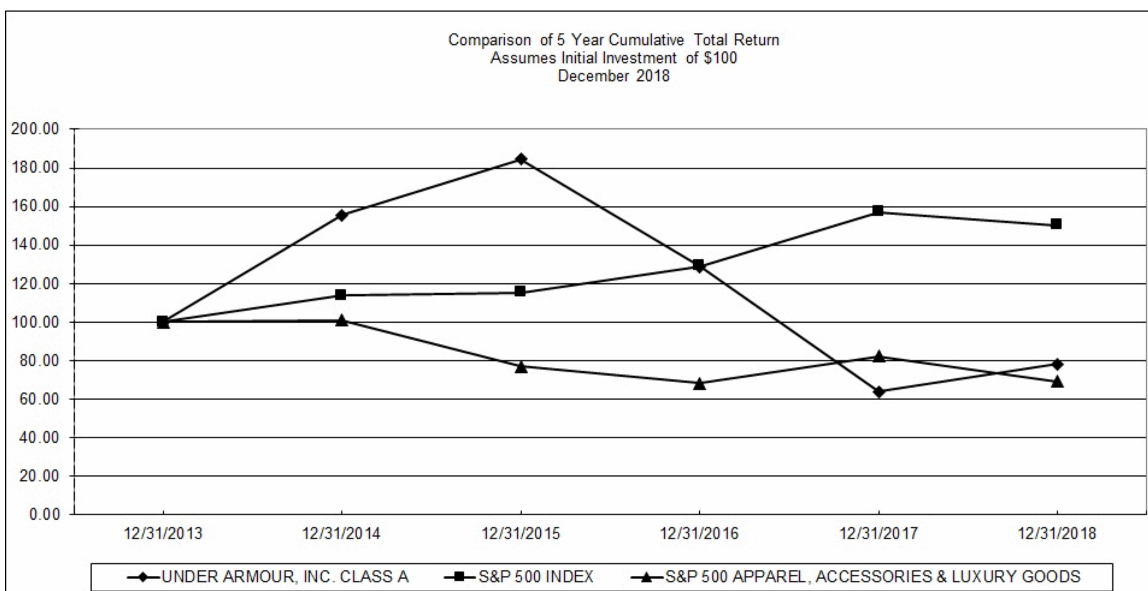
shares of our Class A and C Common Stock and other equity awards. Refer to Note 12 to the Consolidated Financial Statements for information required by this Item regarding the material features of each plan.

The number of securities issued upon exercise of outstanding options, warrants and rights issued under equity compensation plans not approved by security holders includes 135.4 thousand shares of our Class A Common Stock and 136.4 thousand shares of our Class C Common Stock issued in connection with the delivery of shares pursuant to deferred stock units granted to certain of our marketing partners. These deferred stock units are not included in the weighted average exercise price calculation above.

The deferred stock units are issued to certain of our marketing partners in connection with their entering into endorsement and other marketing services agreements with us. The terms of each agreement set forth the number of deferred stock units to be granted and the delivery dates for the shares, which range from a 1 to 10 year period, depending on the contract. The deferred stock units are non-forfeitable.

Stock Performance Graph

The stock performance graph below compares cumulative total return on Under Armour, Inc. Class A Common Stock to the cumulative total return of the S&P 500 Index and S&P 500 Apparel, Accessories and Luxury Goods Index from December 31, 2013 through December 31, 2018. The graph assumes an initial investment of $100 in Under Armour and each index as of December 31, 2013 and reinvestment of any dividends. The performance shown on the graph below is not intended to forecast or be indicative of possible future performance of our common stock.



	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Under Armour, Inc.	$ 100.00	$ 155.57	$ 184.66	$128.82	$ 63.99	$ 78.36
S&P 500	$ 100.00	$ 113.69	$ 115.26	$ 129.05	$ 157.22	$ 150.33
S&P 500 Apparel, Accessories & Luxury Goods	$ 100.00	$ 100.99	$ 76.98	$ 68.29	$ 82.26	$ 69.30

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data is qualified by reference to, and should be read in conjunction with, the Consolidated Financial Statements, including the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10-K.

	Year Ended December 31,				
(In thousands, except per share amounts)	2018	2017	2016	2015	2014
Net revenues	$ 5,193,185	$ 4,989,244	$ 4,833,338	$ 3,963,313	$ 3,084,370
Cost of goods sold	2,852,714	2,737,830	2,584,724	2,057,766	1,572,164
Gross profit	2,340,471	2,251,414	2,248,614	1,905,547	1,512,206
Selling, general and administrative expenses	2,182,339	2,099,522	1,831,143	1,497,000	1,158,251
Restructuring and impairment charges	183,149	124,049	—	—	—
Income (loss) from operations	(25,017)	27,843	417,471	408,547	353,955
Interest expense, net	(33,568)	(34,538)	(26,434)	(14,628)	(5,335)
Other expense, net	(9,203)	(3,614)	(2,755)	(7,234)	(6,410)
Income (loss) before income taxes	(67,788)	(10,309)	388,282	386,685	342,210
Income tax expense (benefit)	(20,552)	37,951	131,303	154,112	134,168
Income from equity method investment	934	—	—	—	—
Net income (loss)	(46,302)	(48,260)	256,979	232,573	208,042
Adjustment payment to Class C capital stockholders	—	—	59,000	—	—
Net income (loss) available to all stockholders	$ (46,302)	$ (48,260)	$ 197,979	$ 232,573	$ 208,042
Net income available per common share					
Basic net income (loss) per share of Class A and B common stock	$ (0.10)	$ (0.11)	$ 0.45	$ 0.54	$ 0.49
Basic net income (loss) per share of Class C common stock	$ (0.10)	$ (0.11)	$ 0.72	$ 0.54	$ 0.49
Diluted net income (loss) per share of Class A and B common stock	$ (0.10)	$ (0.11)	$ 0.45	$ 0.53	$ 0.47
Diluted net income (loss) per share of Class C common stock	$ (0.10)	$ (0.11)	$ 0.71	$ 0.53	$ 0.47
Weighted average common shares outstanding Class A and B common stock					
Basic	221,001	219,254	217,707	215,498	213,227
Diluted	221,001	219,254	221,944	220,868	219,380
Weighted average common shares outstanding Class C common stock					
Basic	224,814	221,475	218,623	215,498	213,227
Diluted	224,814	221,475	222,904	220,868	219,380
Dividends declared	$ —	$ —	$ 59,000	$ —	$ —

	At December 31,				
(In thousands)	2018	2017	2016	2015	2014
Cash and cash equivalents	$ 557,403	$ 312,483	$ 250,470	$ 129,852	$ 593,175
Working capital (1)	1,277,651	1,277,304	1,279,337	1,019,953	1,127,772
Inventories	1,019,496	1,158,548	917,491	783,031	536,714
Total assets	4,245,022	4,006,367	3,644,331	2,865,970	2,092,428
Total debt, including current maturities	728,834	917,046	817,388	666,070	281,546
Total stockholders' equity	$ 2,016,871	$ 2,018,642	$ 2,030,900	$ 1,668,222	$ 1,350,300

(1) Working capital is defined as current assets minus current liabilities.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in this section should be read in conjunction with our Consolidated Financial Statements and related notes and the information contained elsewhere in this Form 10-K under the captions "Risk Factors," "Selected Financial Data," and "Business."

Overview

We are a leading developer, marketer and distributor of branded performance apparel, footwear and accessories. The brand's moisture-wicking fabrications are engineered in many different designs and styles for wear in nearly every climate to provide a performance alternative to traditional products. Our products are sold worldwide and worn by athletes at all levels, from youth to professional, on playing fields around the globe, as well as by consumers with active lifestyles. The Under Armour Connected Fitness strategy is focused on engaging with these consumers and increasing awareness and sales of our products.

Our net revenues grew to $5,193.2 million in 2018 from $3,084.4 million in 2014. We believe that our growth in net revenues has been driven by a growing interest in performance products and the strength of the Under Armour brand in the marketplace. Our long-term growth strategy is focused on increased sales of our products through ongoing product innovation, investment in our distribution channels and international expansion. While we plan to continue to invest in growth, we also plan to improve efficiencies throughout our business as we seek to gain scale through our operations and return on our investments.

Financial highlights for full year 2018 as compared to the prior year period include:

- Net revenues increased 4%.
- Wholesale and Direct-to-Consumer revenues increased 3% and 4%, respectively.
- Apparel revenue increased 5% compared to the prior year. Footwear revenue increased 2% and accessories revenue decreased 5%.
- Revenue in our North America segment declined 2%. Revenue in our Asia-Pacific, EMEA and Latin America segments grew 29%, 25% and 5%, respectively, with 18% growth in our Connected Fitness segment.
- Selling, general and administrative expense increased 4%.
- Gross margin was unchanged at 45.1%.

A large majority of our products are sold in North America; however, we believe our products appeal to athletes and consumers with active lifestyles around the globe. Internationally, our net revenues are generated primarily from a mix of sales to retailers and distributors in our wholesale channel and sales through our direct to consumer channel in Europe, Latin America, and Asia-Pacific.

We believe there is an increasing recognition of the health benefits of an active lifestyle. We believe this trend provides us with an expanding consumer base for our products. We also believe there is a continuing shift in consumer demand from traditional non-performance products to performance products, which are intended to provide better performance by wicking perspiration away from the skin, helping to regulate body temperature and enhancing comfort. We believe that these shifts in consumer preferences and lifestyles are not unique to the United States, but are occurring in a number of markets globally, thereby increasing our opportunities to introduce our performance products to new consumers. We plan to continue to grow our business over the long term through increased sales of our apparel, footwear and accessories, expansion of our wholesale distribution, growth in our direct to consumer sales channel and expansion in international markets.

Although we believe these trends will facilitate our growth, we also face potential challenges that could limit our ability to take advantage of these opportunities or negatively impact our financial results, including, among others, the risk of general economic or market conditions that could affect consumer spending and the financial health of our retail customers. Additionally, we may not be able to successfully execute on our long-term strategies, or successfully manage the increasingly complex operations of our global business effectively. Although we have implemented restructuring plans, we may not fully realize the expected benefits of these plans or other operating or cost-saving initiatives. In addition, we may not consistently be able to anticipate consumer preferences and develop new and innovative products that meet changing preferences in a timely manner. Furthermore, our industry is very competitive, and competition pressures could cause us to reduce the prices of our products or otherwise affect our profitability. We also rely on third-party suppliers and manufacturers outside the U.S. to provide fabrics and to

produce our products, and disruptions to our supply chain could harm our business. For a more complete discussion of the risks facing our business, refer to the “Risk Factors” section included in Item 1A.

Restructuring Plans

As previously announced, in both 2017 and 2018, our Board of Directors approved restructuring plans (the "2018 restructuring plan" and "2017 restructuring plan") designed to more closely align our financial resources with the critical priorities of our business and optimize operations. We recognized approximately $203.9 million of pre-tax charges in connection with our 2018 restructuring plan and approximately $129.1 million of pre-tax charges in connection with our 2017 restructuring plan, inclusive of $28.6 million of restructuring related goodwill impairment charges for our Connected Fitness business.

The summary of the costs incurred during the years ended December 31, 2018 and 2017, in connection with the 2018 and 2017 restructuring plans, respectively, are as follows:

	Year Ended December 31,	
(In thousands)	**2018**	**2017**
Costs recorded in cost of goods sold:		
Inventory write-offs	$ 20,801	$ 5,077
Total cost recorded in cost of goods sold	20,801	5,077
Costs recorded in restructuring and impairment charges:		
Impairment	12,146	71,378
Employee related costs	9,949	14,572
Contract exit costs	114,126	12,029
Other restructuring costs	46,927	26,070
Total costs recorded in restructuring and impairment charges	183,148	124,049
Total restructuring, impairment and restructuring related costs	$ 203,949	$ 129,126

2017 Tax Act

The United States enacted the Tax Cuts and Jobs Act (the “Tax Act”) on December 22, 2017. We included reasonable estimates of the income tax effects of the changes in tax law and tax rate in our 2017 financial results. These changes include a one-time mandatory transition tax on indefinitely reinvested foreign earnings and a re-measuring of deferred tax assets. As of December 31, 2018, we have completed our accounting for the tax effects of enactment of the Tax Act. Refer to Note 10 to the Consolidated Financial Statements for further detail.

General

Net revenues comprise net sales, license revenues and Connected Fitness revenues. Net sales comprise sales from our primary product categories, which are apparel, footwear and accessories. Our license revenues primarily consist of fees paid to us from licensees in exchange for the use of our trademarks on their products. Our Connected Fitness revenues consist of digital advertising and subscriptions from our Connected Fitness business.

Cost of goods sold consists primarily of product costs, inbound freight and duty costs, outbound freight costs, handling costs to make products floor-ready to customer specifications, royalty payments to endorsers based on a predetermined percentage of sales of selected products and write downs for inventory obsolescence. The fabrics in many of our products are made primarily of petroleum-based synthetic materials. Therefore our product costs, as well as our inbound and outbound freight costs, could be affected by long term pricing trends of oil. In general, as a percentage of net revenues, we expect cost of goods sold associated with our apparel and accessories to be lower than that of our footwear. A limited portion of cost of goods sold is associated with license and Connected Fitness revenues.

We include outbound freight costs associated with shipping goods to customers as cost of goods sold; however, we include the majority of outbound handling costs as a component of selling, general and administrative expenses. As a result, our gross profit may not be comparable to that of other companies that include outbound handling costs in their cost of goods sold. Outbound handling costs include costs associated with preparing goods to ship to customers and certain costs to operate our distribution facilities. These costs were $91.8 million, $101.5 million and $89.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Our selling, general and administrative expenses consist of costs related to marketing, selling, product innovation and supply chain and corporate services. We consolidate our selling, general and administrative expenses into two primary categories: marketing and other, which includes our selling, product innovation and supply chain and corporate services categories. Personnel costs are included in these categories based on the employees' function. Personnel costs include salaries, benefits, incentives and stock-based compensation related to our employees. Our marketing costs are an important driver of our growth. Marketing costs consist primarily of commercials, print ads, league, team, player and event sponsorships and depreciation expense specific to our in-store fixture program.

Other expense, net consists of unrealized and realized gains and losses on our foreign currency derivative financial instruments and unrealized and realized gains and losses on adjustments that arise from fluctuations in foreign currency exchange rates relating to transactions generated by our international subsidiaries.

Results of Operations

The following table sets forth key components of our results of operations for the periods indicated, both in dollars and as a percentage of net revenues:

(In thousands)	Year Ended December 31, 2018	2017	2016
Net revenues	$ 5,193,185	$ 4,989,244	$ 4,833,338
Cost of goods sold	2,852,714	2,737,830	2,584,724
Gross profit	2,340,471	2,251,414	2,248,614
Selling, general and administrative expenses	2,182,339	2,099,522	1,831,143
Restructuring and impairment charges	183,149	124,049	—
Income (loss) from operations	(25,017)	27,843	417,471
Interest expense, net	(33,568)	(34,538)	(26,434)
Other expense, net	(9,203)	(3,614)	(2,755)
Income (loss) before income taxes	(67,788)	(10,309)	388,282
Income tax expense (benefit)	(20,552)	37,951	131,303
Income from equity method investment	934	—	—
Net income (loss)	(46,302)	(48,260)	256,979
Adjustment payment to Class C capital stockholders	—	—	59,000
Net income (loss) available to all stockholders	$ (46,302)	$ (48,260)	$ 197,979

(As a percentage of net revenues)	Year Ended December 31, 2018	2017	2016
Net revenues	100.0 %	100.0 %	100.0 %
Cost of goods sold	54.9	54.9	53.5
Gross profit	45.1	45.1	46.5
Selling, general and administrative expenses	42.0	42.1	37.9
Restructuring and impairment charges	3.5	2.5	—
Income (loss) from operations	(0.4)	0.5	8.6
Interest expense, net	(0.7)	(0.7)	(0.5)
Other expense, net	(0.2)	(0.1)	(0.1)
Income (loss) before income taxes	(1.3)	(0.2)	8.0
Income tax expense (benefit)	(0.4)	0.8	2.7
Income from equity method investment	—	—	—
Net income (loss)	(0.9)	(1.0)	5.3
Adjustment payment to Class C capital stockholders	—	—	1.2
Net income (loss) available to all stockholders	(0.9)%	(1.0)%	4.1 %

Consolidated Results of Operations

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Net revenues increased $203.9 million, or 4.1%, to $5,193.2 million in 2018 from $4,989.2 million in 2017. Net revenues by product category are summarized below:

(In thousands)	Year Ended December 31, 2018	2017	$ Change	% Change
Apparel	$ 3,462,372	$ 3,287,121	$ 175,251	5.3 %
Footwear	1,063,175	1,037,840	25,335	2.4
Accessories	422,496	445,838	(23,342)	(5.2)
Total net sales	4,948,043	4,770,799	177,244	3.7
License	124,785	116,575	8,210	7.0
Connected Fitness	120,357	101,870	18,487	18.1
Total net revenues	$ 5,193,185	$ 4,989,244	$ 203,941	4.1 %

The increase in net sales was driven primarily by:

- Apparel unit sales growth driven by the train category; and
- Footwear unit sales growth, led by the run category.

The increase was partially offset by unit sales decline in accessories.

License revenues increased $8.2 million, or 7.0%, to $124.8 million in 2018 from $116.6 million in 2017.

Connected Fitness revenue increased $18.5 million, or 18.1%, to $120.4 million in 2018 from $101.9 million in 2017 primarily driven by increased subscribers on our fitness applications.

Gross profit increased $89.1 million to $2,340.5 million in 2018 from $2,251.4 million in 2017. Gross profit as a percentage of net revenues, or gross margin, was unchanged at 45.1% in 2018 compared to 2017. Gross profit percentage was favorably impacted by lower promotional activity, improvements in product cost, lower air freight, higher proportion of international and Connected Fitness revenue and changes in foreign currency; these favorable impacts were offset by channel mix including higher sales to our off-price channel and restructuring related charges.

With the exception of improvements in product input costs and air freight improvements, we do not expect these trends to have a material impact on the full year 2019.

Selling, general and administrative expenses increased $82.8 million to $2,182.3 million in 2018 from $2,099.5 million in 2017. As a percentage of net revenues, selling, general and administrative expenses decreased slightly to 42.0% in 2018 from 42.1% in 2017. Selling, general and administrative expense was impacted by the following:

- Marketing costs decreased $21.3 million to $543.8 million in 2018 from $565.1 million in 2017. This decrease was primarily due to restructuring efforts, resulting in lower compensation and contractual sports marketing. This decrease was partially offset by higher costs in connection with brand marketing campaigns and increased marketing investments with the growth of our international business. As a percentage of net revenues, marketing costs decreased to 10.5% in 2018 from 11.3% in 2017.
- Other costs increased $104.1 million to $1,638.5 million in 2018 from $1,534.4 million in 2017. This increase was primarily due to higher incentive compensation expense and higher costs incurred for the continued expansion of our direct to consumer distribution channel and international business. As a percentage of net revenues, other costs increased to 31.6% in 2018 from 30.8% in 2017.

Restructuring and impairment charges increased $59.1 million to $183.1 million from $124.0 million in 2017. Refer to the Restructuring Plans section above for a summary of charges.

Income (loss) from operations decreased $52.8 million, or 189.9%, to a loss of $25.0 million in 2018 from income of $27.8 million in 2017. As a percentage of net revenues, Income from operations decreased to a loss of 0.4% in 2018 from income of 0.5% in 2017. Income from operations for the year ended December 31, 2018 was negatively impacted by $203.9 million of restructuring, impairment and related charges in connection with the 2018 restructuring plan. Income from operations for the year ended December 31, 2017 was negatively impacted by $129.1 million of restructuring, impairment and related charges in connection with the 2017 restructuring plan.

Interest expense, net decreased $0.9 million to $33.6 million in 2018 from $34.5 million in 2017.

Other expense, net increased $5.6 million to $9.2 million in 2018 from $3.6 million in 2017. This increase was due to higher net loss on the combined foreign currency exchange rate changes on transactions denominated in foreign currencies as compared to the prior period.

Provision for income taxes decreased $58.6 million to a benefit of $20.6 million in 2018 from an expense of $38.0 million in 2017. Our effective tax rate was 30.3% in 2018 compared to (368.2)% in 2017. Our effective tax rate for 2018, as compared to 2017, was positively impacted by a one-time tax benefit recorded in 2018 for an intercompany intangible asset sale and the decrease in a one-time tax charges due to the US Tax Act. These positive impacts were partially offset by the impact of the decrease in the U.S. federal rate applied to U.S. pre-tax losses in 2018.

As of December 31, 2018, we have completed our accounting for the one-time tax effects of the enactment of the Tax Act, which resulted in a $1.5 million charge to income tax expense. This was comprised of $12.0 million of income tax expense related to the transition tax and $10.5 million of income tax benefit for the re-measurement of deferred tax assets for the reduction in the U.S. corporate income tax rate from 35% to 21%.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Net revenues increased $155.9 million, or 3.2%, to $4,989.2 million in 2017 from $4,833.3 million in 2016. Net revenues by product category are summarized below:

	Year Ended December 31,			
(In thousands)	2017	2016	$ Change	% Change
Apparel	$ 3,287,121	$ 3,229,142	$ 57,979	1.8 %
Footwear	1,037,840	1,010,693	27,147	2.7
Accessories	445,838	406,614	39,224	9.6
Total net sales	4,770,799	4,646,449	124,350	2.7
License revenues	116,575	99,849	16,726	16.8
Connected Fitness	101,870	88,450	13,420	15.2
Intersegment Eliminations	—	(1,410)	1,410	(100.0)%
Total net revenues	$ 4,989,244	$ 4,833,338	$ 155,906	3.2 %

The increase in net sales was driven primarily by:

- Apparel unit sales growth in multiple categories led by train and golf; and
- Accessories unit sales growth in multiple categories led by train; and
- Footwear unit sales growth in multiple categories led by run.

License revenues increased $16.7 million, or 16.8%, to $116.6 million in 2017 from $99.8 million in 2016. This increase in license revenues was driven primarily by increased distribution of our licensed products in North America.

Connected Fitness revenue increased $13.4 million, or 15.2%, to $101.9 million in 2017 from $88.5 million in 2016 primarily driven by increased subscribers on our fitness applications and higher licensing revenue.

Gross profit increased $2.8 million to $2,251.4 million in 2017 from $2,248.6 million in 2016. Gross profit as a percentage of net revenues, or gross margin, decreased 140 basis points to 45.1% in 2017 compared to 46.5% in 2016. The decrease in gross margin percentage was primarily driven by the following:

- an approximate 190 basis point decrease due to inventory management efforts including higher promotions and increased air freight; and
- an approximate 20 basis point decrease due to our international business representing a higher percentage of sales;

The above decreases were partially offset by:

- an approximate 50 basis point increase driven primarily by favorable product input costs; and
- an approximate 30 basis point increase driven primarily by favorable channel mix with increased sales in our direct-to-consumer channel.

Selling, general and administrative expenses increased $268.4 million to $2,099.5 million in 2017 from $1,831.1 million in 2016. As a percentage of net revenues, selling, general and administrative expenses increased to 42.1% in 2017 from 37.9% in 2016. Selling, general and administrative expense was impacted by the following:

- Marketing costs increased $87.6 million to $565.1 million in 2017 from $477.5 million in 2016. This increase was primarily due to increased marketing spend in connection with the growth of our international business and in connection with our collegiate and professional athlete sponsorships. As a percentage of net revenues, marketing costs increased to 11.4% in 2017 from 9.9% in 2016.
- Other costs increased $180.8 million to $1,534.4 million in 2017 from $1,353.6 million in 2016. This increase was primarily driven by higher costs incurred for the continued expansion of our direct to consumer distribution channel and international business. This increase was partially offset by savings from our 2017 restructuring plan. As a percentage of net revenues, other costs increased to 30.8% in 2017 from 28.0% in 2016.

Restructuring and impairment charges was $124.0 million in 2017 and there were no charges in 2016. Refer to the Restructuring Plans section above for a summary of charges.

Income from operations decreased $389.6 million, or 93.3%, to $27.8 million in 2017 from $417.5 million in 2016. Income from operations as a percentage of net revenues decreased to 0.6% in 2017 from 8.6% in 2016. Income from operations for the year ended December 31, 2017 was negatively impacted by $124.0 million of restructuring and impairment charges in connection with the 2017 restructuring plan.

Interest expense, net increased $8.1 million to $34.5 million in 2017 from $26.4 million in 2016. This increase was primarily due to interest on the net increase of $99.7 million in total debt outstanding.

Other expense, net increased $0.9 million to $3.6 million in 2017 from $2.8 million in 2016. This increase was due to lower net gains on the combined foreign currency exchange rate changes on transactions denominated in foreign currencies and our derivative financial instruments as compared to the prior period.

Provision for income taxes decreased $93.3 million to $38.0 million in 2017 from $131.3 million in 2016. Our effective tax rate was (368.2)% in 2017 compared to 33.8% in 2016. Our effective tax rate for 2017 was lower than the effective tax rate for 2016 primarily due to the significant decrease in income before taxes, the impact of tax benefits recorded for our challenged U.S. results, and reductions in our total liability for unrecognized tax benefits as a result of a lapse in the statute of limitations during the current period. These benefits were partially offset by the impact of the Tax Act, non-deductible goodwill impairment charges, and the recording of certain valuation allowances.

Our provision for income taxes in 2017 included $38.8 million of income tax expense as a result of the Tax Act, including a $13.9 million charge for our provisional estimate of the transition tax and $24.9 million for the provisional re-measurement of our deferred tax assets for the reduction in the U.S. corporate income tax rate from 35% to 21%.

Segment Results of Operations

The net revenues and operating income (loss) associated with our segments are summarized in the following tables.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Net revenues by segment are summarized below:

	Year Ended December 31,			
(In thousands)	2018	2017	$ Change	% Change
North America	$ 3,735,293	$ 3,802,406	$ (67,113)	(1.8) %
EMEA	588,580	469,996	118,584	25.2
Asia-Pacific	558,160	433,648	124,512	28.7
Latin America	190,795	181,324	9,471	5.2
Connected Fitness	120,357	101,870	18,487	18.1
Total net revenues	$ 5,193,185	$ 4,989,244	$ 203,941	4.1 %

The increase in total net revenues was driven by the following:

- Net revenues in our North America operating segment decreased $67.1 million to $3,735.3 million in 2018 from $3,802.4 million in 2017 primarily due to lower sales driven by lower demand, partially offset by increased off-price sales, in each case within our wholesale channel.
- Net revenues in our EMEA operating segment increased $118.6 million to $588.6 million in 2018 from $470.0 million in 2017 primarily due to unit sales growth in our wholesale channel in the United Kingdom, Italy and Spain.
- Net revenues in our Asia-Pacific operating segment increased $124.5 million to $558.2 million in 2018 from $433.6 million in 2017 primarily due to unit sales growth in our direct to consumer channel and our wholesale channel in China.
- Net revenues in our Latin America operating segment increased $9.5 million to $190.8 million in 2018 from $181.3 million in 2017 primarily due to unit sales growth in our wholesale channel in Mexico and Chile, partially offset by a decrease in unit sales due a change in our business model in Brazil from a subsidiary to a license and distributor model.
- Net revenues in our Connected Fitness operating segment increased $18.5 million to $120.4 million in 2018 from $101.9 million in 2017 primarily driven by additional subscription revenue on our fitness applications.

Operating income (loss) by segment is summarized below:

	Year Ended December 31,			
(In thousands)	2018	2017	$ Change	% Change
North America	$ (66,305)	$ 20,179	$ (86,484)	(428.6)%
EMEA	(9,379)	17,976	(27,355)	(152.2)
Asia-Pacific	95,128	82,039	13,089	16.0
Latin America	(48,470)	(37,085)	(11,385)	(30.7)
Connected Fitness	4,009	(55,266)	59,275	107.3
Total operating income	$ (25,017)	$ 27,843	$ (52,860)	(189.9)%

The decrease in total operating income was driven by the following:

- Operating income in our North America operating segment decreased $86.5 million to a loss of $66.3 million in 2018 from income of $20.2 million in 2017 primarily due to $75.7 million increase in restructuring, impairment and related costs, and decreases in sales discussed above.
- Operating income in our EMEA operating segment decreased $27.4 million to a loss of $9.4 million in 2018 from income of $18.0 million in 2017 primarily due to $32.7 million increase in restructuring, impairment and related costs, along with a reserve related to a commercial dispute and increased marketing. The decrease is partially offset by the increase in net sales discussed above.

- Operating income in our Asia-Pacific operating segment increased $13.1 million to $95.1 million in 2018 from $82.0 million in 2017 primarily due to sales growth discussed above. This increase was partially offset by higher investments in our direct-to-consumer business.
- Operating loss in our Latin America operating segment increased $11.4 million to $48.5 million in 2018 from $37.1 million in 2017 primarily due to a $12.8 million increase in restructuring, impairment and related costs.
- Operating loss in our Connected Fitness segment decreased $59.3 million to income of $4.0 million in 2018 from a loss of $55.3 million in 2017 primarily driven by $46.3 million of lower restructuring and impairment charges and increased sales growth discussed above.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Net revenues by segment are summarized below:

	Year Ended December 31,			
(In thousands)	2017	2016	$ Change	% Change
North America	$ 3,802,406	$ 4,005,314	$ (202,908)	(5.1)%
EMEA	469,996	330,584	139,412	42.2
Asia-Pacific	433,648	268,607	165,041	61.4
Latin America	181,324	141,793	39,531	27.9
Connected Fitness	101,870	88,450	13,420	15.2
Intersegment Eliminations	—	(1,410)	1,410	(100.0)
Total net revenues	$ 4,989,244	$ 4,833,338	$ 155,906	3.2 %

The increase in total net revenues was driven by the following:

- Net revenues in our North America operating segment decreased $202.9 million to $3,802.4 million in 2017 from $4,005.3 million in 2016 primarily due to lower sales in our wholesale channel driven by lower demand.
- Net revenues in our EMEA operating segment increased $139.4 million to $470.0 million in 2017 from $330.6 million in 2016 primarily due to unit sales growth to wholesale partners in Germany and the United Kingdom and our first full year of sales in Russia.
- Net revenues in our Asia-Pacific operating segment increased $165.0 million to $433.6 million in 2017 from $268.6 million in 2016 primarily due to growth in our direct-to-consumer channel.
- Net revenues in our Latin America operating segment increased $39.5 million to $181.3 million in 2017 from $141.8 million in 2016 primarily due to unit sales growth to wholesale partners and through our direct to consumer channels in Mexico, Chile, and Brazil.
- Net revenues in our Connected Fitness operating segment increased $13.4 million to $101.9 million in 2017 from $88.5 million in 2016 primarily driven by increased subscribers on our fitness applications and higher licensing revenue.

Operating income (loss) by segment is summarized below:

	Year Ended December 31,			
(In thousands)	2017	2016	$ Change	% Change
North America	$ 20,179	$ 408,424	$ (388,245)	(95.1) %
EMEA	17,976	11,420	6,556	57.4
Asia-Pacific	82,039	68,338	13,701	20.0
Latin America	(37,085)	(33,891)	(3,194)	(9.4)
Connected Fitness	(55,266)	(36,820)	(18,446)	(50.1)
Total operating income	$ 27,843	$ 417,471	$ (389,628)	(93.3) %

The decrease in total operating income was driven by the following:

- Operating income in our North America operating segment decreased $388.2 million to $20.2 million in 2017 from $408.4 million in 2016 primarily due to the decreases in net sales and gross margins discussed above and $63.2 million in restructuring and impairment charges.

- Operating income in our EMEA operating segment increased $6.6 million to $18.0 million in 2017 from $11.4 million in 2016 primarily due to sales growth discussed above, which was partially offset by continued investment in operations.
- Operating income in our Asia-Pacific operating segment increased $13.7 million to $82.0 million in 2017 from $68.3 million in 2016 primarily due to sales growth discussed above. This increase was offset by investments in our direct to consumer business and entry into new territories.
- Operating loss in our Latin America operating segment increased $3.2 million to $37.1 million in 2017 from $33.9 million in 2016 primarily due to $11.5 million in restructuring and impairment charges. This increase in operating loss was offset by sales growth discussed above.
- Operating loss in our Connected Fitness segment increased $18.4 million to $55.3 million in 2017 from $36.8 million in 2016 primarily due to $47.8 million in restructuring and impairment charges. This increase in operating loss was offset by sales growth discussed above and savings from our 2017 restructuring plan.

Seasonality

Historically, we have recognized a majority of our net revenues and a significant portion of our income from operations in the last two quarters of the year, driven primarily by increased sales volume of our products during the fall selling season, including our higher priced cold weather products, along with a larger proportion of higher margin direct to consumer sales. The level of our working capital generally reflects the seasonality and growth in our business. We generally expect inventory, accounts payable and certain accrued expenses to be higher in the second and third quarters in preparation for the fall selling season.

The following table sets forth certain financial information for the periods indicated. The data is prepared on the same basis as the audited consolidated financial statements included elsewhere in this Form 10-K. All recurring, necessary adjustments are reflected in the data below:

	Quarter Ended (unaudited)							
(In thousands)	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018
Net revenues	$ 1,119,845	$ 1,091,192	$ 1,408,991	$ 1,369,216	$ 1,185,370	$ 1,174,859	$ 1,442,976	$ 1,389,980
Gross profit	507,937	501,193	648,726	593,558	523,453	526,584	665,207	625,227
Marketing SG&A expenses	128,336	136,071	143,919	156,800	127,436	141,472	127,771	147,559
Other SG&A expenses	372,064	366,809	357,629	437,894	387,198	411,147	399,869	439,887
Restructuring and impairment charges	—	3,098	84,998	35,952	37,480	78,840	18,601	48,228
Income (loss) from operations	$ 7,536	$ (4,785)	$ 62,180	$ (37,088)	$ (28,661)	$ (104,875)	$ 118,966	$ (10,447)
(As a percentage of annual totals)								
Net revenues	22.4 %	21.9 %	28.2 %	27.4 %	22.8 %	22.6 %	27.8 %	26.8 %
Gross profit	22.6 %	22.3 %	28.8 %	26.4 %	22.4 %	22.5 %	28.4 %	26.7 %
Marketing SG&A expenses	22.7 %	24.1 %	25.5 %	27.7 %	23.4 %	26.0 %	23.5 %	27.1 %
Other SG&A expenses	24.2 %	23.9 %	23.3 %	28.5 %	23.6 %	25.1 %	24.4 %	26.9 %
Restructuring and impairment charges	— %	2.5 %	68.5 %	29.0 %	20.5 %	43.0 %	10.2 %	26.3 %
Income (loss) from operations	27.1 %	(17.2) %	223.3 %	(133.2) %	114.6 %	419.2 %	(475.5) %	41.8 %

Financial Position, Capital Resources and Liquidity

Our cash requirements have principally been for working capital and capital expenditures. We fund our working capital, primarily inventory, and capital investments from cash flows from operating activities, cash and cash equivalents on hand, borrowings available under our credit and long term debt facilities and the issuance of debt securities. Our working capital requirements generally reflect the seasonality and growth in our business as we recognize the majority of our net revenues in the back half of the year. Our capital investments have included expanding our in-store fixture and branded concept shop program, improvements and expansion of our distribution and corporate facilities to support our growth, leasehold improvements to our new brand and factory house stores, and investment and improvements in information technology systems.

Our inventory strategy is focused on continuing to meet consumer demand while improving our inventory efficiency over the long term by putting systems and processes in place to improve our inventory

management. These systems and processes, including our new global operating and financial reporting information technology system, are designed to improve our forecasting and supply planning capabilities. In addition to systems and processes, key areas of focus that we believe will enhance inventory performance are added discipline around the purchasing of product, production lead time reduction, and better planning and execution in selling of excess inventory through our factory house stores and other liquidation channels.

We believe our cash and cash equivalents on hand, cash from operations, borrowings available to us under our credit agreement and other financing instruments and our ability to access the capital markets are adequate to meet our liquidity needs and capital expenditure requirements for at least the next twelve months. Although we believe we have adequate sources of liquidity over the long term, an economic recession or a slow recovery could adversely affect our business and liquidity (refer to the “Risk Factors” section included in Item 1A). In addition, instability in or tightening of the capital markets could adversely affect our ability to obtain additional capital to grow our business on terms acceptable to us or at all.

At December 31, 2018, $165.1 million, or approximately 29.6%, of cash and cash equivalents was held by our foreign subsidiaries. Based on the capital and liquidity needs of our foreign operations, we intend to indefinitely reinvest these funds outside the United States. In addition, our United States operations do not require the repatriation of these funds to meet our currently projected liquidity needs. Should we require additional capital in the United States, we may elect to repatriate indefinitely reinvested foreign funds or raise capital in the United States.

The Tax Act provided for a one-time transition tax on indefinitely reinvested foreign earnings to transition U.S. international taxation from a worldwide system to a modified territorial system. We have completed our accounting and recorded all related tax liabilities for the one-time transition tax on our indefinitely reinvested foreign earnings. If we were to repatriate indefinitely reinvested foreign funds, we would not be subject to additional U.S. federal income tax, however, we would be required to accrue and pay any applicable withholding tax and U.S. state income tax liabilities and record foreign exchange rate impacts. Determination of the unrecorded deferred tax liability that would be incurred if such amounts were repatriated is not practicable.

