

PVH CORP. /DE/  
Form 10-Q  
December 08, 2011  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 30, 2011

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 Number 001-07572  
PVH CORP.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

13-1166910  
(I.R.S. Employer  
Identification No.)

200 Madison Avenue, New York, New York  
(Address of principal executive offices)

10016  
(Zip Code)

(212) 381-3500  
(Registrant's telephone number, including area code)

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 (§232.405 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(do not check if a smaller reporting company)

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

The number of outstanding shares of common stock, par value \$1.00 per share, of the registrant as of November 30, 2011 was 67,608,379.

---

PVH CORP.  
INDEX

## PART I -- FINANCIAL INFORMATION

## Item 1 - Financial Statements

Consolidated Balance Sheets as of October 30, 2011, January 30, 2011 and October 31, 2010 1Consolidated Income Statements for the Thirteen and Thirty-Nine Weeks Ended October 30, 2011 and October 31, 2010 2Consolidated Statements of Cash Flows for the Thirty-Nine Weeks Ended October 30, 2011 and October 31, 2010 3Notes to Consolidated Financial Statements 4Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations 26Item 3 - Quantitative and Qualitative Disclosures About Market Risk 36Item 4 - Controls and Procedures 37

## PART II -- OTHER INFORMATION

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds 38Item 6 - Exhibits 38Signatures 42

---

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: Forward-looking statements in this Quarterly Report on Form 10-Q including, without limitation, statements relating to our future revenue and cash flows, plans, strategies, objectives, expectations and intentions, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy, and some of which might not be anticipated, including, without limitation, the following: (i) our plans, strategies, objectives, expectations and intentions are subject to change at any time at our discretion; (ii) in connection with the acquisition of Tommy Hilfiger B.V. and certain affiliated companies, we borrowed significant amounts, may be considered to be highly leveraged, and will have to use a significant portion of our cash flows to service such indebtedness, as a result of which we might not have sufficient funds to operate our businesses in the manner we intend or have operated in the past; (iii) the levels of sales of our apparel, footwear and related products, both to our wholesale customers and in our retail stores, the levels of sales of our licensees at wholesale and retail, and the extent of discounts and promotional pricing in which we and our licensees and other business partners are required to engage, all of which can be affected by weather conditions, changes in the economy, fuel prices, reductions in travel, fashion trends, consolidations, repositionings and bankruptcies in the retail industries, repositionings of brands by our licensors and other factors; (iv) our plans and results of operations will be affected by our ability to manage our growth and inventory; (v) our operations and results could be affected by quota restrictions and the imposition of safeguard controls (which, among other things, could limit our ability to produce products in cost-effective countries

that have the labor and technical expertise needed), the availability and cost of raw materials, our ability to adjust timely to changes in trade regulations and the migration and development of manufacturers (which can affect where our products can best be produced), changes in available factory and shipping capacity, wage and shipping cost calculation, and civil conflict, war or terrorist acts, the threat of any of the foregoing, or political and labor instability in any of the countries where our or our licensees' or other business partners' products are sold, produced or are planned to be sold or produced; (vi) disease epidemics and health related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas, as well as reduced consumer traffic and purchasing, as consumers limit or cease shopping in order to avoid exposure or becoming ill; (vii) acquisitions and issues arising with acquisitions and proposed transactions, including without limitation, the ability to integrate an acquired entity into us with no substantial adverse affect on the acquired entity's or our existing operations, employee relationships, vendor relationships, customer relationships or financial performance; (viii) the failure of our licensees to market successfully licensed products or to preserve the value of our brands, or their misuse of our brands; and (ix) other risks and uncertainties indicated from time to time in our filings with the Securities and Exchange Commission.

We do not undertake any obligation to update publicly any forward-looking statement, including, without limitation, any estimate regarding revenue or cash flows, whether as a result of the receipt of new information, future events or otherwise.

---

---

## PART I - FINANCIAL INFORMATION

## ITEM 1 - FINANCIAL STATEMENTS

PVH Corp.

Consolidated Balance Sheets

(In thousands, except share and per share data)

	October 30, 2011 UNAUDITED	January 30, 2011 AUDITED	October 31, 2010 UNAUDITED
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 159,981	\$ 498,718	\$ 491,437
Trade receivables, net of allowances for doubtful accounts of \$15,815, \$11,105 and \$12,206	609,552	433,900	541,554
Other receivables	12,041	13,261	16,891
Inventories, net	830,142	692,306	688,556
Prepaid expenses	65,268	80,974	93,873
Other, including deferred taxes of \$62,097, \$61,793 and \$28,865	97,056	91,054	64,110
Total Current Assets	1,774,040	1,810,213	1,896,421
Property, Plant and Equipment, net	436,286	404,577	399,461
Goodwill	1,884,699	1,820,487	1,832,444
Tradenames	2,370,974	2,342,467	2,360,307
Perpetual License Rights	86,000	86,000	86,000
Other Intangibles, net	178,216	172,562	177,526
Other Assets	166,150	115,766	120,594
Total Assets	\$ 6,896,365	\$ 6,752,072	\$ 6,872,753
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current Liabilities:			
Accounts payable	\$ 298,431	\$ 316,920	\$ 307,543
Accrued expenses	583,840	539,670	518,030
Deferred revenue	27,474	51,235	41,286
Short-term borrowings	12,820	4,868	—
Current portion of long-term debt	61,111	—	—
Total Current Liabilities	983,676	912,693	866,859
Long-Term Debt	2,030,445	2,364,002	2,523,916
Other Liabilities, including deferred taxes of \$528,826, \$511,878 and \$526,134	1,107,351	1,032,833	1,067,214
Stockholders' Equity:			
Preferred stock, par value \$100 per share; 150,000 total shares authorized	—	—	—
Series A convertible preferred stock, par value \$100 per share; 8,000 total shares authorized, issued and outstanding (with total liquidation preference of \$200,000)	188,595	188,595	188,595
Common stock, par value \$1 per share; 240,000,000 shares authorized; 67,824,963; 67,234,567 and 67,108,812 shares	67,825	67,235	67,109

Edgar Filing: PVH CORP. /DE/ - Form 10-Q

issued

Additional paid in capital - common stock	1,348,875	1,301,647	1,286,480
Retained earnings	1,068,554	840,072	790,550
Accumulated other comprehensive income	117,050	55,744	92,777
Less: 249,331; 168,893 and 168,856 shares of common stock held in treasury, at cost	(16,006	) (10,749	) (10,747
Total Stockholders' Equity	2,774,893	2,442,544	2,414,764
Total Liabilities and Stockholders' Equity	\$6,896,365	\$6,752,072	\$6,872,753

See accompanying notes.

1

---

PVH Corp.  
 Consolidated Income Statements  
 Unaudited  
 (In thousands, except per share data)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 30, 2011	October 31, 2010	October 30, 2011	October 31, 2010
Net sales	\$1,517,494	\$1,388,674	\$4,002,210	\$2,930,801
Royalty revenue	103,094	94,133	264,178	227,098
Advertising and other revenue	33,572	33,612	91,400	80,832
Total revenue	1,654,160	1,516,419	4,357,788	3,238,731
Cost of goods sold	825,192	722,952	2,076,109	1,552,990
Gross profit	828,968	793,467	2,281,679	1,685,741
Selling, general and administrative expenses	632,982	615,176	1,815,537	1,427,013
Debt modification and extinguishment costs	—	—	16,233	6,650
Other loss	—	—	—	140,490
Equity in income of equity-method investees	856	—	856	—
Income before interest and taxes	196,842	178,291	450,765	111,588
Interest expense	31,680	41,734	96,923	89,822
Interest income	138	509	865	1,097
Income before taxes	165,300	137,066	354,707	22,863
Income tax expense	53,061	37,218	118,072	21,252
Net income	\$112,239	\$99,848	\$236,635	\$1,611
Basic net income per common share	\$1.57	\$1.42	\$3.32	\$0.02
Diluted net income per common share	\$1.54	\$1.39	\$3.25	\$0.02
Dividends declared per common share	\$0.0375	\$0.0375	\$0.1125	\$0.1125

See accompanying notes.

PVH Corp.  
Consolidated Statements of Cash Flows  
Unaudited  
(In thousands)

	Thirty-Nine Weeks Ended	
	October 30, 2011	October 31, 2010
<b>OPERATING ACTIVITIES</b>		
Net income	\$236,635	\$1,611
Adjustments to reconcile to net cash provided by operating activities:		
Losses on settlement of derivative instruments related to the acquisition of Tommy Hilfiger	—	140,490
Depreciation and amortization	98,768	113,610
Deferred taxes	16,657	(1,434)
Impairment of long-lived assets	2,213	2,558
Stock-based compensation expense	31,118	23,050
Debt modification and extinguishment costs	16,233	6,650
Expense recorded for settlement of unfavorable contract	20,709	—
Changes in operating assets and liabilities:		
Trade receivables, net	(172,182)	(206,464)
Inventories, net	(133,358)	(137,116)
Accounts payable, accrued expenses and deferred revenue	(4,456)	173,185
Prepaid expenses	10,606	(30,915)
Other, net	50,397	55,615
Net cash provided by operating activities	173,340	140,840
<b>INVESTING ACTIVITIES<sup>(1)</sup></b>		
Business acquisitions, net of cash acquired	(25,000)	(2,492,816)
Investments in equity-method investees	(48,700)	—
Purchase of property, plant and equipment	(117,892)	(55,399)
Calvin Klein contingent purchase price payments	(35,196)	(29,829)
Losses on settlement of derivative instruments related to the acquisition of Tommy Hilfiger	—	(140,490)
Net cash used by investing activities	(226,788)	(2,718,534)
<b>FINANCING ACTIVITIES<sup>(1)</sup></b>		
Proceeds from revolving credit facilities	60,000	—
Payments on revolving credit facilities	(60,000)	—
Net proceeds from short-term borrowings	7,952	—
Repayment of credit facilities	(286,243)	(100,000)
Payment of debt modification costs	(10,634)	—
Net proceeds from settlement of awards under stock plans	12,264	20,330
Excess tax benefits from awards under stock plans	4,560	7,759
Cash dividends	(8,153)	(7,343)
Acquisition of treasury shares	(5,257)	(2,478)
Payments of capital lease obligations	(7,660)	(4,496)
Net proceeds from common stock offering	—	364,860
Net proceeds from preferred stock issuance	—	188,595
Net proceeds from issuance of long-term debt	—	584,534
Net proceeds from credit facilities	—	1,824,475
Extinguishment of debt	—	(303,645)



Edgar Filing: PVH CORP. /DE/ - Form 10-Q

Net cash (used) provided by financing activities	(293,171	)	2,572,591
Effect of exchange rate changes on cash and cash equivalents	7,882		15,658
(Decrease) increase in cash and cash equivalents	(338,737	)	10,555
Cash and cash equivalents at beginning of period	498,718		480,882
Cash and cash equivalents at end of period	\$ 159,981		\$ 491,437

<sup>(1)</sup> See Note 16 for information on noncash investing and financing transactions.

See accompanying notes.

3

---

PVH CORP.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Currency and share amounts in thousands, except per share data)

1. GENERAL

The consolidated financial statements include the accounts of PVH Corp. and its subsidiaries (the “Company”). The Company’s fiscal years are based on the 52-53 week period ending on the Sunday closest to February 1 and are designated by the calendar year in which the fiscal year commences. References to a year are to the Company’s fiscal year, unless the context requires otherwise.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not contain all disclosures required by accounting principles generally accepted in the United States for complete financial statements. Reference should be made to the audited consolidated financial statements, including the notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended January 30, 2011.

The preparation of interim financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from the estimates.

The results of operations for the thirteen and thirty-nine weeks ended October 30, 2011 and October 31, 2010 are not necessarily indicative of those for a full fiscal year due, in part, to seasonal factors. The data contained in these financial statements are unaudited and are subject to year-end adjustments. However, in the opinion of management, all known adjustments (which consist only of normal recurring accruals) have been made to present fairly the consolidated operating results for the unaudited periods.

Certain reclassifications have been made to the consolidated financial statements and the notes thereto for the prior year periods to present that information on a basis consistent with the current year.

References to the brand names Calvin Klein Collection, ck Calvin Klein, Calvin Klein, Tommy Hilfiger, Van Heusen, IZOD, Bass, G.H. Bass & Co., ARROW, Geoffrey Beene, CHAPS, JOE Joseph Abboud, Kenneth Cole New York, Kenneth Cole Reaction, MICHAEL Michael Kors, DKNY and Timberland and to other brand names are to registered trademarks owned by the Company or licensed to the Company by third parties and are identified by italicizing the brand name.