Cash Flows

The following table presents the major components of net cash flows used in and provided by operating, investing and financing activities for the periods presented:

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Net cash provided by (used in):			
Operating activities	$ 628,230	$ 237,460	$ 366,623
Investing activities	(202,904)	(282,987)	(381,139)
Financing activities	(189,868)	106,759	146,114
Effect of exchange rate changes on cash and cash equivalents	12,467	4,178	(8,725)
Net increase in cash and cash equivalents	$ 247,925	$ 65,410	$ 122,873

Operating Activities

Operating activities consist primarily of net income adjusted for certain non-cash items. Adjustments to net income for non-cash items include depreciation and amortization, unrealized foreign currency exchange rate gains and losses, losses on disposals of property and equipment, stock-based compensation, deferred income taxes and changes in reserves and allowances. In addition, operating cash flows include the effect of changes in operating assets and liabilities, principally inventories, accounts receivable, income taxes payable and receivable, prepaid expenses and other assets, accounts payable and accrued expenses.

Cash flows provided by operating activities increased $390.8 million to $628.2 million in 2018 from $237.5 million in 2017. The increase was due to increased net cash inflows from operating assets and liabilities of $489.6 million.

The increase in cash inflows related to changes in operating assets and liabilities period over period was primarily driven by the following:

- an increase in cash provided by accounts receivable of $265.9 million in 2018 as compared to 2017, primarily due to timing of shipments within the fourth quarter; and
- an increase in cash provided by inventory of $332.3 million in 2018 as compared to 2017, primarily due to increased sales to our off-price channel and improved inventory management efforts.

This was partially offset by a decrease in net income adjusted for non-cash items of $100.8 million year over year.

Cash flows provided by operating activities decreased $129.2 million to $237.5 million of cash provided by operating activities in 2017 from $366.6 million of cash provided by operating activities in 2016. The decrease in cash from operating activities was primarily due to a decrease in net income of $305.2 million. This decrease was partially offset by a smaller decrease in accounts receivable of $170.1 million.

Investing Activities

Cash used in investing activities decreased $80.1 million to $202.9 million in 2018 from $283.0 million in 2017, primarily due to lower capital expenditures in 2018, partially offset by the purchase of an additional 10% common stock ownership in Dome Corporation ("Dome"), our Japanese licensee.

Cash used in investing activities decreased $98.2 million to $283.0 million in 2017 from $381.1 million in 2016, primarily due to lower capital expenditures in 2017.

Total capital expenditures were $154.3 million, $274.9 million, and $405.0 million in 2018, 2017 and 2016, respectively. Capital expenditures for 2019 are expected to be approximately $210.0 million.

Financing Activities

Cash used in financing activities increased $296.6 million to $189.9 million in 2018 from cash provided by financing activities of $106.8 million in 2017. This increase was primarily due to higher net repayments on our credit facility in the current period compared to the prior period, along with the early repayment of our recourse loan related to our Corporate headquarters.

Cash provided by financing activities decreased $39.4 million to $106.8 million in 2017 from $146.1 million in 2016. This decrease was primarily due to repayments on our revolving credit facility.

Credit Facility

We are party to a credit agreement that provides revolving commitments for up to $1.25 billion of borrowings, as well as term loan commitments, in each case maturing in January 2021. As of December 31, 2018 there were no amounts outstanding under our revolving credit facility and $136.3 million of term loan borrowings remained outstanding. In January 2019, we prepaid the outstanding balance of $136.3 million on our term loan, without penalty.

At our request and the lender's consent, revolving and or term loan borrowings may be increased by up to $300.0 million in aggregate, subject to certain conditions as set forth in the credit agreement, as amended. Incremental borrowings are uncommitted and the availability thereof will depend on market conditions at the time we seek to incur such borrowings.

The borrowings under the revolving credit facility have maturities of less than one year. Up to $50.0 million of the facility may be used for the issuance of letters of credit. There were $4.6 million of letters of credit outstanding as of December 31, 2018.

The credit agreement contains negative covenants that, subject to significant exceptions, limit our ability to, among other things, incur additional indebtedness, make restricted payments, pledge our assets as security, make investments, loans, advances, guarantees and acquisitions, undergo fundamental changes and enter into transactions with affiliates. We are also required to maintain a ratio of consolidated EBITDA, as defined in the credit agreement, to consolidated interest expense of not less than 3.50 to 1.00 and is not permitted to allow the ratio of consolidated total indebtedness to consolidated EBITDA to be greater than 3.25 to 1.00 ("consolidated leverage ratio"). As of December 31, 2018, we were in compliance with these ratios. In the past, we have amended our credit agreement to increase these ratios in certain quarterly periods. Specifically, in 2018 we amended the credit agreement to increase these ratios for the second and third quarters of 2018. In addition, the credit agreement contains events of default that are customary for a facility of this nature, and includes a cross default provision whereby an event of default under other material indebtedness, as defined in the credit agreement, will be considered an event of default under the credit agreement.

Borrowings under the credit agreement bear interest at a rate per annum equal to, at our option, either (a) an alternate base rate, or (b) a rate based on the rates applicable for deposits in the interbank market for U.S. Dollars or the applicable currency in which the loans are made (“adjusted LIBOR”), plus in each case an applicable margin. The applicable margin for loans will be adjusted by reference to a grid (the “Pricing Grid”) based on the consolidated leverage ratio and ranges between 1.00% to 1.25% for adjusted LIBOR loans and 0.00% to 0.25% for alternate base rate loans. The weighted average interest rate under the outstanding term loans was 3.2% and 2.2% during

the years ended December 31, 2018 and 2017, respectively. The weighted average interest rate under the revolving credit facility borrowings was 3.0% and 2.2% during the years ended December 31, 2018 and 2017, respectively. We pay a commitment fee on the average daily unused amount of the revolving credit facility and certain fees with respect to letters of credit. As of December 31, 2018, the commitment fee was 15 basis points. Since inception, we incurred and deferred $3.9 million in financing costs in connection with the credit agreement.

3.250% Senior Notes

In June 2016, we issued $600.0 million aggregate principal amount of 3.250% senior unsecured notes due June 15, 2026 (the "Notes"). The proceeds were used to pay down amounts outstanding under the revolving credit facility. Interest is payable semi-annually on June 15 and December 15 beginning December 15, 2016. Prior to March 15, 2026 (three months prior to the maturity date of the Notes), we may redeem some or all of the Notes at any time or from time to time at a redemption price equal to the greater of 100% of the principal amount of the Notes to be redeemed or a "make-whole" amount applicable to such Notes as described in the indenture governing the Notes, plus accrued and unpaid interest to, but excluding, the redemption date. On or after March 15, 2026 (three months prior to the maturity date of the Notes), we may redeem some or all of the Notes at any time or from time to time at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The indenture governing the Notes contains covenants, including limitations that restrict our ability and the ability of certain of our subsidiaries to create or incur secured indebtedness and enter into sale and leaseback transactions and our ability to consolidate, merge or transfer all or substantially all of our properties or assets to another person, in each case subject to material exceptions described in the indenture. We incurred and deferred $5.3 million in financing costs in connection with the Notes.

Other Long Term Debt

In December 2012, we entered into a $50.0 million recourse loan collateralized by the land, buildings and tenant improvements comprising our corporate headquarters. In July 2018, this loan was paid in full, without penalties, using borrowings under our revolving credit facility. As of December 31, 2017, the outstanding balance on the loan was $40.0 million.

Interest expense, net was $33.6 million, $34.5 million, and $26.4 million for the years ended December 31, 2018, 2017 and 2016, respectively. Interest expense includes the amortization of deferred financing costs, bank fees, capital and built-to-suit lease interest and interest expense under the credit and other long term debt facilities. Amortization of deferred financing costs was $1.5 million, $1.3 million, and $1.2 million for the years ended December 31, 2018, 2017 and 2016, respectively.

We monitor the financial health and stability of our lenders under the credit and other long term debt facilities, however during any period of significant instability in the credit markets lenders could be negatively impacted in their ability to perform under these facilities.

Contractual Commitments and Contingencies

We lease warehouse space, office facilities, space for our brand and factory house stores and certain equipment under non-cancelable operating leases. The leases expire at various dates through 2033, excluding extensions at our option, and include provisions for rental adjustments. In addition, this table includes executed lease agreements for brand and factory house stores that we did not yet occupy as of December 31, 2018. The operating leases generally contain renewal provisions for varying periods of time. Our significant contractual obligations and commitments as of December 31, 2018 as well as significant agreements entered into during the period after December 31, 2018 through the date of this report are summarized in the following table:

		Payments Due by Period			
(in thousands)	**Total**	**Less Than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More Than 5 Years**
Contractual obligations					
Long term debt obligations (1)	$ 746,250	$ 19,500	$ 39,000	$ 39,000	$ 648,750
Lease obligations (2)	1,413,826	142,648	302,612	269,304	699,262
Product purchase obligations (3)	707,512	707,512	—	—	—
Sponsorships and other (4)	734,869	126,221	208,324	189,690	210,634
Total	$ 3,602,457	$ 995,881	$ 549,936	$ 497,994	$ 1,558,646

(1) Includes estimated interest payments based on applicable fixed and currently effective floating interest rates as of December 31, 2018, timing of scheduled payments, and the term of the debt obligations. In January 2019, we prepaid the full outstanding balance of $136.3 million on our term loan, without penalty.

(2) Includes the minimum payments for lease obligations. The lease obligations do not include any contingent rent expense we may incur at our brand and factory house stores based on future sales above a specified minimum or payments made for maintenance, insurance and real estate taxes. Contingent rent expense was $13.0 million for the year ended December 31, 2018.

(3) We generally place orders with our manufacturers at least three to four months in advance of expected future sales. The amounts listed for product purchase obligations primarily represent our open production purchase orders with our manufacturers for our apparel, footwear and accessories, including expected inbound freight, duties and other costs. These open purchase orders specify fixed or minimum quantities of products at determinable prices. The product purchase obligations also includes fabric commitments with our suppliers, which secure a portion of our material needs for future seasons. The reported amounts exclude product purchase liabilities included in accounts payable as of December 31, 2018.

(4) Includes sponsorships with professional teams, professional leagues, colleges and universities, individual athletes, athletic events and other marketing commitments in order to promote our brand. Some of these sponsorship agreements provide for additional performance incentives and product supply obligations. It is not possible to determine how much we will spend on product supply obligations on an annual basis as contracts generally do not stipulate specific cash amounts to be spent on products. The amount of product provided to these sponsorships depends on many factors including general playing conditions, the number of sporting events in which they participate and our decisions regarding product and marketing initiatives. In addition, it is not possible to determine the performance incentive amounts we may be required to pay under these agreements as they are primarily subject to certain performance based and other variables. The amounts listed above are the fixed minimum amounts required to be paid under these sponsorship agreements. Additionally, these amounts include minimum guaranteed royalty payments to endorsers and licensors based upon a predetermined percent of sales of particular products.

The table above excludes a liability of $52.5 million for uncertain tax positions, including the related interest and penalties, recorded in accordance with applicable accounting guidance, as we are unable to reasonably estimate the timing of settlement. Refer to Note 10 to the Consolidated Financial Statements for a further discussion of our uncertain tax positions.

Off-Balance Sheet Arrangements

In connection with various contracts and agreements, we have agreed to indemnify counterparties against certain third party claims relating to the infringement of intellectual property rights and other items. Generally, such indemnification obligations do not apply in situations in which our counterparties are grossly negligent, engage in willful misconduct, or act in bad faith. Based on our historical experience and the estimated probability of future loss, we have determined the fair value of such indemnifications is not material to our financial position or results of operations.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. To prepare these financial statements, we must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosures of contingent assets and liabilities. Actual results could be significantly different from these estimates. We believe the following discussion addresses the critical accounting policies that are necessary to understand and evaluate our reported financial results.

Our significant accounting policies are described in Note 2 of the audited consolidated financial statements. We consider an accounting policy to be critical if it is important to our financial condition and results of operations and requires significant judgments and estimates on the part of management in its application. Our estimates are often based on complex judgments, probabilities and assumptions that management believes to be reasonable, but that are inherently uncertain and unpredictable. It is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts. There were no significant changes to our critical accounting policies during the year ended December 31, 2018.

Revenue Recognition

We recognize revenue pursuant to Accounting Standards Codification 606 ("ASC 606"). Net revenues consist of net sales and license and Connected Fitness revenue. Net sales are recognized upon transfer of control, including passage of title to the customer and transfer of risk of loss related to those goods. Payment is due in full when title is transferred. Transfer of title and risk of loss is based upon shipment under free on board shipping point for most goods or upon receipt by the customer depending on the country of the sale and the agreement with the customer. In some instances, transfer of title and risk of loss takes place at the point of sale, for example, at our brand and factory house stores. We may also ship product directly from our supplier to the customer and recognize revenue when the product is delivered to and accepted by the customer. License revenue is primarily recognized based upon shipment of licensed products sold by our licensees. Sales taxes imposed on our revenues from product sales are presented on a net basis on the consolidated statements of income, and therefore do not impact net revenues or costs of goods sold.

We record reductions to revenue at the time of the transaction for estimated customer returns, allowances, markdowns and discounts. We base these estimates on historical rates of customer returns and allowances as well as the specific identification of outstanding returns, markdowns and allowances that have not yet been received by us. The actual amount of customer returns and allowances, which are inherently uncertain, may differ from our estimates. If we determine that actual or expected returns or allowances are significantly higher or lower than the reserves we established, we would record a reduction or increase, as appropriate, to net sales in the period in which we make such a determination. Provisions for customer specific discounts are based on contractual obligations with certain major customers. Reserves for returns, allowances, markdowns and discounts are included within customer refund liability and the value of inventory associated with reserves for sales returns are included within prepaid expenses and other current assets on the consolidated balance sheet. As of December 31, 2018 there were $301.4 million in reserves for returns, allowances, markdowns and discounts within customer refund liability and $113.9 million as the estimated value of inventory associated with the reserves for sales returns within prepaid expenses and other current assets on the consolidated balance sheet. As of December 31, 2017, there were $246.6 million in reserves for customer returns, allowances, markdowns and discounts within accounts receivable, net. Refer to Note 2 to the Consolidated Financial Statements for a further discussion of revenue recognition.

Allowance for Doubtful Accounts

We make ongoing estimates relating to the collectability of 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 reserve, we consider historical levels of credit losses and significant economic developments within the retail environment that could impact the ability of our customers to pay outstanding balances and make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. Because we cannot predict future changes in the financial stability of our customers, actual future losses from uncollectible accounts may differ from estimates. If the financial condition of customers were to deteriorate, resulting in their inability to make payments, a larger reserve might be required. In the event we determine a smaller or larger reserve is appropriate, we would record a benefit or charge to selling, general and administrative expense in the period in which such a determination was made. As of December 31, 2018 and 2017, the allowance for doubtful accounts was $22.2 million and $19.7 million, respectively.

Inventory Valuation and Reserves

Inventories consist primarily of finished goods. Costs of finished goods inventories include all costs incurred to bring inventory to its current condition, including inbound freight, duties and other costs. We value our inventory at standard cost which approximates landed cost, using the first-in, first-out method of cost determination. Net realizable value is estimated based upon assumptions made about future demand and retail market conditions. If we determine that the estimated net realizable value of our inventory is less than the carrying value of such inventory, we record a charge to cost of goods sold to reflect the lower of cost or net realizable value. If actual market conditions are less favorable than those that we projected, further adjustments may be required that would increase the cost of goods sold in the period in which such a determination was made.

Goodwill, Intangible Assets and Long-Lived Assets

Goodwill and intangible assets are recorded at their estimated fair values at the date of acquisition and are allocated to the reporting units that are expected to receive the related benefits. Goodwill and indefinite lived intangible assets are not amortized and are required to be tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that the assets may be impaired. In conducting an annual impairment test, we first review qualitative factors to determine whether it is more likely than not that the fair value of

the reporting unit is less than its carrying amount. If factors indicate that is the case, we perform the goodwill impairment test. We compare the fair value of the reporting unit with its carrying amount. We calculate fair value using the discounted cash flows model, which indicates the fair value of the reporting unit based on the present value of the cash flows that we expect the reporting unit to generate in the future. Our significant estimates in the discounted cash flows model include: our weighted average cost of capital, long-term rate of growth and profitability of the reporting unit's business, and working capital effects. If the carrying amount exceeds its fair value, goodwill is impaired to the extent that the carrying value exceeds the fair value of the reporting unit. We perform our annual impairment testing in the fourth quarter of each year. As of our annual impairment test, no impairment of goodwill was identified and the fair value of each reporting unit substantially exceeded its carrying value, with the exception of our Latin America reporting unit. The fair value of the Latin America reporting unit exceeded its carrying value by 14%. Holding all other assumptions used in the fair value measurement of the Latin America reporting unit constant, a 1% point increase in the weighted-average cost of capital would eliminate the headroom; whereas, a reduction in the growth rate of revenue by 1% point would still result in excess fair value over carrying value. No events occurred during the period ended December 31, 2018 that indicated it was more likely than not that goodwill was impaired. In 2017, we recorded goodwill impairment of $28.6 million related to our Connected Fitness reporting unit. Refer to Note 5 to the Consolidated Financial Statements for a further discussion of goodwill.

We continually evaluate whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. These factors may include a significant deterioration of operating results, changes in business plans, or changes in anticipated cash flows. When factors indicate that an asset should be evaluated for possible impairment, we review long-lived assets to assess recoverability from future operations using undiscounted cash flows. If future undiscounted cash flows are less than the carrying value, an impairment is recognized in earnings to the extent that the carrying value exceeds fair value.In 2017, we recorded impairment charges of $12.1 million related to our Connected Fitness reporting unit.

Equity Method Investment

On April 23, 2018, we invested ¥4.2 billion or $39.2 million in exchange for an additional 10% common stock ownership in Dome Corporation ("Dome"), our Japanese licensee. This additional investment brings our total investment in Dome's common stock to 29.5%, from 19.5%. We accounted for our investment in Dome under the equity method, given that we have the ability to exercise significant influence, but not control, over Dome.

As of December 31, 2018, the carrying value of our total investment in Dome was $52.8 million. Our proportionate share of Dome's net assets exceeded our total investment by $63.8 million and is not amortized. For the year ended December 31, 2018, we recorded the allocable share of Dome’s net income in our consolidated statements of operations and as an adjustment to the invested balance.

In addition to the investment in Dome, we have a license agreement with Dome. We recorded license revenues from Dome of $35.6 million for the year ended December 31, 2018. As of December 31, 2018, we have$13.1 million in licensing receivables outstanding, recorded in the prepaid expenses and other current assets line item within our consolidated balance sheet.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities at tax rates expected to be in effect when such assets or liabilities are realized or settled. Deferred income tax assets are reduced by valuation allowances when necessary.

Assessing whether deferred tax assets are realizable requires significant judgment. We consider all available positive and negative evidence, including historical operating performance and expectations of future operating performance. The ultimate realization of deferred tax assets is often dependent upon future taxable income and therefore can be uncertain. To the extent we believe it is more likely than not that all or some portion of the asset will not be realized, valuation allowances are established against our deferred tax assets, which increase income tax expense in the period when such a determination is made.

A significant portion of our deferred tax assets relate to U.S. federal and state taxing jurisdictions. Realization of these deferred tax assets is dependent on future pre-tax earnings in the United States. Due to our challenged results in the United States we incurred significant pre-tax losses in these jurisdictions in 2017 and 2018. Based on these factors, we have evaluated our ability to utilize these deferred tax assets in future years. In evaluating the recoverability of these deferred tax assets at December 31, 2018, we have considered all available evidence, both positive and negative, including but not limited to the following:

Positive

- 2018 taxable income in the U.S. and certain state jurisdictions;
- No material definite lived tax attributes subject to future expiration;
- No history of U.S. federal and state tax attributes expiring unused;
- Three year cumulative U.S. federal and state pre-tax income plus tax permanent differences;
- Relatively low values of pre-tax income required to realize deferred tax assets relative to historic income levels;
- Restructuring plans undertaken in 2017 and 2018 to improve future profitability;
- Availability of prudent and feasible tax planning strategies.
- Reversal of deferred tax liabilities and timing thereof

Negative

- Inherent challenges in forecasting future pre-tax earnings which rely, in part, on improved profitability from our restructuring efforts;
- The continuing challenge of changes in the U.S. consumer retail business environment;

As of December 31, 2018, we believe that the weight of the positive evidence outweighs the negative evidence regarding the realization of the majority of the net deferred tax assets. We will continue to evaluate our ability to realize our net deferred tax assets on a quarterly basis.

Income taxes include the largest amount of tax benefit for an uncertain tax position that is more likely than not to be sustained upon audit based on the technical merits of the tax position. Settlements with tax authorities, the expiration of statutes of limitations for particular tax positions, or obtaining new information on particular tax positions may cause a change to the effective tax rate. We recognize accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes on the consolidated statements of income.

Stock-Based Compensation

We account for stock-based compensation in accordance with accounting guidance that requires all stock-based compensation awards granted to employees and directors to be measured at fair value and recognized as an expense in the financial statements. As of December 31, 2018, we had $99.0 million of unrecognized compensation expense expected to be recognized over a weighted average period of 2.76 years. This unrecognized compensation expense does not include any expense related to performance-based restricted stock units and stock options for which the performance targets have not been deemed probable as of December 31, 2018.

The assumptions used in calculating the fair value of stock-based compensation awards represent management’s best estimates, but the estimates involve inherent uncertainties and the application of management judgment. In addition, compensation expense for performance-based awards is recorded over the related service period when achievement of the performance targets are deemed probable, which requires management judgment. The achievement of operating income targets related to the performance-based restricted stock units and stock options granted in 2018 were deemed probable as of December 31, 2018. Refer to Note 2 and Note 12 to the Consolidated Financial Statements for a further discussion on stock-based compensation.

Recently Issued Accounting Standards

Refer to Note 2 to the Consolidated Financial Statements included in this Form 10-K for our assessment of recently issued accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign Currency Risk

We currently generate a majority of our consolidated net revenues in the United States, and the reporting currency for our consolidated financial statements is the U.S. dollar. As our net revenues and expenses generated outside of the United States increase, our results of operations could be adversely impacted by changes in foreign currency exchange rates. For example, as we recognize foreign revenues in local foreign currencies and if the U.S. dollar strengthens, it could have a negative impact on our foreign revenues upon translation of those results into the U.S. dollar upon consolidation of our financial statements. In addition, we are exposed to gains and losses resulting from fluctuations in foreign currency exchange rates on transactions generated by our foreign subsidiaries in currencies other than their local currencies. These gains and losses are primarily driven by intercompany transactions and inventory purchases denominated in currencies other than the functional currency of the purchasing entity. These exposures are included in other expense, net on the consolidated statements of operations.

From time to time, we may elect to use foreign currency contracts to reduce the risk from exchange rate fluctuations primarily on intercompany transactions and projected inventory purchases for our international subsidiaries. As we expand our international business, we anticipate expanding our current hedging program to include additional currency pairs and instruments. We do not enter into derivative financial instruments for speculative or trading purposes.

As of December 31, 2018, the aggregate notional value of our outstanding foreign currency contracts was $671.2 million, which was primarily comprised of Canadian Dollar/U.S. Dollar, Pound Sterling/U.S. Dollar, Euro/U.S. Dollar, Mexican Peso/U.S. Dollar and Chinese Renminbi/U.S. Dollar currency pairs with contract maturities of one to fourteen months. The majority of our foreign currency contracts are not designated as cash flow hedges, and accordingly, changes in their fair value are recorded in earnings. We enter into foreign currency contracts designated as cash flow hedges. For foreign currency contracts designated as cash flow hedges, changes in fair value, excluding any ineffective portion, is recorded in other comprehensive income until net income is affected by the variability in cash flows of the hedged transaction. The effective portion is generally released to net income after the maturity of the related derivative and is classified in the same manner as the underlying exposure. During the years ended December 31, 2018 and 2017, we reclassified $1.3 million and $0.4 million from other comprehensive income to cost of goods sold related to foreign currency contracts designated as cash flow hedges, respectively. The fair value of our foreign currency contracts was an asset of $19.5 million as of December 31, 2018 and was included in other current assets on the consolidated balance sheet. The fair value of our foreign currency contracts was a liability of $6.8 million as of December 31, 2017 and was included in other current liabilities on the consolidated balance sheet. Refer to Note 9 to the Consolidated Financial Statements for a discussion of the fair value measurements. Included in other expense, net were the following amounts related to changes in foreign currency exchange rates and derivative foreign currency contracts:

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Unrealized foreign currency exchange rate gains (losses)	$ 14,023	$ 29,246	$ (12,627)
Realized foreign currency exchange rate gains (losses)	11,462	611	(6,906)
Unrealized derivative gains (losses)	(109)	(1,217)	729
Realized derivative gains (losses)	(14,712)	(26,537)	15,192

We enter into foreign currency contracts with major financial institutions with investment grade credit ratings and are exposed to credit losses in the event of non-performance by these financial institutions. This credit risk is generally limited to the unrealized gains in the foreign currency contracts. However, we monitor the credit quality of these financial institutions and consider the risk of counterparty default to be minimal. Although we have entered into foreign currency contracts to minimize some of the impact of foreign currency exchange rate fluctuations on future cash flows, we cannot be assured that foreign currency exchange rate fluctuations will not have a material adverse impact on our financial condition and results of operations.

Interest Rate Risk

In order to maintain liquidity and fund business operations, we enter into long term debt arrangements with various lenders which bear a range of fixed and variable rates of interest. The nature and amount of our long-term debt can be expected to vary as a result of future business requirements, market conditions and other factors. We may elect to enter into interest rate swap contracts to reduce the impact associated with interest rate fluctuations.

We utilize interest rate swap contracts to convert a portion of variable rate debt to fixed rate debt. The contracts pay fixed and receive variable rates of interest. The interest rate swap contracts are accounted for as cash flow hedges and accordingly, the effective portion of the changes in fair value are recorded in other comprehensive income and reclassified into interest expense over the life of the underlying debt obligation.

As of December 31, 2018, the notional value of our outstanding interest rate swap contracts was $118.1 million. During the years ended December 31, 2018 and 2017, we recorded a $0.4 million decrease and $0.9 million increase in interest expense, respectively, representing the effective portion of the contracts reclassified from accumulated other comprehensive income. The fair value of the interest rate swap contracts was an asset of $1.6 million and $1.1 million as of December 31, 2018 and 2017, respectively, and were included in other long term assets on the consolidated balance sheet. In January 2019, we settled our interest rate swap contract in connection with the prepayment of our term loan.

Credit Risk

We are exposed to credit risk primarily on our accounts receivable. We provide credit to customers in the ordinary course of business and perform ongoing credit evaluations. We believe that our exposure to concentrations of credit risk with respect to trade receivables is largely mitigated by our customer base. We believe that our allowance for doubtful accounts is sufficient to cover customer credit risks as of December 31, 2018. Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates - Allowance for Doubtful Accounts" for further discussion on our policies.

Inflation

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations in recent periods, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net revenues if the selling prices of our products do not increase with these increased costs.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on our evaluation, we have concluded that our internal control over financial reporting was effective as of December 31, 2018.

The effectiveness of our internal control over financial reporting as of December 31, 2018, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

/s/ KEVIN A. PLANK **Kevin A. Plank**	Chairman of the Board of Directors and Chief Executive Officer
/s/ DAVID E. BERGMAN **David E. Bergman**	Chief Financial Officer

Dated: February 22, 2019

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Under Armour, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Under Armour, Inc. and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable

assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Baltimore, Maryland
February 22, 2019

We have served as the Company's auditor since 2003.

Under Armour, Inc. and Subsidiaries

Consolidated Balance Sheets
(In thousands, except share data)

	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 557,403	$ 312,483
Accounts receivable, net	652,546	609,670
Inventories	1,019,496	1,158,548
Prepaid expenses and other current assets	364,183	256,978
Total current assets	2,593,628	2,337,679
Property and equipment, net	826,868	885,774
Goodwill	546,494	555,674
Intangible assets, net	41,793	46,995
Deferred income taxes	112,420	82,801
Other long term assets	123,819	97,444
Total assets	$ 4,245,022	$ 4,006,367
Liabilities and Stockholders' Equity		
Current liabilities		
Revolving credit facility, current	$ —	$ 125,000
Accounts payable	560,884	561,108
Accrued expenses	340,415	296,841
Customer refund liability	301,421	—
Current maturities of long term debt	25,000	27,000
Other current liabilities	88,257	50,426
Total current liabilities	1,315,977	1,060,375
Long term debt, net of current maturities	703,834	765,046
Other long term liabilities	208,340	162,304
Total liabilities	2,228,151	1,987,725
Commitments and contingencies (see Note 7)		
Stockholders' equity		
Class A Common Stock, $0.0003 1/3 par value; 400,000,000 shares authorized as of December 31, 2018, and 2017; 187,710,319 shares issued and outstanding as of December 31, 2018, and 185,257,423 shares issued and outstanding as of December 31, 2017.	62	61
Class B Convertible Common Stock, $0.0003 1/3 par value; 34,450,000 shares authorized, issued and outstanding as of December 31, 2018 and 2017.	11	11
Class C Common Stock, $0.0003 1/3 par value; 400,000,000 shares authorized as of December 31, 2018 and 2017; 226,421,963 shares issued and outstanding as of December 31, 2018, and 222,375,079 shares issued and outstanding as of December 31, 2017.	75	74
Additional paid-in capital	916,628	872,266
Retained earnings	1,139,082	1,184,441
Accumulated other comprehensive loss	(38,987)	(38,211)
Total stockholders' equity	2,016,871	2,018,642
Total liabilities and stockholders' equity	$ 4,245,022	$ 4,006,367

See accompanying notes.

Under Armour, Inc. and Subsidiaries

Consolidated Statements of Operations
(In thousands, except per share amounts)

	Year Ended December 31,		
	2018	2017	2016
Net revenues	$ 5,193,185	$ 4,989,244	$ 4,833,338
Cost of goods sold	2,852,714	2,737,830	2,584,724
Gross profit	2,340,471	2,251,414	2,248,614
Selling, general and administrative expenses	2,182,339	2,099,522	1,831,143
Restructuring and impairment charges	183,149	124,049	—
Income (loss) from operations	(25,017)	27,843	417,471
Interest expense, net	(33,568)	(34,538)	(26,434)
Other expense, net	(9,203)	(3,614)	(2,755)
Income (loss) before income taxes	(67,788)	(10,309)	388,282
Income tax expense (benefit)	(20,552)	37,951	131,303
Income from equity method investment	934	—	—
Net income (loss)	(46,302)	(48,260)	256,979
Adjustment payment to Class C capital stockholders	—	—	59,000
Net income (loss) available to all stockholders	$ (46,302)	$ (48,260)	$ 197,979
Basic net income (loss) per share of Class A and B common stock	$ (0.10)	$ (0.11)	$ 0.45
Basic net income (loss) per share of Class C common stock	$ (0.10)	$ (0.11)	$ 0.72
Diluted net income (loss) per share of Class A and B common stock	$ (0.10)	$ (0.11)	$ 0.45
Diluted net income (loss) per share of Class C common stock	$ (0.10)	$ (0.11)	$ 0.71
Weighted average common shares outstanding Class A and B common stock			
Basic	221,001	219,254	217,707
Diluted	221,001	219,254	221,944
Weighted average common shares outstanding Class C common stock			
Basic	224,814	221,475	218,623
Diluted	224,814	221,475	222,904

See accompanying notes.

Under Armour, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)

	Year Ended December 31,		
	2018	2017	2016
Net income (loss)	$ (46,302)	$ (48,260)	$ 256,979
Other comprehensive income (loss):			
Foreign currency translation adjustment	(18,535)	23,357	(13,798)
Unrealized gain (loss) on cash flow hedge, net of tax benefit (expense) of $(7,936), $5,668 and $(3,346) for the years ended December 31, 2018, 2017, and 2016, respectively.	22,800	(16,624)	9,084
Gain (loss) on intra-entity foreign currency transactions	(5,041)	7,199	(2,416)
Total other comprehensive income (loss)	(776)	13,932	(7,130)
Comprehensive income (loss)	$ (47,078)	$ (34,328)	$ 249,849

See accompanying notes.

Under Armour, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity
(In thousands)

	Class A Common Stock		Class B Convertible Common Stock		Class C Common Stock		Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2015	181,630	$ 61	34,450	$ 11	216,080	72	$ 636,558	$ 1,076,533	$ (45,013)	$ 1,668,222
Exercise of stock options	792	—	—	—	971	—	6,203	—	—	6,203
Shares withheld in consideration of employee tax obligations relative to stock-based compensation arrangements	(199)	—	—	—	(276)	—	—	(15,098)	—	(15,098)
Issuance of Class A Common Stock, net of forfeitures	1,592	—	—	—	—	—	7,884	—	—	7,884
Issuance of Class C Common Stock, net of forfeitures	—	—	—	—	1,852	1	25,834	—	—	25,835
Issuance of Class C dividend	—	—	—	—	1,547	—	56,073	(59,000)	—	(2,927)
Stock-based compensation expense	—	—	—	—	—	—	46,149	—	—	46,149
Net excess tax benefits from stock-based compensation arrangements	—	—	—	—	—	—	44,783	—	—	44,783
Comprehensive income (loss)	—	—	—	—	—	—	—	256,979	(7,130)	249,849
Balance as of 12/31/2016	183,815	61	34,450	11	220,174	73	823,484	1,259,414	(52,143)	2,030,900
Exercise of stock options	609	—	—	—	556	—	3,664	—	—	3,664
Shares withheld in consideration of employee tax obligations relative to stock-based compensation arrangements	(65)	—	—	—	(78)	—	—	(2,781)	—	(2,781)
Issuance of Class A Common Stock, net of forfeitures	898	—	—	—	—	—	—	—	—	—
Issuance of Class C Common Stock, net of forfeitures	—	—	—	—	1,723	1	7,852	—	—	7,853
Impact of adoption of accounting standard updates	—	—	—	—	—	—	(2,666)	(23,932)	—	(26,598)
Stock-based compensation expense	—	—	—	—	—	—	39,932	—	—	39,932
Comprehensive income (loss)	—	—	—	—	—	—	—	(48,260)	13,932	(34,328)
Balance as of December 31, 2017	185,257	61	34,450	11	222,375	74	872,266	1,184,441	(38,211)	2,018,642
Exercise of stock options and warrants	2,084	1	—	—	2,127	—	6,747	—	—	6,748
Shares withheld in consideration of employee tax obligations relative to stock-based compensation arrangements	(23)	—	—	—	(140)	—	—	(2,564)	—	(2,564)
Issuance of Class A Common Stock, net of forfeitures	392	—	—	—		—	—	—	—	—
Issuance of Class C Common Stock, net of forfeitures	—	—	—	—	2,060	1	(4,168)	—	—	(4,167)
Impact of adoption of accounting standard updates	—	—	—	—	—	—	—	3,507	—	3,507
Stock-based compensation expense	—	—	—	—	—	—	41,783	—	—	41,783
Comprehensive income (loss)	—	—	—	—	—	—	—	(46,302)	(776)	(47,078)
Balance as of December 31, 2018	187,710	$ 62	34,450	$ 11	226,422	$ 75	$ 916,628	$ 1,139,082	$ (38,987)	$ 2,016,871

See accompanying notes.

Under Armour, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2018	2017	2016
Cash flows from operating activities			
Net income (loss)	$ (46,302)	$ (48,260)	$ 256,979
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	181,768	173,747	144,770
Unrealized foreign currency exchange rate (gains) losses	14,023	(29,247)	12,627
Impairment charges	9,893	71,378	—
Amortization of bond premium	254	254	—
Loss on disposal of property and equipment	4,256	2,313	1,580
Stock-based compensation	41,783	39,932	46,149
Excess tax benefit (loss) from stock-based compensation arrangements	—	(75)	44,783
Deferred income taxes	(38,544)	55,910	(43,004)
Changes in reserves and allowances	(234,998)	108,757	70,188
Changes in operating assets and liabilities:			
Accounts receivable	186,834	(79,106)	(249,853)
Inventories	109,919	(222,391)	(148,055)
Prepaid expenses and other assets	(107,855)	(52,106)	(23,029)
Accounts payable	26,413	145,695	202,446
Accrued expenses and other liabilities	134,594	109,823	67,754
Customer refund liability	305,141	—	—
Income taxes payable and receivable	41,051	(39,164)	(16,712)
Net cash provided by operating activities	628,230	237,460	366,623
Cash flows from investing activities			
Purchases of property and equipment	(170,385)	(281,339)	(316,458)
Sale of property and equipment	11,285	—	—
Purchases of property and equipment from related parties	—	—	(70,288)
Purchase of equity method investment	(39,207)	—	—
Purchases of available-for-sale securities	—	—	(24,230)
Sales of available-for-sale securities	—	—	30,712
Purchases of other assets	(4,597)	(1,648)	(875)
Net cash used in investing activities	(202,904)	(282,987)	(381,139)
Cash flows from financing activities			
Proceeds from long term debt and revolving credit facility	505,000	763,000	1,327,601
Payments on long term debt and revolving credit facility	(695,000)	(665,000)	(1,170,750)
Employee taxes paid for shares withheld for income taxes	(2,743)	(2,781)	(15,098)
Proceeds from exercise of stock options and other stock issuances	2,580	11,540	15,485
Other financing fees	306	—	—
Payments of debt financing costs	(11)	—	(6,692)
Cash dividends paid	—	—	(2,927)
Contingent consideration payments for acquisitions	—	—	(1,505)
Net cash provided by (used in) financing activities	(189,868)	106,759	146,114
Effect of exchange rate changes on cash, cash equivalents and restricted cash	12,467	4,178	(8,725)
Net increase in cash, cash equivalents and restricted cash	247,925	65,410	122,873
Cash, cash equivalents and restricted cash			
Beginning of period	318,135	252,725	129,852
End of period	$ 566,060	$ 318,135	$ 252,725
Non-cash investing and financing activities			
Change in accrual for property and equipment	$ (14,611)	$ 10,580	$ 16,973
Non-cash dividends	—	—	(56,073)
Other supplemental information			
Cash paid for income taxes, net of refunds	(16,738)	36,921	135,959
Cash paid for interest, net of capitalized interest	28,586	29,750	21,412

See accompanying notes.

Under Armour, Inc. and Subsidiaries

Notes to the Audited Consolidated Financial Statements

1. Description of the Business

Under Armour, Inc. is a developer, marketer and distributor of branded performance apparel, footwear, and accessories. The Company creates products engineered to solve problems and make athletes better, as well as digital health and fitness apps built to connect people and drive performance. The Company's products are made, sold and worn worldwide.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Under Armour, Inc. and its wholly owned subsidiaries (the “Company”). All intercompany balances and transactions have been eliminated. The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

On June 3, 2016, the Board of Directors approved the payment of a $59.0 million dividend to the holders of the Company's Class C stock in connection with shareholder litigation related to the creation of the Class C stock. The Company's Board of Directors approved the payment of this dividend in the form of additional shares of Class C stock, with cash in lieu of any fractional shares. This dividend was distributed on June 29, 2016, in the form of 1,470,256 shares of Class C stock and $2.9 million in cash.

The Company identified an immaterial prior period error in the presentation of premium subscriptions in its Connected Fitness reporting segment. Subscription revenue was previously recorded net of any related commission. Beginning in the first quarter of 2018, subscription revenue is recorded on a gross basis and the related commission cost is included in selling, general and administrative expense in the consolidated statement of operations. The Company has revised the prior periods to be consistent with the current period's presentation resulting in an increase in net revenues and selling, general and administrative expense of $12.7 million and $8.0 million for the years ended December 31, 2017 and 2016, respectively. There was no impact in any period on income (loss) from operations. The Company concluded that the error was not material to any of its previously issued financial statements.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at date of inception to be cash and cash equivalents. The Company's restricted cash is reserved for payments related to claims for its captive insurance program, which is included in prepaid expenses and other current assets on the Company's consolidated balance sheet. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets to the consolidated statements of cash flows.

	December 31, 2018	December 31, 2017
Cash and cash equivalents	$ 557,403	$ 312,483
Restricted cash	8,657	5,652
Total cash, cash equivalents and restricted cash	$ 566,060	$ 318,135

Concentration of Credit Risk

Financial instruments that subject the Company to significant concentration of credit risk consist primarily of accounts receivable. The majority of the Company’s accounts receivable is due from large retailers. Credit is extended based on an evaluation of the customer’s financial condition and collateral is not required. None of the Company's customers accounted for more than 10% of accounts receivable as of December 31, 2018. The Company's largest customer in North America accounted for 12% of accounts receivable as of December 31, 2017. For the years ended December 31, 2018 and 2017, no customer accounted for more than 10% of net revenues. The Company's largest customer accounted for 10% of net revenues for the year ended December 31, 2016.

Sale of Accounts Receivable

In 2018, the Company entered into agreements with two financial institutions to sell selected accounts receivable on a recurring, non-recourse basis. Under each agreement, the Company may sell up to $150.0 million and $140.0 million, respectively, provided the accounts receivable of certain customers cannot be outstanding simultaneously with both institutions. Balances may remain outstanding at any point in time. The Company removes the sold accounts receivable from the consolidated balance sheets at the time of sale. The Company does not retain any interests in the sold accounts receivable. The Company acts as the collection agent for the outstanding accounts receivable on behalf of the financial institutions.

As of December 31, 2018, there were no amounts outstanding in connection with these arrangements. The funding fee charged by the financial institutions is included in the other expense, net line item in the consolidated statement of operations.

Allowance for Doubtful Accounts

The Company makes ongoing estimates relating to the collectability of accounts receivable and maintains an allowance for estimated losses resulting from the inability of its customers to make required payments. In determining the amount of the reserve, the Company considers historical levels of credit losses and significant economic developments within the retail environment that could impact the ability of its customers to pay outstanding balances and makes judgments about the creditworthiness of significant customers based on ongoing credit evaluations. Because the Company cannot predict future changes in the financial stability of its customers, actual future losses from uncollectible accounts may differ from estimates. If the financial condition of customers were to deteriorate, resulting in their inability to make payments, a larger reserve might be required. In the event the Company determines a smaller or larger reserve is appropriate, it would record a benefit or charge to selling, general and administrative expense in the period in which such a determination was made. As of December 31, 2018 and 2017, the allowance for doubtful accounts was $22.2 million and $19.7 million, respectively.

Inventories

Inventories consist primarily of finished goods. Costs of finished goods inventories include all costs incurred to bring inventory to its current condition, including inbound freight, duties and other costs. The Company values its inventory at standard cost which approximates landed cost, using the first-in, first-out method of cost determination. Net realizable value is estimated based upon assumptions made about future demand and retail market conditions. If the Company determines that the estimated net realizable value of its inventory is less than the carrying value of such inventory, it records a charge to cost of goods sold to reflect the lower of cost or net realizable value. If actual market conditions are less favorable than those projected by the Company, further adjustments may be required that would increase the cost of goods sold in the period in which such a determination was made.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of the Company’s assets and liabilities at tax rates expected to be in effect when such assets or liabilities are realized or settled. Deferred income tax assets are reduced by valuation allowances when necessary.

Assessing whether deferred tax assets are realizable requires significant judgment. The Company considers all available positive and negative evidence, including historical operating performance and expectations of future operating performance. The ultimate realization of deferred tax assets is often dependent upon future taxable income and therefore can be uncertain. To the extent the Company believes it is more likely than not that all or some portion of the asset will not be realized, valuation allowances are established against the Company’s deferred tax assets, which increase income tax expense in the period when such a determination is made.

Income taxes include the largest amount of tax benefit for an uncertain tax position that is more likely than not to be sustained upon audit based on the technical merits of the tax position. Settlements with tax authorities, the expiration of statutes of limitations for particular tax positions, or obtaining new information on particular tax positions may cause a change to the effective tax rate. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes on the consolidated statements of income.

Goodwill, Intangible Assets and Long-Lived Assets

Goodwill and intangible assets are recorded at their estimated fair values at the date of acquisition and are allocated to the reporting units that are expected to receive the related benefits. Goodwill and indefinite lived intangible assets are not amortized and are required to be tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that the assets may be impaired. In conducting an annual impairment test, the Company first reviews qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If factors indicate that is the case, the Company performs the goodwill impairment test. The Company compares the fair value of the reporting unit with its carrying amount. The Company calculates fair value using the discounted cash flows model, which indicates the fair value of the reporting unit based on the present value of the cash flows that the Company expects the reporting unit to generate in the future. The Company's significant estimates in the discounted cash flows model include: the Company's weighted average cost of capital, long-term rate of growth and profitability of the reporting unit's business, and working capital effects. If the carrying amount exceeds its fair value, goodwill is impaired to the extent that the carrying value exceeds the fair value of the reporting unit. The Company performs its annual impairment testing in the fourth quarter of each year. As of the Company's annual impairment test, no impairment of goodwill was identified and the fair value of each reporting unit substantially exceeded its carrying value, with the exception of the Latin America reporting unit. No events occurred during the period ended December 31, 2018 that indicated it was more likely than not that goodwill was impaired. In 2017, the Company recorded goodwill impairment of $28.6 million related to the Connected Fitness reporting unit. Refer to Note 5 for a further discussion on goodwill.

The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. These factors may include a significant deterioration of operating results, changes in business plans, or changes in anticipated cash flows. When factors indicate that an asset should be evaluated for possible impairment, the Company reviews long-lived assets to assess recoverability from future operations using undiscounted cash flows. If future undiscounted cash flows are less than the carrying value, an impairment is recognized in earnings to the extent that the carrying value exceeds fair value. In 2017, the Company recorded impairment charges of $12.1 million related to the Connected Fitness reporting unit.

Accrued Expenses

At December 31, 2018, accrued expenses primarily included $130.8 million and $60.1 million of accrued compensation and benefits and marketing expenses, respectively. At December 31, 2017, accrued expenses primarily included $92.7 million and $47.0 million of accrued compensation and benefits and marketing expenses, respectively.

Foreign Currency Translation and Transactions

The functional currency for each of the Company's wholly owned foreign subsidiaries is generally the applicable local currency. The translation of foreign currencies into U.S. dollars is performed for assets and liabilities using current foreign currency exchange rates in effect at the balance sheet date and for revenue and expense accounts using average foreign currency exchange rates during the period. Capital accounts are translated at historical foreign currency exchange rates. Translation gains and losses are included in stockholders' equity as a component of accumulated other comprehensive income. Adjustments that arise from foreign currency exchange rate changes on transactions, primarily driven by intercompany transactions, denominated in a currency other than the functional currency are included in other expense, net on the consolidated statements of income.

Derivatives and Hedging Activities

The Company uses derivative financial instruments in the form of foreign currency and interest rate swap contracts to minimize the risk associated with foreign currency exchange rate and interest rate fluctuations. The Company accounts for derivative financial instruments pursuant to applicable accounting guidance. This guidance establishes accounting and reporting standards for derivative financial instruments and requires all derivatives to be recognized as either assets or liabilities on the balance sheet and to be measured at fair value. Unrealized derivative gain positions are recorded as other current assets or other long term assets, and unrealized derivative loss positions are recorded as other current liabilities or other long term liabilities, depending on the derivative financial instrument's maturity date.

Currently, the majority of the Company's foreign currency contracts are not designated as cash flow hedges, and accordingly, changes in their fair value are included in other expense, net on the consolidated statements of income. For foreign currency contracts designated as cash flow hedges, changes in fair value, excluding any

ineffective portion, are recorded in other comprehensive income until net income is affected by the variability in cash flows of the hedged transaction. The effective portion is generally released to net income after the maturity of the related derivative and is classified in the same manner as the underlying exposure. Additionally, the Company has designated its interest rate swap contract as a cash flow hedge and accordingly, the effective portion of changes in fair value are recorded in other comprehensive income and reclassified into interest expense over the life of the underlying debt obligation. The ineffective portion, if any, is recognized in current period earnings. The Company does not enter into derivative financial instruments for speculative or trading purposes.

Revenue Recognition

The Company recognizes revenue pursuant to Accounting Standards Codification 606 ("ASC 606"). Net revenues consist of net sales and license and Connected Fitness revenue. Net sales are recognized upon transfer of control, including passage of title to the customer and transfer of risk of loss related to those goods. Payment is due in full when title is transferred. Transfer of title and risk of loss is based upon shipment under free on board shipping point for most goods or upon receipt by the customer depending on the country of the sale and the agreement with the customer. In some instances, transfer of title and risk of loss takes place at the point of sale, for example, at the Company’s brand and factory house stores. The Company may also ship product directly from its supplier to the customer and recognize revenue when the product is delivered to and accepted by the customer. License revenue is primarily recognized based upon shipment of licensed products sold by the Company's licensees. Sales taxes imposed on the Company’s revenues from product sales are presented on a net basis on the consolidated statements of income, and therefore do not impact net revenues or costs of goods sold.

The Company records reductions to revenue for estimated customer returns, allowances, markdowns and discounts. The Company bases its estimates on historical rates of customer returns and allowances as well as the specific identification of outstanding returns, markdowns and allowances that have not yet been received by the Company. The actual amount of customer returns and allowances, which is inherently uncertain, may differ from the Company’s estimates. If the Company determines that actual or expected returns or allowances are significantly higher or lower than the reserves it established, it would record a reduction or increase, as appropriate, to net sales in the period in which it makes such a determination. Provisions for customer specific discounts are based on negotiated arrangements with certain major customers. Reserves for returns, allowances, markdowns and discounts are included within customer refund liability and the value of inventory associated with reserves for sales returns are included within prepaid expenses and other current assets on the consolidated balance sheet. As of December 31, 2018 there were $301.4 million in reserves for returns, allowances, markdowns and discounts within customer refund liability and $113.9 million as the estimated value of inventory associated with the reserves for sales returns within prepaid expenses and other current assets on the consolidated balance sheet. As of December 31, 2017, there were $246.6 million in reserves for customer returns, allowances, markdowns and discounts within accounts receivable, net.

Contract Liability

Contract liabilities are recorded when a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional, before the transfer of a good or service to the customer and thus represent the Company's obligation to transfer the good or service to the customer at a future date. The Company contract liabilities consist of payments received in advance of revenue recognition for subscriptions for the Company's Connected Fitness applications, gift cards and royalty arrangements. Contract liabilities are included in other liabilities on the Company's consolidated balance sheet. As of December 31, 2018, contract liability was $55.0 million.

For the year ended December 31, 2018, the Company recognized $41.1 million of revenue that was previously included in contract liability as of December 31, 2017. The change in the contract liability balance primarily results from the timing differences between the Company's satisfaction of performance obligations and the customer's payment. Commissions related to subscription revenue are capitalized and recognized over the subscription period.

Practical Expedients and Policy Elections

The Company has made a policy election to account for shipping and handling activities that occur after the customer has obtained control of a good as a fulfillment cost rather than an additional promised service. The Company has also elected to exclude from the measurement of the transaction price all taxes assessed, such as sales and use tax. Additionally, the Company has elected not to disclose certain information related to unsatisfied performance obligations for subscriptions for its Connected Fitness applications as they have an original expected length of one year or less.

Advertising Costs

Advertising costs are charged to selling, general and administrative expenses. Advertising production costs are expensed the first time an advertisement related to such production costs is run. Media (television, print and radio) placement costs are expensed in the month during which the advertisement appears, and costs related to event sponsorships are expensed when the event occurs. In addition, advertising costs include sponsorship expenses. Accounting for sponsorship payments is based upon specific contract provisions and the payments are generally expensed uniformly over the term of the contract after recording expense related to specific performance incentives once they are deemed probable. Advertising expense, including amortization of in-store marketing fixtures and displays, was $543.8 million, $565.1 million and $477.5 million for the years ended December 31, 2018, 2017 and 2016, respectively. At December 31, 2018 and 2017, prepaid advertising costs were $20.8 million and $41.2 million, respectively.

Shipping and Handling Costs

The Company charges certain customers shipping and handling fees. These fees are recorded in net revenues. The Company includes the majority of outbound handling costs as a component of selling, general and administrative expenses. Outbound handling costs include costs associated with preparing goods to ship to customers and certain costs to operate the Company’s distribution facilities. These costs, included within selling, general and administrative expenses, were $91.8 million, $101.5 million and $89.9 million for the years ended December 31, 2018, 2017 and 2016, respectively. The Company includes outbound freight costs associated with shipping goods to customers as a component of cost of goods sold.

Equity Method Investment

On April 23, 2018, the Company invested ¥4.2 billion or $39.2 million in exchange for an additional 10% common stock ownership in Dome Corporation ("Dome"), the Company's Japanese licensee. This additional investment brings the Company's total investment in Dome's common stock to 29.5%, from 19.5%. The Company accounted for its investment in Dome under the equity method, given that it has the ability to exercise significant influence, but not control, over Dome.

As of December 31, 2018, the carrying value of the Company’s total investment in Dome was $52.8 million. The Company's proportionate share of Dome's net assets exceeded its total investment by $63.8 million and is not amortized. For the year ended December 31, 2018, the Company recorded the allocable share of Dome’s net income in its consolidated statements of operations and as an adjustment to the invested balance.

In addition to the investment in Dome, the Company has a license agreement with Dome. The Company recorded license revenues from Dome of $35.6 million for the year ended December 31, 2018. As of December 31, 2018, the Company has $13.1 million in licensing receivables outstanding, recorded in the prepaid expenses and other current assets line item within the Company's consolidated balance sheet.

Earnings per Share

Basic earnings per common share is computed by dividing net income available to common stockholders for the period by the weighted average number of common shares outstanding during the period. Any stock-based compensation awards that are determined to be participating securities, which are stock-based compensation awards that entitle the holders to receive dividends prior to vesting, are included in the calculation of basic earnings per share using the two class method. Diluted earnings per common share is computed by dividing net income available to common stockholders for the period by the diluted weighted average common shares outstanding during the period. Diluted earnings per share reflects the potential dilution from common shares issuable through stock options, warrants, restricted stock units and other equity awards. Refer to Note 11 for further discussion of earnings per share.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with accounting guidance that requires all stock-based compensation awards granted to employees and directors to be measured at fair value and recognized as an expense in the financial statements. In addition, this guidance requires that excess tax benefits related to stock-based compensation awards be reflected as operating cash flows.

The Company uses the Black-Scholes option-pricing model to estimate the fair market value of stock-based compensation awards. The Company uses the “simplified method” to estimate the expected life of options, as permitted by accounting guidance. The “simplified method” calculates the expected life of a stock option equal to the

time from grant to the midpoint between the vesting date and contractual term, taking into account all vesting tranches. The risk free interest rate is based on the yield for the U.S. Treasury bill with a maturity equal to the expected life of the stock option. Expected volatility is based on the Company's historical average. Compensation expense is recognized net of forfeitures on a straight-line basis over the total vesting period, which is the implied requisite service period. Compensation expense for performance-based awards is recorded over the implied requisite service period when achievement of the performance target is deemed probable.

The Company issues new shares of Class A Common Stock and Class C Common Stock upon exercise of stock options, grant of restricted stock or share unit conversion. Refer to Note 12 for further details on stock-based compensation.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fair Value of Financial Instruments

The carrying amounts shown for the Company’s cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short term maturity of those instruments. The fair value of the Company's Senior Notes was $500.1 million and $526.3 million as of December 31, 2018 and 2017. The fair value of the Company's other long term debt approximates its carrying value based on the variable nature of interest rates and current market rates available to the Company. The fair value of foreign currency contracts is based on the net difference between the U.S. dollars to be received or paid at the contracts’ settlement date and the U.S. dollar value of the foreign currency to be sold or purchased at the current exchange rate. The fair value of the interest rate swap contract is based on the net difference between the fixed interest to be paid and variable interest to be received over the term of the contract based on current market rates.

Recently Issued Accounting Standards

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities, an update that amends and simplifies certain aspects of hedge accounting rules to increase transparency of the impact of risk management activities in the financial statements. This ASU is effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, which amends the existing guidance for leases and will require recognition of operating leases with lease terms of more than twelve months and all financing leases on the balance sheet. For these leases, companies will record assets for the rights and liabilities for the obligations that are created by the leases. This ASU will require disclosures that provide qualitative and quantitative information for the lease assets and liabilities recorded in the financial statements. The Company adopted this ASU and related amendments on January 1, 2019 and has elected certain practical expedients permitted under the transition guidance. The Company elected the optional transition method that allows for a cumulative-effect adjustment in the period of adoption and will not restate prior periods. The Company has implemented a new lease system in connection with the adoption of this ASU. The Company estimates the adoption of ASU 2016-02 will result in the recognition of right-of-use assets of approximately $500 million to $700 million and lease liabilities for operating leases of approximately $600 million to $800 million on its consolidated balance sheets as of the date of adoption. The difference between the leased assets and lease liabilities primarily represents the existing deferred rent and tenant improvement allowance liabilities balance, resulting from historical straight-lining of operating leases, which were effectively reclassified upon adoption to reduce the measurement of the leased assets. The Company does not expect a material impact to its consolidated statements of operations.

Recently Adopted Accounting Standards

In June 2018, the FASB issued ASU 2018-07, Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. This standard simplifies the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments to employees, with certain exceptions. This ASU is effective for fiscal years beginning after December 15, 2018. The Company

elected to early adopt ASU 2018-07 effective October 1, 2018. There was no impact to the consolidated financial statements.

In January 2018, the FASB released guidance on the accounting for tax on the global intangible low-taxed income ("GILTI") provisions of the Tax Act. The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The guidance indicates that, subject to an accounting policy election, taxes on GILTI inclusions can either be accounted for in deferred taxes or treated as period costs. The Company has elected to treat taxes on GILTI inclusions as period costs and recognized income tax expense of $4.0 million on GILTI inclusions for the period ended December 31, 2018.

In November 2016, the FASB issued ASU 2016-18, which reduced diversity in practice in the classification and presentation of changes in restricted cash on the statement of cash flows by including restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted the provisions under this ASU on January 1, 2018 on a retrospective basis. This resulted in an increase in beginning of period and end of period cash and cash equivalents. Restricted cash was $5.7 million and $2.3 million as of December 31, 2017, and 2016, respectively, and therefore resulted in an increase to the cash flows from operating activities section to the Consolidated Statement of Cash Flows of $3.4 million and $2.3 million for the years ended December 31, 2017, and 2016, respectively.

In January of 2016, the FASB issued ASU 2016-01 which simplifies the impairment assessment of equity investments. This ASU requires equity investments to be measured at fair value with changes recognized in net income unless they do not have readily determined fair values, in which case the cost basis measurement alternative may be elected. This ASU eliminates the requirement to disclose the methods and assumptions to estimate fair value for financial instruments, requires the use of the exit price for disclosure purposes, requires the change in liability due to a change in credit risk to be presented in other comprehensive income, requires separate presentation of financial assets and liabilities by measurement category and form of asset (securities and loans) and clarifies the need for a valuation allowance on a deferred tax asset related to available-for-sale securities. The Company adopted the provisions of this ASU on January 1, 2018 on a prospective basis.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the most current revenue recognition requirements. This ASU requires entities to recognize revenue in a way that depicts the transfer of goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. The Company adopted the provisions under this ASU on January 1, 2018 on a modified retrospective basis resulting in a cumulative-effect benefit to retained earnings of $3.5 million as of the date of adoption, relating to revenues for certain wholesale and e-commerce sales being recognized upon shipment rather than upon delivery to the customer. Under this approach, the Company did not restate the prior financial statements presented. The provisions under this ASU were applied to all contracts at the date of initial adoption.

On the Company’s consolidated balance sheet, reserves for returns, allowances, discounts and markdowns will be included within customer refund liability, rather than accounts receivable, net, and the value of inventory associated with reserves for sales returns will be included within prepaid expenses and other current assets. On the Company’s consolidated statement of operations, certain costs associated with the Company’s customer support program for its wholesale customers will now be recorded in cost of goods sold. Additionally, certain free of charge product offered with a purchase will be recorded in cost of goods sold. Previously, both of these costs were recorded in selling, general and administrative expenses. Had the Company not adopted the provisions under this ASU, its consolidated balance sheet as of December 31, 2018, its consolidated statement of operations for the year ended December 31, 2018, and its consolidated statement of cash flows for the year ended December 31, 2018 would have been presented as follows:

	December 31, 2018 (As Presented)	ASC 606 Adjustments	December 31, 2018 (As Adjusted)
Assets			
Current assets			
Cash and cash equivalents	$ 557,403	$ —	$ 557,403
Accounts receivable, net	652,546	(188,963)	463,583
Inventories	1,019,496	2,174	1,021,670
Prepaid expenses and other current assets	364,183	(113,948)	250,235
Total current assets	2,593,628	(300,737)	2,292,891
Non-current assets	1,651,394	1,293	1,652,687
Total assets	$ 4,245,022	$ (299,444)	$ 3,945,578
Liabilities and Stockholders' Equity			
Current liabilities			
Revolving credit facility, current	$ —	$ —	$ —
Accounts payable	560,884	—	560,884
Accrued expenses	340,415	—	340,415
Customer refund liability	301,421	(301,421)	—
Current maturities of long term debt	25,000	—	25,000
Other current liabilities	88,257	5,265	93,522
Total current liabilities	1,315,977	(296,156)	1,019,821
Non-current liabilities	912,174	—	912,174
Total liabilities	2,228,151	(296,156)	1,931,995
Stockholders' equity	2,016,871	(3,288)	2,013,583
Total liabilities and stockholders' equity	$ 4,245,022	$ (299,444)	$ 3,945,578

Net revenues	$ 5,193,185	$ 888	$ 5,194,073
Cost of goods sold	2,852,714	4,904	2,857,618
Gross profit	2,340,471	(4,016)	2,336,455
Selling, general and administrative expenses	2,182,339	(4,333)	2,178,006
Restructuring and impairment charges	183,149	—	183,149
Income (loss) from operations	(25,017)	317	(24,700)
Interest expense, net	(33,568)	—	(33,568)
Other expense, net	(9,203)	—	(9,203)
Income (loss) before income taxes	(67,788)	317	(67,471)
Income tax benefit	(20,552)	(96)	(20,456)
Income from equity method investment	934	—	934
Net income (loss)	$ (46,302)	$ 221	$ (46,081)
Basic net income (loss) per share of Class A, B and C common stock	$ (0.10)	—	$ (0.10)
Diluted net income (loss) per share of Class A, B and C common stock	$ (0.10)	—	$ (0.10)

	December 31, 2018 (As Presented)	ASC 606 Adjustments	December 31, 2018 (As Adjusted)
Cash flows from operating activities			
Net income (loss)	$ (46,302)	$ 221	$ (46,081)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	181,768	—	181,768
Unrealized foreign currency exchange rate (gains) losses	14,023	—	14,023
Loss on disposal of property and equipment	4,256	—	4,256
Impairment charges	9,893	—	9,893
Amortization of bond premium	254	—	254
Stock-based compensation	41,783	—	41,783
Excess tax benefit (loss) from stock-based compensation arrangements	—	—	—
Deferred income taxes	(38,544)	96	(38,448)
Changes in reserves and allowances	(234,998)	189,163	(45,835)
Changes in operating assets and liabilities:			
Accounts receivable	186,834	(934)	185,900
Inventories	109,919	571	110,490
Prepaid expenses and other assets	(107,855)	115,979	8,124
Accounts payable	26,413	—	26,413
Customer refund liability	305,141	(305,141)	—
Accrued expenses and other liabilities	134,594	45	134,639
Income taxes payable and receivable	41,051	—	41,051
Net cash provided by operating activities	628,230	—	628,230
Cash flows from investing activities			
Net cash used in investing activities	(202,904)	—	(202,904)
Cash flows from financing activities			
Net cash provided by (used in) financing activities	(189,868)	—	(189,868)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	12,467	—	12,467
Net increase in cash, cash equivalents and restricted cash	247,925	—	247,925
Cash, cash equivalents and restricted cash			
Beginning of period	318,135	—	318,135
End of period	$ 566,060	$ —	$ 566,060

3. Restructuring and Impairment

As previously announced, in both 2017 and 2018, the Company's Board of Directors approved restructuring plans (the "2018 restructuring plan" and "2017 restructuring plan") designed to more closely align its financial resources with the critical priorities of the business and optimize operations. The Company recognized approximately $203.9 million of pre-tax charges in connection with the 2018 restructuring plan and approximately $129.1 million of pre-tax charges in connection with the 2017 restructuring plan, inclusive of $28.6 million of restructuring related goodwill impairment charges for our Connected Fitness business.

Property and equipment impairment

As a part of the 2018 and 2017 restructuring plans, the Company abandoned the use of several assets included within Property and equipment, resulting in an impairment charge of $12.1 million and $30.7 million during the years ended December 31, 2018 and 2017, respectively, reducing the carrying value of these assets to their

estimated fair values. Fair value was estimated using an income-approach based on management's forecast of future cash flows expected to be derived from the asset's use.

Intangible asset impairment

In connection with the 2017 restructuring plan, strategic decisions were made during the third quarter of 2017 to abandon the use of certain intangible assets in the Company's Connected Fitness reporting unit. These intangible assets included technology and brand names, resulting in total intangible asset impairment charges of $12.1 million, reducing the carrying value of these assets to their estimated fair values. Fair value was estimated using an income-approach based on management's forecast of future cash flows expected to be derived from the asset's use.

Goodwill impairment

In addition, the Company also made the strategic decision to not pursue certain other planned future revenue streams in connection with the 2017 restructuring plan. The Company determined sufficient indication existed to trigger the performance of an interim goodwill impairment for the Company's Connected Fitness reporting unit. Using updated cash flow projections, the Company calculated the fair value of the Connected Fitness reporting unit based on the discounted cash flows model. The carrying value exceeded the fair value, resulting in an impairment of goodwill. As the excess of the carrying value for the Connected Fitness reporting unit was greater than the goodwill for this reporting unit, the Company recorded goodwill impairment of $28.6 million, which represented all of the goodwill for this reporting unit.

The summary of the costs incurred during the years ended December 31, 2018 and 2017, in connection with the 2018 and 2017 restructuring plans, respectively, are as follows:

(In thousands)	Year Ended December 31, 2018	Year Ended December 31, 2017
Costs recorded in cost of goods sold:		
Inventory write-offs	$ 20,801	$ 5,077
Total cost recorded in cost of goods sold	20,801	5,077
Costs recorded in restructuring and impairment charges:		
Property and equipment impairment	12,146	30,677
Intangible asset impairment	—	12,054
Goodwill impairment	—	28,647
Employee related costs	9,949	14,572
Contract exit costs	114,126	12,029
Other restructuring costs	46,927	26,070
Total costs recorded in restructuring and impairment charges	183,148	124,049
Total restructuring, impairment and restructuring related costs	$ 203,949	$ 129,126

A summary of the activity in the restructuring reserve related to the Company's 2017 and 2018 Restructuring Plan is as follows:

(In thousands)	Employee Related Costs	Contract Exit Costs	Other Restructuring Related Costs
Balance at January 1, 2018	$ 4,555	$ 2,848	$ 3,000
Additions charged to expense	9,949	109,127	20,504
Cash payments charged against reserve	(5,579)	(30,006)	(18,628)
Changes in reserve estimate	(393)	(10,613)	—
Balance at December 31, 2018	$ 8,532	$ 71,356	$ 4,876

4. Property and Equipment, Net

Property and equipment are stated at cost, including the cost of internal labor for software customized for internal use, less accumulated depreciation and amortization. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets: 3 to 10 years for furniture, office equipment,

software and plant equipment and 10 to 35 years for site improvements, buildings and building equipment. Leasehold and tenant improvements are amortized over the shorter of the lease term or the estimated useful lives of the assets. The cost of in-store apparel and footwear fixtures and displays are capitalized, included in furniture, fixtures and displays, and depreciated over 3 years. The Company periodically reviews assets' estimated useful lives based upon actual experience and expected future utilization. A change in useful life is treated as a change in accounting estimate and is applied prospectively.

The Company capitalizes the cost of interest for long term property and equipment projects based on the Company's weighted average borrowing rates in place while the projects are in progress. Capitalized interest was $1.9 million and $2.1 million as of December 31, 2018 and 2017, respectively.

Upon retirement or disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in selling, general and administrative expenses for that period. Major additions and betterments are capitalized to the asset accounts while maintenance and repairs, which do not improve or extend the lives of assets, are expensed as incurred.

As part of the Company's 2018 and 2017 restructuring plans, the Company abandoned the use of several assets included within Property and equipment, resulting in an impairment charge of $12.1 million and $30.7 million during the years ended December 31, 2018 and 2017, respectively, reducing the carrying value of these assets to their estimated fair values.

Property and equipment consisted of the following:

	December 31,	
(In thousands)	2018	2017
Leasehold and tenant improvements	$ 446,330	$ 431,761
Furniture, fixtures and displays	218,930	204,926
Buildings	48,230	47,625
Software	286,014	232,660
Office equipment	121,202	98,802
Plant equipment	138,867	144,484
Land	83,626	83,574
Construction in progress	136,916	148,488
Other	2,348	20,438
Subtotal property and equipment	1,482,463	1,412,758
Accumulated depreciation	(655,595)	(526,984)
Property and equipment, net	$ 826,868	$ 885,774

Construction in progress primarily includes costs incurred for software systems, leasehold improvements and in-store fixtures and displays not yet placed in use.

Depreciation expense related to property and equipment was $173.4 million, $164.3 million and $130.7 million for the years ended December 31, 2018, 2017 and 2016, respectively.

5. Goodwill and Intangible Assets, Net

The following table summarizes changes in the carrying amount of the Company's goodwill by reportable segment as of the periods indicated:

(In thousands)	North America	EMEA	Asia-Pacific	Latin America	Connected Fitness	Total
Balance as of December 31, 2016	$ 317,323	$ 99,245	$ 77,586	$ 42,436	$ 27,001	$ 563,591
Effect of currency translation adjustment	1,132	11,910	3,737	2,305	1,646	$ 20,730
Impairment	—	—	—	—	(28,647)	(28,647)
Balance as of December 31, 2017	318,455	111,155	81,323	44,741	—	555,674
Effect of currency translation adjustment	(955)	(6,332)	(1,913)	20	—	(9,180)
Balance as of December 31, 2018	$ 317,500	$ 104,823	$ 79,410	$ 44,761	$ —	$ 546,494

As of December 31, 2018, the Company's goodwill had an aggregate carrying value of $546.5 million. The Company performed its annual impairment testing in the fourth quarter of 2018. As of our annual impairment test, no impairment of goodwill was identified and the fair value of each reporting unit substantially exceeded its carrying

value, with the exception of the Latin America reporting unit. The fair value of the Latin America reporting unit exceeded its carrying value by 14%. Holding all other assumptions used in the fair value measurement of the Latin America reporting unit constant, a 1% point increase in the weighted-average cost of capital would eliminate the headroom; whereas, a reduction in the growth rate of revenue by 1% point would still result in excess fair value over carrying value. No events occurred during the period ended December 31, 2018 that indicated it was more likely than not that goodwill was impaired.

Refer to Note 3 of the consolidated financial statements for further discussion of goodwill impairment recognized in 2017, in connection with the 2017 restructuring plan.

The following table summarizes the Company’s intangible assets as of the periods indicated:

		December 31, 2018				December 31, 2017			
(In thousands)	Useful Lives from Date of Acquisitions (in years)	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Intangible assets subject to amortization:									
User base	10	$ 48,326	$ (18,456)	$ —	$ 29,870	$ 48,561	$ (13,499)	$ —	$ 35,062
Technology	5-7	2,536	(386)	—	2,150	19,611	(9,524)	(10,087)	—
Customer relationships	2-3	9,851	(9,851)	—	—	9,527	(9,527)	—	—
Trade name	4-5	—	—	—	—	7,653	(5,686)	(1,967)	—
Nutrition database	10	4,500	(1,706)	—	2,794	4,500	(1,256)	—	3,244
Lease-related intangible assets	1-15	6,114	(3,633)	—	2,481	3,896	(3,232)	—	664
Other	5-10	1,376	(1,128)	—	248	1,353	(892)	—	461
Total		$ 72,703	$ (35,160)	$ —	$ 37,543	$ 95,101	$ (43,616)	$ (12,054)	$ 39,431
Indefinite-lived intangible assets					4,250				7,564
Intangible assets, net					$ 41,793				$ 46,995

In connection with the Company's sale of the Brazil subsidiary, the Company sold certain indefinite-lived intangible assets in 2018, which resulted in a reduction to the net carrying amount of the Company's indefinite-lived intangible assets.

Refer to Note 3 of the consolidated financial statements for further discussion of intangible asset impairment recognized in 2017, in connection with the 2017 restructuring plan.

Amortization expense, which is included in selling, general and administrative expenses, was $6.1 million, $8.2 million and $13.0 million for the years ended December 31, 2018, 2017 and 2016, respectively. The following is the estimated amortization expense for the Company’s intangible assets as of December 31, 2018:

(In thousands)	
2019	$ 6,691
2020	6,564
2021	6,235
2022	6,119
2023	5,614
2024 and thereafter	6,320
Amortization expense of intangible assets	$ 37,543

6. Credit Facility and Other Long Term Debt

Credit Facility

The Company is party to a credit agreement that provides revolving commitments for up to $1.25 billion of borrowings, as well as term loan commitments, in each case maturing in January 2021. As of December 31, 2018 there were no amounts outstanding under the revolving credit facility and $136.3 million of term loan borrowings remained outstanding. In January 2019, the Company prepaid the full outstanding balance of $136.3 million on the term loan, without penalty.

At the Company's request and the lender's consent, revolving and or term loan borrowings may be increased by up to $300.0 million in aggregate, subject to certain conditions as set forth in the credit agreement, as amended. Incremental borrowings are uncommitted and the availability thereof, will depend on market conditions at the time the Company seeks to incur such borrowings.

The borrowings under the revolving credit facility have maturities of less than one year. Up to $50.0 million of the facility may be used for the issuance of letters of credit. There were $4.6 million of letters of credit outstanding as of December 31, 2018.

The credit agreement contains negative covenants that, subject to significant exceptions, limit the ability of the Company and its subsidiaries to, among other things, incur additional indebtedness, make restricted payments, pledge their assets as security, make investments, loans, advances, guarantees and acquisitions, undergo fundamental changes and enter into transactions with affiliates. The Company is also required to maintain a ratio of consolidated EBITDA, as defined in the credit agreement, to consolidated interest expense of not less than 3.50 to 1.00 and is not permitted to allow the ratio of consolidated total indebtedness to consolidated EBITDA to be greater than 3.25 to 1.00 ("consolidated leverage ratio"). As of December 31, 2018, the Company was in compliance with these ratios. In addition, the credit agreement contains events of default that are customary for a facility of this nature, and includes a cross default provision whereby an event of default under other material indebtedness, as defined in the credit agreement, will be considered an event of default under the credit agreement.

Borrowings under the credit agreement bear interest at a rate per annum equal to, at the Company’s option, either (a) an alternate base rate, or (b) a rate based on the rates applicable for deposits in the interbank market for U.S. Dollars or the applicable currency in which the loans are made (“adjusted LIBOR”), plus in each case an applicable margin. The applicable margin for loans will be adjusted by reference to a grid (the “Pricing Grid”) based on the consolidated leverage ratio and ranges between 1.00% to 1.25% for adjusted LIBOR loans and 0.00% to 0.25% for alternate base rate loans. The weighted average interest rate under the outstanding term loans was 3.2% and 2.2% during the years ended December 31, 2018 and 2017, respectively. The weighted average interest rate under the revolving credit facility borrowings was 3.0% and 2.2% during the years ended December 31, 2018 and 2017, respectively. The Company pays a commitment fee on the average daily unused amount of the revolving credit facility and certain fees with respect to letters of credit. As of December 31, 2018, the commitment fee was 15 basis points. Since inception, the Company incurred and deferred $3.9 million in financing costs in connection with the credit agreement.