2. INVENTORIES

Inventories related to the Company’s wholesale operations and international retail operations, comprised principally of finished goods, are stated at the lower of cost or market. Inventories related to the Company’s North American retail operations, comprised entirely of finished goods, are stated at the lower of cost or market.

In the first quarter of 2011, the Company voluntarily changed its method of accounting for its United States retail apparel inventories that were previously on the last-in, first-out (“LIFO”) method to the weighted average cost method and for its United States wholesale inventories that were previously on the LIFO method to the first-in, first-out (“FIFO”) method. As a result, the Company no longer has any inventory valued based on LIFO.

The Company believes the change is preferable because (i) the FIFO and weighted average cost methods will provide more consistency across the Company and its segments, as only two inventory valuation methods will be applied as compared to three; (ii) the Company had experienced decreasing costs over the past several years, eliminating the

reporting impact of LIFO; and (iii) the change will result in a more meaningful presentation of financial position, as the FIFO and weighted average cost methods reflect more recent costs in the consolidated balance sheet and will improve comparability with the Company's peers.

The voluntary accounting change had no impact on the Company's consolidated financial statements because the inventory valued under LIFO was at current cost for the past several years. As a result, retrospective application of the accounting change resulted in no adjustments to amounts previously reported in the Company's consolidated financial statements.

### 3. ACQUISITIONS

#### Acquisition of Tommy Hilfiger

The Company acquired on May 6, 2010 all of the outstanding equity interests in Tommy Hilfiger B.V. and certain affiliated companies (collectively, “Tommy Hilfiger”). The results of Tommy Hilfiger’s operations have been included in the Company’s consolidated financial statements since that date. Tommy Hilfiger designs, sources and markets men’s, women’s and children’s sportswear and activewear, jeanswear and other products worldwide and licenses its brands worldwide over a broad range of products.

#### Fair Value of the Acquisition Consideration

The acquisition date fair value of the acquisition consideration paid, based on applicable exchange rates in effect on the closing date, consisted of the following:

Cash	\$2,485,776
Common stock (7,873 shares, par value \$1.00 per share)	475,607
Total fair value of the acquisition consideration	\$2,961,383

Of the total \$2,485,776 cash consideration paid, \$2,485,467 was paid in the thirty-nine weeks ended October 31, 2010.

The fair value of the 7,873 common shares issued was equal to the aggregate value of the shares at the closing market price of the Company’s common stock on May 5, 2010, the day prior to the closing. The value is not the same as the value of the shares as determined pursuant to the acquisition agreement, due to the fluctuation in the market price of the Company’s common stock between the date of the acquisition agreement and the date of the acquisition closing.

The Company funded the cash portion and related costs of the Tommy Hilfiger acquisition with cash on hand and the net proceeds of the following activities: (i) the sale on April 28, 2010 of 5,750 shares of the Company’s common stock; (ii) the issuances of an aggregate of 8 shares of Series A convertible preferred stock, which are convertible into 4,189 shares of the Company’s common stock, for an aggregate gross purchase price of \$200,000; (iii) the issuance of \$600,000 of 7 3/8% senior notes due 2020; and (iv) the borrowing of approximately \$1,900,000 of term loans under new credit facilities.

The Company incurred certain pre-tax costs directly associated with the acquisition during the thirty-nine weeks ended October 31, 2010, totaling approximately \$61,000, which are included within selling, general and administrative expenses in its financial statements. The Company also recorded a loss of \$140,490 during the thirty-nine weeks ended October 31, 2010 associated with hedges against Euro to United States dollar exchange rates relating to the purchase price. During the thirty-nine weeks ended October 31, 2010, the Company incurred costs totaling \$28,920 associated with the issuance of the common and preferred shares related to the acquisition, which were deducted from the recognized proceeds of issuance within stockholders’ equity. During the same period the Company incurred costs totaling \$70,871 associated with the issuance of debt related to the acquisition, a portion of which was written off in connection with the amendment and restatement of the Company’s senior secured credit facility during the first quarter of 2011. Please see Note 16, “Noncash Investing and Financing Transactions,” for a further discussion. The remaining costs are being amortized over the term of the related debt agreements.

#### Pro Forma Impact of the Transaction

The following table presents the Company's pro forma consolidated results of operations for the thirteen and thirty-nine weeks ended October 31, 2010 as if the acquisition and the related financing transactions had occurred on February 1, 2010 (the first day of its fiscal year ended January 30, 2011) instead of on May 6, 2010. The pro forma results were calculated applying the Company's accounting policies and reflect: (i) the impact on depreciation and amortization based on what would have been charged related to the fair value adjustments to Tommy Hilfiger's property, plant and equipment and the intangible assets recorded in connection with the acquisition; (ii) the impact on interest expense and interest income resulting from changes to the Company's capital structure in connection with the acquisition; (iii) the impact on cost of goods sold resulting from acquisition date adjustments to the fair value of inventory; and (iv) the tax effects of the above adjustments. The pro forma results do not include any anticipated cost synergies or other effects of the planned integration of Tommy Hilfiger. Accordingly, such pro forma amounts are not indicative of the results that actually would have occurred had the acquisition been completed on February 1, 2010, nor are they indicative of the future operating results of the combined company.

	Pro Forma Thirteen Weeks Ended 10/31/10	Pro Forma Thirty-Nine Weeks Ended 10/31/10
Total revenue	\$1,516,419	\$3,884,615
Net income	132,383	231,140

#### Allocation of the Acquisition Consideration

The Company recorded in the first quarter of 2011 measurement period adjustments to the fair values of certain assets acquired and liabilities assumed in the Tommy Hilfiger acquisition as of the acquisition date due to information that arose during the Company's preparation of certain tax returns during the first quarter.

The Company has retrospectively adjusted the previously reported fair values to reflect these amounts as follows:

	As Originally Reported in Form 10-K	Measurement Period Adjustments	As Retrospectively Adjusted
Trade Receivables	\$120,477	\$—	\$120,477
Inventories	288,891	—	288,891
Prepaid Expenses	24,029	(383	) 23,646
Other Current Assets	81,307	45	81,352
Property, Plant and Equipment	238,026	—	238,026
Goodwill	1,255,862	15,967	1,271,829
Tradenames	1,635,417	—	1,635,417
Other Intangibles	172,069	—	172,069
Other Assets	117,880	(7,175	) 110,705
Accounts Payable	91,436	—	91,436
Accrued Expenses	205,631	4,242	209,873
Other Liabilities	675,508	4,212	679,720

#### Reacquisition of Tommy Hilfiger Handbag License

On June 14, 2010, the Company entered into an agreement to reacquire from a licensee, prior to the expiration of the license, the rights to distribute Tommy Hilfiger handbags outside of the United States. The effective date of the transfer of the rights was December 31, 2010. In connection with this transaction, the Company made a payment of \$7,349, based on the applicable exchange rate in effect on the acquisition date, to the former licensee during the second quarter of 2010.

#### Reacquisition of Tommy Hilfiger India Perpetually Licensed Rights

On September 7, 2011, the Company completed a transaction that resulted in the reacquisition of the rights to the Tommy Hilfiger trademarks in India that had been subject to a perpetual license previously granted to GVM International Limited ("GVM"). The Company paid \$25,000 in the third quarter of 2011 as consideration for this transaction. In addition, the Company is required to make annual contingent purchase price payments based on a percentage of annual sales over a certain threshold of Tommy Hilfiger products in India for a period of five years (or, under certain circumstances, a period of six years) following the acquisition date. Such payments are subject to a \$25,000 limit over the payment period and are due within 60 days following each one year period commencing on July 1, 2011. The fair value of such contingent purchase price payments, which was recorded as a liability as of the acquisition date, was estimated to be \$9,986. The transaction is being accounted for as a business combination. The

Company is still in the process of valuing the assets acquired and liabilities assumed; thus, the allocation of the purchase price is subject to change.

In connection with the transaction, the Company was required to record an expense of \$20,709 due to the settlement of an unfavorable contract as a result of a preexisting relationship with the licensee, as the license provided favorable terms to the licensee. Such expense is included within selling, general and administrative expenses in the Company's financial statements.

## 4. INVESTMENTS IN EQUITY-METHOD INVESTEEES

The Company formed a joint venture in China with Apax Partners L.P. (“Apax”), in which the Company and Apax each have a 45% equity interest, with the remaining 10% owned by another party. The joint venture assumed direct control of the Tommy Hilfiger wholesale and retail distribution business in China from the existing licensee, Dickson Concepts (International) Limited, on August 1, 2011. The Company made payments totaling \$17,100 to the joint venture during the thirty-nine weeks ended October 30, 2011 to contribute its 45% share of funding. This investment is being accounted for under the equity method of accounting.

On September 7, 2011, the Company completed the acquisition from Ganesha Limited and Ganesha Brands Limited, both of which are affiliates of GVM, of a 50% equity interest in Arvind Murjani Brands Private Limited, which is to be renamed Tommy Hilfiger Arvind Fashion Private Limited (“TH India”), for \$30,000. TH India was GVM’s sublicensee of the Tommy Hilfiger trademarks for apparel, footwear and handbags in India. As a result of the transaction, TH India is now the direct licensee of the trademarks for all categories (other than fragrance), operates a wholesale apparel, footwear and handbags business in connection with its license and sublicenses the trademarks for certain other product categories. The Company made additional payments totaling \$1,600 to TH India during the thirty-nine weeks ended October 30, 2011 to contribute its 50% share of funding. This investment is being accounted for under the equity method of accounting.

## 5. GOODWILL

The changes in the carrying amount of goodwill for the thirty-nine weeks ended October 30, 2011, by segment, were as follows:

	Heritage Brand Wholesale Dress Furnishings	Heritage Brand Wholesale Sportswear	Calvin Klein Licensing	Tommy Hilfiger North America	Tommy Hilfiger International	Total
Balance as of January 30, 2011						
Goodwill, gross	\$70,589	\$84,553	\$304,924	\$198,501	\$1,161,920	\$1,820,487
Accumulated impairment losses	—	—	—	—	—	—
Goodwill, net	70,589	84,553	304,924	198,501	1,161,920	1,820,487
Contingent purchase price payments to Mr. Calvin Klein	—	—	37,333	—	—	37,333
Goodwill from reacquisition of the rights to the Tommy Hilfiger trademarks in India	—	—	—	—	397	397
Currency translation	—	—	105	—	26,377	26,482
Balance as of October 30, 2011						
Goodwill, gross	70,589	84,553	342,362	198,501	1,188,694	1,884,699



Accumulated impairment losses	—	—	—	—	—	—
Goodwill, net	\$70,589	\$84,553	\$342,362	\$198,501	\$1,188,694	\$1,884,699

The Company is required to make contingent purchase price payments to Mr. Calvin Klein in connection with the Company's acquisition in 2003 of all of the issued and outstanding stock of Calvin Klein, Inc. and certain affiliated companies (collectively, "Calvin Klein"). Such payments are based on 1.15% of total worldwide net sales, as defined in the agreement (as amended) governing the Calvin Klein acquisition, of products bearing any of the Calvin Klein brands and are required to be made with respect to sales made through February 12, 2018. A significant portion of the sales on which the payments to Mr. Klein are made are wholesale sales by the Company and its licensees and other partners to retailers.

#### 6. RETIREMENT AND BENEFIT PLANS

The Company has five noncontributory defined benefit pension plans covering substantially all employees resident in the United States who meet certain age and service requirements. For those vested (after five years of service), the plans provide monthly benefits upon retirement based on career compensation and years of credited service. The Company also has for

certain of such employees an unfunded non-qualified supplemental defined benefit pension plan, which provides benefits for compensation in excess of Internal Revenue Service earnings limits and requires payments to vested employees upon, or shortly after, employment termination or retirement. The Company refers to these six plans as its “pension plans.”

As a result of the Company’s acquisition of Tommy Hilfiger, the Company also has for certain members of Tommy Hilfiger’s domestic senior management a supplemental executive retirement plan (“SERP Plan”), which is an unfunded non-qualified supplemental defined benefit pension plan. Such plan is frozen and, as a result, participants do not accrue additional benefits.

In addition to the defined benefit pension plans described above, the Company has a capital accumulation program (“CAP Plan”), which is an unfunded non-qualified supplemental defined benefit plan covering four current and 16 retired executives. Under the individual participants’ CAP Plan agreements, the participants will receive a predetermined amount during the 10 years following the attainment of age 65, provided that prior to the termination of employment with the Company, the participant has been in the CAP Plan for at least 10 years and has attained age 55.