3.250% Senior Notes

In June 2016, the Company issued $600.0 million aggregate principal amount of 3.250% senior unsecured notes due June 15, 2026 (the “Notes”). The proceeds were used to pay down amounts outstanding under the revolving credit facility. Interest is payable semi-annually on June 15 and December 15 beginning December 15, 2016. Prior to March 15, 2026 (three months prior to the maturity date of the Notes), the Company may redeem some or all of the Notes at any time or from time to time at a redemption price equal to the greater of 100% of the principal amount of the Notes to be redeemed or a “make-whole” amount applicable to such Notes as described in the indenture governing the Notes, plus accrued and unpaid interest to, but excluding, the redemption date. On or after March 15, 2026 (three months prior to the maturity date of the Notes), the Company may redeem some or all of the Notes at any time or from time to time at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The indenture governing the Notes contains covenants, including limitations that restrict the Company’s ability and the ability of certain of its subsidiaries to create or incur secured indebtedness and enter into sale and leaseback transactions and the Company’s ability to consolidate, merge or transfer all or substantially all of its properties or assets to another person, in each case subject to material exceptions described in the indenture. The Company incurred and deferred $5.3 million in financing costs in connection with the Notes.

Other Long Term Debt

In December 2012, the Company entered into a $50.0 million recourse loan collateralized by the land, buildings and tenant improvements comprising the Company's corporate headquarters. In July 2018, this loan was paid in full, without penalties, using borrowings under the Company's revolving credit facility. As of December 31, 2017, the outstanding balance on the loan was $40.0 million.

The following are the scheduled maturities of long term debt as of December 31, 2018:

(In thousands)		
2019	$	25,000
2020		25,000
2021		86,250
2022		—
2023		—
2024 and thereafter		600,000
Total scheduled maturities of long term debt	$	736,250
Current maturities of long term debt	$	25,000

All scheduled maturities noted in the years 2019 through 2021 in the table above relate to the Company's term loan, which was prepaid in full in January 2019.

Interest expense, net was $33.6 million, $34.5 million, and $26.4 million for the years ended December 31, 2018, 2017 and 2016, respectively. Interest expense includes the amortization of deferred financing costs, bank fees, capital and built-to-suit lease interest and interest expense under the credit and other long term debt facilities. Amortization of deferred financing costs was $1.5 million, $1.3 million, and $1.2 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The Company monitors the financial health and stability of its lenders under the credit and other long term debt facilities, however during any period of significant instability in the credit markets lenders could be negatively impacted in their ability to perform under these facilities.

7. Commitments and Contingencies

Obligations Under Operating Leases

The Company leases warehouse space, office facilities, space for its brand and factory house stores and certain equipment under non-cancelable operating leases. The leases expire at various dates through 2033, excluding extensions at the Company's option, and include provisions for rental adjustments. The table below includes executed lease agreements for brand and factory house stores that the Company did not yet occupy as of December 31, 2018 and does not include contingent rent the Company may incur at its stores based on future sales above a specified minimum or payments made for maintenance, insurance and real estate taxes. The following is a schedule of future minimum lease payments for non-cancelable real property and equipment operating leases as of December 31, 2018 as well as significant operating lease agreements entered into during the period after December 31, 2018 through the date of this report:

(In thousands)		
2019	$	142,648
2020		148,171
2021		154,440
2022		141,276
2023		128,027
2024 and thereafter		699,262
Total future minimum lease payments	$	1,413,824

Included in selling, general and administrative expense was rent expense of $152.7 million, $141.2 million and $109.0 million for the years ended December 31, 2018, 2017 and 2016, respectively, under non-cancelable operating lease agreements. Included in these amounts was contingent rent expense of $14.2 million, $15.5 million and $13.0 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Sports Marketing and Other Commitments

Within the normal course of business, the Company enters into contractual commitments in order to promote the Company's brand and products. These commitments include sponsorship agreements with teams and athletes on the collegiate and professional levels, official supplier agreements, athletic event sponsorships and other marketing commitments. The following is a schedule of the Company's future minimum payments under its sponsorship and other marketing agreements as of December 31, 2018, as well as significant sponsorship and other marketing agreements entered into during the period after December 31, 2018 through the date of this report:

(In thousands)		
2019	$	126,221
2020		106,782
2021		101,543
2022		98,353
2023		91,337
2024 and thereafter		210,634
Total future minimum sponsorship and other payments	$	734,869

The amounts listed above are the minimum compensation obligations and guaranteed royalty fees required to be paid under the Company's sponsorship and other marketing agreements. The amounts listed above do not include additional performance incentives and product supply obligations provided under certain agreements. It is not possible to determine how much the Company will spend on product supply obligations on an annual basis as contracts generally do not stipulate specific cash amounts to be spent on products. The amount of product provided to the sponsorships depends on many factors including general playing conditions, the number of sporting events in which they participate and the Company's decisions regarding product and marketing initiatives. In addition, the costs to design, develop, source and purchase the products furnished to the endorsers are incurred over a period of time and are not necessarily tracked separately from similar costs incurred for products sold to customers.

Other

In connection with various contracts and agreements, the Company has agreed to indemnify counterparties against certain third party claims relating to the infringement of intellectual property rights and other items. Generally, such indemnification obligations do not apply in situations in which the counterparties are grossly negligent, engage in willful misconduct, or act in bad faith. Based on the Company's historical experience and the estimated probability of future loss, the Company has determined that the fair value of such indemnifications is not material to its consolidated financial position or results of operations.

From time to time, the Company is involved in litigation and other proceedings, including matters related to commercial and intellectual property disputes, as well as trade, regulatory and other claims related to its business. Other than as described below, the Company believes that all current proceedings are routine in nature and incidental to the conduct of its business, and that the ultimate resolution of any such proceedings will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Securities Class Action

On March 23, 2017, three separate securities cases previously filed against the Company in the United States District Court for the District of Maryland (the "Court") were consolidated under the caption *In re Under Armour Securities Litigation*, Case No. 17-cv-00388-RDB (the "Consolidated Action"). On August 4, 2017, the lead plaintiff in the Consolidated Action, North East Scotland Pension Fund, joined by named plaintiff Bucks County Employees Retirement Fund, filed a consolidated amended complaint (the "Amended Complaint") against the Company, the Company's Chief Executive Officer and former Chief Financial Officers, Lawrence Molloy and Brad Dickerson. The Amended Complaint alleges violations of Section 10(b) (and Rule 10b-5) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 20(a) control person liability under the Exchange Act against the officers named in the Amended Complaint, claiming that the defendants made material misstatements and omissions regarding, among other things, the Company's growth and consumer demand for certain of the Company's products. The class period identified in the Amended Complaint is September 16, 2015 through January 30, 2017. The Amended Complaint also asserts claims under Sections 11 and 15 of the Securities Act of 1933, as amended (the "Securities Act"), in connection with the Company's public offering of senior unsecured notes in June 2016. The Securities Act claims are asserted against the Company, the Company's Chief Executive Officer, Mr. Molloy, the Company's directors who signed the registration statement pursuant to which the offering was made and the underwriters that participated in the offering. The Amended Complaint alleges that the offering materials utilized in connection with the offering contained false and/or misleading statements and

omissions regarding, among other things, the Company’s growth and consumer demand for certain of the Company’s products.

On November 9, 2017, the Company and the other defendants filed motions to dismiss the Amended Complaint. On September 19, 2018, the Court dismissed the Securities Act claims with prejudice and the Exchange Act claims without prejudice. The lead plaintiff filed a Second Amended Complaint on November 16, 2018, naming the Company and Mr. Plank as the remaining defendants. The Company and the defendant filed a motion to dismiss on January 17, 2019, which is still pending with the Court. The Company continues to believe that the claims previously asserted in the Consolidated Action are without merit and intends to defend the lawsuit vigorously. However, because of the inherent uncertainty as to the outcome of this proceeding, the Company is unable at this time to estimate the possible impact of the outcome of this matter.

Derivative Complaints

In April 2018, two purported stockholders filed separate stockholder derivative complaints in the United States District Court for the District of Maryland. These were brought against Kevin Plank (the Company’s Chairman and Chief Executive Officer) and certain other members of the Company’s Board of Directors and name the Company as a nominal defendant. The complaints make allegations related to the Company’s purchase of certain parcels of land from entities controlled by Mr. Plank (through Sagamore Development Company, LLC ("Sagamore")), as well as other related party transactions.

Sagamore purchased these parcels in 2014. Its total investment in the parcels was approximately $72.0 million, which included the initial $35.0 million purchase price for the property, an additional $30.6 million to terminate a lease encumbering the property and approximately $6.4 million of development costs. As previously disclosed, in June 2016, the Company purchased the unencumbered parcels for $70.3 million in order to further expand the Company’s corporate headquarters to accommodate its growth needs. The Company negotiated a purchase price for the parcels that it determined represented the fair market value of the parcels and approximated the cost to the seller to purchase and develop the parcels. In connection with its evaluation of the potential purchase, the Company engaged an independent third-party to appraise the fair market value of the parcels, and the Audit Committee of the Company’s Board of Directors engaged its own independent appraisal firm to assess the parcels. The Audit Committee determined that the terms of the purchase were reasonable and fair, and the transaction was approved by the Audit Committee in accordance with the Company’s policy on transactions with related persons.

In *Mioduszewski v. Plank, et al*., filed on April 16, 2018, the complaint asserts that Mr. Plank and the director defendants breached their fiduciary duties in connection with the purchase of the parcels and other related party transactions and that the director defendants aided and abetted Mr. Plank’s alleged breach of his fiduciary duties. The complaint also asserts an unjust enrichment claim against Mr. Plank. The complaint seeks damages on behalf of the Company and certain corporate governance-related actions. In *King v. Plank, et al.*, filed on April 30, 2018, the complaint asserts similar breach of fiduciary duty claims against Mr. Plank and the director defendants and also claims that Sagamore aided and abetted the alleged breaches of fiduciary duty by the other defendants in connection with Sagamore’s alleged role in the sale of the parcels of land to the Company. The King complaint also asserts an unjust enrichment claim against Mr. Plank and Sagamore. It asserts similar damages to the damages sought in the *Mioduszewski* complaint.

In June and July 2018, three additional purported stockholder derivative complaints were filed. Two of the complaints were filed in Maryland state court (in cases captioned *Kenney v. Plank, et al.* (filed June 29, 2018) and *Luger v. Plank, et al.* (filed July 26, 2018), respectively). The other complaint was filed in the United States District Court for the District of Maryland (in a case captioned *Andersen et al. v. Plank et al.* (filed July 23, 2018)). These complaints name Mr. Plank, certain other members of the Company’s Board of Directors and former executives as defendants and name the Company as a nominal defendant. The complaints include allegations similar to those in the *In re Under Armour Securities Litigation* matter discussed above that challenges, among other things, the Company’s disclosures related to growth and consumer demand for certain of the Company's products and stock sales by certain individual defendants. All three complaints assert breach of fiduciary duty and unjust enrichment claims against the individual defendants. The *Kenney* complaint also makes allegations similar to those in the *King* and *Mioduszewski* complaints discussed above regarding the Company’s purchase of parcels from entities controlled by Mr. Plank through Sagamore and asserts a claim of corporate waste against the individual defendants. These complaints assert similar damages to the damages sought in the *Mioduszewski* complaint. In each of the *Kenney*, *Luger* and *Andersen* matters, the parties have filed joint motions to stay the litigation pending resolution of the motion to dismiss the Second Amended Complaint in the *In re Under Armour Securities Litigation* matter.

Prior to the filing of the derivative complaints discussed above, each of the purported stockholders had sent the Company a letter demanding that the Company pursue claims similar to the claims asserted in the derivative

complaints. Following an investigation, a majority of disinterested and independent directors of the Company determined that the claims should not be pursued by the Company and informed each of these purported stockholders of that determination. The Company believes that the claims asserted in the derivative complaints are without merit and intends to defend these matters vigorously. However, because of the inherent uncertainty as to the outcome of these proceedings, the Company is unable at this time to estimate the possible impact of the outcome of these matters.

Data Incident

In early 2018, an unauthorized third party acquired data associated with the Company's Connected Fitness users' accounts for the Company's MyFitnessPal application and website. A consumer class action lawsuit has been filed against the Company in connection with this incident, and the Company has received inquiries regarding the incident from certain government regulators and agencies. The Company does not currently consider these matters to be material and believes its insurance coverage will provide coverage should any significant expense arise.

8. Stockholders' Equity

The Company's Class A Common Stock and Class B Convertible Common Stock have an authorized number of shares at December 31, 2018 of 400.0 million shares and 34.5 million shares, respectively, and each have a par value of $0.0003 1/3 per share. Holders of Class A Common Stock and Class B Convertible Common Stock have identical rights, including liquidation preferences, except that the holders of Class A Common Stock are entitled to one vote per share and holders of Class B Convertible Common Stock are entitled to 10 votes per share on all matters submitted to a stockholder vote. Class B Convertible Common Stock may only be held by Kevin Plank, the Company's founder and Chief Executive Officer, or a related party of Mr. Plank, as defined in the Company's charter. As a result, Mr. Plank has a majority voting control over the Company. Upon the transfer of shares of Class B Convertible Stock to a person other than Mr. Plank or a related party of Mr. Plank, the shares automatically convert into shares of Class A Common Stock on a one-for-one basis. In addition, all of the outstanding shares of Class B Convertible Common Stock will automatically convert into shares of Class A Common Stock on a one-for-one basis upon the death or disability of Mr. Plank or on the record date for any stockholders' meeting upon which the shares of Class A Common Stock and Class B Convertible Common Stock beneficially owned by Mr. Plank is less than 15% of the total shares of Class A Common Stock and Class B Convertible Common Stock outstanding or upon the other events specified in the Class C Articles Supplementary to the Company's charter as documented below. Holders of the Company's common stock are entitled to receive dividends when and if authorized and declared out of assets legally available for the payment of dividends.

In June 2015, the Company's Board of Directors (the "Board") approved Articles Supplementary to the Company's charter which designated 400.0 million shares of common stock as a new class of common stock, referred to as the Class C common stock, par value $0.0003 1/3 per share. The Articles Supplementary became effective on June 15, 2015. In April 2016, the Company issued shares of Class C common stock as a dividend to the Company's holders of Class A and Class B common stock on a one-for-one basis. The terms of the Class C common stock are substantially identical to those of the Company's Class A common stock, except that the Class C common stock has no voting rights (except in limited circumstances), will automatically convert into Class A common stock under certain circumstances and includes provisions intended to ensure equal treatment of Class C common stock and Class B common stock in certain corporate transactions, such as mergers, consolidations, statutory share exchanges, conversions or negotiated tender offers, and including consideration incidental to these transactions.

9. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The fair value accounting guidance outlines a valuation framework, creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures, and prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

Financial assets and (liabilities) measured at fair value are set forth in the table below:

	December 31, 2018			December 31, 2017		
(In thousands)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative foreign currency contracts (see Note 14)	—	19,531	—	—	(6,818)	—
Interest rate swap contracts (see Note 14)	—	1,567	—	—	1,088	—
TOLI policies held by the Rabbi Trust	—	5,328	—	—	5,756	—
Deferred Compensation Plan obligations	—	(6,958)	—	—	(7,971)	—

Fair values of the financial assets and liabilities listed above are determined using inputs that use as their basis readily observable market data that are actively quoted and are validated through external sources, including third-party pricing services and brokers. The Company purchases marketable securities that are designated as available-for-sale. The foreign currency contracts represent gains and losses on derivative contracts, which is the net difference between the U.S. dollar value to be received or paid at the contracts' settlement date and the U.S. dollar value of the foreign currency to be sold or purchased at the current market exchange rate. The interest rate swap contracts represent gains and losses on the derivative contracts, which is the net difference between the fixed interest to be paid and variable interest to be received over the term of the contract based on current market rates. The fair value of the trust owned life insurance ("TOLI") policies held by the Rabbi Trust is based on the cash-surrender value of the life insurance policies, which are invested primarily in mutual funds and a separately managed fixed income fund. These investments are initially made in the same funds and purchased in substantially the same amounts as the selected investments of participants in the Under Armour, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan"), which represent the underlying liabilities to participants in the Deferred Compensation Plan. Liabilities under the Deferred Compensation Plan are recorded at amounts due to participants, based on the fair value of participants' selected investments.

As of December 31, 2018 and 2017, the fair value of the Company's Senior Notes was $500.1 million and $526.3 million. The carrying value of the Company's other long term debt approximated its fair value as of December 31, 2018 and 2017. The fair value of long-term debt is estimated based upon quoted prices for similar instruments or quoted prices for identical instruments in inactive markets (Level 2).

10. Provision for Income Taxes

The United States enacted the Tax Cuts and Jobs Act (the "Tax Act") on December 22, 2017, which had a significant impact to the Company's provision for income taxes as of December 31, 2017 and December 31, 2018. The Tax Act included a number of changes to existing U.S. tax laws that impact the Company, including the reduction of the U.S. corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017. The Tax Act transitions U.S. international taxation from a worldwide system to a modified territorial system and includes base erosion prevention measures on non-U.S. earnings, which has the effect of subjecting certain earnings of the Company's foreign subsidiaries to U.S. taxation. The Tax Act provided for a one-time transition tax on indefinitely reinvested foreign earnings as well as prospective changes which have impacted the Company beginning in 2018, including the elimination of certain domestic deductions, additional limitations on executive compensation deductions, and taxation of global intangible low-taxed income ("GILITI").

The Company recognized the estimated income tax effects of the Tax Act in its 2017 financial statements in accordance with Staff Accounting Bulletin No. 118, which provides SEC staff guidance for the application of ASC Topic 740, *Income Taxes,* in the reporting period in which the Tax Act was signed into law. As of December 31, 2018, the Company has completed its accounting for the tax effects of enactment of the Tax Act. The changes to U.S. tax laws as a result of the Tax Act, which had the most significant impact on the Company's provision for income taxes are as follows:

Reduction of the U.S. Corporate Income Tax Rate

The Company measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid. Accordingly, the Company's deferred tax assets and liabilities were re-measured to reflect the reduction in the U.S. corporate income tax rate from 35% to 21%, resulting in a provisional $24.9 million increase in income tax expense for the year ended December 31, 2017 and a corresponding provisional $24.9 million decrease in net deferred tax assets as of December 31, 2017. The Company completed the accounting for re-measurement of its deferred tax assets and liabilities as of December 31, 2018, and recorded a benefit of $10.5 million to income tax expense and a corresponding $10.5 million increase in net deferred tax assets as of December 31, 2018. The cumulative impact to

the Company's provision for income tax expense in 2017 and 2018 for the re-measurement of the Company's deferred tax assets and liabilities as result of the Tax Act was $14.4 million.

Transition Tax on Foreign Earnings

The Company recognized a provisional income tax expense of $13.9 million for the year ended December 31, 2017 related to the one-time transition tax on indefinitely reinvested foreign earnings. The Company completed its computation of transition tax liability in 2018 and recognized additional income tax expense of $12.0 million for the year ended December 31, 2018. The cumulative impact to the Company's provision for income tax expense in 2017 and 2018 for the one-time transition tax on indefinitely reinvested foreign earnings as result of the Tax Act was $25.9 million.

Income (loss) before income taxes is as follows:

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Income (loss) before income taxes			
United States	$ (121,396)	$ (131,475)	$ 251,321
Foreign	53,608	121,166	136,961
Total	$ (67,788)	$ (10,309)	$ 388,282

The components of the provision for income taxes consisted of the following:

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Current			
Federal	$ (15,005)	$ (46,931)	$ 116,637
State	3,253	(8,336)	29,989
Other foreign countries	34,975	34,005	32,394
	23,223	(21,262)	179,020
Deferred			
Federal	(27,808)	51,447	(35,748)
State	(6,202)	12,080	(10,658)
Other foreign countries	(9,765)	(4,314)	(1,311)
	(43,775)	59,213	(47,717)
Provision for income taxes	$ (20,552)	$ 37,951	$ 131,303

A reconciliation from the U.S. statutory federal income tax rate to the effective income tax rate is as follows:

	Year Ended December 31,					
	2018		2017		2016	
U.S. federal statutory income tax rate	$ (14,235)	21.0 %	$ (3,608)	35.0 %	$ 135,899	35.0 %
State taxes, net of federal tax impact	(6,715)	9.9 %	(9,537)	92.5 %	9,447	2.4 %
Unrecognized tax benefits	(7,598)	11.2 %	1,178	(11.4)%	4,377	1.1 %
Permanent tax benefits/nondeductible expenses	5,609	(8.2)%	2,246	(21.8)%	(5,177)	(1.3)%
Intercompany asset sale	(18,834)	27.8 %	—	— %	—	— %
Goodwill impairment	—	— %	8,522	(82.7)%	—	— %
Foreign rate differential	(12,294)	18.1 %	(25,563)	248.0 %	(25,768)	(6.6)%
Valuation allowances	33,058	(48.8)%	29,563	(290.3)%	8,798	2.3 %
Impacts related to Tax Act	1,536	(2.3)%	38,833	(376.7)%	—	— %
Other	(1,079)	1.6 %	(3,683)	39.2 %	3,727	0.9 %
Effective income tax rate	$ (20,552)	30.3 %	$ 37,951	(368.2)%	$ 131,303	33.8 %

The 2018 full year effective tax rate, as compared to 2017, is positively impacted by a one-time tax benefit recorded in 2018 for an intercompany intangible asset sale and the decrease in one-time expense charges due to the Tax Act. These positive impacts were partially offset by the impact of the decrease in the U.S. federal rate applied to U.S. pre-tax losses in 2018.

Deferred tax assets and liabilities consisted of the following:

	December 31,	
(In thousands)	2018	2017
Deferred tax asset		
Reserves and accrued liabilities	$ 47,509	$ 20,500
Allowance for doubtful accounts and sales return reserves	28,620	52,745
U.S. net operating loss carryforward	23,818	13,382
Foreign net operating loss carry-forwards	23,164	34,542
Intangible assets	21,886	—
Tax basis inventory adjustment	20,165	30,531
Deferred rent	17,555	18,735
Stock-based compensation	14,119	19,002
Foreign tax credit carry-forwards	10,274	11,918
Inventory obsolescense reserves	8,529	5,241
State tax credits, net of federal impact	8,432	8,555
Other	2,209	4,340
Total deferred tax assets	226,280	219,491
Less: valuation allowance	(72,710)	(73,544)
Total net deferred tax assets	153,570	145,947
Deferred tax liability		
Property, plant and equipment	(27,480)	(43,924)
Prepaid expenses	(11,058)	(18,336)
Other	(4,041)	(1,218)
Total deferred tax liabilities	(42,579)	(63,478)
Total deferred tax assets, net	$ 110,991	$ 82,469

All deferred tax assets and liabilities are classified as non-current on the Consolidated Balance Sheets as of December 31, 2018 and December 31, 2017. In evaluating its ability to realize the net deferred tax assets, the Company considered all available positive and negative evidence, including its past operating results and the forecast of future market growth, forecasted earnings, future taxable income, and prudent and feasible tax planning strategies. The assumptions utilized in determining future taxable income require significant judgment and actual operating results in future years could differ from the current assumptions, judgments and estimates.

A significant portion of the Company's deferred tax assets relate to U.S. federal and state taxing jurisdictions. Realization of these deferred tax assets is dependent on future U.S. pre-tax earnings. Due to the Company's challenged U.S. results, the Company has incurred significant pre-tax losses in these jurisdictions in 2017 and 2018. Based on these factors, the Company has evaluated its ability to utilize these deferred tax assets in future years. In evaluating the recoverability of these deferred tax assets at December 31, 2018, the Company has considered all available evidence, both positive and negative, including but not limited to the following:

Positive

- 2018 taxable income in the U.S. and certain state jurisdictions;
- No material definite lived tax attributes subject to future expiration;
- No history of U.S. federal and state tax attributes expiring unused;
- Three year cumulative U.S. federal and state pre-tax income plus tax permanent differences;
- Relatively low values of pre-tax income required to realize deferred tax assets relative to historic income levels;
- Restructuring plans undertaken in 2017 and 2018 to improve future profitability;
- Availability of prudent and feasible tax planning strategies;
- Reversal of deferred tax liabilities and timing thereof.

Negative

- Inherent challenges in forecasting future pre-tax earnings which rely, in part, on improved profitability from the Company's restructuring efforts;
- The continuing challenge of changes in the U.S. consumer retail business environment;

Based on all available evidence considered, the Company believes it is more likely than not, that the majority of the U.S. federal and state deferred tax assets recorded will ultimately be realized. However, as of December 31, 2018, the Company is not able to forecast the utilization of some of the deferred tax assets associated with state net operating loss carryforwards, certain deferred tax assets associated with state tax credit carryforwards, and certain other state deferred tax assets. As of December 31, 2018, a valuation allowance of $33.8 million was recorded against net state deferred tax assets, primarily comprised of $23.8 million in deferred tax assets associated with $376.9 million in state net operating loss carryforwards and $8.4 million in deferred tax assets associated with state tax credits, net of federal impact. The majority of state net operating losses and state tax credit carryforwards are definite lived and will begin to expire in 3 to 20 years.

Additionally, as of December 31, 2018, the Company is not able to forecast the utilization of a majority of the deferred tax assets associated with foreign net operating loss carryforwards, foreign tax credit carryforwards and certain other foreign deferred tax assets. As of December 31, 2018, a valuation allowance of $38.9 million was recorded against net foreign deferred tax assets, primarily comprised of $23.2 million in deferred tax assets associated with approximately $94.8 million in foreign net operating loss carryforwards and $10.3 million in deferred tax assets associated with foreign tax credit carryforwards. While the majority of the foreign net operating loss carryforwards and foreign tax credit carryforwards have an indefinite carryforward period, a portion are definite lived and will begin to expire in 5 to 12 years.

As of December 31, 2018, approximately $165.1 million of cash and cash equivalents was held by the Company's non-U.S. subsidiaries whose cumulative undistributed earnings total $633.6 million. The majority of these earnings were subject to U.S. federal income tax as part of the one-time transition tax on indefinitely reinvested foreign earnings required by the Tax Act. The portion of these earnings not subject to U.S. federal income tax as part of the one-time transition tax should, in general, not be subject to U.S. federal income tax. The Company will continue to permanently reinvest these earnings, as well as future earnings from foreign subsidiaries, to fund international growth and operations. If the Company were to repatriate indefinitely reinvested foreign funds, the Company would be required to accrue and pay any applicable withholding tax and U.S. state income tax liabilities and record foreign exchange rate impacts. Determination of the unrecorded deferred tax liability that would be incurred if such amounts were repatriated is not practicable.

As of December 31, 2018 and 2017, the total liability for unrecognized tax benefits, including related interest and penalties, was approximately $60.0 million and $55.3 million, respectively. The following table represents a reconciliation of the Company's total unrecognized tax benefits balances, excluding interest and penalties, for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Beginning of year	$ 51,815	$ 64,359	$ 42,611
Increases as a result of tax positions taken in a prior period	1,978	457	661
Decreases as a result of tax positions taken in a prior period	(1,600)	(40)	—
Increases as a result of tax positions taken during the current period	12,802	14,580	26,482
Decreases as a result of settlements during the current period	—	(13,885)	—
Reductions as a result of a lapse of statute of limitations during the current period	(9,140)	(13,656)	(5,395)
End of year	$ 55,855	$ 51,815	$ 64,359

As of December 31, 2018, $43.1 million of unrecognized tax benefits, excluding interest and penalties, would impact the Company's effective tax rate if recognized.

As of December 31, 2018, 2017 and 2016, the liability for unrecognized tax benefits included $4.2 million, $3.5 million and $6.1 million, respectively, for the accrual of interest and penalties. For each of the years ended December 31, 2018, 2017 and 2016, the Company recorded $1.9 million, $1.6 million and $3.1 million, respectively, for the accrual of interest and penalties in its consolidated statements of operations. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes on the Consolidated Statements of Operations.

The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Company is currently under audit by the Internal Revenue Service for the 2015 and 2016 tax years. The majority of the Company's returns for years before 2015 are no longer subject to U.S. federal, state and local or foreign income tax examinations by tax authorities.

The total amount of unrecognized tax benefits relating to the Company's tax positions is subject to change based on future events including, but not limited to, the settlements of ongoing tax audits and assessments and the expiration of applicable statutes of limitations. Although the outcomes and timing of such events are highly uncertain, the Company does not anticipate that the balance of gross unrecognized tax benefits, excluding interest and penalties, will change significantly during the next twelve months. However, changes in the occurrence, expected outcomes, and timing of such events could cause the Company's current estimate to change materially in the future.

11. Earnings per Share

The calculation of earnings per share for common stock shown below excludes the income attributable to outstanding restricted stock awards from the numerator and excludes the impact of these awards from the denominator. The following is a reconciliation of basic earnings per share to diluted earnings per share:

	Year Ended December 31,		
(In thousands, except per share amounts)	2018	2017	2016
Numerator			
Net income	$ (46,302)	$ (48,260)	$ 256,979
Adjustment payment to Class C capital stockholders	—	—	59,000
Net income available to all stockholders	$ (46,302)	$ (48,260)	$ 197,979
Denominator - Class A and B Shares			
Weighted average common shares outstanding	221,001	219,254	217,707
Effect of dilutive securities	—	—	4,237
Weighted average common shares and dilutive securities outstanding	221,001	219,254	221,944
Earnings per share Class A and B — basic	$ (0.10)	$ (0.11)	$ 0.45
Earnings per share Class A and B — diluted	$ (0.10)	$ (0.11)	$ 0.45
Denominator - Class C Shares			
Weighted average common shares outstanding	224,814	221,475	218,623
Effect of dilutive securities	—	—	4,281
Weighted average common shares and dilutive securities outstanding	224,814	221,475	222,904
Earnings per share Class C — basic	$ (0.10)	$ (0.11)	$ 0.72
Earnings per share Class C — diluted	$ (0.10)	$ (0.11)	$ 0.71

Effects of potentially dilutive securities are presented only in periods in which they are dilutive. Stock options, restricted stock units and warrants representing 129.3 thousand, 256.3 thousand and 114.0 thousand shares of Class A common stock outstanding for the years ended December 31, 2018, 2017 and 2016, respectively, were excluded from the computation of diluted earnings per share because their effect would be anti-dilutive. Stock options, restricted stock units and warrants representing 3.2 million, 4.7 million and 691.6 thousand shares of Class C common stock outstanding for the years ended December 31, 2018, 2017 and 2016, respectively, were excluded from the computation of diluted earnings per share because their effect would be anti-dilutive.

12. Stock-Based Compensation

Stock Compensation Plans

The Under Armour, Inc. Second Amended and Restated 2005 Omnibus Long-Term Incentive Plan as amended (the “2005 Plan”) provides for the issuance of stock options, restricted stock, restricted stock units and other equity awards to officers, directors, key employees and other persons. Stock options and restricted stock and restricted stock unit awards under the 2005 Plan generally vest ratably over a two to five year period. The contractual term for stock options is generally ten years from the date of grant. The Company generally receives a tax deduction for any ordinary income recognized by a participant in respect to an award under the 2005 Plan. The 2005 Plan terminates in 2025. As of December 31, 2018, 8.0 million Class A shares and 12.2 million Class C shares are available for future grants of awards under the 2005 Plan.

Total stock-based compensation expense for the years ended December 31, 2018, 2017 and 2016 was $41.8 million, $39.9 million and $46.1 million, respectively. The related tax benefits were $8.9 million, $9.0 million, and $15.9 million for the years ended December 31, 2018, 2017, and 2016, respectively. As of December 31, 2018, the Company had $99.0 million of unrecognized compensation expense expected to be recognized over a weighted average period of 2.76 years. This unrecognized compensation expense does not include any expense related to performance-based restricted stock units and stock options for which the performance targets have not been deemed probable as of December 31, 2018. Refer to “Stock Options” and “Restricted Stock and Restricted Stock Units” below for further information on these awards.

Employee Stock Purchase Plan

The Company’s Employee Stock Purchase Plan (the “ESPP”) allows for the purchase of Class A Common Stock and Class C Common Stock by all eligible employees at a 15% discount from fair market value subject to certain limits as defined in the ESPP. As of December 31, 2018, 2.7 million Class A shares and 2.8 million Class C shares are available for future purchases under the ESPP. During the years ended December 31, 2018, 2017 and 2016, 393.8 thousand, 563.9 thousand and 290.8 thousand shares were purchased under the ESPP, respectively.

Non-Employee Director Compensation Plan and Deferred Stock Unit Plan

The Company’s Non-Employee Director Compensation Plan (the “Director Compensation Plan”) provides for cash compensation and equity awards to non-employee directors of the Company under the 2005 Plan. Non-employee directors have the option to defer the value of their annual cash retainers as deferred stock units in accordance with the Under Armour, Inc. Non-Employee Deferred Stock Unit Plan (the “DSU Plan”). Each new non-employee director receives an award of restricted stock units upon the initial election to the Board of Directors, with the units covering stock valued at $100.0 thousand on the grant date and vesting in three equal annual installments. In addition, each non-employee director receives, following each annual stockholders’ meeting, a grant under the 2005 Plan of restricted stock units covering stock valued at $150.0 thousand on the grant date. Each award vests 100% on the date of the next annual stockholders’ meeting following the grant date.

The receipt of the shares otherwise deliverable upon vesting of the restricted stock units automatically defers into deferred stock units under the DSU Plan. Under the DSU Plan each deferred stock unit represents the Company’s obligation to issue one share of the Company’s Class A Common Stock with the shares delivered six months following the termination of the director’s service.

Stock Options

The weighted average fair value of a stock option granted for the years ended December 31, 2018, 2017 and 2016 was $15.41, $19.04 and $14.87, respectively. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Year Ended December 31,		
	2018	2017	2016
Risk-free interest rate	2.8 %	2.1 %	1.4 %
Average expected life in years	6.50	6.50	6.50
Expected volatility	40.4 %	39.6 %	39.5 %
Expected dividend yield	— %	— %	— %

A summary of the Company's stock options as of December 31, 2018, 2017 and 2016, and changes during the years then ended is presented below:

(In thousands, except per share amounts)	Year Ended December 31, 2018 Number of Stock Options	2018 Weighted Average Exercise Price	2017 Number of Stock Options	2017 Weighted Average Exercise Price	2016 Number of Stock Options	2016 Weighted Average Exercise Price
Outstanding, beginning of year	3,782	$ 12.71	4,265	$ 9.63	6,008	$ 7.26
Granted, at fair market value	579	15.41	734	19.04	335	36.05
Exercised	(1,262)	5.53	(1,046)	3.72	(1,763)	3.52
Expired	—	—	—	—	—	—
Forfeited	(367)	35.55	(171)	17.59	(315)	26.26
Outstanding, end of year	2,732	$ 12.98	3,782	$ 12.71	4,265	$ 9.63
Options exercisable, end of year	1,366	$ 7.70	2,512	$ 5.85	3,385	$ 4.30

Included in the table above are 0.3 million and 0.5 million performance-based stock options awarded to the Chief Executive Officer under the 2005 Plan during the years ended December 31, 2018 and 2017, respectively. The performance-based stock options awarded in 2018 and 2017 have weighted average fair values of $15.41 and $19.04, respectively, and have vesting that is tied to the achievement of certain combined annual operating income targets.

The intrinsic value of stock options exercised during the years ended December 31, 2018, 2017 and 2016 was $15.2 million, $16.3 million and $63.9 million, respectively.

For the years ended December 31, 2018, 2017, and 2016 income tax benefits related to stock options exercised were $3.0 million, $5.8 million, and $23.7 million, respectively.

The following table summarizes information about stock options outstanding and exercisable as of December 31, 2018:

(In thousands, except per share amounts)

Options Outstanding: Number of Underlying Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Total Intrinsic Value	Options Exercisable: Number of Underlying Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Total Intrinsic Value
2,732	$ 12.98	5.17	$ 16,148	1,366	$ 7.70	1.99	$ 15,708

Restricted Stock and Restricted Stock Units

A summary of the Company's restricted stock and restricted stock units as of December 31, 2018, 2017 and 2016, and changes during the years then ended is presented below:

(In thousands, except per share amounts)	Year Ended December 31, 2018 Number of Restricted Shares	2018 Weighted Average Grant Date Fair Value	2017 Number of Restricted Shares	2017 Weighted Average Fair Value	2016 Number of Restricted Shares	2016 Weighted Average Fair Value
Outstanding, beginning of year	9,923	$ 24.41	6,771	$ 19.68	6,760	$ 23.23
Granted	5,165	15.57	7,630	18.84	4,002	35.20
Forfeited	(4,745)	27.43	(2,290)	28.71	(935)	30.35
Vested	(2,059)	24.95	(2,188)	24.78	(3,056)	16.25
Outstanding, end of year	8,284	$ 18.03	9,923	$ 24.41	6,771	$ 19.68

Included in the table above are 0.8 million, 1.9 million and 2.5 million performance-based restricted stock units awarded to certain executives and key employees under the 2005 Plan during the years ended December 31, 2018, 2017 and 2016, respectively. The performance-based restricted stock units awarded in 2018, 2017 and 2016 have weighted average grant date fair values of $15.60, $18.76, and $35.71, respectively, and have vesting that is tied to the achievement of certain combined annual operating income targets.

During the year ended December 31, 2017, the Company deemed the achievement of certain revenue and operating income targets improbable for the performance-based stock options and restricted stock units granted in 2017, and recorded a reversal of expense of $4.2 millions for the three months ended December 31, 2017. During the year ended December 31, 2016, the Company deemed the achievement of certain operating income targets improbable for the performance-based stock options and restricted stock units granted in 2015 and 2016, and recorded reversals of expense of $3.6 million and $8.0 million, respectively, for the three months ended December 31, 2016.

Warrants

The Company issued fully vested and non-forfeitable warrants to purchase 1.92 million shares of the Company's Class A Common Stock and 1.93 million shares of the Company’s Class C Common Stock to NFL Properties as partial consideration for footwear promotional rights which were recorded as an intangible asset in 2006. The warrants had a term of 12 years from the date of issuance and an exercise price of $4.66 per Class A share and $4.56 per Class C share. In August 2018, all of the warrants were exercised on a net exercise basis.

13. Other Employee Benefits

The Company offers a 401(k) Deferred Compensation Plan for the benefit of eligible employees. Employee contributions are voluntary and subject to Internal Revenue Service limitations. The Company matches a portion of the participant’s contribution and recorded expense of $9.9 million, $7.4 million and $9.0 million for the years ended December 31, 2018, 2017 and 2016, respectively. Shares of the Company’s Class A Common Stock and Class C common stock are not investment options in this plan.

In addition, the Company offers the Under Armour, Inc. Deferred Compensation Plan which allows a select group of management or highly compensated employees, as approved by the Compensation Committee, to make an annual base salary and/or bonus deferral for each year. As of December 31, 2018 and 2017, the Deferred Compensation Plan obligations were $7.0 million and $8.0 million, respectively, and were included in other long term liabilities on the consolidated balance sheets.

The Company established the Rabbi Trust to fund obligations to participants in the Deferred Compensation Plan. As of December 31, 2018 and 2017, the assets held in the Rabbi Trust were TOLI policies with cash-surrender values of $5.3 million and $5.8 million, respectively. These assets are consolidated and are included in other long term assets on the consolidated balance sheet. Refer to Note 9 for a discussion of the fair value measurements of the assets held in the Rabbi Trust and the Deferred Compensation Plan obligations.

14. Risk Management and Derivatives

Foreign Currency Risk Management

The Company is exposed to gains and losses resulting from fluctuations in foreign currency exchange rates relating to transactions generated by its international subsidiaries in currencies other than their local currencies. These gains and losses are primarily driven by intercompany transactions and inventory purchases denominated in currencies other than the functional currency of the purchasing entity. From time to time, the Company may elect to enter into foreign currency contracts to reduce the risk associated with foreign currency exchange rate fluctuations on intercompany transactions and projected inventory purchases for its international subsidiaries.

As of December 31, 2018, the aggregate notional value of the Company's outstanding foreign currency contracts was $671.2 million, which was primarily comprised of Canadian Dollar/U.S. Dollar, Pound Sterling/U.S. Dollar, Euro/U.S. Dollar, Mexican Peso/U.S. Dollar and Chinese Renminbi/U.S. Dollar currency pairs with contract maturities ranging from one to fourteen months. A portion of the Company's foreign currency contracts are not designated as cash flow hedges, and accordingly, changes in their fair value are recorded in earnings. For foreign currency contracts designated as cash flow hedges, changes in fair value, excluding any ineffective portion, are recorded in other comprehensive income until net income is affected by the variability in cash flows of the hedged transaction. The effective portion is generally released to net income after the maturity of the related derivative and is classified in the same manner as the underlying exposure.

During the years ended December 31, 2018 and 2017, the Company reclassified $1.3 million and $0.4 million, respectively, from other comprehensive income to cost of goods sold related to foreign currency contracts designated as cash flow hedges. The fair value of the Company’s foreign currency contracts was an asset of $19.5 million as of December 31, 2018 and was included in other current assets on the consolidated balance sheet. The fair value of the Company's foreign currency contracts was a liability of $6.8 million as of December 31, 2017 and

was included in other current liabilities on the consolidated balance sheet. Refer to Note 9 for a discussion of the fair value measurements. Included in other expense, net were the following amounts related to changes in foreign currency exchange rates and derivative foreign currency contracts:

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Unrealized foreign currency exchange rate gains (losses)	$ 14,023	$ 29,246	$ (12,627)
Realized foreign currency exchange rate gains (losses)	11,462	611	(6,906)
Unrealized derivative gains (losses)	(109)	(1,217)	729
Realized derivative gains (losses)	(14,712)	(26,537)	15,192

Interest Rate Risk Management

In order to maintain liquidity and fund business operations, the Company enters into long term debt arrangements with various lenders which bear a range of fixed and variable rates of interest. The nature and amount of the Company's long-term debt can be expected to vary as a result of future business requirements, market conditions and other factors. The Company may elect to enter into interest rate swap contracts to reduce the impact associated with interest rate fluctuations. The Company utilizes interest rate swap contracts to convert a portion of variable rate debt to fixed rate debt. The contracts pay fixed and receive variable rates of interest. The interest rate swap contracts are accounted for as cash flow hedges and accordingly, the effective portion of the changes in their fair value are recorded in other comprehensive income and reclassified into interest expense over the life of the underlying debt obligation. Refer to Note 6 for a discussion of long term debt.

As of December 31, 2018, the notional value of the outstanding interest rate swap contracts was $118.1 million. During the years ended December 31, 2018 and 2017, the Company recorded a $0.4 million decrease and $0.9 million increase in interest expense, respectively, representing the effective portion of the contracts reclassified from accumulated other comprehensive income. The fair value of the interest rate swap contracts was an asset of $1.6 million and $1.1 million as of December 31, 2018 and 2017, respectively, and were included in other long term assets on the consolidated balance sheets. In January 2019, the Company settled its interest rate swap contract in connection with the prepayment of our term loan.

The Company enters into derivative contracts with major financial institutions with investment grade credit ratings and is exposed to credit losses in the event of non-performance by these financial institutions. This credit risk is generally limited to the unrealized gains in the derivative contracts. However, the Company monitors the credit quality of these financial institutions and considers the risk of counterparty default to be minimal.

15. Related Party Transactions

The Company has an operating lease agreement with an entity controlled by the Company’s CEO to lease an aircraft for business purposes. The Company paid $2.0 million in lease payments to the entity for its use of the aircraft during each of the years ended December 31, 2018, 2017 and 2016. No amounts were payable to this related party as of December 31, 2018 and 2017. The Company determined the lease payments were at fair market lease rates.

In June 2016, the Company purchased parcels of land from an entity controlled by the Company's CEO, to be utilized to expand the Company’s corporate headquarters to accommodate its growth needs. The purchase price for these parcels totaled $70.3 million. The Company determined that the purchase price for the land represented the fair market value of the parcels and approximated the cost to the seller to purchase and develop the parcels, including costs related to the termination of a lease encumbering the parcels.

In connection with the purchase of these parcels, in September 2016, the parties entered into an agreement pursuant to which the parties will share the burden of any special taxes arising due to infrastructure projects in the surrounding area. The allocation to the Company is based on the expected benefits to the Company’s parcels from these projects. No obligations were owed by either party under this agreement as of December 31, 2018.

16. Segment Data and Related Information

The Company’s operating segments are based on how the Chief Operating Decision Maker (“CODM”) makes decisions about allocating resources and assessing performance. As such, the CODM receives discrete financial information for the Company's principal business by geographic region based on the Company’s strategy to become a global brand. These geographic regions include North America; Latin America; Europe, the Middle East and Africa (“EMEA”); and Asia-Pacific. Each geographic segment operates exclusively in one industry: the

development, marketing and distribution of branded performance apparel, footwear and accessories. The CODM also receives discrete financial information for the Company's Connected Fitness business.

The net revenues and operating income (loss) associated with the Company's segments are summarized in the following tables. Net revenues represent sales to external customers for each segment. Intercompany balances were eliminated for separate disclosure. The majority of corporate service costs within North America have not been allocated to the Company's other segments. As the Company continues to grow its business outside of North America, a larger portion of its corporate overhead costs have begun to support global functions. During 2019, the Company plans to exclude certain corporate costs from its segment profitability measures. The Company believes this presentation will provide the users of its financial statements with increased transparency and comparability of its operating segments. Total expenditures for additions to long-lived assets are not disclosed as this information is not regularly provided to the CODM.

Disposition of a Subsidiary

On October 1, 2018, the Company sold its Brazilian subsidiary within the Company's Latin America segment. In connection with this sale, the Company entered into a license and distribution agreement with the buyer who will continue to sell the Company's products in Brazil. The Company's Brazil business represented less than 1% of the Company’s net revenue and was not considered material to the Company's consolidated results of operations.

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Net revenues			
North America	$ 3,735,293	$ 3,802,406	$ 4,005,314
EMEA	588,580	469,996	330,584
Asia-Pacific	558,160	433,648	268,607
Latin America	190,795	181,324	141,793
Connected Fitness	120,357	101,870	88,450
Intersegment Eliminations	—	—	(1,410)
Total net revenues	$ 5,193,185	$ 4,989,244	$ 4,833,338

Net revenues in the United States were $3,464.0 million, $3,626.6 million, and $3,843.7 million for the years ended December 31, 2018, 2017 and 2016, respectively.

	Year Ended December 31,		
(In thousands)	2018	2017	2016
Operating income (loss)			
North America	$ (66,305)	$ 20,179	$ 408,424
EMEA	(9,379)	17,976	11,420
Asia-Pacific	95,128	82,039	68,338
Latin America	(48,470)	(37,085)	(33,891)
Connected Fitness	4,009	(55,266)	(36,820)
Total operating income (loss)	(25,017)	27,843	417,471
Interest expense, net	(33,568)	(34,538)	(26,434)
Other expense, net	(9,203)	(3,614)	(2,755)
Income (loss) before income taxes	$ (67,788)	$ (10,309)	$ 388,282

The operating income (loss) information presented above includes the impact of restructuring, impairment and restructuring related charges related to the Company's 2018 restructuring plan and 2017 restructuring plan. Charges incurred by segment in connection with each of the respective restructuring plans are as follows:

(In thousands)	Year Ended December 31, 2018	2017
Costs recorded in restructuring and impairment charges:		
North America	$ 140,637	$ 65,145
EMEA	34,699	1,855
Asia-Pacific	1	112
Latin America	27,107	13,903
Connected Fitness	1,505	48,111
Total restructuring, impairment and restructuring related costs	$ 203,949	$ 129,126

Long-lived assets are primarily composed of Property and equipment, net. The Company's long-lived assets by geographic area were as follows:

(In thousands)	Year Ended December 31, 2018	2017
Long-lived assets		
United States	$ 705,776	$ 763,477
Canada	11,669	14,077
Total North America	717,445	777,554
Other foreign countries	109,423	108,220
Total long lived assets	$ 826,868	$ 885,774

Net revenues by product category are as follows:

(In thousands)	2018	Year Ended December 31, 2017	2016
Apparel	$ 3,462,372	$ 3,287,121	$ 3,229,142
Footwear	1,063,175	1,037,840	1,010,693
Accessories	422,496	445,838	406,614
Total net sales	4,948,043	4,770,799	4,646,449
Licensing revenues	124,785	116,575	99,849
Connected Fitness	120,357	101,870	88,450
Intersegment Eliminations	—	—	(1,410)
Total net revenues	$ 5,193,185	$ 4,989,244	$ 4,833,338

Net revenues by distribution channel are as follows:

(In thousands)	2018	Year Ended December 31, 2017	2016
Wholesale	$ 3,140,235	$ 3,040,489	$ 3,132,795
Direct to Consumer	1,807,808	1,730,310	1,513,654
Net Sales	4,948,043	4,770,799	4,646,449
Licensing	124,785	116,575	99,849
Connected Fitness	120,357	101,870	88,450
Intersegment eliminations	—	—	(1,410)
Total net revenues	$ 5,193,185	$ 4,989,244	$ 4,833,338

17. Unaudited Quarterly Financial Data

(In thousands)	Quarter Ended (unaudited) March 31,	June 30,	September 30,	December 31,	Year Ended December 31,
2018					
Net revenues	$ 1,185,370	$ 1,174,859	$ 1,442,976	$ 1,389,980	$ 5,193,185
Gross profit	523,453	526,584	665,207	625,227	2,340,471
Income (loss) from operations	(28,661)	(104,875)	118,966	(10,447)	(25,017)
Net income (loss)	$ (30,242)	$ (95,544)	$ 75,266	$ 4,218	$ (46,302)
Basic net income (loss) per share of Class A, B and C common stock	$ (0.07)	$ (0.21)	$ 0.17	$ 0.01	$ (0.10)
Diluted net income (loss) per share of Class A, B and C common stock	$ (0.07)	$ (0.21)	$ 0.17	$ 0.01	$ (0.10)
2017					
Net revenues	$ 1,119,845	$ 1,091,192	$ 1,408,991	$ 1,369,216	$ 4,989,244
Gross profit	507,937	501,193	648,726	593,558	2,251,414
Income (loss) from operations	7,536	(4,785)	62,180	(37,088)	27,843
Net income (loss)	$ (2,272)	$ (12,308)	$ 54,242	$ (87,922)	$ (48,260)
Basic net income per share of Class A, B and C common stock	$ (0.01)	$ (0.03)	$ 0.12	$ (0.20)	$ (0.11)
Diluted net income (loss) per share of Class C common stock	$ (0.01)	$ (0.03)	$ 0.12	$ (0.20)	$ (0.11)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. 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 defined in Exchange Act Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that 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. The Company’s internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, as stated in their report which appears herein.

Changes in Internal Controls

In 2015, we began the process of implementing a global operating and financial reporting information technology system, SAP Fashion Management Solution ("FMS"), as part of a multi-year plan to integrate and upgrade our systems and processes. The first phase of this implementation became operational on July 5, 2017, in our North America, EMEA, and Connected Fitness operations. We believe the implementation of the systems and related changes to internal controls will enhance our internal controls over financial reporting. We also believe the necessary steps have been taken to monitor and maintain appropriate internal control over financial reporting during this period of change and we will continue to evaluate the operating effectiveness of related key controls during subsequent periods.

The next phase of the FMS implementation is planned to become operational in 2019 in our Asia-Pacific operations. We are currently in the process of developing an implementation strategy and roll-out plan for FMS in our Latin America operations over the next several years.

As the phased implementation of this system continues, we will continue to experience certain changes to our processes and procedures which, in turn, result in changes to our internal control over financial reporting. In addition, we believe that our robust assessment provides effective global coverage for key control activities that support our internal controls over financial reporting conclusion. While we expect FMS to strengthen our internal financial controls by automating certain manual processes and standardizing business processes and reporting across our organization, management will continue to evaluate and monitor our internal controls as each of the affected areas evolve. For a discussion of risks related to the implementation of new systems, see Item 1A - "Risk Factors - Risks Related to Our Business - Risks and uncertainties associated with the implementation of information systems may negatively impact our business."

There have been no changes in our internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) during the most recent fiscal quarter that have materially affected, or that are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 19, 2019, the Board of Directors of Under Armour, Inc. (the “Company”) approved the appointment of Andrew Page to serve as Chief Accounting Officer and principal accounting officer of the Company effective March 1, 2019. Mr. Page reports directly to David Bergman, the Company’s Chief Financial Officer, who currently serves as the Company’s principal financial and principal accounting officer, and will continue to serve as the principal financial officer following Mr. Page’s appointment. Mr. Page, age 49, has served as the Company’s Vice President and Corporate Controller since January 2016, and prior to that served as Senior Director and Global Controller from January 2014 to January 2016. Mr. Page joined the Company in June 2011 as Assistant Controller. Prior to joining the Company, Mr. Page held various controllership roles at FTI Consulting, The AES Corporation, General Electric and Discovery Communications Inc. Mr. Page is a C.P.A. and began his career within the audit and assurance practice at PricewaterhouseCoopers LLP.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item regarding directors is incorporated herein by reference from the 2019 Proxy Statement, under the headings "NOMINEES FOR ELECTION AT THE ANNUAL MEETING," "CORPORATE GOVERNANCE AND RELATED MATTERS: Audit Committee" and "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE." Information required by this Item regarding executive officers is included under "Executive Officers of the Registrant" in Part 1 of this Form 10-K.

Code of Ethics

We have a written code of ethics and business conduct in place that applies to all our employees, including our principal executive officer, principal financial officer, and principal accounting officer and controller. A copy of our code of ethics and business conduct is available on our website: https://about.underarmour.com/investor-relations/governance. We are required to disclose any change to, or waiver from, our code of ethics and business policy for our senior financial officers. We intend to use our website as a method of disseminating this disclosure as permitted by applicable SEC rules.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference herein from the 2019 Proxy Statement under the headings "CORPORATE GOVERNANCE AND RELATED MATTERS: Compensation of Directors," and "EXECUTIVE COMPENSATION."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference herein from the 2019 Proxy Statement under the heading "SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS OF SHARES." Also refer to Item 5 of this Annual Report on Form 10-K, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference herein from the 2019 Proxy Statement under the heading "TRANSACTIONS WITH RELATED PERSONS" and "CORPORATE GOVERNANCE AND RELATED MATTERS—Independence of Directors."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference herein from the 2019 Proxy Statement under the heading "INDEPENDENT AUDITORS."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a. The following documents are filed as part of this Form 10-K:

1. Financial Statements:

Report of Independent Registered Public Accounting Firm	49
Consolidated Balance Sheets as of December 31, 2018 and 2017	51
Consolidated Statements of Operations for the Years Ended December 31, 2018, 2017 and 2016	52
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2018, 2017 and 2016	53
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2018, 2017 and 2016	54
Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2017 and 2016	55
Notes to the Audited Consolidated Financial Statements	56

2. Financial Statement Schedule

Schedule II—Valuation and Qualifying Accounts	91

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits

The following exhibits are incorporated by reference or filed herewith. References to any Form 10-K of the Company below are to the Annual Report on Form 10-K for the related fiscal year. For example, references to the Company's 2017 Form 10-K are to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Exhibit No.	
3.01	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.01 of the Company's Quarterly Report on Form 10-Q for the quarterly period ending March 31, 2016).
3.02	Articles Supplementary setting forth the terms of the Class C Common Stock, dated June 15, 2015 (incorporated by reference to Appendix F to the Preliminary Proxy Statement filed by the Company on June 15, 2015).
3.03	Third Amended and Restated By-Laws (incorporated by reference to Exhibit 3.01 of the Company's Current Report on Form 8-K filed June 27, 2017).
4.01	Warrant Agreement between the Company and NFL Properties LLC dated as of August 3, 2006 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed August 7, 2006).
4.02	Indenture, dated as of June 13, 2016, between the Company and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K filed on June 13, 2016).
4.03	First Supplemental Indenture, dated as of June 13, 2016, relating to the 3.250% Senior Notes due 2026, between the Company and Wilmington Trust, National Association, as trustee, and the Form of 3.250% Senior Notes due 2026 (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on June 13, 2016).
4.04	Terms of Settlement of In re: Under Armour Shareholder Litigation, Case No, 24-C-15-00324 (incorporated by reference from Exhibit 4.2 of the Company's Registration Statement on Form 8-A filed on March 21, 2016).
10.01	Credit Agreement, dated May 29, 2014, by and among the Company, as borrower, JPMorgan Chase Bank, N.A., as administrative agent, PNC Bank, National Association, as Syndication Agent, Bank of America, N.A. SunTrust Bank and Wells Fargo Bank, National Association as Co-Documentation Agents and the other lenders and arrangers party thereto (the "Credit Agreement") (incorporated by reference to Exhibit 10.01 of the Company's Current Report on Form 8-K filed June 2, 2014).
10.02	Amendment No. 1 to the Credit Agreement, dated as of March 17, 2015 (incorporated by reference to Exhibit 10.01 of the Company's Current Report on Form 8-K filed March 17, 2015).

Exhibit No.	
10.03	Amendment No. 2 to the Credit Agreement, dated as of January 22, 2016 (incorporated by reference to Exhibit 10.01 of the Company's Current Report on Form 8-K filed January 22, 2016).
10.04	Amendment No. 3 to the Credit Agreement, dated as of June 7, 2016 (incorporated by reference to Exhibit 10.01 of the Company's Quarterly Report on Form 10-Q filed on August 3, 2016).
10.05	Amendment No. 4 to the Credit Agreement, dated as of February 22, 2018 (incorporated by reference to Exhibit 10.05 of the Company's 2017 Form 10-K).
10.06	Under Armour, Inc. Executive Incentive Plan (incorporated by reference to Exhibit 10.01 of the Company's Current Report on Form 8-K filed on May 6, 2013).*
10.07	Under Armour, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan") (incorporated by reference to Exhibit 10.15 of the Company's 2007 Form 10-K).*
10.08	Amendment One to the Deferred Compensation Plan (incorporated by reference to Exhibit 10.14 of the Company's 2010 Form 10-K).*
10.09	Amendment Two to the Deferred Compensation Plan (incorporated by reference to Exhibit 10.03 of the Company's 2016 Form 10-K).*
10.10	Amendment and Restatement to the Deferred Compensation Plan.*
10.11	Form of Change in Control Severance Agreement (incorporated by reference to Exhibit 10.04 of the Company's 2016 Form 10-K).*
10.12	Under Armour, Inc. Second Amended and Restated 2005 Omnibus Long-Term Incentive Plan, as amended (the "2005 Plan") (incorporated by reference to Exhibit 4.5 of the Company's Registration Statement on Form S-8 (Registration No. 333-210844) filed on April 20, 2016).*
10.13	Form of Non-Qualified Stock Option Grant Agreement under the 2005 Plan between the Company and Kevin Plank.*
10.14	Form of Non-Qualified Stock Option Grant Agreement under the 2005 Plan between the Company and Kevin Plank (incorporated by reference to Exhibit 10.12 of the Company's 2017 Form 10-K).*
10.15	Form of Non-Qualified Stock Option Grant Agreement under the 2005 Plan between the Company and Kevin Plank (incorporated by reference to Exhibit 10.06 of the Company's 2016 Form 10-K).*
10.16	Form of Restricted Stock Unit Grant Agreement under the 2005 Plan (incorporated by reference to Exhibit 10.14 of the Company's 2017 Form 10-K).*
10.17	Form of Restricted Stock Unit Grant Agreement under the 2005 Plan (incorporated by reference to Exhibit 10.07 of the Company's 2016 Form 10-K).*
10.18	Form of Performance-Based Stock Option Grant Agreement under the 2005 Plan between the Company and Kevin Plank.*
10.19	Form of Performance-Based Stock Option Grant Agreement under the 2005 Plan (incorporated by reference to Exhibit 10.17 of the Company's 2017 Form 10-K).*
10.20	Form of Performance-Based Stock Option Grant Agreement under the 2005 Plan (incorporated by reference to Exhibit 10.08 of the Company's 2016 Form 10-K).*
10.21	Form of Performance-Based Stock Option Grant Agreement under the 2005 Plan (incorporated by reference to Exhibit 10.09 of the Company's 2014 Form 10-K).*
10.22	Form of Performance-Based Restricted Stock Unit Grant Agreement under the 2005 Plan.*
10.23	Form of Performance-Based Restricted Stock Unit Grant Agreement under the 2005 Plan (incorporated by reference to Exhibit 10.19 of the Company's 2017 Form 10-K).*
10.24	Form of Performance-Based Restricted Stock Unit Grant Agreement under the 2005 Plan (incorporated by reference to Exhibit 10.09 of the Company's 2016 Form 10-K).*
10.25	Form of Performance-Based Restricted Stock Unit Grant Agreement under the 2005 Plan (incorporated by reference to Exhibit 10.11 of the Company's 2014 Form 10-K).*
10.26	Form of Performance-Based Restricted Stock Unit Grant Agreement under the 2005 Plan (incorporated by reference to Exhibit 10.12 of the Company's 2013 Form 10-K).*

10.27	Form of Employee Confidentiality, Non-Competition and Non-Solicitation Agreement by and between certain executives and the Company (incorporated by reference to Exhibit 10.11 of the Company's 2016 Form 10-K).*
10.28	Under Armour, Inc. 2017 Non-Employee Director Compensation Plan (the "Director Compensation Plan") (incorporated by reference to Exhibit 10.01 of the Company's Form 10-Q for the quarterly period ended March 31, 2017).*
10.29	Form of Initial Restricted Stock Unit Grant under the Director Compensation Plan (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed June 6, 2006).*
10.30	Form of Annual Stock Option Award under the Director Compensation Plan (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed June 6, 2006).*
10.31	Form of Annual Restricted Stock Unit Grant under the Director Compensation Plan (incorporated by reference to Exhibit 10.6 of the Company's Form 10-Q for the quarterly period ended June 30, 2011).*
10.32	Under Armour, Inc. 2006 Non-Employee Director Deferred Stock Unit Plan (the "Director DSU Plan") (incorporated by reference to Exhibit 10.02 of the Company's Form 10-Q for the quarterly period ended March 31, 2010).*
10.33	Amendment One to the Director DSU Plan (incorporated by reference to Exhibit 10.23 of the Company's 2010 Form 10-K).*
10.34	Amendment Two to the Director DSU Plan (incorporated by reference to Exhibit 10.02 of the Company's Form 10-Q for the quarterly period ended June 30, 2016).*
10.35	Employee Confidentiality, Non-Competition and Non-Solicitation Agreement by and between Patrik Frisk and the Company (incorporated by reference to Exhibit 10.01 of the Company's Form 10-Q for the quarterly period ended March 31, 2018).*
10.36	Employee Confidentiality, Non-Competition and Non-Solicitation Agreement by and between Paul Fipps and the Company (incorporated by reference to Exhibit 10.02 of the Company's Form 10-Q for the quarterly period ended March 31, 2018).*
10.37	Confidentiality, Non-Competition and Non-Solicitation Agreement, dated June 15, 2015, between the Company and Kevin Plank (the "Plank Non-Compete Agreement") (incorporated by reference to Appendix E to the Preliminary Proxy Statement filed by Under Armour, Inc. on June 15, 2015).
10.38	First Amendment to the Plank Non-Compete Agreement, dated April 7, 2016 (incorporated by reference to Exhibit 10.03 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016).
21.01	List of Subsidiaries.
23.01	Consent of PricewaterhouseCoopers LLP.
31.01	Section 302 Chief Executive Officer Certification.
31.02	Section 302 Chief Financial Officer Certification.
32.01	Section 906 Chief Executive Officer Certification.
32.02	Section 906 Chief Financial Officer Certification.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or a compensatory plan or arrangement required to be filed as an Exhibit pursuant to Item 15(b) of Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

UNDER ARMOUR, INC.

By: /s/ KEVIN A. PLANK
Kevin A. Plank
Chairman of the Board of Directors and Chief Executive Officer

Dated: February 22, 2019

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title
/s/ KEVIN A. PLANK Kevin A. Plank	Chairman of the Board of Directors and Chief Executive Officer (principal executive officer)
/s/ DAVID E. BERGMAN David E. Bergman	Chief Financial Officer (principal accounting and financial officer)
/s/ GEORGE W. BODENHEIMER George W. Bodenheimer	Director
/s/ DOUGLAS E. COLTHARP Douglas E. Coltharp	Director
/s/ JERRI L. DEVARD Jerri L. DeVard	Director
/s/ MOHAMED A. EL-ERIAN Mohamed A. El-Erian	Director
/s/ KAREN W. KATZ Karen W. Katz	Director
/s/ A.B. KRONGARD A.B. Krongard	Director
/s/ WILLIAM R. MCDERMOTT William R. McDermott	Director
/s/ ERIC T. OLSON Eric T. Olson	Director
/s/ HARVEY L. SANDERS Harvey L. Sanders	Director

Dated: February 22, 2019

Schedule II

Valuation and Qualifying Accounts

(In thousands)

Description	Balance at Beginning of Year	Charged to Costs and Expenses	Write-Offs Net of Recoveries	Balance at End of Year
Allowance for doubtful accounts				
For the year ended December 31, 2018	$ 19,712	$ 23,534	$ (21,022)	$ 22,224
For the year ended December 31, 2017	11,341	9,520	(1,149)	19,712
For the year ended December 31, 2016	5,930	23,575	(18,164)	11,341
Sales returns and allowances				
For the year ended December 31, 2018	$ 190,794	$ 247,939	$ (301,999)	$ 136,734
For the year ended December 31, 2017	121,286	285,474	(215,966)	190,794
For the year ended December 31, 2016	72,615	179,445	(130,774)	121,286
Deferred tax asset valuation allowance				
For the year ended December 31, 2018	$ 73,544	$ 21,221	$ (22,055)	$ 72,710
For the year ended December 31, 2017	37,969	40,282	(4,707)	73,544
For the year ended December 31, 2016	24,043	13,951	(25)	37,969

Exhibit 10.10

UNDER ARMOUR, INC. DEFERRED COMPENSATION PLAN

PLAN DOCUMENT

AMENDMENT AND RESTATEMENT

EFFECTIVE JULY 1, 2018

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UNDER ARMOUR, INC. DEFERRED COMPENSATION PLAN

Amendment and Restatement Effective July 1, 2018 **Purpose**

The purpose of the Under Armour, Inc. Deferred Compensation Plan (the "Plan") is to provide specified benefits to a select group of management or highly compensated employees of Under Armour, Inc. The Plan shall be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. The Plan is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, as added by the American Jobs Creation Act of 2004 and the Treasury regulations or any other authoritative guidance issued thereunder. The purpose of this amendment and restatement of the Plan is to make certain design changes, technical changes and clarifications to the Plan.

ARTICLE 1
Definitions

For purposes of this Plan, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

1.1 "Account Balance" shall mean, with respect to a Participant, a credit on the records of the Company equal to the sum of (i) the Deferral Account balance,
(ii) the Company Make-Up Account balance and (iii) the Company Discretionary Account balance, if any. The Account Balance, and each other specified account balance, shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to the Plan.

1.2 "Administrator" shall mean the Chief Human Resources Officer of the Company, who shall be responsible for the general administration of the Plan except as otherwise specified.

1.3 "Annual Base Salary" shall mean the annual cash compensation relating to services performed during any calendar year, whether or not paid in such calendar year or included on the Federal Income Tax Form W-2 for such calendar year, excluding Incentive Payments, any other bonuses, commissions, overtime, fringe benefits, stock options, relocation expenses, non-monetary awards, fees,automobile and other allowances paid to a Participant for employment services rendered (whether or not such allowances are included in the Employee's gross income). Annual Base Salary shall not include amounts that are paid by a third party such as an insurer rather than by the Company through its payroll, such as short-term disability pay or maternity or paternity leave paid by a third party.

Annual Base Salary shall be calculated without regard to any reductions for compensation voluntarily deferred or contributed by the Participant pursuant to all qualified or non-qualified plans of the Company (and therefore shall be calculated to include amounts not otherwise included in the Participant's gross income under Code Sections 125, 402(e)(3), 402(h) or 403(b) pursuant to plans established by the Company).

1.4 "Annual Company Discretionary Amount" shall mean, for the Plan Year of reference, the amount determined in accordance with Section 3.5.

1.5 "Annual Company Make-Up Amount" shall mean for the Plan Year of reference, the amount determined in accordance with Section 3.6.

1.6 "Annual Deferral Amount" shall mean, with respect to any Plan Year, that portion of a Participant's Annual Base Salary and/or Incentive Payments that a Participant elects (subject to Section 3.10) to have, and is, deferred in accordance with Article 3, for that Plan Year. Annual Base Salary and/or Incentive Payments shall be considered as part of the Annual Deferral Amount for the Plan Year in which such amounts would have been payable in the absence of the Participant's deferral election (e.g., Incentive Payments deferred pursuant to a deferral election made by December 2019 or June 2020 (if such Incentive Payments are Performance-Based Compensation and the Administrator has permitted a later deferral election) shall be considered as part of the Participant's 2021 Annual Deferral Amount). In the event of a Participant's Disability (if deferrals cease in accordance with Section 3.3(c), death or Termination of Employment prior to the end of a Plan Year, such year's Annual Deferral Amount shall be the actual amount withheld prior to such event.

1.7 "Beneficiary" shall mean one or more persons, trusts, estates or other entities, designated in accordance with Article 9, that are entitled to receive benefits under this Plan upon the death of a Participant.

1.8 "Beneficiary Designation Form" shall mean the form established from time to time by the Administrator that a Participant completes, signs and returns to the Administrator to designate one or more Beneficiaries (which form may take the form of an electronic transmission, if required or permitted by the Administrator).

1.9 "Board" shall mean the board of directors of the Company or, if the Board so directs, the Compensation Committee appointed by the Board of Directors acting on behalf of the Board in the exercise of any and all powers and duties of the Board pursuant to this Plan.

1.10 "Claimant" shall have the meaning set forth in Section 12.1.

1.11 “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.12 “Company” shall mean Under Armour, Inc., a Maryland Corporation, including its subsidiaries and affiliates and any successor to all or substantially all of the Company's assets or business.

1.13 “Company Discretionary Account” shall mean (i) the sum of the Participant's Annual Company Discretionary Amounts, plus (ii) amounts credited or debited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Company Discretionary Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Company Discretionary Account.

1.14 “Company Make-Up Account” shall mean (i) the sum of all of a Participant's Annual Company Make-Up Amounts, plus (ii) amounts credited or debited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Company Make-Up Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant’s Company Make-Up Account.

1.15 “Compensation Committee” shall mean the committee appointed by the Board of Directors of the Company, acting in accordance with the provisions of this Plan.

1.16 “Deduction Limitation” shall mean the following described limitation on a benefit that may otherwise be distributable pursuant to the provisions of this Plan. Except as otherwise provided, this limitation shall be applied to all distributions that are “subject to the Deduction Limitation” under this Plan. A payment may be delayed to the extent that the Compensation Committee reasonably anticipates that if the payment were made as scheduled, the Company’s deduction with respect to such payment would not be permitted due to the application of Code Section 162(m), provided that the payment is made either during the Participant’s first taxable year in which the Compensation Committee reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction of such payment will not be barred by application of Code Section 162(m) or during the period beginning with the date of the Participant's Termination of Employment and ending on the later of the last day of the taxable year of the Company in which occurs the Participant’s Termination of Employment or the fifteenth (15th) day of the third (3rd) month following the Participant’s Termination of Employment, and subject to such other terms and conditions as provided in Section 1.409A-2(b)(7)(i) of the Treasury regulations; and provided further that if the affected Participant is a Specified Employee, and the delay is of a Termination Benefit or a Short-Term Payout that has been delayed to a date on or after the Participant’s Separation from Service, then the payment shall be made either during the Participant’s first taxable year in which the Compensation Committee reasonably anticipates, or should reasonably anticipate, that if the payment is

made during such year, the deduction of such payment will not be barred by application of Code Section 162(m) or during the period beginning with the date that is six (6) months after the date of the Participant's Termination of Employment and ending on the later of the last day of the taxable year of the Company in which falls the date that is six (6) months after the date of the Participant's Termination of Employment or the fifteenth (15th) day of the third (3rd) month following the date that is six (6) months after the date of the Participant's Termination of Employment. Any amounts deferred pursuant to this limitation shall continue to be credited or debited with additional amounts in accordance with Section 3.09 below, even if such amount is being paid out in installments.

1.17 "Deferral Account" shall mean (i) the sum of all of a Participant's Annual Deferral Amounts, plus (ii) amounts credited or debited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Deferral Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to his or her Deferral Account.

1.18 "Disability" or "Disabled" shall mean a period of disability during which a Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Employees of the Company; or (iii) is determined to be totally disabled by the Social Security Administration.

1.19 "Disability Benefit" shall mean the benefit set forth in Article 7.

1.20 "Effective Date" shall mean the effective date of this amendment and restatement of the Plan, which is July 1, 2018.

1.21 "Election Form" shall mean the form or forms established from time to time by the Administrator that a Participant completes, signs and returns to the Administrator to make an election under the Plan (which form or forms may take the form of an electronic transmission, if required or permitted by the Administrator).

1.22 "Employee" shall mean an individual who the Company treats as an "employee" for Federal income tax withholding purposes.

1.23 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.24 “401(k) Plan” shall mean the Under Armour 401(k) Plan, as it may be amended from time to time.

1.25 “Incentive Payments” shall mean any compensation paid to a Participant under any incentive plans or bonus arrangements of the Company with respect to which the Administrator in its discretion permits Participant deferral elections to be made hereunder, relating to services performed during any calendar year, whether or not paid in such calendar year or included on the Federal Income Tax Form W-2 for such calendar year. Incentive Payments shall not include amounts that are paid by a third party such as an insurer rather than by the Company through its payroll, such as short-term disability pay or maternity or paternity leave paid by a third party.

1.26 “Measurement Funds” shall have the meaning set forth in Section 3.9(d).

1.27 “Participant” shall mean any Employee who is selected by the Compensation Committee to participate in the Plan, provided such individual (i) elects to participate in the Plan, (ii) signs a Plan Agreement, an Election Form(s) and a Beneficiary Designation Form, (iii) has his or her signed Plan Agreement, Election Form(s) and Beneficiary Designation Form accepted by the Administrator, (iv) commences participation in the Plan, and (v) has not had his or her Plan Agreement terminated. A former Employee with a vested Account Balance shall also be a Participant. A spouse or former spouse of a Participant shall not be treated as a Participant in the Plan or have an Account Balance under the Plan under any circumstance; provided, however, that a Beneficiary of a Participant shall be permitted to make such elections and/or receive such amounts following the Participant's death as are specifically provided under this Plan.

1.28 "Performance-Based Compensation" shall mean that portion of a Participant's Incentive Payments the amount of which, or the entitlement to which, is contingent on the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least twelve (12) consecutive months, and which satisfies the requirements for "performance-based compensation" under Section 409A including the requirement that the performance criteria be established in writing by not later than ninety (90) days after the commencement of the period of service to which the criteria relates
and the outcome is substantially uncertain at the time the criteria are established.