The Company also provides certain postretirement health care and life insurance benefits to certain retirees resident in the United States. Retirees contribute to the cost of this plan, which is unfunded. During 2002, the postretirement plan was amended to eliminate benefits for active participants who, as of January 1, 2003, had not attained age 55 and 10 years of service.

Net benefit cost related to the Company’s pension plans was recognized as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	10/30/11	10/31/10	10/30/11	10/31/10
Service cost, including plan expenses	\$3,632	\$2,379	\$10,896	\$7,137
Interest cost	4,796	4,461	14,387	13,383
Amortization of net loss	2,310	1,895	6,930	5,685
Expected return on plan assets	(5,531)	(4,993)	(16,592)	(14,978)
Amortization of prior service credit	(15)	(15)	(46)	(46)
Total	\$5,192	\$3,727	\$15,575	\$11,181

Net benefit cost related to the Company’s CAP Plan and SERP Plan was recognized as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	10/30/11	10/31/10	10/30/11	10/31/10
Service cost, including plan expenses	\$25	\$23	\$74	\$68
Interest cost	453	463	1,358	1,159
Total	\$478	\$486	\$1,432	\$1,227

Net benefit cost related to the Company’s postretirement plan was recognized as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	10/30/11	10/31/10	10/30/11	10/31/10

Edgar Filing: PVH CORP. /DE/ - Form 10-Q

Interest cost	\$255		\$273		\$764		\$818	
Amortization of net loss	6		—		20		—	
Amortization of prior service credit	(204	)	(204	)	(613	)	(613	)
Total	\$57		\$69		\$171		\$205	

8

---

## 7. COMPREHENSIVE INCOME

Comprehensive income was as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended		
	10/30/11	10/31/10	10/30/11	10/31/10	
Net income	\$ 112,239	\$ 99,848	\$ 236,635	\$ 1,611	
Foreign currency translation adjustments, net of tax (benefit) expense of \$(13), \$735, \$69 and \$113	(64,530	) 131,894	54,546	180,524	
Amortization of net loss and prior service credit related to pension and postretirement plans, net of tax expense of \$805, \$634, \$2,415 and \$1,901	1,292	1,042	3,876	3,125	
Net unrealized and realized gain (loss) on effective hedges, net of tax expense (benefit) of \$1,515, \$(63), \$(2,620) and \$324	5,902	(8,166	) 2,884	(10,424	)
Comprehensive income	\$ 54,903	\$ 224,618	\$ 297,941	\$ 174,836	

## 8. DEBT

## Short-Term Borrowings

One of the Company's subsidiaries has a Yen-denominated overdraft facility with a Japanese bank, which provides for borrowings of up to ¥1,000,000 (approximately \$12,800 based on the Yen to United States dollar exchange rate on October 30, 2011) and is utilized to fund working capital. Borrowings under the facility are unsecured and bear interest at the one-month Japanese inter-bank borrowing rate ("TIBOR") plus 0.15%. Such facility renews automatically unless the Company gives notice of termination. The full amount of this facility was borrowed as of October 30, 2011. The weighted average interest rate on the funds borrowed at October 30, 2011 was 0.33%.

## Long-Term Debt

The carrying amounts of the Company's long-term debt were as follows:

	10/30/11	10/31/10
Senior secured term loan A facility due 2016	\$742,439	\$479,737
Senior secured term loan B facility due 2016	649,501	1,344,582
7 3/8% senior unsecured notes due 2020	600,000	600,000
7 3/4% debentures due 2023	99,616	99,597
Total	\$2,091,556	\$2,523,916
Less: Current portion of long-term debt	61,111	—
Long-term debt	\$2,030,445	\$2,523,916

As of October 30, 2011, the Company's mandatory long-term debt repayments for the next five years were as follows:

Remainder of 2011	\$ 10,518
2012	70,629
2013	108,703

2014	175,331
2015	394,256
2016	632,503

As of October 30, 2011, after taking into account the interest rate swap and cap agreements discussed below, approximately 70% of the Company's total debt was at a fixed rate or at a variable rate that was capped, with the remainder at variable rates

that were uncapped.

#### Senior Secured Credit Facilities

On May 6, 2010, the Company entered into, and on March 2, 2011 amended and restated, a senior secured credit facility (“the amended facility”), which consists of a Euro-denominated term loan A facility, a United States dollar-denominated term loan A facility, a Euro-denominated term loan B facility, a United States dollar-denominated term loan B facility, a United States dollar-denominated revolving credit facility and two multi-currency (one United States dollar and Canadian dollar, and the other Euro, Japanese Yen and British Pound) revolving credit facilities. The amended facility provides reduced borrowing spreads, as well as additional flexibility with respect to the application of voluntary prepayments. The amended facility extended the maturity of the term loan A facilities and the revolving loan facilities from May 2015 to January 2016. The maturity of the term loan B facilities remains in May 2016.

In connection with the closing of the amended facility, the Company voluntarily prepaid \$149,275 of borrowings with cash on hand. The revolving credit facilities remained undrawn upon the closing of the amended facility (with only letters of credit outstanding). The Company made additional payments totaling \$136,968 during the thirty-nine weeks ended October 30, 2011.

The amended facility provided for initial borrowings of up to an aggregate of approximately \$1,970,000 (based on applicable exchange rates on March 2, 2011), consisting of (i) an aggregate of approximately \$1,520,000 of term loan facilities; and (ii) approximately \$450,000 under revolving credit facilities. Based on applicable exchange rates on October 30, 2011, approximately \$460,000 was available under revolving credit facilities. The Company had no revolving credit borrowings and \$102,430 of letters of credit outstanding as of October 30, 2011. The Company had \$1,391,940 outstanding under the term loan facilities as of, and based on applicable exchange rates on, October 30, 2011. The repaid borrowings under the term loan facilities are not subject to reborrowing.

The terms of each of the term loan A and B facilities contain a mandatory repayment schedule on a quarterly basis. The outstanding borrowings under the amended facility are prepayable without penalty (other than customary breakage costs). The terms of the amended facility require the Company to repay certain amounts outstanding thereunder with (a) net cash proceeds of the incurrence of certain indebtedness, (b) net cash proceeds of certain asset sales or other dispositions (including as a result of casualty or condemnation) that exceed certain thresholds, to the extent such proceeds are not reinvested in the business in accordance with customary reinvestment provisions and (c) a percentage of excess cash flow, which percentage is based upon the Company’s leverage ratio during the relevant fiscal period.

The United States dollar-denominated borrowings under the amended facility bear interest at a rate equal to an applicable margin plus, as determined at the Company’s option, either (a) a base rate determined as the highest of (i) the prime rate, (ii) the United States federal funds rate plus 1/2 of 1% and (iii) a one-month adjusted Eurocurrency rate plus 1% (provided that, in the case of the term loan B facility, in no event will the base rate be less than 1.75%) or (b) an adjusted Eurocurrency rate, calculated in a manner set forth in the amended facility (provided that, in the case of the term loan B facility, in no event will the adjusted Eurocurrency rate be less than 0.75%).

Canadian dollar-denominated borrowings under the amended facility bear interest at a rate equal to an applicable margin plus, as determined at the Company’s option, either (a) a Canadian prime rate determined by reference to the greater of (i) the average of the rates of interest per annum equal to the per annum rate of interest quoted, published and commonly known in Canada as the “prime rate” or which Royal Bank of Canada establishes at its main office in Toronto, Ontario as the reference rate of interest in order to determine interest rates for loans in Canadian dollars to its Canadian borrowers and (ii) the sum of (x) the average of the rates per annum for Canadian dollar bankers’

acceptances having a term of one month that appears on the Reuters Screen CDOR Page as of 10:00 a.m. (Toronto time) on the date of determination, as reported by the administrative agent (and if such screen is not available, any successor or similar service as may be selected by the administrative agent), and (y) 1%, or (b) an adjusted Eurocurrency rate, calculated in a manner set forth in the amended facility.

The borrowings under the amended facility in currencies other than United States dollars or Canadian dollars bear interest at a rate equal to an applicable margin plus an adjusted Eurocurrency rate, calculated in a manner set forth in the amended facility (provided that, in the case of the term loan B facility, in no event will the adjusted Eurocurrency rate be less than 0.75%).

The current applicable margins are (a) in the case of the United States dollar-denominated term loan A facility, 2.50% for adjusted Eurocurrency rate loans and 1.50% for base rate loans, as applicable, (b) in the case of the United States dollar-denominated term loan B facility, 2.75% for adjusted Eurocurrency rate loans and 1.75% for base rate loans, as applicable, (c) in the case of the Euro-denominated term loan A facility, 2.75%, (d) in the case of the Euro-denominated term loan B facility, 3.00% and (e) in the case of the revolving credit facilities, (x) for borrowings denominated in United States dollars, 2.50% for

adjusted Eurocurrency rate loans and 1.50% for base rate loans, as applicable, (y) for borrowings denominated in Canadian dollars, 2.50% for adjusted Eurocurrency rate loans and 1.50% for Canadian prime rate loans, as applicable, and (z) for borrowings denominated in other currencies, 2.75%. After the date of delivery of the compliance certificate and financial statements with respect to the Company's fiscal quarter ending October 30, 2011 and each subsequent quarter, the applicable margin for borrowings under the term loan A facilities and the revolving credit facilities will be adjusted depending on the Company's leverage ratio.

On May 4, 2011, the Company entered into an interest rate swap agreement for a three-year term commencing on June 6, 2011. The agreement has been designed with the intended effect of converting an initial notional amount of \$632,000 of the Company's variable rate debt obligation under its United States dollar-denominated senior secured term loan A facility to fixed rate debt. The initial notional amount was reduced to \$624,000 during the quarter ended October 30, 2011, and will continue to be reduced according to a pre-set schedule during the term of the swap agreement such that, based on the Company's projections for future debt repayments, the Company's outstanding debt under the facility is expected to always exceed the then-outstanding notional amount of the swap. Under the terms of the agreement for the then-outstanding notional amount, the Company's exposure to fluctuations in the three-month London inter-bank borrowing rate ("LIBOR") is eliminated, and it will pay a fixed rate of 1.197%, plus the current applicable margin.

In addition, on May 4, 2011, the Company entered into an interest rate cap agreement for a 15-month term commencing on June 6, 2011. The agreement has been designed with the intended effect of capping the interest rate on an initial notional amount of €165,895 of the Company's variable rate debt obligation under its Euro-denominated senior secured term loan A and B facilities. The initial notional amount was reduced to €98,502 during the quarter ended October 30, 2011, and will continue to be adjusted according to a pre-set schedule during the term of the agreement such that the Company's outstanding debt under the facilities is expected to always exceed the notional amount of the cap agreement. Under the terms of this agreement, the three-month Euro inter-bank borrowing rate ("EURIBOR") that the Company will pay is capped at a rate of 2%. Therefore, the maximum amount of interest that the Company will pay on the notional amount will be at the 2% capped rate, plus the current applicable margin.

#### 7 3/8% Senior Notes Due 2020

On May 6, 2010, the Company issued \$600,000 principal amount of 7 3/8% senior notes due May 15, 2020. Interest on the 7 3/8% notes is payable semi-annually in arrears on May 15 and November 15 of each year.

The Company may redeem some or all of these notes on or after May 15, 2015 at specified redemption prices. The Company may redeem some or all of these notes at any time prior to May 15, 2015 by paying a "make whole" premium. In addition, the Company may also redeem up to 35% of these notes prior to May 15, 2013, by paying a set premium, with the net proceeds of certain equity offerings. The Company's ability to pay cash dividends and make other restricted payments is limited, in each case, over specified amounts as defined in the indenture governing the notes.

#### Tender for and Redemption of 2011 Notes and 2013 Notes

The Company commenced tender offers on April 7, 2010 for (i) all of the \$150,000 outstanding principal amount of its notes due 2011; and (ii) all of the \$150,000 outstanding principal amount of its notes due 2013. The tender offers expired on May 4, 2010. On May 6, 2010, the Company accepted for purchase all of the notes tendered and made payment to tendering holders and called for redemption all of the balance of its outstanding 7 1/4% senior notes due 2011 and all of the balance of its outstanding 8 1/8% senior notes due 2013. The redemption prices of the notes due 2011 and 2013 were 100.000% and 101.354%, respectively, of the outstanding aggregate principal amount of each applicable note, plus accrued and unpaid interest thereon to the redemption date. On May 6, 2010, the Company made



an irrevocable cash deposit, including accrued and unpaid interest, to the trustee for the notes due 2011 and 2013. As a result, such notes were satisfied and effectively discharged as of May 6, 2010.

#### 9. INCOME TAXES

The income tax rates for the thirteen weeks ended October 30, 2011 and October 31, 2010 were 32.1% and 27.2%, respectively. The income tax rates for the thirty-nine weeks ended October 30, 2011 and October 31, 2010 were 33.3% and 93.0%, respectively.

The income tax rates for the thirteen and thirty-nine weeks ended October 30, 2011 were slightly lower than the United States statutory rate due to the benefit of the overall lower tax rates in international jurisdictions where the Company files tax returns, largely offset by state and local taxes and foreign earnings taxed in the United States.

The income tax rate for the thirteen weeks ended October 31, 2010 was slightly lower than the statutory rate largely due to the benefit of the overall lower tax rates in international jurisdictions where the Company files tax returns, combined with the impact of a benefit resulting from the lapse of the statute of limitations with respect to previously unrecognized tax positions.

The income tax rate for the thirty-nine weeks ended October 31, 2010 was higher than the statutory rate due to the impact of certain non-deductible transaction costs associated with the Tommy Hilfiger acquisition, which caused a significant increase in the year to date effective tax rate when the Company achieved pre-tax income in the third quarter of 2010. This increase was partially offset by the benefit of the overall lower tax rates in international jurisdictions where the Company files tax returns, combined with the impact of a benefit resulting from the lapse of the statute of limitations with respect to previously unrecognized tax positions.

## 10. DERIVATIVE FINANCIAL INSTRUMENTS

The Company entered into foreign currency forward exchange contracts with respect to €1,300,000 during the first quarter of 2010 and €250,000 during the second quarter of 2010 in connection with the acquisition of Tommy Hilfiger to hedge against its exposure to changes in the exchange rate for the Euro, as a portion of the acquisition purchase price was payable in cash and denominated in Euros. Such foreign currency forward exchange contracts were not designated as hedging instruments. The Company settled these foreign currency forward exchange contracts at a loss of \$140,490 on May 6, 2010 in connection with the Company's completion of the Tommy Hilfiger acquisition. Such loss is reflected in Other Loss in the Company's Consolidated Income Statements.

The Company has exposure to changes in foreign currency exchange rates related to certain anticipated cash flows associated with certain international inventory purchases. To help manage this exposure, the Company periodically uses foreign currency forward exchange contracts.

The Company also has exposure to interest rate volatility related to its senior secured term loan facilities. The Company has entered into an interest rate swap agreement and an interest rate cap agreement to hedge against this exposure. Please see Note 8, "Debt," for a further discussion of these agreements.

The Company records the foreign currency forward exchange contracts, interest rate swap agreement and interest rate cap agreement (collectively referred to as "cash flow hedges") at fair value in its Consolidated Balance Sheets. Changes in fair value of cash flow hedges that are designated as effective hedging instruments are deferred in equity as a component of Accumulated Other Comprehensive Income. The cash flows from such hedges are presented in the same category on the Consolidated Statements of Cash Flows as the items being hedged. Any ineffectiveness in such cash flow hedges is immediately recognized in earnings and no contracts were excluded from effectiveness testing. In addition, changes in the fair value of hedges that are not designated as effective hedging instruments are immediately recognized in earnings. The Company does not use derivative financial instruments for trading or speculative purposes.

The following table summarizes the fair value and presentation in the Consolidated Balance Sheets for the Company's derivative financial instruments:

	Asset Derivatives (Classified in Other Current Assets)		Liability Derivatives (Classified in Accrued Expenses and Other Liabilities)	
	10/30/11	10/31/10	10/30/11	10/31/10
Contracts designated as hedges:				
Foreign currency forward exchange contracts	\$1,647	\$1,280	\$8,297	\$18,414

Edgar Filing: PVH CORP. /DE/ - Form 10-Q

Interest rate contracts	281	—	8,106	—
Total contracts designated as hedges	1,928	1,280	16,403	18,414
Undesignated contracts:				
Foreign currency forward exchange contracts	77	—	2,324	—
Total undesignated contracts	77	—	2,324	—
Total	\$2,005	\$1,280	\$18,727	\$18,414

At October 30, 2011, the notional amount of foreign currency forward exchange contracts outstanding was approximately \$403,000. Such contracts expire between November 2011 and April 2013.

The following table summarizes the effect of the Company's cash flow hedges designated as hedging instruments:

	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives (Effective Portion)		Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Expense (Effective Portion)		Loss Recognized in Income on Derivatives (Ineffective Portion)			
	10/30/11	10/31/10	Location	Amount	Location	Amount		
Thirteen Weeks Ended	10/30/11	10/31/10		10/30/11	10/31/10	10/30/11	10/31/10	
Foreign currency forward exchange contracts	\$1,742	\$(6,003 )	Cost of goods sold	\$(5,846 )	\$2,226	Selling, general and administrative expenses	\$—	\$(124 )
Interest rate contracts	(1,557 )	—	Interest expense	(1,386 )	—		—	—
Total	\$185	\$(6,003 )		\$(7,232 )	\$2,226		\$—	\$(124 )
Thirty-Nine Weeks Ended	10/30/11	10/31/10		10/30/11	10/31/10	10/30/11	10/31/10	
Foreign currency forward exchange contracts	\$(21,921 )	\$(11,788 )	Cost of goods sold	\$(30,291 )	\$(1,688 )	Selling, general and administrative expenses	\$—	\$(6,230 )
Interest rate contracts	(10,362 )	—	Interest expense	(2,256 )	—		—	—
Total	\$(32,283 )	\$(11,788 )		\$(32,547 )	\$(1,688 )		\$—	\$(6,230 )

Accumulated Other Comprehensive Loss on foreign currency forward exchange contracts at October 30, 2011 of \$5,281 is estimated to be reclassified in the next 12 months in the Consolidated Income Statements to costs of goods sold as the underlying inventory is purchased and sold. In addition, Accumulated Other Comprehensive Loss for interest rate contracts at October 30, 2011 of \$4,173 is estimated to be reclassified to interest expense within the next 12 months.

The following table summarizes the effect of the Company's foreign currency forward exchange contracts for inventory purchases that were not designated as hedging instruments:

	Gain Recognized in Income	
	Location	Amount
Thirteen Weeks Ended	Selling, general and administrative expenses	\$605
Thirty-Nine Weeks Ended		863

Selling, general and administrative  
expenses

Please refer to Note 11, "Fair Value Measurements," for disclosures on fair value measurements of the Company's derivative financial instruments. The Company had no derivative financial instruments with credit risk related contingent features underlying the related contracts as of October 30, 2011.

## 11. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (“FASB”) guidance for fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. It also establishes a three level hierarchy that prioritizes the inputs used to measure fair value. The three levels of the hierarchy are defined as follows:

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – Observable inputs other than quoted prices included in Level 1, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs derived principally from or corroborated by observable market data.

Level 3 – Unobservable inputs reflecting the Company’s own assumptions about the inputs that market participants would use in pricing the asset or liability based on the best information available.

In accordance with the fair value hierarchy described above, the following table shows the fair value of the Company’s financial assets and liabilities that were required to be remeasured at fair value on a recurring basis during the thirty-nine weeks ended October 30, 2011 and October 31, 2010, respectively:

	Fair Value Measurement Using			Total Fair Value
	Level 1	Level 2	Level 3	
October 30, 2011				
Derivative instrument assets				
Foreign currency forward exchange contracts	N/A	\$1,724	N/A	\$1,724
Interest rate contracts	N/A	281	N/A	281
Total	N/A	\$2,005	N/A	\$2,005
Derivative instrument liabilities				
Foreign currency forward exchange contracts	N/A	\$10,621	N/A	\$10,621
Interest rate contracts	N/A	8,106	N/A	8,106
Total	N/A	\$18,727	N/A	\$18,727
October 31, 2010				
Derivative instrument assets				
Foreign currency forward exchange contracts	N/A	\$1,280	N/A	\$1,280
Derivative instrument liabilities				
Foreign currency forward exchange contracts	N/A	\$18,414	N/A	\$18,414

The fair value of the foreign currency forward exchange contracts related to inventory purchases is measured as the total amount of currency to be purchased, multiplied by the difference between (i) the forward rate as of the period end and (ii) the settlement rate specified in each contract.

The fair values of the interest rate contracts are based on observable interest rate yield curves and represent the expected discounted cash flows underlying the financial instruments.

The following table shows the fair value of the Company's non-financial assets and liabilities that were required to be remeasured at fair value on a nonrecurring basis (consisting of property and equipment and other long-lived assets) during the thirty-nine weeks ended October 30, 2011 and October 31, 2010, and the total impairments recorded as a result of the remeasurement process:

	Fair Value Measurement Using			Fair Value As Of Impairment Date	Total Impairments For The Thirty-Nine Weeks Ended
	Level 1	Level 2	Level 3		
October 30, 2011	N/A	N/A	\$—	\$—	\$2,213
October 31, 2010	N/A	\$200	\$—	\$200	\$2,558

Long-lived assets with a carrying amount of \$1,151 were written down to a fair value of zero during the thirty-nine weeks ended October 30, 2011 as a result of management's decision to permanently discontinue the use of one of its software systems. The Company ceased use of the software during the third quarter of 2011. Such assets were deemed to have no future use or economic benefit based on the Company's analysis using market participant assumptions, and therefore no expected future cash flows. The impairment charge was included in selling, general and administrative expenses in corporate expenses not allocated to any reportable segment.

Long-lived assets with a carrying amount of \$1,062 were written down to a fair value of zero during the thirty-nine weeks ended October 30, 2011 in connection with the Company's negotiated early termination of its license to market sportswear under the Timberland brand. Such assets were deemed to have no future use or economic benefit based on the Company's analysis using market participant assumptions, and therefore no expected future cash flows. The impairment charge was included in selling, general and administrative expenses in the Heritage Brand Wholesale Sportswear segment.

Long-lived assets with a carrying amount of \$2,077 were written down to a fair value of \$200 during the thirty-nine weeks ended October 31, 2010 in connection with the sale to a licensee of certain assets related to the Tommy Hilfiger children's apparel business. Fair value was determined based on the quoted contractual selling prices of such assets, less the related selling costs. The impairment charge was included in selling, general and administrative expenses in the Tommy Hilfiger North America segment.

Long-lived assets with a carrying amount of \$681 were written down to a fair value of zero during the thirty-nine weeks ended October 31, 2010 in connection with the financial performance in certain of the Company's outlet and specialty retail stores. Fair value was determined based on the estimated discounted future cash flows associated with the assets using current sales trends and market participant assumptions. The impairment charge of \$681 was included in selling, general and administrative expenses, of which \$433 was recorded in the Heritage Brand Retail segment, \$25 was recorded in the Other (Calvin Klein Apparel) segment, and \$223 was recorded in the Tommy Hilfiger North America segment.

The carrying amounts and the fair values of the Company's cash and cash equivalents, short-term borrowings and long-term debt as of October 30, 2011 and October 31, 2010 were as follows:

	10/30/11		10/31/10	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$159,981	\$159,981	\$491,437	\$491,437
Short-term borrowings	12,820	12,820	—	—
Long-term debt (including portion classified as current)	2,091,556	2,142,679	2,523,916	2,595,381



The fair values of cash and cash equivalents and short-term borrowings approximate their carrying values due to the short-term nature of these instruments. The Company estimates the fair value of its long-term debt using quoted market prices as of the last business day of the applicable quarter.

## 12. STOCK-BASED COMPENSATION

The Company's 2006 Stock Incentive Plan (the "2006 Plan") was approved at the Company's Annual Meeting of Stockholders held in June 2006 and its material terms were reapproved in June 2011. The 2006 Plan replaced the Company's then-existing 1997, 2000 and 2003 Stock Option Plans. The 1997, 2000 and 2003 Stock Option Plans terminated on the date of the 2006

Plan's initial approval, other than with respect to outstanding options under the terminated plans, which continue to be governed by the respective plan under which they were granted. Shares issued as a result of stock-based compensation transactions generally have been funded with the issuance of new shares of the Company's common stock.

The Company may grant the following types of incentive awards under the 2006 Plan: (i) non-qualified stock options ("NQs"); (ii) incentive stock options ("ISOs"); (iii) stock appreciation rights; (iv) restricted stock; (v) restricted stock units ("RSUs"); (vi) performance shares; and (vii) other stock-based awards. Each award granted under the 2006 Plan is subject to an award agreement that incorporates, as applicable, the exercise price, the term of the award, the periods of restriction, the number of shares to which the award pertains, applicable performance period(s) and performance measure(s), and such other terms and conditions as the plan committee determines.