1.29 “Plan” shall mean this Under Armour, Inc. Deferred Compensation Plan, as evidenced by this instrument and by each Plan Agreement, as they may be amended from time to time.

1.30 “Plan Agreement” shall mean a written agreement (which may take the form of an electronic transmission, if required or permitted by the Administrator), as may be amended from time to time, which is entered into by and between the Company and a Participant. Each Plan Agreement executed by a Participant and the

Company shall provide for the entire benefit to which such Participant is entitled under the Plan; should there be more than one Plan Agreement, the Plan Agreement bearing the latest date of acceptance by the Company shall supersede all previous Plan Agreements in their entirety and shall govern such entitlement. The terms of any Plan Agreement may be different for any Participant, and any Plan Agreement may provide additional benefits not set forth in the Plan or limit the benefits otherwise provided under the Plan; provided, however, that any such additional benefits or benefit limitations must be agreed to by both the Company and the Participant. In the Plan Agreement, each Participant shall acknowledge that he or she accepts all of the terms of the Plan including the discretionary authority of the Compensation Committee and Administrator as set forth in Article 10.

The preceding notwithstanding, an additional Plan Agreement may be entered into by and between a Participant and the Company for each Plan Year in which an Annual Company Discretionary Amount is credited on behalf of that Participant, in which case (i) each such additional Plan Agreement shall not be superseded by any previous Plan Agreement, but rather shall govern the portion of the Participant's Plan benefit attributable to the Annual Company Discretionary Amount to which such additional Plan Agreement relates, and (ii) the term Plan Agreement, as used herein, shall include these additional Plan Agreements.

1.31 “Plan Year” shall mean a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year during which this Plan is in effect.

1.32 “Pre-Termination Survivor Benefit” shall mean the benefit set forth in Article 6.

1.33 “Retirement” or “Retires” shall mean Termination of Employment on or after the later of attainment of (i) age sixty-five (65), or (ii) age fifty-five

1.34 (55) with ten (10) Years of Service. “Section 409A” shall mean Code Section 409A and the Treasury regulations or other authoritative guidance issued thereunder.

1.35 “Separation from Service" shall mean, with respect to a Participant who is an employee of the Company, the Participant's separation from service, within the meaning of Section 409A, treating as a Separation from Service an anticipated permanent reduction in the level of bona fide services the Participant will perform for the Company after a certain date, whether as an employee or as an independent contractor, to twenty percent (20%) or less of the average level of bona fide services performed by the Participant for the Company, whether as an employee or as an independent contractor, over the immediately preceding thirty-six (36) month period (or the full period during which the Participant performed services for the Company, if that is less than thirty-six (36) months). For this purpose, upon a sale or other disposition of the assets of the Company to an unrelated purchaser, the Administrator reserves the right to the extent permitted by Section 409A to determine whether Participants providing services to the purchaser after

and in connection with the purchase transaction have experienced a Separation from Service. With respect to a Participant who becomes an independent contractor to the Company, Separation from Service shall mean the expiration of the Participant's contract (or in the case of more than one contract, all contracts) under which services are performed for the Company, provided the expiration constitutes a good-faith and complete termination of the contractual relationship between the Participant and the Company (i.e., neither party anticipates a renewal of a contractual relationship or the Participant becoming an employee of the Company).

If a Participant provides services both as an employee and as an independent contractor of the Company (or if a Participant ceases providing services as an independent contractor of the Company and begins providing services as an employee of the Company, or ceases providing services as an employee of the Company and begins providing services as an independent contractor of the Company), the Participant must have a Separation from Service both as an employee and as an independent contractor to be treated as having had a Separation from Service. Notwithstanding the preceding, if a Participant provides services both as an employee of the Company and as a member of the Board, the services provided as a Board member shall not be taken into account in determining whether the Participant has had a Separation from Service.

1.36 “Short-Term Payout” shall mean the payout set forth in Article 4.

1.37 “Specified Employee” shall mean an Employee who, at any time during the twelve (12) month period ending on the December 31 of a Plan Year, is a key employee of the Company, as currently defined in Code Section 416(i) (without regard to paragraph (5) thereof), and has been determined by the Administrator to be a Specified Employee. Any such Employee shall be treated as a Specified Employee for the twelve (12) month period commencing the following April 1.

1.38 “Termination Benefit” shall mean the benefit set forth in Article 5.

1.39 “Termination of Employment” or “Terminates” or “Terminated” shall mean Separation from Service with the Company, voluntarily or involuntarily, for any reason other than Disability or death.

1.40 “Trust” shall mean the trust that the Company may, in its discretion, establish pursuant to this Plan, as amended from time to time. The assets of the Trust shall be the property of the Company.

1.41 “Unforeseeable Financial Emergency” shall mean a severe financial hardship to the Participant resulting from (i) an illness or accident of the Participant, the Participant's spouse, the Participant's dependent (as defined in Code Section 152, without regard to Code Section 152(b)(1), (b)(2) or (d)(1)(B)) or the Participant's Beneficiary, (ii) a loss of the Participant's property due to casualty (including the

need to rebuild a home following damage not otherwise covered by insurance), or (iii) such other extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant (e.g., imminent foreclosure of or eviction from the Participant's primary residence, the need to pay for medical expenses, including non-refundable deductibles and prescription drugs, the need to pay funeral expenses of the Participant's spouse, dependent or Beneficiary), all as determined in the sole discretion of the Administrator (which discretion the Administrator is bound to exercise, however, in accordance with Section 409A).

1.42 "Yearly Installment Method" shall be a yearly installment payment over the number of years selected by the Participant in accordance with this Plan, calculated as follows (subject to Section 3.11): The vested Account Balance of the Participant (or the appropriate portion thereof) shall be calculated as of the close of business on the date of reference (or, if the date of reference is not a business day, on the immediately following business day), and shall be paid as soon as practicable thereafter. The date of reference with respect to the first (1st) yearly installment payment shall be as provided in Section 5.2 or Section 8.2, as applicable, and the date of reference with respect to subsequent yearly installment payments shall be the anniversary of the first (1st) yearly installment payment.

The installment payout alternative available for election by the Participant with respect to his or her Termination Benefit pursuant to Section 5.2(b) and Disability Benefit pursuant to Section 7.2(a) is substantially equal annual installments of between two (2) and ten (10) years.

The yearly installment shall be calculated by multiplying the vested Account Balance (or applicable portion thereof) by a fraction, the numerator of which is one (1), and the denominator of which is the remaining number of yearly payments due the Participant. By way of example, if the Participant elects a ten (10) year Yearly Installment Method, the first payment shall be one-tenth (1/10) of the vested Account Balance (or applicable portion thereof), calculated as described in this definition. The following year, the payment shall be one-ninth (1/9) of the vested Account Balance (or applicable portion thereof), calculated as described in this definition.

1.43 "Years of Service" shall mean the total number of full years in which a Participant has been employed by the Company. For purposes of this definition, a year of employment shall be a three hundred sixty-five (365) day period (or three hundred sixty-six (366) day period in the case of a leap year) that, for the first year of employment, commences on the Employee's date of hiring and that, for any subsequent year, commences on an anniversary of that hiring date. Any partial year of employment shall not be counted.

ARTICLE 2
Selection/Enrollment/Eligibility

2.1 Eligibility. Participation in the Plan shall be limited to Employees who the Compensation Committee designates, in its sole discretion, for participation, provided that Employees may not participate in the Plan unless they are members of a select group of management or highly compensated employees of the Company, as membership in such group is determined in accordance with Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA (which determination shall be made by the Compensation Committee in its sole discretion).

2.2 Enrollment Requirements. As a condition to participation, each selected Employee who is eligible for participation shall complete, execute and return to the Administrator a Plan Agreement, an Election Form(s) and a Beneficiary Designation Form, all within thirty (30) days after he or she first becomes eligible to participate in the Plan. In addition, the Administrator shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary.

2.3 Commencement of Participation. Provided a selected Employee who is eligible for participation has met all enrollment requirements set forth in this Plan and required by the Administrator, including returning all required documents to the Administrator within the specified time period, that individual shall commence participation in the Plan on the first day of the month following the month in which he or she completes all enrollment requirements (or as soon as practicable thereafter as the Administrator may determine). If he or she fails to meet all such requirements within the period required, in accordance with Section 2.2, that individual shall not be eligible to participate in the Plan until the first day of the following Plan Year, again subject to timely delivery to and acceptance by the Administrator of the required documents.

2.4 Termination of Participation and/or Deferrals. If the Administrator determines in good faith that a Participant no longer qualifies as a member of a select group of management or highly compensated employees of the Company, the Administrator shall have the right, in its sole discretion, to prevent the Participant from making future deferral elections and/or from being credited with any further Annual Company Make-Up Amounts or Annual Company Discretionary Amounts from and after the first day of the next Plan Year.

ARTICLE 3
Deferral Commitments/Company Contributions/Crediting/Taxes

3.1 Minimum Deferral. For each Plan Year, a Participant may elect to defer, as his or her Annual Deferred Amount, Annual Base Salary and/or Incentive Payments in the minimum amount of five percent (5%) of each such item of compensation.

Notwithstanding the foregoing, the Administrator may, in its sole discretion, establish for any Plan Year a different minimum amount for Annual Base Salary

and/or Incentive Payments. If an election is made with respect to either such item of compensation for less than the stated minimum amount, or if no election is made, the amount deferred with respect to either such item of compensation shall be zero (0).

3.2 Maximum Deferral.

(a) Annual Base Salary and Incentive Payments. For each Plan Year, a Participant may elect to defer, as his or her Annual Deferral Amount, Annual Base Salary and/or Incentive Payments up to the following maximum percentages for each deferral elected:

Deferral	Maximum Amount
Annual Base Salary	75%
Incentive Payments	90%

(b) Administrator's Discretion. Notwithstanding the foregoing, (i) the Administrator may, in its sole discretion, establish for any Plan Year maximum percentages which differ from those set forth above, and (ii)

except as provided in Section 3.3(a), if an eligible Employee first becomes a Participant after the first day of a Plan Year, the maximum Annual Deferral Amount with respect to Annual Base Salary or Incentive Payments shall be limited to the percentage of such compensation not yet earned by the Participant as of the date the Participant submits a Plan Agreement and Election Form(s) to the Administrator for acceptance.

3.3 Election to Defer/Change in Election.

(a) Timing of Election. Except as provided below, a Participant shall make a deferral election with respect to Annual Base Salary and/or Incentive Payments, as applicable, to be earned for services performed during an upcoming twelve (12) month Plan Year. Such election must be made during such period as shall be established by the Administrator which ends no later than the last day of the Plan Year preceding the Plan Year in which the services giving rise to the Annual Base Salary and/or Incentive Payments, as applicable, to be deferred are to be performed. For these purposes, Annual Base Salary payable after the last day of the Plan Year for services performed during the final payroll period containing the last day of the Plan Year shall be treated as Annual Base Salary for services performed in the subsequent Plan Year.

Notwithstanding the preceding, if and to the extent permitted by the Administrator, a Participant may make an election to defer that portion of his or her Incentive Payments which constitutes Performance-Based Compensation no later than six (6) months prior to the last day of the period over which the services giving rise to the Incentive Payments are performed, provided that the Participant performs services continuously from the later of the beginning of the performance period or the date the performance criteria are established through the date of the deferral election, and provided further that in no event may such deferral election be made pursuant to this paragraph with respect to any portion of the Performance-Based Compensation that has become reasonably ascertainable prior to the making of the deferral election, within the meaning of Section 409A.In addition, notwithstanding the preceding, but subject to Section 14.18, in the case of the first Plan Year in which an Employee first becomes eligible to become a Participant (or again becomes eligible after having been ineligible for at least twenty four (24) months), if and to the extent permitted by the Administrator, the individual may make an election no later than thirty (30) days after the date he or she becomes eligible to become a Participant to defer Annual Base Salary and/or Incentive Payments (as applicable) for services to be performed after the election. For this purpose, an election will be deemed to apply to Incentive Payments for services performed after the election if the election applies to no more than an amount equal to the total Incentive Payments for the performance period multiplied by the ratio of the number of days remaining in the performance period after the election over the total

number of days in the performance period. Also for this purpose, (and notwithstanding anything herein to the contrary), the Administrator may treat an individual as an Employee and a Participant prior to his or her commencement of employment with the Company in order that the individual may make a timely deferral election with respect to Base Salary and/or Incentive Payments earned upon commencement of employment or earned over a period which begins upon commencement of employment.

(b) Manner of Election. For any Plan Year (or portion thereof), a deferral election for amounts earned during that Plan Year (or portion thereof), and such other elections as the Administrator deems necessary or desirable under the Plan, shall be made by timely delivering to the Administrator, in accordance with its rules and procedures, by the deadline(s) set forth above, an Election Form, along with such other elections as the Administrator deems necessary or desirable under the Plan. For these elections to be valid, the Election Form(s) must be completed and signed by the Participant, timely delivered to the Administrator (in accordance with Section 2.2 above) and accepted by the Administrator. If no such Election Form(s) is timely delivered for a Plan Year (or portion thereof), the Annual Deferral Amount shall be zero (0) for that Plan Year (or portion thereof).

(c) Change in Election. Once the deadline(s) for making a deferral election for a Plan Year (as set forth in Section 3.4) has passed, a Participant may not elect to change his or her deferral election that is in effect for that Plan Year, except if and to the extent permitted by the Administrator and made in accordance with the provisions of Section 409A specifically relating to a change and/or revocation of deferral elections (such as, for example, to cancel a deferral election upon the Participant's disability (as provided in Section 1.409A-3(j)(4)(xii) of the Treasury regulations), or, as provided in Section 1.409A-3(j)(4) of the Treasury regulations, following an Unforeseeable Financial Emergency or a hardship distribution pursuant to Section 1.401(k)-1(d)(3) of the Treasury regulations).

3.4 Withholding and Crediting of Annual Deferral Amounts . For each Plan Year, the Annual Base Salary portion (if any) of the Annual Deferral Amount shall be withheld from each regularly scheduled Annual Base Salary payroll in the percentage or dollar amount as permitted by the Administrator and elected by the Participant, as adjusted from time to time for increases and decreases in Annual Base Salary to the extent permitted by the Administrator and made in accordance with the provisions of Section 409A. The Incentive Payments portion (if any) of the Annual Deferral Amount shall be withheld at the time the Incentive Payments are or otherwise would be paid to the Participant, whether or not this occurs during the Plan Year itself. Upon being so withheld, the Participant's Annual Deferral Amount(s) shall be credited to his or her Deferral Account.

3.5 Annual Company Discretionary Amount. For each Plan Year, the Compensation Committee, acting on behalf of the Company and in its sole discretion, may, but is not required to, credit any amount it desires to any Participant's Company Discretionary Account under this Plan, which amount shall be for that Participant the Annual Company Discretionary Amount for that Plan Year. The amount so credited to a Participant may be smaller or larger than the amount credited to any other Participant, and the amount credited to any Participant for a Plan Year may be zero (0), even though one or more other Participants receive an Annual Company Discretionary Amount for that Plan Year. Unless otherwise specified by the Compensation Committee, the Annual Company Discretionary Amount, if any, shall be credited as of the last day of the Plan Year. Unless otherwise specified by the Compensation Committee, if a Participant to whom an Annual Company Discretionary Amount is credited is not employed by the Company as of the last day of a Plan Year other than by reason of his or her death or Disability, the Annual Company Discretionary Amount for that Plan Year shall be zero (0).

3.6 Annual Company Make-Up Amount. For each Plan Year during which a Participant participates in the 401(k) Plan, the Company, in its sole discretion, may, but is not required to, credit such Participant with an Annual Company Make-Up Amount to make-whole the Participant for the amount, if any, by which his or her Company matching contribution under the 401(k) Plan is reduced as a result of having elected for that Plan Year to defer his or her Annual Base Salary hereunder. The amount (if any) of a Participant's Annual Company Make-Up Amount for each such Plan Year shall equal the rate at which compensation deferrals under the 401(k) Plan are matched (expressed as a percentage under the 401(k) Plan) multiplied by (a) minus the difference between (b) and (c), where (a) is the lesser of the compensation limit under Code section 401(a)(17) in effect for the Plan Year or the Participant's gross Annual Base Salary for the Plan Year, (b) is the Participant's gross Annual Base Salary for the Plan Year, and (c) is the Participant's Annual Deferral Amount for the Plan Year. This is intended to comply with the linked plan rules described in Section X of the preamble to the final regulations under Code Section 409A and with the contingent benefit rule to which the 401(k) Plan is subject.

Unless otherwise specified by the Administrator, the Annual Company Make-Up Amount, if any, shall be credited as soon as practicable after the last day of the Plan Year. Unless otherwise specified by the Administrator, if a Participant to whom an Annual Company Make-Up Amount is credited is not employed by the Company as of the last day of a Plan Year, the Annual Company Make- Up Amount for that Plan Year shall be zero (0) and any such amounts otherwise credited shall be deemed forfeited.

3.7 Investment of Trust Assets. If a Trust is established in connection with the Plan, the trustee of the Trust shall be authorized, upon written instructions received from the Administrator or investment manager appointed by the Administrator, to invest and reinvest the assets of the Trust in accordance with the applicable Trust

agreement, including the reinvestment of the proceeds in one or more investment vehicles designated by the Administrator.

3.8 Vesting.

(a) A Participant shall at all times be one hundred percent (100%) vested in his or her Deferral Account and Company Make-Up Account, subject to the final paragraph of Section 3.6.

(b) A Participant shall become vested in his or her Company Discretionary Account pursuant to a vesting schedule, if any, approved and documented by the Administrator (except that the Compensation Committee must approve and document any vesting schedule for an executive officer of the Company) at the time the Annual Company Discretionary Amount is credited to the Participant's Company Discretionary Account for the Plan Year; provided, however, if a Participant dies or becomes Disabled before he or she Terminates, his or her Company Discretionary Account shall immediately become one hundred (100%) vested (if it is not already vested in accordance with a vesting schedule); and provided further, that a Plan Agreement may provide for other events the occurrence of which shall cause a Participant's Company Discretionary Account to immediately become one hundred percent (100%) vested (if it is not already vested in accordance with a vesting schedule).

3.9 Crediting/Debiting of Account Balances. In accordance with, and subject to, the rules and procedures that are established from time to time by the Administrator, in its sole discretion, amounts shall be credited or debited to a Participant's Account Balance in accordance with the following rules:

(a) Sub-Accounts. Separate sub-accounts shall be established and maintained with respect to each Participant's Account Balance (together, the "Sub-Accounts"), each attributable to the portion of the Participant's Account Balance representing the same type of credited deferral or contribution. That is, for each Plan Year, if and as applicable, one Sub-Account shall be attributable to the portion of the Participant's Account Balance which represents Annual Base Salary deferrals, another attributable to the portion of the Participant's Account Balance which represents Incentive Payment deferrals, another attributable to the portion of the Participant's Account Balance which represents Annual Company Discretionary Amounts, and another attributable to the portion of the Participant's Account Balance which represents Annual Company Make-Up Amounts.

(b) Election of Measurement Funds. A Participant, in connection with his or her initial deferral election in accordance with Section 3.3 above, shall elect, on the Election Form(s), one or more Measurement Funds to be used to determine the additional amounts to be credited or debited to each of his or her Sub-Accounts for the first business day of the Plan Year, continuing

thereafter unless changed in accordance with the next sentence. Commencing with the first business day of the Plan Year, and continuing thereafter for the remainder of the Plan Year (unless the Participant ceases during the Plan Year to participate in the Plan), the Participant may (but is not required to) elect daily, by submitting an Election Form(s) to the Administrator that is accepted by the Administrator (which submission may take the form of an electronic transmission, if required or permitted by the Administrator), to add or delete one or more Measurement Funds to be used to determine the additional amounts to be credited or debited to each of his or her Sub-Accounts, or to change the portion of each of his or her Sub-Accounts allocated to each previously or newly elected Measurement Funds. If an election is made in accordance with the previous sentence, it shall apply to the next business day and continue thereafter for the remainder of the Plan Year (unless the Participant ceases during the Plan Year to participate in the Plan), unless changed in accordance with the previous sentence.

(c) Proportionate Allocation. In making any election described in Section 3.9(b) above, the Participant shall specify on the Election Form(s), in

whole percentage points, the percentage of each of his or her Sub-Account(s) to be allocated to a Measurement Fund (as if the Participant was making an investment in that Measurement Fund with that portion of his or her Account Balance).

(d) Measurement Funds. The Participant may elect one or more of the Measurement Funds as shall be determined by the Administrator from time to time (the "Measurement Funds") for the purpose of crediting or debiting additional amounts to his or her Account Balance. The Administrator may, in its sole discretion, discontinue, substitute or add a Measurement Fund. Each such action will take effect as of the first business day that follows by thirty (30) days the day on which the Administrator gives Participants advance written (which shall include e-mail) notice of such change. If the Administrator receives an initial or revised Measurement Funds election which it deems to be incomplete, unclear or improper, the Participant's Measurement Funds election then in effect shall remain in effect (or, in the case of a deficiency in an initial Measurement Funds election, the Participant shall be deemed to have filed no deemed investment direction). If the Administrator possesses (or is deemed to possess as provided in the previous sentence) at any time directions as to Measurement Funds of less than all of the Participant's Account Balance, the Participant shall be deemed to have directed that the undesignated portion of the Account Balance be deemed to be invested in a money market, fixed income or similar Measurement Fund made available under the Plan as determined by the Administrator in its discretion. Each Participant hereunder, as a condition to his or her participation hereunder, agrees to indemnify and hold harmless the Compensation Committee, the Administrator and the Company, and their agents and representatives, from any losses or damages of any kind relating to (i) the Measurement Funds made available hereunder and (ii) any discrepancy between the credits and debits to the Participant's Account Balance based on the performance of the Measurement Funds and what the credits and debits otherwise might be in the case of an actual investment in the Measurement Funds.

(e) Crediting or Debiting Method. The performance of each elected Measurement Fund (either positive or negative) will be determined by the Administrator, in its sole discretion, based on the performance of the Measurement Funds themselves. A Participant's Account Balance shall be credited or debited on a daily basis based on the performance

of each Measurement Fund selected by the Participant, or as otherwise determined by the Administrator in its sole discretion, as though (i) a Participant's Account Balance were invested in the Measurement Funds selected by the Participant, in the percentages elected by the Participant as of such date, at the closing price on such date; (ii) the portion of the Annual Deferral Amount that was actually deferred was invested in the Measurement Funds selected by the Participant, in the percentages elected by the Participant, no later than the close of business on the third (3rd) business day after the day on which such amounts are actually deferred from the Participant's Annual Base Salary and Incentive Payments, as applicable, at the closing price on such date; (iii) any Annual Company Make-Up Amounts and/or Annual Company Discretionary Amounts credited to a Participant's Account Balance were invested in the Measurement Funds selected by the Participant, in the percentages elected by the Participant, as soon as administratively practicable following the date such amount(s) were credited to the Participant's Account Balance; and (iv) any distribution made to a Participant that decreases such Participant's Account Balance ceased being invested in the Measurement Funds, in the percentages applicable to such calendar day, no earlier than three (3) business days prior to the distribution, at the closing price on such date.

(f) No Actual Investment. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only, and a Participant's election of any such Measurement Fund, the allocation of his or her Account Balance thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account Balance shall not be considered or construed in any manner as an actual investment of his or her Account Balance in any such Measurement Fund. In the event that the Company (or the trustee (as that term is defined in the Trust), if applicable) in its sole discretion, decides to invest funds in any or all of the Measurement Funds, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account Balance shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company or the Trust (if any); the Participant shall at all times remain an unsecured general creditor of the Company.

(g) Beneficiary Elections. Each reference in this Section 3.9 to a Participant shall be deemed to include, where applicable, a reference to a Beneficiary.

3.10 Payroll Reductions and Taxes.

(a) Annual Deferral Amounts. For each Plan Year in which a Participant's Annual Base Salary and/or Incentive Payments are being deferred hereunder, the Company shall withhold from that portion of the

Participant’s Annual Base Salary and/or Incentive Payments that is not being deferred, in a manner determined by the Company, the Participant's share of FICA and other employment taxes on such Annual Deferral Amount. If necessary, the Administrator may reduce the Annual Deferral Amount in order to comply with applicable tax withholding requirements.

(b) Annual Company Make-Up Amounts. For each Plan Year in which an Annual Company Make-Up Amount is credited to the Account Balance of a Participant, the Company shall have the discretion to withhold from the portion of the Participant's Annual Base Salary and/or Incentive Payments that is not being deferred, in a manner determined by the Company, the Participant's share of FICA and other employment taxes. If necessary, the Administrator may reduce the Participant’s Annual Company Make-Up Amounts in order to comply with this Section 3.10.

(c) Annual Company Discretionary Amounts. When a Participant becomes vested in any portion of his or her Company Discretionary Account, the Company shall have the discretion to withhold from portion of the Participant’s Annual Base Salary and/or Incentive Payments that is not being deferred, in a manner determined by the Company, the Participant's share of FICA and other employment taxes. If necessary, the Administrator may reduce the Participant's Annual Company Discretionary Amounts in order to comply with this Section 3.10.

3.11 Distributions. Notwithstanding anything herein to the contrary, any payments made to a Participant or Beneficiary under this Plan shall be in cash form, and the Company, or the trustee of the Trust (if any), shall withhold from any payments made to a Participant under this Plan all Federal, state and local income, employment and other taxes required to be withheld by the Company, or the trustee of the Trust (if any), in connection with such payments, in amounts and in a manner to be determined in the sole discretion of the Company.

Subject to the Deduction Limitation and except as otherwise provided in Sections 5.2, 14.20 and 14.21, any payment made to a Participant or Beneficiary under this Plan shall be made on or during the period after the payment date or event specified herein; provided that, to ensure compliance with Section 409A, a distribution shall in no event be made or commence any later than the later of (i) the last day of the calendar year in which the payment date or, if later, the fifteenth (15th) day of the third (3rd) calendar month following the date of the payment date or event, or (ii) the last day of such other, extended period as the Internal Revenue Service may prescribe, such as in the case of disputed payments or refusals to pay or payments the calculation of which is not yet administratively practicable, provided the conditions of such extension have been satisfied. If a Participant who experiences a Separation from Service is rehired, his or her distributions hereunder may not be suspended.

ARTICLE 4

Short-Term Payout/Unforeseeable Financial Emergencies

4.1 Short-Term Payout of Annual Deferral Amounts . At the same time that a Participant is able to elect to defer his or her Annual Base Salary and/or Incentive Payments for a given Plan Year,, the Participant may elect to receive a future "Short-Term Payout" from the Plan of the portion of the Participant's Account Balance attributable to that deferral. For these purposes, any Incentive Payments deferred pursuant to a deferral election made during a given Plan Year shall be considered as part of the Annual Deferral Amount for the Plan Year in which such Incentive Payments would have been payable in absence of the deferral election (e.g., Incentive Payments deferred pursuant to a deferral election made by December 2019 or June 2020 (if such Incentive Payments are Performance-Based Compensation and the Administrator has permitted a later deferral election) shall be considered as part of the Participant's 2021 Annual Deferral Amount).

The Participant's Short-Term Payout election must be made by the deadline(s) set forth in Section 3.3(a) for making a deferral election in respect of the Annual Base Salary and/or Incentive Payments to which it is attributable, and, except as provided below, is irrevocable after that deadline has passed. Subject to such requirements as may be imposed by the Administrator, a Participant may make a separate Short-Term Payout election for each Plan Year in respect of each Annual Base Salary and Incentive Payment deferral election that he or she makes for that Plan Year.

Subject to Section 3.11, the Short-Term Payout shall be in an amount that is equal to that the Annual Base Salary and/or Incentive Payment deferral amount, and amounts credited or debited thereto in the manner provided in Section 3.9 above, determined at the time that the Short-Term Payout becomes payable. Subject to the Deduction Limitation and the other terms and conditions of this Plan, each Short-Term Payout elected shall be paid in a lump sum during the month of January of any Plan Year designated by the Participant that is at least three (3) Plan Years after the Plan Year of the Base Salary and/or Incentive Payment deferrals, as specifically elected by the Participant. By way of example, if a three (3) year Short-Term Payout is elected by a Participant for Annual Base Salary that is deferred in the 2019 Plan Year (pursuant to a deferral election made by the Participant in December 2018), the three (3) year Short-Term Payout would become payable during January of 2023.

4.2 Payment Deferral Elections of Annual Deferral Amounts. Notwithstanding the preceding Section 4.1 or any other provision of this Plan that may be construed to the contrary, a Participant who is an active Employee may, with respect to each Short-Term Payout, on an Election Form, make one (1) or more additional deferral elections (a "Subsequent Election") to defer payment of all or a portion of such Short-Term Payout to a Plan Year subsequent to the Plan Year originally (or subsequently) elected; provided, however, any such Subsequent Election will be null and void unless accepted by the Administrator no later than one (1) year prior

to the first day of the Plan Year in which, but for the Subsequent Election, such Short-Term Payout would be paid, and such Subsequent Election provides for a deferral of at least five (5) Plan Years following the Plan Year in which the Short-Term Payout, but for the Subsequent Election, would be paid. A Subsequent Election shall be irrevocable once made, and a Short-Term Payout made pursuant to a Subsequent Election shall be in the form of a lump sum. Any amounts credited to the Participant's Company Make-Up Account shall not be eligible for a Short- Term Payout under this Plan, nor shall any amounts credited to the Participant's Company Discretionary Account (unless a Plan Agreement provides otherwise).

4.3 Other Benefits Take Precedence Over Short-Term Payout. Should an event occur that triggers a benefit under Article 5, 6, 7 or 9 prior to the payment or completion of payments of amounts subject to a Short-Term Payout election under Section 4.1 (as extended pursuant to Section 4.2), then, any amounts that are subject to such Short-Term Payout election shall not be paid in accordance with Sections 4.1 or 4.2_ but shall be paid in accordance with the other applicable Article.

4.4 Withdrawal Payout/Termination of Deferral Election for Unforeseeable Financial Emergencies. If a Participant experiences an Unforeseeable Financial Emergency, the Participant may petition the Administrator, _on a form established by the Administrator (which form may take the form of an electronic transmission, if required or permitted by the Administrator), to (i) halt any deferrals required to be made by the Participant and/or (ii) receive a partial or full payout from the Plan. Any such payout shall not exceed the lesser of the Participant's vested Account Balance or the amount reasonably needed to satisfy the Unforeseeable Financial Emergency plus amounts necessary to pay taxes or penalties reasonably anticipated as a result of the payouts, after taking into account the extent to which the Unforeseeable Financial Emergency is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of assets would not itself cause severe financial hardship) or by termination of deferrals hereunder. If, subject to the sole discretion of the Administrator (which discretion the Administrator is bound to exercise, however, within the limitations of Section 409A), the petition for a termination of deferrals and/or payout is approved, cessation of deferrals shall take effect upon the date of approval and any payout shall be made within sixty (60) days of the date of approval. The payment of any amount under this Section
4.4 shall be subject to Section 3.11 but shall not be subject to the Deduction Limitation.

ARTICLE 5
Termination Benefit

5.1 Termination Benefit. Subject to the Deduction Limitation and to Section 3.11, a Participant who Terminates shall receive, as a Termination Benefit, his or her vested Account Balance (or applicable portion thereof).

5.2 Payment of Termination Benefit.

(a) Annual Deferral Amounts Prior to the Effective Date. The Participant shall receive that portion of his or her Termination Benefit attributable to Annual Base Salary and/or Incentive Payments that the Participant elected to defer for any Plan Year preceding the 2019 Plan Year in a lump sum. Such Termination Benefit shall be paid within sixty (60) days following the six month anniversary of the Participant's Termination of Employment. The preceding notwithstanding, in the case of a Participant who Retires, such Termination Benefit shall be paid in a lump sum and/or in installments in accordance with Section 5.2(b).

(b) Annual Deferral Amounts on or After the Effective Date, or Prior to the Effective Date in the Case of Retirement. At the same time that a Participant is able to elect to defer his or her Annual Base Salary and/or Incentive Payments attributable to the 2019 Plan Year or a subsequent Plan Year (or attributable to Plan Years before the 2019 Plan Year, in the case of a Retirement), the Participant may elect to receive that portion of his or her Termination Benefit attributable to that deferral in a lump sum, or pursuant to one of the available Yearly Installment Methods. For these purposes, any Incentive Payments deferred pursuant to a deferral election made during a given Plan Year shall be considered as part of the Annual Deferral Amount for the Plan Year in which such Incentive Payments would have been payable in absence of the deferral election (e.g., Incentive Payments deferred pursuant to a deferral election made by December 2019 or June 2020 (if such Incentive Payments are Performance-Based Compensation and the Administrator has permitted a later deferral election) shall be considered as part of the Participant's 2021 Annual Deferral Amount).

The Participant's Termination Benefit election must be made by the deadline(s) set forth in Section 3.3(a) for making a deferral election in respect of the Annual Base Salary and/or Incentive Payments to which it is attributable, and, except as provided below, is irrevocable after that deadline has passed. Subject to such requirements as may be imposed by the Administrator, a Participant may make a separate Termination Benefit distribution election for each such Plan Year in respect of each Annual Base Salary and Incentive Payment deferral election that he or she makes for that Plan Year.

If the Participant does not make any election with respect to the payment of any portion of the Termination Benefit, the Participant shall be deemed to have elected to have such portion paid in a lump sum.

Subject to Section 3.11 and the Deduction Limitation, any lump sum payment of the Termination Benefit shall be made, and any installments shall commence, within sixty (60) days following the six month anniversary of the Participant's Termination of Employment.

A Participant may change his or her election to an allowable alternative form of payout by submitting a new Election Form to the Administrator, provided that any such Election Form is submitted at least one (1) year prior to the distribution date then in effect and provides for a distribution (or commencement of distributions) date which is at least five (5) years from the distribution (or commencement of distribution) date then in effect. Subject to the foregoing, the Election Form most recently accepted by the Administrator shall govern the payout of the Termination Benefit with respect to the portion of the Participant's Account Balance to which it pertains.

Notwithstanding anything above or elsewhere in the Plan to the contrary, no change submitted on an Election Form shall be accepted by the Administrator if the change accelerates the time over which distributions shall be made to the Participant (except as otherwise permitted under Section 409A) and the Administrator shall deny any change made to an election if the Administrator determines that the change violates the requirement under Section 409A that the first payment with respect to which such election is made be deferred for a period of not less than five (5) years from the date such payment would otherwise have been made. For these purposes, installment payments shall be treated as a single payment, with the result that an election to change from installments to a lump sum (or to a different Yearly Installment Method) will require that the lump sum (or first installment) be postponed until a date which is at least five (5) years from the previously scheduled payment date of the first installment.

(c) Annual Company Make-Up Amount. Any amounts credited to the Participant's Company Make-Up Account shall be payable under the Plan solely in the form of a lump sum and shall not be eligible for installment distribution. The lump sum payment shall be made within sixty (60) days following the six month anniversary of the Participant's Termination of Employment.

(d) Annual Company Discretionary Amount. Except as may otherwise be provided in a Participant's Plan Agreement, any vested amounts credited to a Participant's Company Discretionary Account shall be payable under the Plan solely in the form of a lump sum and shall not be eligible for installment distribution. Except as may otherwise be provided in a Participant's Plan Agreement, the lump sum payment shall be made within

sixty (60) days following the six month anniversary of the Participant's Termination of Employment.

ARTICLE 6
Survivor Benefit

6.1 Pre-Termination Survivor Benefit. The Participant's Beneficiary shall receive a Pre-Termination Survivor Benefit equal to the Participant's entire Account Balance if the Participant dies before he or she becomes Disabled or Terminates.

6.2 Payment of Pre-Termination Survivor Benefit. The Pre-Termination Survivor Benefit shall be paid to the Participant's Beneficiary in a lump sum within sixty (60) days following the date on which the Administrator has been provided with proof that is satisfactory to the Administrator of the Participant's death, but by no later than the last day of the calendar year following the calendar year in the Participant's death occurs. Any payment made hereunder shall be subject to Sections 3.11 and 5.2(d), but shall not be subject to the Deduction Limitation.

6.3 Death Prior to Completion of Termination Benefit Payout. If a Participant dies after Termination of Employment but before his or her Termination Benefit is paid in full, the Participant's unpaid Termination Benefit payments shall be paid to the Participant's Beneficiary in a lump sum within sixty (60) days following the date on which the Administrator has been provided with proof that is satisfactory to the Administrator of the Participant's death but by no later than the last day of the calendar year following the calendar year in the Participant's death occurs. Any payment made hereunder shall be subject to Sections 3.11 and 5.2(d), but shall not be subject to the Deduction Limitation.

ARTICLE 7

Disability Benefit

7.1 Disability Benefit/Payment of Disability Benefit. A Participant shall receive a Disability Benefit equal to the Participant's entire Account Balance if the Participant becomes Disabled prior to his or her Termination of Employment or death. The Disability Benefit shall be paid in accordance with Section 5.2, provided that, payment shall be made (or shall commence, if appropriate) within sixty (60) days following the date on which the Participant is determined by the Administrator to be suffering from a Disability, but no later than the deadline set forth in Section 3.11. Any payment made hereunder shall be subject to Section 3.11, but shall not be subject to the Deduction Limitation.

ARTICLE 8
Beneficiary Designation/Discharge of Obligations

8.1 Beneficiary. Each Participant shall have the right, at any time, to designate his or her Beneficiary(ies) (both primary as well as contingent) to receive any benefits payable under the Plan upon the death of a Participant. The Beneficiary designated under this Plan may be the same as or different from the Beneficiary designation under any other plan of the Company in which the Participant participates.