Through October 30, 2011, the Company has granted under the 2006 Plan: (i) service-based NQs and RSUs; (ii) contingently issuable performance shares; and (iii) RSUs that are intended to satisfy the performance-based condition for deductibility under Section 162(m) of the Internal Revenue Code. According to the terms of the 2006 Plan, for purposes of determining the number of shares available for grant, each share underlying a stock option award reduces the number available by one share and each share underlying an RSU or performance share award reduces the number available by three shares for awards made before April 29, 2009 and by two shares for awards made on or after April 29, 2009. The per share exercise price of options granted under the 2006 Plan cannot be less than the closing price of the common stock on the date of grant (the business day prior to the date of grant for awards granted prior to September 21, 2006).

The Company currently has service-based NQs and ISOs outstanding under its 1997, 2000 and 2003 Stock Option Plans. Such options were granted with an exercise price equal to the closing price of the common stock on the business day immediately preceding the date of grant.

Net income for the thirty-nine weeks ended October 30, 2011 and October 31, 2010 included \$31,118 and \$23,050, respectively, of pre-tax expense related to stock-based compensation.

Options currently outstanding are generally cumulatively exercisable in four equal annual installments commencing one year after the date of grant. The vesting of options outstanding is also generally accelerated upon retirement (as defined in the applicable plan). Options are generally granted with a 10-year term.

The Company estimates the fair value of stock options granted at the date of grant using the Black-Scholes-Merton model. The estimated fair value of the options, net of estimated forfeitures, is expensed on a straight-line basis over the options' vesting periods.

The following summarizes the assumptions used to estimate the fair value of service-based stock options granted during the thirty-nine weeks ended October 30, 2011 and October 31, 2010, respectively:

	Thirty-Nine Weeks Ended	
	10/30/11	10/31/10
Weighted average risk free interest rate	2.62	2.99
Weighted average expected option term (in years)	6.25	6.25
Weighted average expected volatility	44.35	41.78
Expected annual dividends per share	\$0.15	\$0.15
Weighted average estimated fair value per option	\$29.81	\$26.45

The Company has continued to utilize the simplified method to estimate the expected term for its “plain vanilla” stock options granted due to a lack of relevant historical data resulting, in part, from changes in the pool of employees receiving option grants and changes in the vesting schedules of certain grants. The Company will continue to evaluate the appropriateness of utilizing such method.

Service-based stock option activity for the thirty-nine weeks ended October 30, 2011 was as follows:

16

---

	Options	Weighted Average Price Per Option
Outstanding at January 30, 2011	2,853	\$33.41
Granted	195	65.16
Exercised	372	33.84
Cancelled	6	43.04
Outstanding at October 30, 2011	2,670	\$35.65
Exercisable at October 30, 2011	1,825	\$32.58

RSUs granted to employees generally vest in three annual installments (25%, 25% and 50%) commencing two years after the date of grant. Service-based RSUs granted to non-employee directors vest in four equal annual installments commencing one year after the date of grant for awards granted prior to 2010 and vest in full one year after the date of grant for awards granted during or after 2010. The underlying RSU award agreements (excluding agreements for non-employee director awards made during or after 2010) generally provide for accelerated vesting upon the award recipient's retirement (as defined in the 2006 Plan). The fair value of service-based RSUs is equal to the closing price of the Company's common stock on the date of grant and is expensed, net of estimated forfeitures, on a straight-line basis over the RSUs' vesting periods.

RSU activity for the thirty-nine weeks ended October 30, 2011 was as follows:

	RSUs	Weighted Average Grant Date Fair Value
Non-vested at January 30, 2011	814	\$40.24
Granted	253	68.53
Vested	216	41.01
Cancelled	18	54.14
Non-vested at October 30, 2011	833	\$48.32

The Company granted restricted stock to certain of Tommy Hilfiger's management employees in connection with the Company's acquisition of Tommy Hilfiger in the second quarter of 2010. The restricted stock is not subject to the 2006 Plan but its grant was approved by the Company's Board of Directors. The shares of restricted stock are registered in the names of each such employee and are held in a third-party escrow account until they vest, at which time the stock will be delivered to the applicable employee. The restricted stock generally vests upon the second anniversary of the date of the closing of the acquisition.

The fair value of restricted stock is equal to the closing price of the Company's common stock on the date of grant (the closing date of the acquisition) and is expensed, net of forfeitures, on a straight-line basis over the restricted stock's vesting period.

Restricted stock activity for the thirty-nine weeks ended October 30, 2011 was as follows:

	Restricted Stock	Weighted Average Grant Date Fair Value
Non-vested at January 30, 2011	350	\$60.41
Granted	—	—
Vested	14	60.41
Non-vested at October 30, 2011	336	\$60.41

The Company granted contingently issuable performance share awards to certain of the Company's senior executives during the first and third quarters of 2011 subject to a performance period of two years. The Company granted contingently issuable performance share awards to all of the Company's senior executives (other than senior executives of Tommy Hilfiger) during the second quarter of 2010 subject to a performance period of three years. The Company granted contingently issuable performance share awards to all then-executive officers of the Company during the first quarter of 2010 subject to a

performance period of two years. The final number of shares that will be earned, if any, is contingent upon the Company's achievement of goals for each of the performance periods based on both earnings per share growth and return on equity for the awards granted in the first quarter of 2011 and earnings per share growth for the awards granted in 2010 and the third quarter of 2011 during the applicable performance cycle. Depending on the level of performance achieved, up to a total number of 94 and 603 shares could be issued for all non-vested performance share awards granted in 2011 and 2010, respectively. The Company records expense for the contingently issuable performance shares ratably over each applicable vesting period based on fair value and the Company's current expectations of the probable number of shares that will ultimately be issued. The fair value of the contingently issuable performance shares is equal to the closing price of the Company's common stock on the date of grant, reduced for the present value of any dividends expected to be paid on the Company's common stock during the performance cycle, as these contingently issuable performance shares do not accrue dividends prior to being earned.

Performance share activity for the thirty-nine weeks ended October 30, 2011 was as follows:

	Performance Shares	Weighted Average Grant Date Fair Value
Non-vested at January 30, 2011	611	\$52.69
Granted	94	71.18
Vested	—	—
Cancelled	8	50.73
Non-vested at October 30, 2011	697	\$55.19

The Company receives a tax deduction for certain transactions associated with its stock plan awards. The actual income tax benefits realized from these transactions for the thirty-nine weeks ended October 30, 2011 and October 31, 2010 were \$8,298 and \$11,519, respectively. Of those amounts, \$4,560 and \$7,759, respectively, were reported as excess tax benefits. Excess tax benefits arise when the actual tax benefit resulting from a stock plan award transaction exceeds the tax benefit associated with the grant date fair value of the related stock award.

### 13. STOCKHOLDERS' EQUITY

#### Common Stock Offering

The Company sold 5,750 shares of its common stock on April 28, 2010 for net proceeds after commissions, discounts and related fees and expenses totaling \$364,860 during the first quarter of 2010, which were used to fund a portion of the purchase price and fees relating to the acquisition of Tommy Hilfiger. Of the 5,750 shares, a total of 5,250 shares were released from treasury and 500 shares were newly issued.

#### Series A Convertible Preferred Stock Issuance

On May 6, 2010, the Company completed the sale of an aggregate of 8 shares of Series A convertible preferred stock, par value \$100.00 per share, for an aggregate gross purchase price of \$200,000 and for net proceeds of \$188,595 after related fees and expenses. The Series A convertible preferred stock has a liquidation preference of \$25,000 per share and is convertible at a price of \$47.74 into 4,189 shares of common stock. The conversion price was established in a definitive agreement, which formed a binding commitment with the preferred stockholders in March 2010, and is subject to equitable adjustment in the event of the Company taking certain actions, including stock splits, stock dividends, mergers, consolidations or other capital reorganizations. The Series A convertible preferred stock is not subject to mandatory redemption nor is it redeemable, in whole or in part, by the Company at its option or that of any holder. The holders of the Series A convertible preferred stock are entitled to vote and participate in dividends with

the holders of the Company's common stock on an as-converted basis.

#### Common Stock Issuance

On May 6, 2010, the Company issued 7,873 shares of its common stock, par value \$1.00 per share, as part of the consideration paid to the former shareholders of Tommy Hilfiger in connection with the acquisition.

## 14. ACTIVITY EXIT COSTS

## Tommy Hilfiger Integration and Exit Costs

In connection with the Company's acquisition of Tommy Hilfiger in the second quarter of 2010 and the related integration, the Company incurred certain costs related to severance and termination benefits, long-lived asset impairments, inventory liquidations and lease/contract terminations, including costs associated with the exit of certain Tommy Hilfiger product categories. Such costs were as follows:

	Total Expected to be Incurred	Incurred During the Thirteen Weeks Ended 10/30/11	Incurred During the Thirty-Nine Weeks Ended 10/30/11	Cumulative Incurred to Date
Severance, termination benefits and other costs	\$32,167	\$—	\$11,374	\$31,167
Long-lived asset impairments	11,017	—	—	11,017
Inventory liquidation costs	8,157	3,421	5,574	8,157
Lease/contract termination and related costs	28,179	—	14,014	17,179
Total	\$79,520	\$3,421	\$30,962	\$67,520

Liabilities for severance and termination benefits and lease/contract termination costs recorded in connection with the acquisition and integration of Tommy Hilfiger were principally recorded in Accrued Expenses in the Company's Consolidated Balance Sheets and were as follows:

	Liability at 1/30/11	Costs Incurred During the Thirty-Nine Weeks Ended 10/30/11	Costs Paid During the Thirty-Nine Weeks Ended 10/30/11	Liability at 10/30/11
Severance, termination benefits and other costs	\$16,258	\$11,374	\$21,327	\$6,305
Lease/contract termination and related costs	3,165	14,014	12,195	4,984
Total	\$19,423	\$25,388	\$33,522	\$11,289

The charges for severance, termination benefits, lease/contract termination and other costs incurred during the thirty-nine weeks ended October 30, 2011 and the remainder of charges expected to be incurred relate principally to selling, general and administrative expenses of the Company's Tommy Hilfiger North America segment. Inventory liquidation costs incurred during the thirty-nine weeks ended October 30, 2011 were included in cost of goods sold of the Company's Tommy Hilfiger North America segment.

## Timberland Exit Costs

The Company negotiated during the second quarter of 2011 an early termination of its license to market sportswear under the Timberland brand. In connection with this termination, which will become effective in 2012, the Company incurred certain costs related to severance and termination benefits, long-lived asset impairments, contract termination and other costs. Such costs were as follows:

Total Expected to be Incurred	Incurred During the Thirteen Weeks	Incurred During the Thirty-Nine Weeks
----------------------------------	---------------------------------------	------------------------------------------



Edgar Filing: PVH CORP. /DE/ - Form 10-Q

		Ended 10/30/11	Ended 10/30/11
Severance, termination benefits and other costs	\$ 1,181	\$ 502	\$ 1,181
Long-lived asset impairments	1,062	—	1,062
Contract termination and related costs	4,909	—	4,909
Total	\$ 7,152	\$ 502	\$ 7,152

19

---

Liabilities for severance and termination benefits and contract termination costs recorded in connection with the Company's early termination of the license were principally recorded in Accrued Expenses in the Company's Consolidated Balance Sheets and were as follows:

	Liability at 1/30/11	Costs Incurred During the Thirty-Nine Weeks Ended 10/30/11	Costs Paid During the Thirty-Nine Weeks Ended 10/30/11	Liability at 10/30/11
Severance, termination benefits and other costs	\$—	\$1,181	\$363	\$818
Lease/contract termination and related costs	—	4,909	—	4,909
Total	\$—	\$6,090	\$363	\$5,727

The charges incurred during the thirty-nine weeks ended October 30, 2011 relate principally to selling, general and administrative expenses of the Company's Heritage Brands Wholesale Sportswear segment.

#### 15. NET INCOME PER COMMON SHARE

The Company utilizes the two-class method of calculating basic net income per common share, as holders of the Company's Series A convertible preferred stock participate in dividends with holders of the Company's common stock. Net losses are not allocated to holders of the Series A convertible preferred stock.