8.2 Beneficiary Designation/Change. A Participant shall designate his or her Beneficiary by completing and signing the Beneficiary Designation Form, and returning it to the Administrator or its designated agent. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Administrator's rules and procedures, as in effect from time to time. Upon the acceptance by the Administrator of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be canceled. The Administrator shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Administrator prior to his or her death.

8.3 Acknowledgment. No designation or change in designation of a Beneficiary shall be effective until received and acknowledged in writing by the Administrator or its designated agent.

8.4 No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided in Sections 9.1, 9.2 and 9.3 above or, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's designated Beneficiary shall be deemed to be his or her surviving spouse, or, if the Participant has no surviving spouse, the benefits remaining under the Plan to be paid to a Beneficiary shall be payable to the executor or personal representative of the Participant's estate.

8.5 Doubt as to Beneficiary. If the Administrator has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Administrator shall have the right, exercisable in its sole discretion, to distribute or direct that the trustee of the Trust (if any) distribute such payments to the Participant's estate without liability for any tax or other consequences which might flow therefrom.

8.6 Discharge of Obligations. The payment of benefits under the Plan to a person believed in good faith by the Administrator to be a valid Beneficiary shall fully and completely discharge the Company and the Administrator from all further obligations under this Plan with respect to the Participant, and that Participant's Plan Agreement shall terminate upon such full payment of benefits. Neither the Administrator nor the Company shall be obliged to search for any Participant or Beneficiary beyond the sending of a registered letter to such last known address. If the Administrator notifies any Participant or Beneficiary that he or she is entitled to an amount under the Plan and the Participant or Beneficiary fails to claim such amount or make his or her location known to the Administrator within three (3) years thereafter, then, except as otherwise required by law, if the location of one or more of the next of kin of the Participant is known to the

Administrator in order to permit transmittal of the payment to the Participant or Beneficiary by the latest date upon which the payment could have been timely made in accordance with the terms of the Plan and Section 1.409A-1(b)(4) of the Treasury regulations, the Company shall report such payment as made (including withholding and remitting any income and employment tax withholdings and reporting the payment as paid on any required tax reports). The Company shall hold any such unclaimed payment (as a general asset of the Company) for a period of three (3) years, and, during this period of time, the Participant or Beneficiary will be permitted to claim such payment (without adjustment for earnings), but, after this period of time, the payment shall be forfeited and the Company no longer shall be liable to any person for the payment.

ARTICLE 9

Termination/Amendment/Modification

9.1 Termination. Although the Company anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that the Company will continue the Plan or will not terminate the Plan at any time in the future. Accordingly, the Company reserves the right to discontinue its sponsorship of the Plan and/or to terminate the Plan at any time with respect to any or all Participants, by action of the Board or appropriate committee thereof. Upon a termination of the Plan in accordance with the requirements, restrictions and limitations of Section 1.409A-3(j)(4)(ix) of the Treasury regulations, the Plan participation of the affected Participants shall terminate and they shall be paid in a single lump sum distribution their vested Account Balances (but payment shall not commence before or end after any distribution period required by Section 409A) . If, however, due to the circumstances surrounding the Plan termination, a distribution of a Participant's vested Account Balance upon Plan termination is not permitted by Section 409A, the payment of the vested Account Balance shall be made only after Plan benefits otherwise become due hereunder. The termination of the Plan shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination.

Without limiting the generality of the foregoing, the Company specifically reserves the right to terminate and liquidate the Plan with respect to all Participants, in its discretion and by action of the Board or appropriate committee thereof, within the thirty (30) days preceding or the twelve (12) months following a "change in control event" (as defined in Section 409A); provided, however, that such termination and liquidation shall be irrevocable and shall be permitted only if all arrangements that are required to be aggregated with the Plan pursuant to Section 16.19 are also irrevocably terminated and liquidated with respect to each participant therein who is employed by the Company and who has experienced the change in control event, so that Participants under the Plan and all participants under those other arrangements who have experienced the change in control event are required to receive all amounts of compensation deferred under the terminated

and liquidated arrangements within twelve (12) months of the date the Company takes irrevocable action to terminate and liquidate the arrangements.

9.2 Amendment. The Company may, at any time, amend or modify the Plan in whole or in part by the action of the Compensation Committee; provided, however, that no amendment or modification shall be effective to decrease or restrict the value of a Participant's vested Account Balance in existence at the time the amendment or modification is made, calculated as if the Participant had experienced a Termination of Employment as of the effective date of the amendment or modification. The amendment or modification of the Plan shall not affect any Participant or Beneficiary who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification.

9.3 Plan Agreement. Despite the provisions of Sections 9.1 and 9.2 above, if a Participant's Plan Agreement contains benefits or limitations that are not in this Plan document, the Company may only amend or terminate such provisions with the consent of the Participant except to the extent the Plan Agreement permits the Company to take such action without Participant consent.

9.4 Effect of Payment. The full payment of the applicable benefit under Articles 4, 5, 6, 7 or 9 of the Plan shall completely discharge all obligations to a Participant and his or her designated Beneficiaries under this Plan and the Participant’s Plan Agreement shall terminate.

9.5 Amendment to Ensure Proper Characterization of the Plan. Notwithstanding the previous Sections of this Article, the Plan may be amended at any time, retroactively if required, or if found necessary, in the opinion of the Compensation Committee, in order to ensure that the Plan is characterized as a non-tax-qualified “top hat” plan of deferred compensation maintained for a select group of management or highly compensated employees, as described under ERISA sections 201(2), 301(a)(3) and 401(a)(1), to conform the Plan to the provisions of Section 409A and to ensure that amounts under the Plan are not considered to be taxed to a Participant under the Federal income tax laws prior to the Participant’s receipt of the amounts or to conform the Plan and the Trust to the provisions and requirements of any applicable law (including ERISA and the Code).

ARTICLE 10
Administration

10.1 Administration. Except as otherwise provided herein, the Plan shall be administered by the Administrator. The Administrator shall be the named fiduciary for purposes of the claims procedure pursuant to Article 12 only and

shall, except as the Compensation Committee may otherwise determine, have authority to act to the full extent of its absolute discretion to:

(a) Interpret the Plan;

(b) Resolve and determine all disputes or questions arising under the Plan, including the power to determine the rights of Participants and Beneficiaries, and their respective benefits, and to remedy any ambiguities, inconsistencies or omissions in the Plan;

(c) Create and revise rules and procedures for the administration of the Plan and prescribe such forms as may be required for Participants to make elections under, and otherwise participate in, the Plan; and

(d) Take any other actions and make any other determinations as it may deem necessary and proper for the administration of the Plan.

Any expenses incurred in the administration of the Plan shall be paid by the Company.

10.2 Determinations. Except as the Compensation Committee may otherwise determine (and subject to the claims procedure set forth in Article 12), all decisions and determinations by the Administrator shall be final and binding upon all Participants and Beneficiaries.

10.3 General. Neither the Administrator nor any member of the Compensation Committee shall participate in any matter involving any questions relating solely to his own participation or benefits under this Plan. The Administrator and the Compensation Committee shall be entitled to rely conclusively upon, and shall be fully protected in any action or omission taken by it in good faith reliance upon, the advice or opinion of any persons, firms or agents retained by it, including but not limited to accountants, actuaries, counsel and other specialists. Nothing in this Plan shall preclude the Company from indemnifying the Administrator and members of the Compensation Committee for all actions under this Plan, or from purchasing liability insurance to protect such persons with respect to the Plan.

ARTICLE 11
Other Benefits and Agreements

11.1 Coordination with Other Benefits. The benefits provided for a Participant or a Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for Employees of the Company. The Plan shall supplement and shall not supersede, modify or amend any other plan or program except as may otherwise be expressly provided.

ARTICLE 12
Claims Procedures

12.1 These claims procedures are based on final regulations issued by the Department of Labor and codified at 29 C.F.R. section 2560.503-1. If any provision of this Article conflicts with the requirements of those regulations, the requirements of those regulations will prevail.

For purposes of this Article, references to Disability Benefit claims are intended to describe claims made by Participants for payments due to Disability hereunder, but only if and to the extent that such claims require an independent determination by the Administrator that the Participant is or is not suffering from a Disability. If the Administrator's determination is based entirely on a Disability determination made by another party, such as the Social Security Administration, the Participant's claim shall not be treated as a Disability Claim (defined below) for purposes of the special provisions of this Article that apply to claims for which an independent determination of Disability is required. The Administrator's determination as to whether or not there is a disability within the meaning of Section 1.409A-3(j)(4)(xii) of the Treasury regulations (relating to cancellations of deferral elections due to disability) shall not be treated as a Disability Claim for such purposes either.

(a) Initial Claim. A Participant or Beneficiary who believes he or she is entitled to any benefit (a "Claimant") under this Plan may file a claim with the Administrator. The Administrator will review the claim itself or appoint another individual or entity to review the claim.

(i) Benefit Claims that do not Require a Determination of Disability. If the claim does not require a determination of Disability, the Claimant will be notified within 90 days after the claim is filed whether the claim is allowed or denied, unless the Claimant receives written notice from the Administrator or appointee of the Administrator before the end of the 90 day period stating that special circumstances require an extension of the time for decision, such extension not to extend beyond the day which is 180 days after the day the claim is filed.

(ii) Disability Benefit Claims. In the case of any benefits claim that requires a determination by the Administrator of a Participant's Disability status (a "Disability Claim"), the Administrator will notify the Claimant of the Administrator's Adverse Determination within a reasonable period of time, but not later than 45 days after

receipt of the claim. If, due to matters beyond the control of the Administrator, the Administrator needs additional time to process a claim, the Claimant will be notified, within 45 days after the Administrator receives the claim, of those circumstances and of when the Administrator expects to make its decision but not beyond 75 days. If, prior to the end of the extension period, due to matters beyond the control of the Administrator, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to 105 days, provided that the Administrator notifies the Claimant of the circumstances requiring the extension and the date as of which the Administrator expects to render a decision. The extension notice will specifically explain the standards on which entitlement to a Disability Benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed from the Claimant to resolve those issues, and the Claimant will be afforded at least 45 days within which to provide the specified information.

(iii) Adverse Determination. For purposes of this Section, an Adverse Determination is a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of an individual's eligibility to participate in the Plan.

(iv) Manner and Content of Notice of Initial Adverse Determination. If the Administrator denies a claim, it must provide to the Claimant, in writing or by electronic communication, a notice of Adverse Determination that includes:

(A) The specific reasons for the denial;

(B) A reference to the Plan provision upon which the determination is based;

(C) A description of any additional information or material that the Claimant must provide in order to perfect the claim;

(D) An explanation of why such additional material or information is necessary;

(E) Notice that the Claimant has a right to request a review of the Adverse Determination and information on the steps to be taken if the Claimant wishes to request a review; and

(F) A statement of the Participant's right to bring a civil action under ERISA section 502(a) following a final Adverse Determination upon appeal and a description of any time limit that would apply under the Plan for bringing such an action.

In addition, for any notice of Adverse Determination regarding a Disability Claim, the notice of Adverse Determination will be provided in a culturally and

linguistically appropriate manner in accordance with applicable Regulations or other authoritative guidance regarding such notices and also will include the following (in addition to the information in (A) through (F) above):

(G) If the Adverse Determination is based on a medical necessity requirement, an experimental treatment exclusion or a similar restriction, either an explanation of the scientific or clinical judgment applying the restriction to the individual's medical circumstances or a statement that an explanation will be provided upon request and without charge;

(H) A discussion of the Administrator's decision, including an explanation for disagreeing with or declining to follow:

(1) The views presented by the Claimant to the Administrator of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant;

(2) The views of medical or vocational experts whose advice was obtained on behalf of the Administrator in connection with the Adverse Determination, without regard to whether the advice was relied upon in making the determination; or

(3) A Social Security Administration disability determination regarding the Claimant presented to the Administrator by the Claimant; and

(I) Either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the Adverse Determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria do not exist; and

(J) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim.

(b) Review Procedures.

(i) Benefit Claims that do not Require a Determination of Disability. Except for claims requiring an independent determination of a Participant's Disability status, a request for review of a denied claim must be made in writing to the Administrator within 60 days after receiving notice of denial. The decision upon review will be made within a reasonable time, but not later than 60 days after the Administrator's receipt of a request for review, unless special circumstances require an extension of time for processing, in which case a decision will be rendered not later than 120 days after receipt of a request for review. A notice of such an extension must be provided to the Claimant within the initial 60 day period and must explain the special circumstances and provide an expected date of decision.

The reviewer will afford the Claimant an opportunity to review and receive, without charge, all relevant documents, information and records and to submit documents, records, comments and other relevant information in writing to the Administrator. The reviewer will take into account all comments, documents, records and other information submitted by the Claimant relating to the claim regardless of whether the information was submitted or considered in the initial benefit determination.

(ii) Disability Claims. A request for review of an initial Adverse Determination regarding a Disability Claim must be submitted in writing to the Reviewer no later than 180 days after the Claimant receives the notice of initial Adverse Determination.

In addition to providing the Claimant the right to review documents and submit comments as described in (i) above, a review of a denial of a Disability Claim will meet the following requirements:

(A) The Administrator will provide a review that does not afford deference to the initial adverse benefit determination and that is conducted by an appropriate named fiduciary of the Plan who did not make the initial determination that is the subject of the appeal, nor is a subordinate of the individual who made the determination.

(B) The appropriate named fiduciary of the Plan will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment before making a decision on review of any adverse initial determination based in whole or in part on a medical judgment. The professional engaged for purposes of a consultation in the preceding sentence will not be an individual who was consulted in connection with the initial determination that is the subject of the appeal or the subordinate of any such individual.

(C) The Administrator will identify to the Claimant the medical or vocational experts whose advice was obtained on behalf of the Administrator in connection with the review, without regard to whether the advice was relied upon in making the benefit review determination.

(D) For Disability Claims, the Administrator will allow a Claimant to review the claim file and to present evidence and testimony as part of its internal claims and appeals process and will comply with the following requirements:

(1) The Administrator will provide the Claimant, without charge, any new or additional evidence considered, relied upon, or generated by or on behalf of the Administrator in connection with the claim as soon as possible and sufficiently in advance of the date on which the notice of final Adverse Determination is required to be provided under this Section (and applicable Regulations) to give the Claimant a reasonable opportunity to respond before that date; and

(2) Before the Administrator issues a final internal Adverse Determination based on a new or additional rationale, the Claimant will be provided, without charge, with the rationale for its decision as soon as possible and sufficiently in advance of the date on which the notice of final Adverse Determination is to be provided under this Section (and applicable Regulations) to give the Claimant a reasonable opportunity to respond before that date.

(iii) Deadline for Review Decisions for Disability Claims. For Disability Claims, the decision on review will be made within a reasonable time but not later than 45 days after the Reviewer receives a request for review, unless special circumstances require an extension of time for processing, in which case a decision will be rendered not later than 90 days after receipt of a request for review. A notice of such an extension will be provided to the Claimant within the initial 45 day period and will explain the special circumstances and provide an expected date of decision.

(iv) Manner and Content of Notice of Decision on Review. Upon completion of its review of an Adverse Determination, the Reviewer will provide the Claimant a written or electronic notice of its decision on review. For any Adverse Determination review that notice will include:

(A) A description of its decision;

(B) An explanation of the specific reasons for the decision;

(C) A reference to any relevant Plan provisions or insurance contract provisions on which its decision is based;

(D) A statement that the Claimant is entitled to receive, upon request and without charge, reasonable access to, and copies of, all documents, records and other information in the Administrator's files which is relevant to the Claimant's claim for benefits;

(E) A statement describing the Claimant's right to bring an action for judicial review under ERISA section 502(a) and a description of any time limit that applies under the Plan for bringing such an action (including, for Disability Claims, the date on which any applicable time limit for bringing such an action would expire); and

(F) If applicable, a statement describing any voluntary appeal procedures offered by the Plan and about the Claimant's rights to obtain information about such procedures.

In addition, for any notice of Adverse Determination regarding a Disability Claim:

(G) If the Adverse Determination on review is based on a medical necessity requirement, an experimental treatment exclusion or a similar restriction, either an explanation of the scientific or clinical judgment on which the determination was based, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that an explanation will be provided without charge upon request.

The notice of Adverse Determination will be provided in a culturally and linguistically appropriate manner in accordance with applicable Regulations or other authoritative guidance regarding such notices and also will include the following (in addition to the information in (A) through (G) above):

(H) A discussion of the Administrator's decision, including an explanation for disagreeing with or declining to follow:

(1) The views presented by the Claimant to the Administrator of health care professionals treating the Claimant and vocational professionals who evaluated the Claimant;

(2) The views of medical or vocational experts whose advice was obtained on behalf of the Administrator in connection with the Adverse Determination, without regard to whether the advice was relied upon in making the determination; or

(3) A Social Security Administration Disability determination regarding the Claimant presented to the Administrator by the Claimant; and

(I) Either the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the Adverse Determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria do not exist.

(c) Calculation of Time Periods. For purposes of the time periods specified in this Section, the period of time during which a benefit determination is required to be made begins at the time a claim is filed in accordance with the Plan procedures without regard to whether all the information necessary to make a decision accompanies the claim. If a time period is extended because a Claimant fails to submit all information necessary for an initial Disability Claim, the period for making the determination will be tolled from the date the notice requesting the additional information is sent to the Claimant until the day the Claimant responds. If a time period is extended because a Claimant fails to submit all information necessary for an appeal of an Adverse Determination, the period for making the determination on appeal will be tolled from the date the notice requesting the additional information is sent to the Claimant until the day the Claimant responds.

(d) Avoiding Conflicts of Interest. For Disability Claims, the Administrator will ensure that claims and appeals are adjudicated in a manner designed to ensure the

independence and impartiality of individuals involved in claims decisions. Decisions regarding hiring, compensation, termination, promotion, or similar matters will not be made based on the likelihood that any individual involved in making claims decisions will support the denial of benefits.

(e) Failure of Administrator to Follow Procedures. If the Administrator fails to follow the claims procedures required by this Section, a Claimant will be deemed to have exhausted the administrative remedies available under the Plan and will be entitled to pursue any available remedy under ERISA section 502(a) on the basis that the Administrator has failed to provide a reasonable claims procedure that would yield a decision on the merits of the claim.

For Disability Claims, a Claimant is deemed to have exhausted the Plan's internal claims and appeals process if the Administrator does not strictly adhere to the applicable requirements of Department of Labor Regulations section 2560.503-1 unless the Administrator's failure to adhere to those requirements is a "de minimis violation" (as defined in the next paragraph). In such cases, if a court rejects the Claimant's request for immediate review on the basis that the Administrator met the standards for the de minimis violation exception described above, the claim shall be considered as re-filed on appeal upon the Administrator's receipt of the decision of the court. In such cases, within a reasonable time after the Administrator's receipt of the decision, the Plan shall provide the Claimant with notice of the resubmission.

For purposes of this Article, the Administrator's failure to satisfy applicable claim procedure regulations is a "de minimis violation" if (i) the violation does not cause, and is not likely to cause, prejudice or harm to the Claimant, (ii) the violation was for good cause or due to matters beyond the control of the Administrator, (iii) the violation occurred in the context of an ongoing, good faith exchange of information between the Administrator and the Claimant and (iv) the violation is not part of a pattern or practice of violations by the Administrator. If an issue arises regarding whether this de minimis violation exception applies, a Claimant may request a written explanation of the violation from the Administrator, and the Administrator will provide the explanation within 10 days, including a specific description of its reasons, if any, for asserting that the violation should not cause the internal claims and appeals process to be deemed exhausted.

(f) Failure of Claimant to Follow Procedures. A Claimant's compliance with the foregoing provisions of this Section is a mandatory prerequisite to the Claimant's right to commence any legal action with respect to any claim for benefits under the Plan.

(g) Statute of Limitations. No legal action may be commenced or maintained to recover benefits under this Plan more than 12 months after the final review/appeal decision by the Administrator has been rendered.

ARTICLE 13
Trust

13.1 Establishment of the Trust. The Company may establish the Trust, in which event the Company intends, but is not required, to transfer over to the Trust at least annually such assets as the Company determines, in its sole discretion, are necessary to provide for its respective future liabilities created with respect to the Annual Deferral Amounts, Annual Company Make-Up Amounts and Annual Company Discretionary Amounts for the Participants.

13.2 Interrelationship of the Plan and the Trust. The provisions of the Plan and the Plan Agreement shall govern the rights of a Participant to receive distributions pursuant to the Plan. If the Trust is established, the provisions of the Trust shall govern the rights of the Company, Participants and the creditors of the Company to the assets transferred to the Trust. The Company shall at all times remain liable to carry out its obligations under the Plan.

13.3 Distributions from the Trust. If the Trust is established, the Company's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Company's obligations under this Plan.

ARTICLE 14
Miscellaneous

14.1 Status of Plan. The Plan is intended to be a plan that is not qualified within the meaning of Code Section 401(a) and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1). The Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent.

14.2 Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of the Company. For purposes of the payment of benefits under this Plan, any and all of the Company's assets shall be, and remain, the general, unpledged unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

14.3 Company's Liability. The Company's liability for the payment of benefits shall be defined only by the Plan and the Plan Agreement, as entered into between the Company and a Participant. The Company shall have no obligation to a Participant under the Plan except as expressly provided in the Plan and his or her Plan Agreement. Without limiting the generality of the foregoing, (i) neither the Company nor any of its affiliates or any of its or their directors, officers, employees or agents will be liable for any taxes, penalties or interest imposed on any Participant or other person with respect to any amounts paid or payable under the Plan, including any taxes, penalties or interest imposed under or as a result of Section 409A; and (ii) if incorrect payments are made by the Company to a Participant or his or her Beneficiary under the Plan, the Company shall have the right to recoup such overpayments from such Participant or Beneficiary.

14.4 Nonassignability. Subject to Sections 3.11 and 3.12, neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. Subject to Sections 3.12 and 14.15, no part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.

14.5 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and the Participant. Subject to any employment agreement to which the Company and the Participant may be parties, such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge the Participant at any time.

14.6 Furnishing Information. Each Participant, as a condition to his or her participation hereunder, agrees on, and by submission of, his or her Election Form that the Participant or his or her Beneficiary will cooperate with the Administrator by furnishing any and all information requested by the Administrator and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder.

14.7 Terms. Whenever any words are used herein in the masculine, they shall be construed as though they were in the feminine in all cases where they would so apply; and whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.

14.8 Captions. The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

14.9 Governing Law. Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of Maryland without regard to its conflicts of laws principles.

14.10 Notice. Any notice or filing required or permitted to be given to the Administrator under this Plan shall be sufficient if in writing and hand- delivered, or sent by registered or certified mail, to the address below:

Chief Human Resources Officer
Under Armour, Inc.
Tide Point 1020 Hull Street
Baltimore, Maryland 21230

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

14.11 Successors. The provisions of this Plan shall bind and inure to the benefit of the Company and its successors and assigns and the Participant and the Participant's designated Beneficiaries.

14.12 Spouse's Interest. The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.

14.13 Validity. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.

14.14 Incompetent. If the Administrator determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Administrator may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Administrator may

require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

14.15 Court Order. The Administrator is authorized to make any payments otherwise distributable hereunder as directed by court order in any action in which the Plan or the Administrator has been named as a party. In addition, if a court determines that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan in connection with a property settlement or otherwise, the Administrator, in its sole discretion but solely if and to the extent permitted by Section 409A, shall have the right, notwithstanding any election made by a Participant, to immediately distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to that spouse or former spouse.

14.16 Insurance. The Company, on its own behalf or on behalf of the trustee of the Trust (if any), and, in its sole discretion, may apply for and procure insurance on the life of the Participant, in such amounts and in such forms as the Company or the trustee of the Trust may choose. The Company or the trustee of the Trust, as the case may be, shall be the sole owner and beneficiary of any such insurance. The Participant shall have no interest whatsoever in any such policy or policies, and at the request of the Company and in order to satisfy the notice and consent requirements of Code Section 101(j)(4) or any applicable State insurance law requirements, shall supply such information and execute such documents as may be required by the insurance company or companies to whom the Company (or the trustee of the Trust) has applied for insurance.

14.17 Aggregation of Employers. If the Company is a member of a controlled group of corporations or a group of trades or business under common control (as described in Code Section 414(b) or (c), but substituting a fifty percent (50%) ownership level for the eighty percent (80%) level set forth in those Code Sections), all members of the group shall be treated as a single Company for purposes of whether there has occurred a Separation from Service and for any other purposes under the Plan as Section 409A shall require. For purposes of Section 9.1, in the case of a change in control event, the entities to be treated as a single Company shall be determined immediately following the change in control event.

14.18 Aggregation of Plans. If the Company offers other account balance deferred compensation plans in addition to the Plan, those plans together with the Plan shall be treated as a single plan to the extent required under Section 409A for purposes of determining whether an Employee may make a deferral election pursuant to Section 3.3(a) within thirty (30) days of becoming eligible to participate in the Plan, for purposes of cashing out de minimis amounts pursuant to Section 11.16 and for any other purposes under the Plan as Section 409A shall require.

14.19 USERRA. Notwithstanding anything herein to the contrary, any deferral or distribution election provided to a Participant as necessary to satisfy the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended, shall be permissible hereunder.

14.20 Acceleration of Distribution. The Company may, in its sole discretion (without any direct or indirect election on the part of any Participant), accelerate the date of distribution or commencement of distributions hereunder, or accelerate installment payments by paying the vested Account Balance in a lump sum or pursuant to a Yearly Installment Method using fewer years, to the extent permitted under Section 409A (such as, for example, as provided in Section 1.409A-3(j)(4) of the Treasury regulations, to comply with domestic relations orders or certain conflict of interest rules, to pay employment taxes, to make a lump sum cashout of certain de minimus amounts that are less than the applicable dollar amount under Code Section 402(g)(1)(B), or to make payments upon income inclusion under Section 409A).

If the Trust is established and the Trust terminates in accordance with the provisions of the Trust and benefits are distributed from the Trust to a Participant in accordance with such provisions, the Participant's benefits under this Plan shall be reduced to the extent of such distributions.

14.21 Delay in Payment. If the Administrator reasonably anticipates that any payment scheduled to be made hereunder would violate securities laws (or other applicable laws) or jeopardize the ability of the Company to continue as a going concern if paid as scheduled, then the Administrator may defer that payment, provided the Company treats payments to all similarly situated Participants on a reasonably consistent basis. In addition, the Company may, in its discretion, delay a payment upon such other events and conditions as the Internal Revenue Service may prescribe, provided the Company treats payments to all similarly situated Participants on a reasonably consistent basis. Any amounts deferred pursuant to this Section shall continue to be credited or debited with additional amounts in accordance with Section 3.9 above, even if such amount is being paid out in installments. The amounts so deferred and amounts credited or debited thereon shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date on which the Administrator reasonably anticipates that such violation or material harm would be avoided or as otherwise prescribed by the Internal Revenue Service.

IN WITNESS WHEREOF, the Company has adopted this amendment and restatement of the Plan effective as of July 1, 2018.

UNDER ARMOUR, INC.

By: /s/ Michele Campion

Title: Chief Human Resources Officer

Exhibit 10.13

SECOND AMENDED AND RESTATED 2005 OMNIBUS
LONG-TERM INCENTIVE PLAN

TIME BASED OPTION GRANT AGREEMENT

THIS AGREEMENT, made as of this ____ day of ____________________, 20__, (the "Agreement") between UNDER ARMOUR, INC. (the "Company") and Kevin Plank (the "Grantee").

WHEREAS, the Company has adopted the Second Amended and Restated 2005 Omnibus Long-Term Incentive Plan as amended (the "Plan"), which has been delivered or made available to Grantee, to promote the interests of the Company and its stockholders by providing the Company's key employees and others with an appropriate incentive to encourage them to continue in the employ of the Company and to improve the growth and profitability of the Company; and

WHEREAS, the Plan provides for the Grant to Grantees in the Plan of Options to purchase shares of the Company's Class C Shares ("Class C Stock");

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. Grant of Options. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Grantee a non-qualified stock option (the "Option") with respect to ________ shares of the Company's Class C Stock.

2. Grant Date. The Grant Date of the Option hereby granted is ____________, 20__.

3. Incorporation of the Plan. All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of this Agreement, as interpreted by the Board, or a Committee thereof, shall govern. Unless otherwise indicated herein, all capitalized terms used herein shall have the meanings given to such terms in the Plan.

4. Option Price. The exercise price per share of Class C Stock underlying the Option granted hereby is $______________.

5. Vesting of Awards. (a) Except as provided in Sections 5(b) or 8 below, the Option shall vest in four equal annual installments on each February 15th beginning February 15, 20__; provided that (i) the Grantee remains continuously employed by the Company through each such applicable vesting date, and (ii) the Grantee has duly executed this Agreement prior to the first such vesting date.

(b) Notwithstanding Section 5(a), in the event that the Grantee's employment is terminated in the event of the Grantee's death or Disability at any time, all unvested Options shall immediately vest on such date of termination and the Options shall terminate one hundred eighty (180) days following such termination of employment.

6. Change in Control.

a. In the event of a Change in Control in which the Options will not be continued, assumed or substituted with Substitute Awards (as defined below), all of the Options will vest on the day immediately prior to the date of the Change in Control.

b. In the event of a Change in Control in which the Options will be continued, assumed or substituted with Substitute Awards, any Substitute Awards shall vest on the dates set forth in Section 5(a) or 5(b) of this Agreement.

c. If the Options are substituted with Substitute Awards as set forth in Section 6(b) above, and within 12 months following the Change in Control the Grantee is terminated by the Successor (or an affiliate thereof) without Cause or resigns for Good Reason, the Substitute Awards shall immediately vest upon such termination or resignation; provided, however, that if the Company determines that the Grantee is a "specified employee" within the meaning of Section 409A, then to the extent any payment under this Agreement on account of the Grantee's separation from service would be considered nonqualified deferred compensation under Section 409A, such payment shall be delayed until the earlier of (i) the date that is six months and one day after the date of such separation from employment, or (ii) the date of Grantee's death.

d. The following definitions shall apply to this Section 6:

i. "Cause" shall mean the occurrence of any of the following: (a) the Grantee's material misconduct or neglect in the performance of his or her duties; (b) the Grantee's commission of any felony; offense punishable by imprisonment in a state or federal penitentiary; any offense, civil or criminal, involving material dishonesty, fraud, moral turpitude or immoral conduct; or any crime of sufficient import to potentially discredit or adversely affect the Company's ability to conduct its business in the normal course; (c) the Grantee's material breach of the Company's written Code of Conduct, as in effect from time to time; (d) the Grantee's commission of any act that results in severe harm to the Company excluding any act taken by the Grantee in good faith that he or she reasonably believed was in the best interests of the Company; or (e) the Grantee's material breach of the Employee Confidentiality, Non-Competition and Non-Solicitation Agreement by and between Grantee and the Company attached hereto as Attachment A. However, none of the foregoing events or conditions will constitute Cause unless the Company provides Grantee with written notice of the event or condition and thirty (30) days to cure such event or condition (if curable) and the event or condition is not cured within such 30-day period.

ii. "Good Reason" shall mean the occurrence of any of the following events: (a) a diminishment in the scope of the Grantee's duties or responsibilities with the Company; (b) a reduction in the Grantee's current base salary, bonus opportunity or a material reduction in the aggregate benefits or perquisites; or (c) a requirement that the Grantee relocate more than fifty (50) miles from his or her primary place of business as of the date of a Change in Control, or a significant increase in required travel as part of the Grantee's duties and responsibilities with the Company. However, none of the foregoing events or conditions will constitute Good Reason unless (i) Grantee provides the Company with written objection to the event or condition within ninety (90) days following the occurrence thereof, (ii) the

Company does not reverse or otherwise cure the event or condition within thirty (30) days of receiving such written objection, and (iii) Grantee resigns his or her employment within thirty (30) days following the expiration of such cure period.

iii. An award will qualify as a "Substitute Award" if it is assumed, substituted or replaced by the Successor with awards that, solely in the discretion of the Compensation Committee of the Board, preserves the existing value of the outstanding Options at the time of the Change in Control and provides vesting and other material terms that are at least as favorable to Grantee as the vesting and other material terms applicable to the Options.

iv. "Successor" shall mean the continuing or successor organization, as the case may be, following the Change in Control.

1. Term. Unless the Option has earlier terminated pursuant to the provisions of this Agreement or the Plan, all unexercised portions of the Option shall terminate, and all rights to purchase shares of Class C Stock thereunder shall cease, upon the expiration of ten years from the Grant Date.

2. Termination of Service.

(a) Termination of Service for Cause. Unless the Option has earlier terminated pursuant to the provisions of this Agreement or the Plan, all unexercised portions of the Option, whether vested or unvested, will terminate and be forfeited upon a termination of the Grantee's Service for Cause (as defined above).

(b) Termination of Service other than for Cause, Death or Disability. Unless the Option has earlier terminated pursuant to the provisions of this Agreement or the Plan, the vested portion of the Option shall terminate thirty (30) days following the termination of the Grantee's Service for any other reason other than for Cause, death or Disability.

(c) Post Termination Exercise. The Grantee (or the Grantee's guardian, legal representative, executor, personal representative or the person to whom the Option shall have been transferred by will or the laws of descent and distribution, as the case may be) may exercise all or any part of the vested portion of the Option during such post termination of employment period, but not later than the end of the term of the Option. Any portion of the Option which is unvested as of the date of termination of service shall immediately terminate.

3. Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of any similar breach or default thereafter occurring nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party or any provisions or conditions of this Agreement, shall be in writing and shall be effective only to the extent specifically set forth in such writing.

4. Transferability of Options. During the lifetime of the Grantee, only the Grantee or a Family Member who received all or part of the Option, not for value, (or, in the event of legal incapacity or incompetence, the Grantee's guardian or legal representative) may exercise the Option. The Option shall not be assignable or transferable by the Grantee other than to a Family Member, not for value, or by will or the laws of descent and distribution.

5. Manner of Exercise. The vested portion of the Option may be exercised, in whole or in part, by delivering written notice to the Stock Option Administrator designated by the Company. Such notice may be in electronic or other form as used by the Stock Option Administrator in its ordinary course of business and as may be amended from time to time, and shall:

(a) state the election to exercise the Option and the number of shares in respect of which it is being exercised;

(b) be accompanied by (i) cash, check, bank draft or money order in the amount of the Option Price payable to the order of the Stock Option Administrator designated by the Company; or (ii) certificates for shares of the Company's Class C Stock (together with duly executed stock powers) or other written authorization as may be required by the Company to transfer shares of such Class C Stock to the Company, with an aggregate value equal to the Option Price of the Class C Stock being acquired; or (iii) a combination of the consideration described in clauses (i) and (ii). Grantee may transfer Class C Stock to pay the Option Price for Class C Stock being acquired pursuant to clauses (ii) and (iii) above only if such transferred Class C Stock (x) was acquired by the Grantee in open market transactions, (y) has been owned by Grantee for longer than six months, and (z) the Grantee is not subject to any other restrictions on transferring Company securities pursuant to Company policy or federal law.

In addition to the exercise methods described above and subject to other restrictions which may apply, the Grantee may exercise the Option through a procedure known as a "cashless exercise," whereby the Grantee delivers to the Stock Option Administrator designated by the Company an irrevocable notice of exercise in exchange for the Company issuing shares of the Company's Class C Stock subject to the Option to a broker previously designated or approved by the Company, versus payment of the Option Price by the broker to the Company, to the extent permitted by the Committee or the Company and subject to such rules and procedures as the Committee or the Company may determine. Grantee may elect to satisfy any tax withholding obligations due upon exercise of the Option, in whole or in part, by delivering to the Company shares of Class C Stock otherwise deliverable upon exercise of the Option as provided under the Plan.

6. Integration. This Agreement and the Plan contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein and in the Plan. This Agreement and the Plan supersede all prior agreements and understandings between the parties with respect to its subject matter.

7. Data Privacy. In order to administer the Plan, the Company may process personal data about Grantee. Such data includes but is not limited to the information provided in this Agreement and any changes thereto, other appropriate personal and financial data about the Grantee such as home address and business address and other contact information, payroll information and any other information that might be deemed appropriate by the Company to facilitate the administration of the Plan. By accepting this grant, Grantee gives explicit consent to the Company to process any such personal data. Grantee also gives explicit consent to the Company to transfer any such personal data outside the country in which Grantee works or is employed, including, with respect to non-U.S. resident Grantees, to the United States, to transferees who shall include the Company and other persons who are designated by the Company to administer the Plan.

8. Electronic Delivery. The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant Grantee agrees that the Company may deliver the Plan prospectus and the Company's annual report to Grantee in an electronic format. If at any time Grantee would prefer to receive paper copies of these documents, as Grantee is entitled to receive, the Company would be pleased to provide copies. Grantee should contact ____________________________ to request paper copies of these documents.

9. Counterparts; Electronic Signature. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. This Agreement may be signed by the Company through application of an authorized officer's signature, and may be signed by Grantee through an electronic signature.

10. Governing Law; Venue. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Maryland, without regard to the provisions governing conflict of laws. For purposes of litigating any dispute that arises under this Award of Options or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Maryland, and agree that such litigation will be conducted in the jurisdiction and venue of the United States District Court for the District of Maryland or, in the event such jurisdiction is not available, any of the appropriate courts of the State of Maryland, and no other courts.

11. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

12. Grantee Acknowledgment. The Grantee hereby acknowledges receipt of a copy of the Plan. The Grantee hereby acknowledges that all decisions, determinations and interpretations of the Board, or a Committee thereof, in respect of the Plan, this Agreement and this Award of Options shall be final and conclusive.

The Company has caused this Agreement to be duly executed by its duly authorized officer and said Grantee has hereunto signed this Agreement on the Grantee's own behalf, thereby representing that the Grantee has carefully read and understands this Agreement and the Plan as of the day and year first written above.