The Company computed its basic and diluted net income per common share as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	10/30/11	10/31/10	10/30/11	10/31/10
Net income	\$112,239	\$99,848	\$236,635	\$1,611
Less:				
Common stock dividends paid to holders of Series A convertible preferred stock	(157 )	(157 )	(471 )	(314 )
Allocation of income to Series A convertible preferred stock	(6,434 )	(5,791 )	(13,442 )	—
Net income available to common stockholders for basic net income per common share	105,648	93,900	222,722	1,297
Add back:				
Common stock dividends paid to holders of Series A convertible preferred stock	157	157	471	—
Allocation of income to Series A convertible preferred stock	6,434	5,791	13,442	—
Net income available to common stockholders for diluted net income per common share	\$112,239	\$99,848	\$236,635	\$1,297
Weighted average common shares outstanding for basic net income per common share	67,225	66,140	67,051	61,431
Weighted average impact of dilutive securities	1,549	1,438	1,568	1,414
Weighted average impact of dilutive warrant	—	69	—	97
	4,189	4,189	4,189	—

Weighted average impact of assumed convertible preferred stock conversion

Total shares for diluted net income per common share	72,963	71,836	72,808	62,942
Basic net income per common share	\$1.57	\$1.42	\$3.32	\$0.02
Diluted net income per common share	\$1.54	\$1.39	\$3.25	\$0.02

Potentially dilutive securities excluded from the calculation of diluted net income per common share were as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	10/30/11	10/31/10	10/30/11	10/31/10
Weighted average antidilutive securities	426	376	356	437

Contingently issuable shares that have not met the necessary conditions as of the end of a reporting period are not included in the calculation of diluted net income per common share for that period. The Company had contingently issuable awards outstanding that did not meet the performance conditions as of October 30, 2011 and October 31, 2010 and, therefore, were excluded from the calculation of diluted net income per common share for the thirteen and thirty-nine weeks ended October 30, 2011 and October 31, 2010. The maximum number of potentially dilutive shares that could be issued upon vesting for such awards was 601 and 700 as of October 30, 2011 and October 31, 2010, respectively. These amounts were also excluded from the computation of weighted average antidilutive securities. Conversion of the Series A convertible preferred stock into 2,747 weighted average common shares outstanding for the thirty-nine weeks ended October 31, 2010 was not assumed because the inclusion thereof would have been antidilutive. This amount was also excluded from the computation of weighted average antidilutive securities.

#### 16. NONCASH INVESTING AND FINANCING TRANSACTIONS

During the thirty-nine weeks ended October 30, 2011 and October 31, 2010, the Company recorded increases to goodwill of \$37,333 and \$32,022, respectively, related to liabilities incurred for contingent purchase price payments to Mr. Calvin Klein. Such amounts are not due or paid in cash until 45 days subsequent to the Company's applicable quarter end. As such, during the thirty-nine weeks ended October 30, 2011 and October 31, 2010, the Company paid \$35,196 and \$29,829, respectively, in cash related to contingent purchase price payments to Mr. Calvin Klein that were recorded as additions to goodwill during the periods the liabilities were incurred.

During the first quarter of 2011, the Company recorded a loss of \$12,876 to write-off previously capitalized debt issuance costs in connection with the amendment and restatement of its senior secured credit facility.

During the second quarter of 2010, the Company issued 7,873 shares of its common stock valued at \$475,607 in connection with the acquisition of Tommy Hilfiger.

During the second quarter of 2010, the Company recorded a loss of \$3,005 to write-off previously capitalized debt issuance costs in connection with the extinguishment of its 7 1/4 % senior notes due 2011 and its 8 1/8 % senior notes due 2013.

The Company issued to Mr. Calvin Klein a nine-year warrant to purchase 320 shares of the Company's common stock at \$28.00 per share in connection with the Company's acquisition of Calvin Klein in 2003. 160 shares of such warrant were exercised at the end of the first quarter of 2010 and the underlying shares were issued early in the second quarter of 2010. The exercise price for these shares was satisfied through the Company's withholding of 68 shares, which had a total fair market value that approximated the exercise price, from the shares that would have otherwise been issuable. The balance of 160 shares of such warrant were exercised and the underlying shares were issued during the third quarter of 2010. The exercise price for these shares was satisfied through the Company's withholding of 72 shares, which had a total fair market value that approximated the exercise price, from the shares that would have otherwise been issuable.

The Company completed a transaction during the third quarter of 2011 that resulted in the reacquisition of the rights to the Tommy Hilfiger trademarks in India that had been subject to a perpetual license. The Company is required to make annual contingent purchase price payments based on a percentage of annual sales over a certain threshold of Tommy Hilfiger products in India for a period of five years (or, under certain circumstances, a period of six years) following the acquisition date. Such payments are subject to a \$25,000 limit over the payment period and are due within 60 days following each one year period commencing on July 1, 2011. The fair value of such contingent purchase price payments, which was recorded as a liability as of the acquisition date, was estimated to be \$9,986.

#### 17. SEGMENT DATA

The Company manages its operations through its operating divisions, which are aggregated into seven reportable segments: (i) Heritage Brand Wholesale Dress Furnishings; (ii) Heritage Brand Wholesale Sportswear; (iii) Heritage Brand Retail; (iv)

Calvin Klein Licensing; (v) Tommy Hilfiger North America; (vi) Tommy Hilfiger International; and (vii) Other (Calvin Klein Apparel).

**Heritage Brand Wholesale Dress Furnishings Segment** - This segment consists of the Company's heritage brand wholesale dress furnishings division. This segment derives revenue primarily from marketing both dress shirts and neckwear under the brand names ARROW, IZOD, Kenneth Cole New York, Kenneth Cole Reaction, JOE Joseph Abboud, DKNY and MICHAEL Michael Kors, as well as dress shirts under the brand names Van Heusen, Geoffrey Beene and CHAPS. The Company markets these dress shirt and neckwear brands, as well as certain other owned and licensed brands and various private label brands, primarily to department, mid-tier department and specialty stores.

**Heritage Brand Wholesale Sportswear Segment** - The Company aggregates the results of its heritage brand wholesale sportswear divisions into the Heritage Brand Wholesale Sportswear segment. This segment derives revenue primarily from marketing men's sportswear under the brand names Van Heusen, IZOD, Geoffrey Beene, ARROW and Timberland, and women's sportswear under the brand name IZOD to department, mid-tier department and specialty stores. The Company negotiated during the second quarter of 2011 the early termination of its license to use the Timberland trademarks on men's sportswear and will be exiting the business in 2012.

**Heritage Brand Retail Segment** - The Company aggregates the results of its three heritage brand retail divisions into the Heritage Brand Retail segment. This segment derives revenue principally from operating retail stores, primarily in outlet centers in the United States, which sell apparel, footwear, accessories and related products under the brand names Van Heusen, IZOD, Bass and G.H. Bass & Co.

**Calvin Klein Licensing Segment** - The Company aggregates the results of its Calvin Klein licensing and advertising division into the Calvin Klein Licensing segment. This segment derives revenue principally from licensing and similar arrangements worldwide relating to the use by third parties of the brand names Calvin Klein Collection, ck Calvin Klein and Calvin Klein for a broad array of products and retail services. This segment also derives revenue from the Company's Calvin Klein Collection wholesale business and from selling Calvin Klein Collection branded high-end collection apparel and accessories through the Company's own full price Calvin Klein Collection retail store located in New York City, both of which the Company operates directly in support of the global licensing business.

**Tommy Hilfiger North America Segment** - The Company aggregates the results of its Tommy Hilfiger wholesale and retail divisions in North America into the Tommy Hilfiger North America segment. This segment derives revenue principally from (i) marketing Tommy Hilfiger branded apparel and related products at wholesale in the United States and Canada, primarily to department stores and through licensees; and (ii) operating retail stores in the United States and Canada and an e-commerce website, which sell Tommy Hilfiger branded apparel, accessories and related products.

**Tommy Hilfiger International Segment** - The Company aggregates the results of its Tommy Hilfiger wholesale and retail divisions that operate outside of North America into the Tommy Hilfiger International segment. This segment derives revenue principally from (i) marketing Tommy Hilfiger branded apparel and related products at wholesale principally in Europe, primarily to department and specialty stores and franchise operators of Tommy Hilfiger stores, and through distributors and licensees; and (ii) operating retail stores and an e-commerce website in Europe and retail stores in Japan, which sell Tommy Hilfiger branded apparel, accessories and related products.

**Other (Calvin Klein Apparel) Segment** - The Company aggregates the results of its Calvin Klein apparel divisions into the Other (Calvin Klein Apparel) segment. This segment derives revenue from the Company's marketing at wholesale of apparel and related products under the brand names Calvin Klein and ck Calvin Klein, primarily to department, mid-tier department and specialty stores, and at retail through the Company's e-commerce website and Calvin Klein

retail stores, which are primarily located in outlet centers in the United States.

The following tables present summarized information by segment:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	10/30/11	10/31/10	10/30/11	10/31/10
Revenue – Heritage Brand Wholesale Dress Furnishings				
Net sales	\$ 163,173	\$ 157,246	\$ 421,633	\$ 392,345
Royalty revenue	1,681	1,526	4,634	4,290
Advertising and other revenue	496	524	1,314	1,540
Total	165,350	159,296	427,581	398,175
Revenue – Heritage Brand Wholesale Sportswear				
Net sales	187,344	201,948	418,905	425,823
Royalty revenue	2,498	2,706	7,646	7,807
Advertising and other revenue	408	446	1,289	1,344
Total	190,250	205,100	427,840	434,974
Revenue – Heritage Brand Retail				
Net sales	169,269	169,465	476,158	476,080
Royalty revenue	1,268	1,371	3,805	3,739
Advertising and other revenue	143	203	661	627
Total	170,680	171,039	480,624	480,446
Revenue – Calvin Klein Licensing				
Net sales	16,339	11,129	31,774	25,784
Royalty revenue	80,605	74,418	205,117	186,445
Advertising and other revenue	29,663	29,113	79,920	71,962
Total	126,607	114,660	316,811	284,191
Revenue – Tommy Hilfiger North America				
Net sales	350,281	298,282	911,678	554,426
Royalty revenue	5,537	3,931	12,658	7,982
Advertising and other revenue	2,002	1,548	5,293	2,381
Total	357,820	303,761	929,629	564,789
Revenue – Tommy Hilfiger International				
Net sales	456,456	392,677	1,272,088	655,970
Royalty revenue	11,505	10,181	30,318	16,835
Advertising and other revenue	860	1,778	2,923	2,978
Total	468,821	404,636	1,305,329	675,783
Revenue – Other (Calvin Klein Apparel)				
Net sales	174,632	157,927	469,974	400,373
Total	174,632	157,927	469,974	400,373
Total Revenue				
Net sales	1,517,494	1,388,674	4,002,210	2,930,801
Royalty revenue	103,094	94,133	264,178	227,098
Advertising and other revenue	33,572	33,612	91,400	80,832



Total	\$1,654,160	\$1,516,419	\$4,357,788	\$3,238,731
-------	-------------	-------------	-------------	-------------

23

---

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	10/30/11	10/31/10	10/30/11	10/31/10
Income before interest and taxes – Heritage Brand Wholesale Dress Furnishings	\$25,817	\$29,861	\$60,335	\$55,380
Income before interest and taxes – Heritage Brand Wholesale Sportswear	10,456 <sup>(2)</sup>	21,919	18,368 <sup>(2)</sup>	50,001
Income before interest and taxes – Heritage Brand Retail	8,571	16,108	28,332	41,586
Income before interest and taxes – Calvin Klein Licensing	58,777	50,937	136,380	127,270
Income before interest and taxes – Tommy Hilfiger North America	41,642 <sup>(3)</sup>	20,197 <sup>(7)</sup>	60,637 <sup>(5)</sup>	26,621 <sup>(8)</sup>
Income before interest and taxes – Tommy Hilfiger International	48,820 <sup>(3)</sup> <sup>(4)</sup>	41,870 <sup>(7)</sup>	165,475 <sup>(4)</sup> <sup>(5)</sup>	28,237 <sup>(8)</sup>
Income before interest and taxes – Other (Calvin Klein Apparel)	26,902	24,687	69,967	53,058
Loss before interest and taxes – Corporate <sup>(1)</sup>	(24,143 ) <sup>(3)</sup>	(27,288 ) <sup>(7)</sup>	(88,729 ) <sup>(5)</sup> <sup>(6)</sup>	(270,565 ) <sup>(8)</sup>
Income before interest and taxes	\$196,842	\$178,291	\$450,765	\$111,588

<sup>(1)</sup> Includes corporate expenses not allocated to any reportable segments. Corporate expenses represent overhead operating expenses and include expenses for senior corporate management, corporate finance and information technology related to corporate infrastructure.

<sup>(2)</sup> Income before interest and taxes for the thirteen and thirty-nine weeks ended October 30, 2011 includes costs of \$502 and \$7,152, respectively, related to the Company's negotiated early termination of its license to market sportswear under the Timberland brand, which will become effective in 2012.

<sup>(3)</sup> Income (loss) before interest and taxes for the thirteen weeks ended October 30, 2011 includes costs of \$9,264 associated with the Company's integration of Tommy Hilfiger and the related restructuring. Such costs were included in the Company's segments as follows: \$3,421 in Tommy Hilfiger North America; \$1,500 in Tommy Hilfiger International; and \$4,343 in corporate expenses not allocated to any reportable segments.

<sup>(4)</sup> Income before interest and taxes for the thirteen and thirty-nine weeks ended October 30, 2011 includes a one-time expense of \$20,709 recorded in connection with the Company's reacquisition of the rights to the Tommy Hilfiger trademarks in India that had been subject to a perpetual license. Please refer to Note 3, "Acquisitions," for a further discussion.

<sup>(5)</sup> Income (loss) before interest and taxes for the thirty-nine weeks ended October 30, 2011 includes costs of \$50,949 associated with the Company's integration of Tommy Hilfiger and the related restructuring. Such costs were

included in the Company's segments as follows: \$33,563 in Tommy Hilfiger North America; \$1,948 in Tommy Hilfiger International; and \$15,438 in corporate expenses not allocated to any reportable segments.

(6) Loss before interest and taxes for the thirty-nine weeks ended October 30, 2011 includes costs of \$16,233 associated with the Company's modification of its senior secured credit facility. Please refer to Note 8, "Debt," for a further discussion.

(7) Income (loss) before interest and taxes for the thirteen weeks ended October 31, 2010 includes costs of \$37,197 associated with the Company's acquisition and integration of Tommy Hilfiger, including restructuring costs and short-lived non-cash valuation amortization charges. Such costs were included in the Company's segments as follows: \$10,846 in Tommy Hilfiger North America; \$18,392 in Tommy Hilfiger International; and \$7,959 in corporate expenses not allocated to any reportable segments.

(8) Income (loss) before interest and taxes for the thirty-nine weeks ended October 31, 2010 includes costs of \$307,307 associated with the Company's acquisition and integration of Tommy Hilfiger. Such costs were included in the Company's segments as follows: \$35,325 in Tommy Hilfiger North America; \$57,768 in Tommy Hilfiger International; and \$214,214 in corporate expenses not allocated to any reportable segments.

Intersegment transactions consist of transfers of inventory principally between the Heritage Brand Wholesale Dress Furnishings segment and the Heritage Brand Retail segment and Other (Calvin Klein Apparel) segment. These transfers are recorded at cost plus a standard markup percentage. Such markup percentage is eliminated principally in the Heritage Brand Retail segment and Other (Calvin Klein Apparel) segment.

#### 18. GUARANTEES

The Company guaranteed the payment of certain purchases made by one of the Company's suppliers from a raw material vendor. The maximum amount guaranteed as of October 30, 2011 is \$500. The guarantee expires on January 31, 2012.

The Company guaranteed to a landlord the payment of rent and related costs by the tenant currently occupying space previously leased by the Company. The maximum amount guaranteed as of October 30, 2011 is approximately \$3,850, which is subject to exchange rate fluctuation. The Company has the right to seek recourse of approximately \$2,400 as of October 30, 2011, which is subject to exchange rate fluctuation. The guarantee expires on May 19, 2016.

#### 19. RECENT ACCOUNTING GUIDANCE

The FASB issued in May 2011, guidance to clarify and revise the requirements for measuring fair value and for disclosing information about fair value measurements. The Company will adopt this guidance prospectively beginning in fiscal 2012. The Company does not expect the adoption to have a material impact on the Company's consolidated results of operations or financial position.

The FASB issued in June 2011, guidance that revises the manner in which entities present comprehensive income in their financial statements. The guidance requires that net income and other comprehensive income be reported either in a single, continuous statement of comprehensive income or in two separate, but consecutive, statements. Presentation of components of comprehensive income in the Consolidated Statements of Changes in Stockholders' Equity will no longer be allowed. Adjustments for items that are reclassified from other comprehensive income to net income must be presented on the face of the financial statements where the components of net income and other comprehensive income are presented. The Company will apply this guidance retrospectively, as required, in the first quarter of 2012. The adoption will not have an impact on the Company's consolidated results of operations or financial position.

The FASB issued in September 2011, guidance that is intended to reduce the cost and complexity of the goodwill impairment test by providing an entity with the option to first assess qualitatively whether it is necessary to perform the two-step impairment test that is currently in place. An entity would not be required to quantitatively calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The guidance is effective for fiscal years beginning after December 15, 2011, with earlier application permitted. The Company does not expect the adoption to have a material impact on the Company's consolidated results of operations or financial position.



## ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

References to the brand names Calvin Klein, Tommy Hilfiger, Van Heusen, IZOD, Bass, ARROW, Geoffrey Beene, CHAPS, JOE Joseph Abboud, MICHAEL Michael Kors, Kenneth Cole New York, Kenneth Cole Reaction, DKNY and Timberland and to other brand names are to registered trademarks owned by us or licensed to us by third parties and are identified by italicizing the brand name.

References to the acquisition of Tommy Hilfiger refer to our May 6, 2010 acquisition of Tommy Hilfiger B.V. and certain affiliated companies, which companies we refer to collectively as "Tommy Hilfiger."

References to the acquisition of Calvin Klein refer to our February 2003 acquisition of Calvin Klein, Inc. and certain affiliated companies, which companies we refer to collectively as "Calvin Klein."

### OVERVIEW

The following discussion and analysis is intended to help you understand us, our operations and our financial performance. It should be read in conjunction with our consolidated financial statements and the accompanying notes, which are included elsewhere in this report.

We are one of the largest apparel companies in the world, with a heritage dating back over 130 years. Our brand portfolio consists of nationally and internationally recognized brand names, principally including Calvin Klein, Van Heusen, IZOD, Bass and ARROW and, as of the beginning of the second quarter of 2010, Tommy Hilfiger (previously a licensed brand), which are owned, and Geoffrey Beene, Kenneth Cole New York, Kenneth Cole Reaction, JOE Joseph Abboud, MICHAEL Michael Kors, CHAPS, DKNY and Timberland, which are licensed. The Timberland license is ending in 2012.

Our business strategy is to manage and market a portfolio of nationally and internationally recognized brands at multiple price points and across multiple channels of distribution. We believe this strategy reduces our reliance on any one demographic group, merchandise preference, distribution channel or region. We have enhanced this strategy by expanding our portfolio of brands through acquisitions of well-known brands, such as Calvin Klein and Tommy Hilfiger, that offer additional geographic distribution channel and price point opportunities in our traditional categories of dress shirts and sportswear. A significant portion of our total income before interest and taxes is derived from international sources. The Calvin Klein acquisition enhanced our business strategy by providing us with an established international licensing business, which does not require working capital investments. We have successfully pursued growth opportunities in extending the Calvin Klein brands through licensing into additional product categories and geographic areas. We believe that the acquisition of Tommy Hilfiger has advanced our business strategy by adding a global brand with growth opportunities and by establishing an international platform in Europe that is a strategic complement to our strong North American presence and provides us with the resources and expertise needed to grow our heritage brands and businesses internationally. We have a division managed by a team of Tommy Hilfiger executives based in Amsterdam whose purposes include pursuing international opportunities for our dress shirt and neckwear expertise and for our heritage brands. An endeavor of this division, which has dedicated staff, is operating the ARROW business in parts of Europe; the ARROW endeavor commenced with the Fall 2011 collection.

We incurred indebtedness of approximately \$2.5 billion in connection with the Tommy Hilfiger acquisition. We plan to continue to strengthen our balance sheet through deleveraging and effective working capital management. We made approximately \$285 million in debt payments during the thirty-nine weeks ended October 30, 2011, for a total of

approximately \$535 million in payments since the closing of the Tommy Hilfiger acquisition. The majority of these payments were ahead of schedule. We believe that our persistent focus on and enhancement of our business strategies and our balance sheet strength will allow us to continue to invest in our businesses and capitalize on opportunities for future growth.

#### OPERATIONS OVERVIEW

We generate net sales from (i) the wholesale distribution to wholesale customers and franchise, licensee and distributor operated stores of men's dress shirts and neckwear, men's and women's sportswear, footwear, accessories and related products; and (ii) the sale through over 1,000 company-operated retail locations worldwide of apparel, footwear, accessories and other products under the brand names Van Heusen, IZOD, Bass, Calvin Klein and Tommy Hilfiger.

We generate royalty, advertising and other revenue from fees for licensing the use of our trademarks. Calvin Klein royalty, advertising and other revenue, which comprised 81% of total royalty, advertising and other revenue in the third quarter of 2011, is derived under licenses and other arrangements for a broad array of products, including jeans, underwear, fragrances, eyewear, footwear, women's apparel, outerwear, watches and home furnishings.

Gross profit on total revenue is total revenue less cost of goods sold. Included as cost of goods sold are costs associated with the production and procurement of product, including inbound freight costs, purchasing and receiving costs, inspection costs, internal transfer costs and other product procurement related charges. All of our royalty, advertising and other revenue is included in gross profit because there is no cost of goods sold associated with such revenue. As a result, our gross profit may not be comparable to that of other entities.

We completed the acquisition of Tommy Hilfiger in the second quarter of 2010. We recorded pre-tax charges in the first nine months of 2010 of \$307.3 million, which includes (i) a loss of \$140.5 million associated with hedges against Euro to U.S. dollar exchange rates relating to the purchase price; (ii) short-lived non-cash valuation amortization charges of \$76.8 million; and (iii) transaction, integration, restructuring and debt extinguishment costs of \$90.0 million. We incurred pre-tax charges of \$51.0 million in the thirty-nine weeks ended October 30, 2011 in connection with the integration and the related restructuring, including product exit charges, and approximately \$20.0 million is expected to be incurred in the fourth quarter of 2011.

We negotiated during the second quarter of 2011 the early termination of our license to market sportswear under the Timberland brand, which will become effective in 2012. We incurred pre-tax charges of \$7.2 million in the thirty-nine weeks ended October 30, 2011 in connection with this negotiated early termination.

We completed a transaction during the third quarter of 2011 that resulted in the reacquisition of the rights to the Tommy Hilfiger trademarks in India that had been subject to a perpetual license. We paid \$25.0 million as consideration for this transaction. In addition, we are required to make annual contingent purchase price payments based on a percentage of annual sales over a certain threshold of Tommy Hilfiger products in India for a period of five years (or, under certain circumstances, a period of six years) following the acquisition date. Such payments are subject to a \$25.0 million limit over the payment period. The fair value of such contingent purchase price payments, which was recorded as a liability as of the acquisition date, was estimated to be \$10.0 million. In connection with the transaction, we were required to record an expense of \$20.7 million due to the settlement of an unfavorable contract as a result of a preexisting relationship with the licensee, as the license provided favorable terms to the licensee. Please see the section entitled "Liquidity and Capital Resources" below for a further discussion.

We amended and restated our senior secured credit facility in the first quarter of 2011. We recorded debt modification costs of \$16.2 million in connection with this transaction. Please see the section entitled "Liquidity and Capital Resources" below for a further discussion.

## RESULTS OF OPERATIONS

Thirteen Weeks Ended October 30, 2011 Compared With Thirteen Weeks Ended October 31, 2010

### Total Revenue

Net sales in the third quarter of 2011 were \$1.517 billion as compared to \$1.389 billion in the third quarter of the prior year. The increase of \$128.8 million, or 9%, was due principally to the net effect of the following items:

-



The addition of \$63.8 million and \$52.0 million of net sales attributable to growth in our Tommy Hilfiger International and Tommy Hilfiger North America segments, respectively. The revenue increase in the Tommy Hilfiger International segment was principally due to double digit growth in our European wholesale business and a \$25 million foreign exchange benefit attributable to year-over-year foreign exchange rate changes versus the U.S. dollar in the quarter versus the prior year's third quarter. Also contributing to the combined revenue increase for the Tommy Hilfiger International and Tommy Hilfiger North America segments was retail comparable store sales growth of 5% for our Tommy Hilfiger Europe retail business and 15% for our Tommy Hilfiger North America retail business.

The addition of \$16.7 million of net sales attributable to growth in our Other (Calvin Klein Apparel) segment, as the Calvin Klein outlet retail business posted a 12% increase in comparable store sales and the wholesale business experienced similar growth.

The addition of \$5.9 million of sales attributable to growth in our Heritage Brand Wholesale Dress Furnishings segment.

The reduction of \$14.6 million in sales attributable to our Heritage Brand Wholesale Sportswear segment, which was driven particularly by underperformance in the Izod division and the soon-to-be discontinued Timberland division.