UNDER ARMOUR, INC.

By:___________________________________

GRANTEE

____

Attachment A

[Attachment A, the Confidentiality, Non-Competition and Non-Solicitation Agreement by and between the Company and Kevin Plank, has been separately filed as Appendix E to the Preliminary Proxy Statement filed by the Company on June 15, 2015, and the Amendment thereto has been separately filed as Exhibit 10.03 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016.]

Exhibit 10.18

SECOND AMENDED AND RESTATED 2005 OMNIBUS
LONG-TERM INCENTIVE PLAN

PERFORMANCE BASED OPTION GRANT AGREEMENT

THIS AGREEMENT, made as of this ____ day of ____________________, 20__, (the "Agreement") between UNDER ARMOUR, INC. (the "Company") and Kevin Plank (the "Grantee").

WHEREAS, the Company has adopted the Second Amended and Restated 2005 Omnibus Long-Term Incentive Plan as amended (the "Plan"), which has been delivered or made available to Grantee, to promote the interests of the Company and its stockholders by providing the Company's key employees and others with an appropriate incentive to encourage them to continue in the employ of the Company and to improve the growth and profitability of the Company; and

WHEREAS, the Plan provides for the Grant to Grantees in the Plan of Options to purchase shares of the Company's Class C Shares (the "Class C Stock");

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. Grant of Options. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Grantee a non-qualified stock option with respect to ________ shares of the Company's Class C Stock (collectively, the "Option" or "Options"). The actual number of options earned will be 0% to 200% of this target number of Options depending on the achievement of applicable performance metrics as provided herein.

2. Grant Date. The Grant Date of the Option hereby granted is ____________, 20__.

3. Incorporation of the Plan. All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of this Agreement, as interpreted by the Board, or a Committee thereof, shall govern. Unless otherwise indicated herein, all capitalized terms used herein shall have the meanings given to such terms in the Plan.

4. Option Price. The exercise price per share of Class C Stock underlying the Option granted hereby is $______________.

5. Calculation of Earned Options. Grantee is eligible to earn between 0% and 200% of the Options, with 100% representing the "Target" amount of Options, and 200% representing the "Stretch" amount of Options. The number of Options ultimately earned will depend on the extent to which the applicable performance metrics, Operating Income and Net Revenue, are satisfied during the Performance Period. The Options will be earned based upon the Company's level of Operating Income and Net Revenue achieved during the Performance Period as determined in accordance with Exhibit 1 (the "Earned Options"). The Earned Options will vest only to the extent the Grantee also satisfies the employment service requirements set forth in Section 6 below. Any Options granted to the Grantee that are determined not to be Earned Options will be forfeited as of the date of the Compensation Committee Certification. Exhibit 1 is attached to this Agreement and incorporated herein and made a part hereof as if stated herein.

6. Vesting of Awards.

a. Vesting. Except as provided in Sections 6(b) or 9 below, the Earned Options will vest in three equal annual installments on February 15, 20__ (or if later, the date of the Compensation Committee Certification), February 15, 20__ and February 15, 20__ with the first two installments rounded up or down to the nearest whole share and the third installment including the remaining shares, provided (i) the Grantee remains employed by the Company on each such vesting date, and (ii) the Grantee has duly executed this Agreement prior to the first such vesting date. Any portion of the Options granted to a Grantee that are determined not to be Earned Options shall be forfeited as of the date of the Compensation Committee Certification. Except as provided in Section 6(b), all unvested Earned Options will be automatically forfeited if the Grantee terminates employment for any reason prior to the vesting dates set forth in this Section 6(a).

b. Special Vesting Upon Death and Disability: Notwithstanding Section 6(a), in the event that the Grantee's employment with Company is terminated upon the occurrence of an event specified in sub-clauses (i) or (ii) below, the Options or Earned Options, as applicable, shall vest on the dates specified below:

(i) In the event the Grantee's death or Disability occurs prior to the Compensation Committee Certification, 100% of the Options will vest on such date of termination, and the Options shall terminate one hundred eighty (180) days following such termination of employment;

(ii) In the event the Grantee's death or Disability occurs following the Compensation Committee Certification, 100% of the Earned Options shall immediately vest on such date of termination, and the Options shall terminate one hundred eighty (180) days following such termination of employment;

c. As used in this Section 6, the following terms have the following meanings:

i. "Compensation Committee Certification" shall mean the certification in writing by the Compensation Committee of the Board with respect the Company's Operating Income and Net Revenue performance for the Performance Period, which certification determines the number of Earned Options that are eligible to vest pursuant to Section 6. Upon such certification, any Options that are determined not to be Earned Options shall be immediately forfeited.

ii. "Net Revenue" shall mean net revenues as such term is calculated and reported in the Company's audited financial statements prepared in accordance with generally accepted accounting principles. The Compensation Committee's evaluation of Net Revenue shall exclude the impact of any generally accepted accounting principle changes implemented after the date hereof.

iii. "Operating Income" shall mean the Company's income from operations as reported in the Company's audited financial statements prepared in accordance with generally accepted accounting principles. The Compensation Committee's evaluation of Operating Income shall exclude the impact of any generally accepted accounting principle changes implemented after the date hereof. In addition, in accordance with Section 17.3.4 of the Plan, the following impacts of acquisitions and divestitures shall be excluded from the Compensation Committee's evaluation of the Operating Income: (A)

goodwill impairment charges related to any acquisition or divestiture, (B) non-capitalized deal costs related to any acquisition completed during the Performance Period, and (C) the amortization of intangible assets acquired in any acquisition completed during the Performance Period. Further, in accordance with Section 17.3.4 of the Plan, the following items shall be excluded in the Compensation Committee's evaluation of the Operating Income: (A) any costs, expenses or losses incurred by the Company during the Performance Period as a result of any particular litigation, investigation, claim, judgment or settlement (a "Litigation Matter") to the extent such costs, expenses or losses related to the particular Litigation Matter or series of related Litigation Matters exceed $1.0 million, (B) any foreign exchange losses incurred by the Company during the Performance Period arising from the impact of foreign currency translation (such losses, "Translation Costs") but only to the extent that the Translation Costs result from foreign currency translation rates differing from those utilized by the Company at the time the Operating Income thresholds are established for purposes of this Agreement, and are greater than the Translation Costs that would have resulted under such currency translation rates, (C) any impairment charges related to the write-down of the Company's accounts receivable asset due to the bankruptcy of a customer of the Company to the extent such impairment charges exceed $1.0 million, and (D) any restructuring program charges incurred by the Company during the Performance Period, and any asset write-downs implemented in connection therewith.

(iv) "Performance Period" shall mean the Company's fiscal years 20__ and 20__.

1. Change in Control.

a. In the event of a Change in Control in which the Options will not be continued, assumed or substituted with Substitute Awards (as defined below), (i) if the Change in Control occurs after the Compensation Committee Certification, 100% of the Earned Options shall vest on the day immediately prior to the date of the Change in Control, and (ii) if the Change in Control occurs prior to the Compensation Committee Certification, 100% of the Options will vest on the day immediately prior to the date of the Change in Control.

b. In the event of a Change in Control in which the Options will be continued, assumed or substituted with Substitute Awards, (i) if the Change in Control occurs prior to Compensation Committee Certification, the number of such Substitute Awards shall be equivalent to 100% of the Options, and shall vest in the percentages and on the dates set forth in Section 6(a) or 6(b) of this Agreement, and (ii) if the Change in Control occurs after the Compensation Committee Certification, the number of such Substitute Awards shall be equivalent to 100% of the Earned Options determined under Section 5, and shall vest in the percentages and on the dates set forth in Section 6(a) or 6(b) of this Agreement

c. If the Options are substituted with Substitute Awards as set forth in Section 7(b) above, and within 12 months following the Change in Control the Grantee is terminated by the Successor (or an affiliate thereof) without Cause or resigns for Good Reason, the Substitute Awards shall immediately vest upon such termination or resignation; provided, however, that if the Company determines that the Grantee is a "specified employee" within the meaning of Section 409A, then to the extent any payment under this Agreement on account of the Grantee's separation from service would be considered nonqualified deferred compensation under Section 409A, such payment shall be delayed until the earlier of (i) the date that is six months and one day after the date of such separation from employment, or (ii) the date of Grantee's death.

d. The following definitions shall apply to this Section 7:

i. "Cause" shall mean the occurrence of any of the following: (a) the Grantee's material misconduct or neglect in the performance of his or her duties; (b) the Grantee's commission of any felony; offense punishable by imprisonment in a state or federal penitentiary; any offense, civil or criminal, involving material dishonesty, fraud, moral turpitude or immoral conduct; or any crime of sufficient import to potentially discredit or adversely affect the Company's ability to conduct its business in the normal course; (c) the Grantee's material breach of the Company's written Code of Conduct, as in effect from time to time; (d) the Grantee's commission of any act that results in severe harm to the Company excluding any act taken by the Grantee in good faith that he or she reasonably believed was in the best interests of the Company; or (e) the Grantee's material breach of the Employee Confidentiality, Non-Competition and Non-Solicitation Agreement by and between Grantee and the Company attached hereto as Attachment A. However, none of the foregoing events or conditions will constitute Cause unless the Company provides Grantee with written notice of the event or condition and thirty (30) days to cure such event or condition (if curable) and the event or condition is not cured within such 30-day period.

ii. "Good Reason" shall mean the occurrence of any of the following events: (a) a diminishment in the scope of the Grantee's duties or responsibilities with the Company; (b) a reduction in the Grantee's current base salary, bonus opportunity or a material reduction in the aggregate benefits or perquisites; or (c) a requirement that the Grantee relocate more than fifty (50) miles from his or her primary place of business as of the date of a Change in Control, or a significant increase in required travel as part of the Grantee's duties and responsibilities with the Company. However, none of the foregoing events or conditions will constitute Good Reason unless (i) Grantee provides the Company with written objection to the event or condition within ninety (90) days following the occurrence thereof, (ii) the Company does not reverse or otherwise cure the event or condition within thirty (30) days of receiving such written objection, and (iii) Grantee resigns his or her employment within thirty (30) days following the expiration of such cure period.

iii. An award will qualify as a "Substitute Award" if it is assumed, substituted or replaced by the Successor with awards that, solely in the discretion of the Compensation Committee of the Board, preserves the existing value of the outstanding Options at the time of the Change in Control and provides vesting and other material terms that are at least as favorable to Grantee as the vesting and other material terms applicable to the Options.

iv. "Successor" shall mean the continuing or successor organization, as the case may be, following the Change in Control.

1. Term. Unless the Option has earlier terminated pursuant to the provisions of this Agreement or the Plan, all unexercised portions of the Option shall terminate, and all rights to purchase shares of Class C Stock thereunder shall cease, upon the expiration of ten years from the Grant Date.

2. Termination of Service.

(a) Termination of Service for Cause. Unless the Option has earlier terminated pursuant to the provisions of this Agreement or the Plan, all unexercised portions of the Option, whether vested or unvested, will terminate and be forfeited upon a termination of the Grantee's Service for Cause (as defined above).

(b) Termination of Service other than for Cause, Death or Disability. Unless the Option has earlier terminated pursuant to the provisions of this Agreement or the Plan, the vested portion of the Option shall terminate thirty (30) days following the termination of the Grantee's Service for any other reason other than for Cause, death or Disability.

(c) Post Termination Exercise. The Grantee (or the Grantee's guardian, legal representative, executor, personal representative or the person to whom the Option shall have been transferred by will or the laws of descent and distribution, as the case may be) may exercise all or any part of the vested portion of the Option during such post termination of employment period, but not later than the end of the term of the Option. Any portion of the Option which is unvested as of the date of termination of service shall immediately terminate.

3. Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of any similar breach or default thereafter occurring nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party or any provisions or conditions of this Agreement, shall be in writing and shall be effective only to the extent specifically set forth in such writing.

4. Transferability of Options. During the lifetime of the Grantee, only the Grantee or a Family Member who received all or part of the Option, not for value, (or, in the event of legal incapacity or incompetence, the Grantee's guardian or legal representative) may exercise the Option. The Option shall not be assignable or transferable by the Grantee other than to a Family Member, not for value, or by will or the laws of descent and distribution.

5. Manner of Exercise. The vested portion of the Option may be exercised, in whole or in part, by delivering written notice to the Stock Option Administrator designated by the Company. Such notice may be in electronic or other form as used by the Stock Option Administrator in its ordinary course of business and as may be amended from time to time, and shall:

(a) state the election to exercise the Option and the number of shares in respect of which it is being exercised;

(b) be accompanied by (i) cash, check, bank draft or money order in the amount of the Option Price payable to the order of the Stock Option Administrator designated by the Company; or (ii) certificates for shares of the Company's Class C Stock (together with duly executed stock powers) or other written authorization as may be required by the Company to transfer shares of such Class C Stock to the Company, with an aggregate value equal to the Option Price of the Class C Stock being acquired; or (iii) a combination of the consideration described in clauses (i) and (ii). Grantee may transfer Class C Stock to pay the Option Price for Class C Stock being acquired pursuant to clauses (ii) and (iii) above only if such transferred Class C Stock (x) was acquired by the Grantee in open market transactions, (y) has been owned by Grantee for longer than six months, and (z) the Grantee is not subject to any other restrictions on transferring Company securities pursuant to Company policy or federal law.

In addition to the exercise methods described above and subject to other restrictions which may apply, the Grantee may exercise the Option through a procedure known as a "cashless exercise," whereby the Grantee delivers to the Stock Option Administrator designated by the Company an irrevocable notice of exercise in exchange for the Company issuing shares of the Company's Class C Stock subject to the Option to a broker previously designated or approved by the Company, versus payment of the Option Price by the broker to the Company, to the extent permitted by the Committee or the Company and subject to such rules and procedures as the Committee or the Company may determine. Grantee may elect to satisfy any tax withholding obligations due upon exercise of the Option, in whole or in part, by delivering to the Company shares of Class C Stock otherwise deliverable upon exercise of the Option as provided under the Plan.

6. Integration. This Agreement and the Plan contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein and in the Plan. This Agreement and the Plan supersede all prior agreements and understandings between the parties with respect to its subject matter.

7. Data Privacy. In order to administer the Plan, the Company may process personal data about Grantee. Such data includes but is not limited to the information provided in this Agreement and any changes thereto, other appropriate personal and financial data about the Grantee such as home address and business address and other contact information, payroll information and any other information that might be deemed appropriate by the Company to facilitate the administration of the Plan. By accepting this grant, Grantee gives explicit consent to the Company to process any such personal data. Grantee also gives explicit consent to the Company to transfer any such personal data outside the country in which Grantee works or is employed, including, with respect to non-U.S. resident Grantees, to the United States, to transferees who shall include the Company and other persons who are designated by the Company to administer the Plan.

8. Electronic Delivery. The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant Grantee agrees that the Company may deliver the Plan prospectus and the Company's annual report to Grantee in an electronic format. If at any time Grantee would prefer to receive paper copies of these documents, as Grantee is entitled to receive, the Company would be pleased to provide copies. Grantee should contact ____________________________ to request paper copies of these documents.

9. Counterparts; Electronic Signature. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. This Agreement may be signed by the Company through application of an authorized officer's signature, and may be signed by Grantee through an electronic signature.

10. Governing Law; Venue. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Maryland, without regard to the provisions governing conflict of laws. For purposes of litigating any dispute that arises under this Award of Options or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Maryland, and agree that such litigation will be conducted in the jurisdiction and venue of the United States District Court for the District of Maryland or, in the event such jurisdiction is not available, any of the appropriate courts of the State of Maryland, and no other courts.

11. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

12. Grantee Acknowledgment. The Grantee hereby acknowledges receipt of a copy of the Plan. The Grantee hereby acknowledges that all decisions, determinations and interpretations of the Board, or a Committee thereof, in respect of the Plan, this Agreement and this Award of Options shall be final and conclusive.

The Company has caused this Agreement to be duly executed by its duly authorized officer and said Grantee has hereunto signed this Agreement on the Grantee's own behalf, thereby representing that the Grantee has carefully read and understands this Agreement and the Plan as of the day and year first written above.

UNDER ARMOUR, INC.

By:__________________________________

GRANTEE

____

EXHIBIT 1
PERFORMANCE METRICS SCHEDULE

			2-Year Operating Income Goal					
			BELOW TARGET			***TARGET***	***STRETCH OPPORTUNITY***	
			Less than $__	***$__ to less than $__***	***$__ to less than $__***	***$__ to less than $__***	***$__ to less than $__***	***$__ or greater***
2-Year Net Revenue Goal	***BELOW TARGET***	***Less than $__***	0%	25%	37.5%	50%	75%	100%
		$__ to less than $__	25%	**50%**	62.5%	75%	100%	125%
		$__ to less than $__	37.5%	62.5%	75%	87.5%	112.5%	137.5%
	TARGET	***$__ to less than $__***	50%	75%	87.5%	**100%**	125%	150%
	STRETCH OPPORTUNITY	***$__ billion to less than $__ billion***	75%	100%	112.5%	125%	150%	175%
		$__ billion or greater	100%	125%	137.5%	150%	175%	**200%**

Example 1: Grantee is awarded 10,000 Options. For the Performance Period, the Company achieves Net Revenues of $___ billion and Operating Income of $___ million. Based on the above chart, Grantee will earn 8,750 Earned Options (10,000 x 87.5%).*

Example 2: Grantee is awarded 10,000 Options. For the Performance Period, the Company achieves Net Revenues of $___ billion and Operating Income of $___ million. Based on the above chart, Grantee will earn 11,250 Earned Options (10,000 x 112.5%).*

*Examples are provides solely for illustrative purposes. Actual performance is uncertain.

Attachment A

[Attachment A, the Confidentiality, Non-Competition and Non-Solicitation Agreement by and between the Company and Kevin Plank, has been separately filed as Appendix E to the Preliminary Proxy Statement filed by the Company on June 15, 2015, and the Amendment thereto has been separately filed as Exhibit 10.03 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016.]

Exhibit 10.21

**SECOND AMENDED AND RESTATED 2005 OMNIBUS
LONG-TERM INCENTIVE PLAN**

PERFORMANCE BASED RESTRICTED STOCK UNIT GRANT AGREEMENT

THIS AGREEMENT, made as of this ____ day of ____________________, 20__, (the "Agreement") between UNDER ARMOUR, INC. (the "Company") and _____________________________ (the "Grantee").

WHEREAS, the Company has adopted the Second Amended and Restated 2005 Omnibus Long-Term Incentive Plan, as amended (the "Plan"), which has been delivered or made available to Grantee, to promote the interests of the Company and its stockholders by providing the Company's key employees and others with an appropriate incentive to encourage them to continue in the employ of the Company and to improve the growth and profitability of the Company; and

WHEREAS, the Plan provides for the Grant to Grantees in the Plan of restricted share units for shares of the Company's Class C Shares (the "Class C Stock");

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. Investment. The Grantee represents that the Restricted Stock Units (as defined herein) are being acquired for investment and not with a view toward the distribution thereof.

2. Grant of Restricted Stock Units. Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Grantee an Award of Restricted Stock Units for ________ shares of the Company's Class C Stock (collectively, the "Restricted Stock Units"). The actual number of shares earned will be 0% to 200% of this target number of Restricted Stock Units depending on the achievement of applicable performance metrics as provided herein. The Purchase Price for the Restricted Stock Units shall be paid by the Grantee's services to the Company.

3. Grant Date. The Grant Date of the Restricted Stock Units hereby granted is ____________, 20__.

4. Incorporation of the Plan. All terms, conditions and restrictions of the Plan are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Plan and this Agreement, the terms and conditions of this Agreement, as interpreted by the Board, or a Committee thereof, shall govern. Unless otherwise indicated herein, all capitalized terms used herein shall have the meanings given to such terms in the Plan.

5. Calculation of Earned Restricted Stock Units. Grantee is eligible to earn between 0% and 200% of the Restricted Stock Units, with 100% representing the “Target” amount of Restricted Stock Units, and 200% representing the “Stretch” amount of Restricted Stock Units. The number of Restricted Stock Units ultimately earned will depend on the extent to which the applicable performance metrics, Operating Income and Net Revenue, are satisfied during the Performance Period. The Restricted Stock Units will be earned based upon the Company’s level of Operating Income and Net Revenue achieved during the Performance Period as determined in accordance with Exhibit 1 (the “Earned RSUs”). The Earned RSUs will vest only to the extent the Grantee also satisfies the employment service requirements set forth in Section 6 below. Any Restricted Stock Units granted to the Grantee that are determined not to be Earned RSUs will be forfeited as of the date of the Compensation Committee Certification. Exhibit 1 is attached to this Agreement and incorporated herein and made a part hereof as if stated herein.

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6. Vesting and Settlement of Awards.

a. Vesting. Except as provided in Section 6(b) below, the Earned RSUs will vest in three equal annual installments on February 15, 20__ (or if later, the date of the Compensation Committee Certification), February 15, 20__ and February 15, 20__, with the first two installments rounded up or down to the nearest whole share and the third installment including the remaining shares, provided (i) the Grantee remains employed by the Company on each such vesting date, and (ii) the Grantee has duly executed this Agreement prior to the first such vesting date. Any portion of the Restricted Stock Units granted to a Grantee that are determined not to be Earned RSUs shall be forfeited as of the date of the Compensation Committee Certification. Except as provided in Section 6(b), all unvested Earned RSUs will be automatically forfeited if the Grantee terminates employment for any reason prior to the vesting dates set forth in this Section 6(a).

b. Special Vesting Upon Death, Disability and Retirement: Notwithstanding Section 6(a), in the event that the Grantee's employment with Company is terminated upon the occurrence of an event specified in sub-clauses (i) through (iv) below, the Restricted Stock Units or Earned RSUs, as applicable, shall vest on the dates specified below:

(i) In the event the Grantee's death or Disability occurs prior to the Compensation Committee Certification, 100% of the Restricted Stock Units will vest on such date of termination;

(ii) In the event the Grantee's death or Disability occurs following the Compensation Committee Certification, 100% of the Earned RSUs shall immediately vest on such date of termination;

(iii) In the event the Grantee's Retirement occurs prior to the Compensation Committee Certification, all of the Restricted Stock Units shall expire and immediately be forfeited as of such date of termination; and

(iv) In the event the Grantee's Retirement occurs following the Compensation Committee Certification, 100% of the Earned RSUs shall immediately vest on such date of termination.

c. Settlement of Awards: On the first business day after each vesting date described in Sections 6(a) or 6(b), as applicable, the Company shall deliver to Grantee the shares of the Company's Class C Stock to which his or her vested Restricted Stock Units or Earned RSUs, as applicable, relate; provided, however, that if the Company determines that the Grantee is a "specified employee" within the meaning of Section 409A, then to the extent any payment under this Agreement on account of the Grantee's separation from service would be considered nonqualified deferred compensation under Section 409A, such payment shall be delayed until the earlier of (i) the date that is six months and one day after the date of such separation from employment or (ii) the date of Grantee's death.

d. As used in this Section 6, the following terms have the following meanings:

(i) "Cause" shall mean the occurrence of any of the following: (a) the Grantee's material misconduct or neglect in the performance of his or her duties; (b) the Grantee's commission of any felony; offense punishable by imprisonment in a state or federal penitentiary; any offense, civil or criminal, involving material dishonesty, fraud, moral turpitude or immoral conduct; or any crime of sufficient import to potentially discredit or adversely affect the Company's ability to conduct its business in the normal course; (c) the Grantee's material breach of the Company's written Code of Conduct, as in effect from time to time; (d) the Grantee's commission of any act that results in severe harm to the Company excluding any act taken by the Grantee in good faith that he or she reasonably believed was in the best interests of the Company; or (e) the Grantee's material breach of the Employee Confidentiality, Non-Competition and Non-Solicitation Agreement by and between Grantee and the Company (the "Confidentiality, Non-Compete and Non-Solicitation Agreement") attached hereto as Attachment A. However, none of the foregoing events or conditions will constitute Cause unless the Company provides Grantee with written notice of the event or condition and thirty (30) days to cure such event or condition (if curable) and the event or condition is not cured within such 30-day period.

(ii) "Compensation Committee Certification" shall mean the certification in writing by the Compensation Committee of the Board with respect the Company's Operating Income and Net Revenue performance for the Performance Period, which certification determines the number of Earned RSUs that are eligible to vest pursuant to Section 6. Upon such certification, any Restricted Stock Units that are determined not to be Earned RSUs shall be immediately forfeited.

(iii) "Net Revenue" shall mean net revenues as such term is calculated and reported in the Company's audited financial statements prepared in accordance with generally accepted accounting principles. The Compensation Committee's evaluation of Net Revenue shall exclude the impact of any generally accepted accounting principle changes implemented after the date hereof.

(iv) "Operating Income" shall mean the Company's income from operations as reported in the Company's audited financial statements prepared in accordance with generally accepted accounting principles. The Compensation Committee's evaluation of Operating Income shall exclude the impact of any generally accepted accounting principle changes implemented after the date hereof. In addition, in accordance with Section 17.3.4 of the Plan, the following impacts of acquisitions and divestitures shall be excluded from the Compensation Committee's evaluation of the Operating Income: (A) goodwill impairment charges related to any acquisition or divestiture, (B) non-capitalized deal costs related to any acquisition completed during the Performance Period, and (C) the amortization of intangible assets acquired in any acquisition completed during the Performance Period. Further, in accordance with Section 17.3.4 of the Plan, the following items shall be excluded in the Compensation Committee's evaluation of the Operating Income: (A) any costs, expenses or losses incurred by the Company during the Performance Period as a result of any particular litigation, investigation, claim, judgment or settlement (a "Litigation Matter") to the extent such costs, expenses or losses related to the particular Litigation Matter or series of related Litigation Matters exceed $1.0 million, (B) any foreign exchange losses incurred by the Company during the Performance Period arising from the impact of foreign currency translation (such losses, "Translation Costs") but only to the extent that the Translation Costs result from foreign currency translation rates differing from those utilized by the Company at the time the Operating Income thresholds are established for purposes of this Agreement, and are greater than the Translation Costs that would have resulted under such currency translation rates, (C) any impairment charges related to the write-down of the Company's accounts receivable asset due to the

bankruptcy of a customer of the Company to the extent such impairment charges exceed $1.0 million, and (D) any restructuring program charges incurred by the Company during the Performance Period, and any asset write-downs implemented in connection therewith.

(v) "Performance Period" shall mean the Company's fiscal years 20__ and 20__.

(iv) "Retirement" shall mean the Grantee's voluntary termination from employment after attainment of age 60 with at least 10 years of continuous service (or after other significant service to the Company, as determined to be satisfied by the Chief Executive Officer and Chief Financial Officer of the Company in writing); provided, however, that the termination was not occasioned by a discharge for Cause.

1. Change in Control.

a. In the event of a Change in Control in which the Restricted Stock Units will not be continued, assumed or substituted with Substitute Awards (as defined below), (i) if the Change in Control occurs after the Compensation Committee Certification, 100% of the Earned RSUs shall vest on the day immediately prior to the date of the Change in Control, and (ii) if the Change in Control occurs prior to the Compensation Committee Certification, 100% of the Restricted Stock Units will vest on the day immediately prior to the date of the Change in Control.

b. In the event of a Change in Control in which the Restricted Stock Units will be continued, assumed or substituted with Substitute Awards, (i) if the Change in Control occurs prior to Compensation Committee Certification, the number of such Substitute Awards shall be equivalent to 100% of the Restricted Stock Units, and shall vest in the percentages and on the dates set forth in Section 6(a) or 6(b) of this Agreement, and (ii) if the Change in Control occurs after the Compensation Committee Certification, the number of such Substitute Awards shall be equivalent to 100% of the Earned RSUs determined under Section 5, and shall vest in the percentages and on the dates set forth in Section 6(a) or 6(b) of this Agreement.

c. If the Restricted Stock Units are substituted with Substitute Awards as set forth in Section 7(b) above, and within 12 months following the Change in Control the Grantee is terminated by the Successor (or an affiliate thereof) without Cause (as defined above) or resigns for Good Reason, the Substitute Awards shall immediately vest upon such termination or resignation.

d. On the first business day after each vesting date described in Sections 7(a), (b), or (c), as applicable, the Company shall deliver to Grantee the shares of the Company's Class C Stock to which his or her vested Restricted Stock Units, Earned RSUs or Substitute Awards, as applicable, relate; provided, however, that if the Company determines that the Grantee is a "specified employee" within the meaning of Section 409A, then to the extent any payment under this Agreement on account of the Grantee's separation from service would be considered nonqualified deferred compensation under Section 409A, such payment shall be delayed until the earlier of (i) the date that is six months and one day after the date of such separation from employment, or (ii) the date of Grantee's death.

e. The following definitions shall apply to this Section 7:

a. "Good Reason" shall mean the occurrence of any of the following events: (a) a diminishment in the scope of the Grantee's duties or responsibilities with the Company; (b) a reduction in the Grantee's current base salary, bonus opportunity or a material reduction in the aggregate benefits or perquisites; or (c) a requirement that the Grantee relocate more than fifty (50) miles from his or her primary place of business as of the date of a Change in Control, or a significant increase in required travel as part of the Grantee's duties and responsibilities with the Company. However, none of the foregoing events or conditions will constitute Good Reason unless (i) Grantee provides the Company with written objection to the event or condition within ninety (90) days following the occurrence thereof, (ii) the Company does not reverse or otherwise cure the event or condition within thirty (30) days of receiving such written objection, and (iii) Grantee resigns his or her employment within thirty (30) days following the expiration of such cure period.

i. An award will qualify as a "Substitute Award" if it is assumed, substituted or replaced by the Successor with awards that, solely in the discretion of the Compensation Committee of the Board, preserves the existing value of the outstanding Restricted Stock Units at the time of the Change in Control and provides vesting and payout terms that are at least as favorable to Grantee as the vesting and payout terms applicable to the Restricted Stock Units.

ii. "Successor" shall mean the continuing or successor organization, as the case may be, following the Change in Control.

1. Forfeiture. Subject to the provisions of the Plan and Sections 5 and 6 of this Agreement, with respect to the Restricted Stock Units which have not become vested on the date the Grantee's employment is terminated, the Award of Restricted Stock Units shall expire and such unvested Restricted Stock Units shall immediately be forfeited on such date.

2. Employee Confidentiality, Non-Competition and Non-Solicitation Agreement. As a condition to the grant of the Restricted Stock Units, Grantee shall have executed and become a party to the Confidentiality, Non-Compete and Non-Solicitation Agreement.

3. No Shareholder Rights. Grantee does not have any rights of a shareholder with respect to the Restricted Stock Units. No dividend equivalents will be earned or paid with regard to the Restricted Stock Units.

4. Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto upon any breach or default of any party under this Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of any similar breach or default thereafter occurring nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party or any provisions or conditions of this Agreement, shall be in writing and shall be effective only to the extent specifically set forth in such writing.

5. Integration. This Agreement and the Plan contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth herein and in the Plan. This Agreement and the Plan supersede all prior agreements and understandings between the parties with respect to its subject matter.

6. Withholding Taxes. Grantee agrees, as a condition of this grant, that Grantee will make acceptable arrangements to pay any withholding or other taxes that may be due as a result of vesting in Restricted Stock Units or delivery of shares acquired under this grant. In the event that the Company determines that any federal, state, local, municipal or foreign tax or withholding payment is required relating to the vesting in Restricted Stock Units or delivery of shares arising from this grant, the Company shall have the right to require such payments from Grantee in the form and manner as provided in the Plan. The Grantee authorizes the Company at its discretion to satisfy its withholding obligations, if any, by one or a combination of the following:

a. withholding from the Grantee's wages or other cash compensation paid to the Grantee by the Company; or

b. withholding from proceeds of the sale of shares of Class C Stock acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on the Grantee's behalf pursuant to this authorization without further consent); or

c. withholding in shares of Class C Stock to be issued upon settlement of the Restricted Stock Units; or

d. by any other method deemed by the Company to comply with applicable laws.

1. Data Privacy. In order to administer the Plan, the Company may process personal data about Grantee. Such data includes but is not limited to the information provided in this Agreement and any changes thereto, other appropriate personal and financial data about the Grantee such as home address and business address and other contact information, payroll information and any other information that might be deemed appropriate by the Company to facilitate the administration of the Plan. By accepting this grant, Grantee gives explicit consent to the Company to process any such personal data. Grantee also gives explicit consent to the Company to transfer any such personal data outside the country in which Grantee works or is employed, including, with respect to non-U.S. resident Grantees, to the United States, to transferees who shall include the Company and other persons who are designated by the Company to administer the Plan.

2. Electronic Delivery. The Company may choose to deliver certain statutory materials relating to the Plan in electronic form. By accepting this grant Grantee agrees that the Company may deliver the Plan prospectus and the Company's annual report to Grantee in an electronic format. If at any time Grantee would prefer to receive paper copies of these documents, as Grantee is entitled to receive, the Company would be pleased to provide copies. Grantee should contact _____________________________ to request paper copies of these documents.

3. Counterparts; Electronic Signature. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. This Agreement may be signed by the Company through application of an authorized officer's signature, and may be signed by Grantee through an electronic signature.

4. Governing Law; Venue. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Maryland, without regard to the provisions governing conflict of laws. For purposes of litigating any dispute that arises under this Award of Restricted Stock Units or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Maryland, and agree that such litigation will be conducted in the jurisdiction and venue of the United States District Court for the District of Maryland or, in the event such jurisdiction is not available, any of the appropriate courts of the State of Maryland, and no other courts.

5. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

6. Grantee Acknowledgment. The Grantee hereby acknowledges receipt of a copy of the Plan. The Grantee hereby acknowledges that all decisions, determinations and interpretations of the Board, or a Committee thereof, in respect of the Plan, this Agreement and this Award of Restricted Stock Units shall be final and conclusive.

The Company has caused this Agreement to be duly executed by its duly authorized officer and said Grantee has hereunto signed this Agreement on the Grantee's own behalf, thereby representing that the Grantee has carefully read and understands this Agreement and the Plan as of the day and year first written above.

UNDER ARMOUR, INC.

By:___________________________________

GRANTEE

____

EXHIBIT 1
PERFORMANCE METRICS SCHEDULE

2-Year Net Revenue Goal			2-Year Operating Income Goal					
			BELOW TARGET			TARGET	STRETCH OPPORTUNITY	
			Less than $__	$__ to less than $__	$__ to less than $__	$__ to less than $__	$__ to less than $__	$__ or greater
	BELOW TARGET	Less than $__	0%	25%	37.5%	50%	75%	100%
		$__ to less than $__	25%	**50%**	62.5%	75%	100%	125%
		$__ to less than $__	37.5%	62.5%	75%	87.5%	112.5%	137.5%
	TARGET	$__ to less than $__	50%	75%	87.5%	**100%**	125%	150%
	STRETCH OPPORTUNITY	$__ billion to less than $__ billion	75%	100%	112.5%	125%	150%	175%
		$__ billion or greater	100%	125%	137.5%	150%	175%	**200%**

Example 1: Grantee is awarded 10,000 Restricted Stock Units. For the Performance Period, the Company achieves Net Revenues of $___ and Operating Income of $____. Based on the above chart, Grantee will earn 8,750 Earned RSUs (10,000 x 87.5%).*

Example 2: Grantee is awarded 10,000 Restricted Stock Units. For the Performance Period, the Company achieves Net Revenues of $___ and Operating Income of $____. Based on the above chart, Grantee will earn 11,250 Earned RSUs (10,000 x 112.5%).*

*Examples are provides solely for illustrative purposes. Actual performance is uncertain.

Attachment A

[Attachment A, the Form of Employee Confidentiality, Non-Competition and Non-Solicitation Agreement by and between certain executives and the Company, has been separately filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2016, as Exhibit 10.11]

Exhibit 21.01

Subsidiaries	Incorporation
Under Armour Europe B.V.	The Netherlands
Under Armour Retail, Inc.	Maryland
UA Global Sourcing Ltd.	Hong Kong
UA International Holdings Limited	Hong Kong
UA International Limited	Cyprus
UA Sourcing CBT	Hong Kong
UA Connected Fitness, Inc.	Delaware

Subsidiaries not included in the list are omitted because, considered in the aggregate as a single subsidiary, they do not constitute a significant subsidiary.

Exhibit 23.01

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-211850) and S-8 (No. 333-129932, 333-130567, 333-172423, 333-210486, and 333-210844) of Under Armour, Inc. of our report dated February 22, 2019 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Baltimore, Maryland
February 22, 2019

Exhibit 31.01

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kevin A. Plank, certify that:

1. I have reviewed this annual report on Form 10-K of Under Armour, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: February 22, 2019

/s/ KEVIN A. PLANK

Kevin A. Plank

Chairman of the Board of Directors and Chief Executive Officer
Principal Executive Officer

Exhibit 31.02

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David E. Bergman, certify that:

1. I have reviewed this annual report on Form 10-K of Under Armour, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: February 22, 2019

/s/ DAVID E. BERGMAN

David E. Bergman
Chief Financial Officer Principal Financial Officer

Exhibit 32.01

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Under Armour, Inc. (the “Company”) hereby certifies, to such officer's knowledge, that:

(i) the annual report on Form 10-K of the Company for the period ended December 31, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2019

/s/ KEVIN A. PLANK

Kevin A. Plank

Chairman of the Board of Directors and
Chief Executive Officer Principal Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Under Armour, Inc. and will be retained by Under Armour, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.02

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Under Armour, Inc. (the “Company”) hereby certifies, to such officer's knowledge, that:

(i) the annual report on Form 10-K of the Company for the period ended December 31, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2019

/s/ DAVID E. BERGMAN

David E. Bergman

Chief Financial Officer Principal Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Under Armour, Inc. and will be retained by Under Armour, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.