Royalty, advertising and other revenue in the third quarter of 2011 increased by \$8.9 million to \$136.7 million as compared to \$127.7 million in the prior year's third quarter. Within the Calvin Klein Licensing segment, global licensee royalty revenue increased by \$6.2 million, or 8%, compared to the prior year's third quarter, due to strong performance across most product categories and regions, with underwear, outerwear and women's sportswear performing particularly well and significant growth in South America and Asia, offset, in part, by weakness in the domestic jeanswear business. Tommy Hilfiger royalty revenue increased by \$2.9 million, or 21%, compared to the prior year's third quarter, due principally to new license agreements, strong performance in tailored apparel, fragrance and eyewear, and growth in Mexico and India. Advertising and other revenue in the third quarter of 2011 was relatively flat as compared to the prior year's third quarter amount.

#### Gross Profit on Total Revenue

Gross profit on total revenue in the third quarter of 2011 was \$829.0 million, or 50.1% of total revenue, compared with \$793.5 million, or 52.3% of total revenue in the third quarter of the prior year. This 220 basis point decrease in gross profit as a percentage of total revenue was primarily due to higher overall product costs across all of our divisions, which was partially mitigated by increases in selling prices in our Calvin Klein and Tommy Hilfiger businesses. Selling prices in our Heritage Brand Wholesale Sportswear segment were relatively flat as compared to the prior year.

#### Selling, General and Administrative ("SG&A") Expenses

SG&A expenses in the third quarter of 2011 were \$633.0 million, or 38.3% of total revenue, as compared to \$615.2 million, or 40.6% of total revenue, in the third quarter of the prior year. The 230 basis point decrease in SG&A expenses as a percentage of total revenue was due primarily to the effect of leveraging expenses against sales due to the revenue increases discussed above and operating expense synergies achieved in our Tommy Hilfiger business in North America.

#### Equity in Income of Equity-Method Investees

The equity in income of equity-method investees of \$0.9 million during the third quarter of 2011 related to our share of income from our joint ventures in China and India for the Tommy Hilfiger brand, which are accounted for under the equity method of accounting. Please refer to the section entitled "Liquidity and Capital Resources" below for a further discussion of our investments in these joint ventures.

#### Interest Expense and Interest Income

Interest expense decreased to \$31.7 million in the third quarter of 2011 from \$41.7 million in the third quarter of the prior year principally as a result of payments we made on our term loans over the prior 12-month period, combined with the impact of the amendment and restatement of our credit facility in the first quarter of 2011, as such facility provides for reduced borrowing spreads and flexibility with respect to voluntary repayments. Interest income of \$0.1 million in the third quarter of 2011 declined as compared to the prior year's third quarter amount of \$0.5 million due to lower average amounts of invested cash in the current year.

#### Income Taxes

The income tax rates for the thirteen weeks ended October 30, 2011 and October 31, 2010 were 32.1% and 27.2%, respectively.

The income tax rate for the thirteen weeks ended October 30, 2011 was slightly lower than the United States statutory rate due to the benefit of the overall lower tax rates in international jurisdictions where we file tax returns, largely offset by state and local taxes and foreign earnings taxed in the United States.

The income tax rate for the thirteen weeks ended October 31, 2010 was slightly lower than the United States statutory rate largely due to the benefit of the overall lower tax rates in international jurisdictions where we file tax returns, combined with the impact of a benefit resulting from the lapse of the statute of limitations with respect to previously unrecognized tax positions.

Thirty-Nine Weeks Ended October 30, 2011 Compared With Thirty-Nine Weeks Ended October 31, 2010

## Total Revenue

Net sales in the thirty-nine weeks ended October 30, 2011 increased to \$4.002 billion as compared to \$2.931 billion in the thirty-nine week period of the prior year. The increase of \$1.071 billion was due principally to the effect of the following items:

The addition of \$433.7 million and \$267.6 million of net sales attributable to the addition of first quarter sales in our Tommy Hilfiger International and Tommy Hilfiger North America segments, respectively. The Tommy Hilfiger International and Tommy Hilfiger North America segments also contributed revenue increases of \$182.5 million and \$89.6 million, respectively, due to second and third quarter growth, attributable to double digit growth in the European wholesale division, combined with retail comparable store sales growth of 14% for our Tommy Hilfiger Europe retail business and 13% for our Tommy Hilfiger North America retail business. Also contributing to the revenue increase for the Tommy Hilfiger International segment was a benefit of approximately \$60 million from year-over-year foreign exchange rate changes versus the U.S. dollar in 2011 versus 2010.

The addition of \$69.6 million of net sales attributable to growth in our Other (Calvin Klein Apparel) segment, as the Calvin Klein outlet retail business posted a 16% increase in comparable store sales and the wholesale business experienced similar growth.

The addition of \$29.3 million of sales attributable to growth in our Heritage Brand Wholesale Dress Furnishings segment.

The reduction of \$6.9 million of sales attributable to our Heritage Brand Wholesale Sportswear segment, which was driven particularly by underperformance in the Izod division and the soon-to-be discontinued Timberland division.

Royalty, advertising and other revenue in the thirty-nine weeks ended October 30, 2011 was \$355.6 million as compared to \$307.9 million in the prior year's thirty-nine week period. Of the \$47.6 million increase, \$21.0 million was attributable to Tommy Hilfiger, due principally to the addition of first quarter royalty, advertising and other revenue. Within the Calvin Klein Licensing segment, global licensee royalty revenue increased by \$18.7 million, or 10%, compared to the prior year's thirty-nine week period, driven by growth across virtually all product categories and regions. Calvin Klein advertising and other revenue increased by \$8.0 million to \$79.9 million in the first nine months of 2011 as compared to \$72.0 million in the prior year's first nine months, driven principally by the launch in the first quarter of 2011 of the global marketing campaign supporting the introduction of the new lifestyle brand for jeans, underwear and fragrance under the ck one label. Such advertising and other revenue is generally collected and spent and, therefore, is presented as both a revenue and an expense within our income statement, with minimal net impact on earnings.

Our revenue for the full year 2011 is expected to increase to \$5.825 billion to \$5.845 billion from \$4.637 billion in the prior year, due primarily to the effect of owning Tommy Hilfiger for a full year. Total revenue for our combined Tommy Hilfiger North America and Tommy Hilfiger International segments is expected to be \$2.990 billion to \$3.000 billion for the full year 2011. Total revenue for our combined Calvin Klein Licensing and Other (Calvin Klein Apparel) segments is projected to increase 13% to 14%. Total revenue for our combined Heritage Brand Wholesale Dress Furnishings, Heritage Brand Wholesale Sportswear and Heritage Brand Retail segments is projected to grow 1% to 2%.

## Gross Profit on Total Revenue

Gross profit on total revenue in the thirty-nine weeks ended October 30, 2011 was \$2.282 billion, or 52.4% of total revenue, compared with \$1.686 billion, or 52.0% of total revenue in the thirty-nine week period of the prior year. This 40 basis point increase in gross profit as a percentage of total revenue was primarily due to the net impact of (i) an increase due to the absence in 2011 of \$44.5 million of short-lived non-cash valuation amortization charges that were recorded during the first nine months of 2010 as a result of the Tommy Hilfiger acquisition, partially offset by charges of \$5.6 million incurred in the current year's thirty-nine week period related to the exit of certain Tommy Hilfiger product categories; (ii) an increase due to the addition of first quarter 2011 results in the Tommy Hilfiger International segment, as international apparel businesses typically have higher gross margin percentages than domestic apparel businesses; (iii) an increase due to the addition of first quarter 2011 results in the Tommy Hilfiger North America segment, the majority of which consists of its retail business, as retail businesses typically have higher gross margin percentages than wholesale businesses; (iv) a decrease due to a change in revenue mix, as royalty, advertising and other revenue, which does not carry a cost of sales and has a gross profit percentage of 100%, decreased in 2011 as a percentage of total revenue; (v) a decrease due to higher overall product costs in 2011; and (vi) a decrease due to increased promotional selling during the thirty-nine weeks ended October 30, 2011 in our Izod and Timberland wholesale sportswear divisions.

We currently expect that the gross profit on total revenue percentage for the full year 2011 will decrease slightly as compared with the full year 2010 percentage of 52.2% due to the net impact of (i) product cost increases; (ii) a decrease in royalty, advertising and other revenue as a percentage of total revenue; (iii) the favorable impact from the addition of first quarter 2011 revenue attributable to the addition of Tommy Hilfiger, which has higher gross margin percentages; and (iv) the absence in 2011 of \$44.5 million of short-lived non-cash valuation amortization charges recorded during 2010 as a result of the Tommy Hilfiger acquisition, all as discussed above.

#### Selling, General and Administrative (“SG&A”) Expenses

SG&A expenses in the thirty-nine weeks ended October 30, 2011 were \$1.816 billion, or 41.7% of total revenue, as compared to \$1.427 billion, or 44.1% of total revenue, in the third quarter of the prior year. The 240 basis point decrease in SG&A expenses as a percentage of total revenue was due primarily to the effect of leveraging expenses against sales due to the revenue increases discussed above. Also contributing to the decrease was a net decrease in one-time acquisition, integration and restructuring related costs. The costs incurred in the current year’s thirty-nine week period related to the continuing integration of Tommy Hilfiger and the associated restructuring, expenses related to our reacquisition of the rights to the Tommy Hilfiger trademarks in India that had been subject to a perpetual license, and our negotiated early termination of our license to market sportswear under the Timberland brand. These expenses were less than integration and restructuring costs incurred in the prior year’s thirty-nine week period.

We currently expect that our SG&A expenses as a percentage of total revenue for the full year 2011 will decrease significantly as compared to 2010 due principally to a decrease in acquisition, integration and restructuring costs associated with Tommy Hilfiger.

#### Debt Modification Costs

We incurred costs totaling \$16.2 million during the thirty-nine weeks ended October 30, 2011 in connection with the amendment and restatement of our senior secured credit facility. Please refer to the section entitled “Liquidity and Capital Resources” below for a discussion of this transaction.

#### Debt Extinguishment

We incurred a loss of \$6.7 million during the second quarter of 2010 on the purchase and redemption of our 7 1/4% senior notes due 2011 and our 8 1/8% senior notes due 2013.

#### Other Loss

We entered into foreign currency forward exchange contracts to purchase €1.3 billion during the first quarter of 2010 and entered into an additional foreign currency forward exchange contract to purchase €250.0 million during the second quarter of 2010. These contracts were entered into in connection with the acquisition of Tommy Hilfiger to hedge against our exposure to changes in the exchange rate for the Euro, as a portion of the acquisition purchase price was payable in cash and denominated in Euros. We settled the foreign currency exchange contracts on May 6, 2010 in connection with the completion of the acquisition. We recorded a pre-tax loss of \$140.5 million during the first half of 2010 related to these contracts.

#### Equity in Income of Equity-Method Investees

The equity in income of equity-method investees of \$0.9 million during the thirty-nine weeks ended October 30, 2011 related to our share of income from our joint ventures in China and India for the Tommy Hilfiger brand, which are accounted for under the equity method of accounting. Please refer to the section entitled “Liquidity and Capital Resources” below for a further discussion of our investments in these joint ventures.

#### Interest Expense and Interest Income

Interest expense increased to \$96.9 million in the thirty-nine weeks ended October 30, 2011 from \$89.8 million in the thirty-nine week period of the prior year principally as a result of the issuance during the second quarter of 2010 of \$600.0 million of 7 3/8% senior notes due 2020 and term loans of \$1.9 billion borrowed under a new credit facility, the net proceeds of which were used in connection with the purchase of Tommy Hilfiger. We have made approximately \$535 million of payments on the term loans since the date of the Tommy Hilfiger acquisition. We amended and restated the credit facility in the first quarter of 2011. The amended and restated facility provides reduced borrowing spreads, as well as additional flexibility with respect to

the application of voluntary prepayments. During the second quarter of 2011, we entered into interest rate swap and cap agreements for the intended purpose of reducing our exposure to interest rate volatility. Please refer to the section entitled "Liquidity and Capital Resources" below for a further discussion. Interest income of \$0.9 million in the thirty-nine weeks ended October 30, 2011 was relatively flat to the prior year's thirty-nine week period amount of \$1.1 million.

Net interest expense for the full year 2011 is currently expected to increase to a range of \$128.5 million to \$129.5 million from \$126.8 million in the prior year principally as a result of the full year impact of our increased debt from the Tommy Hilfiger acquisition, mostly offset by the impact of the payments on our debt balances and the amendment and restatement of our credit facility in the first quarter of 2011, as such facility provides reduced borrowing spreads. We currently plan on making approximately \$165 million of additional debt payments on our term loans during the remainder of 2011.

#### Income Taxes

The income tax rates for the thirty-nine weeks ended October 30, 2011 and October 31, 2010 were 33.3% and 93.0%, respectively.

The income tax rate for the thirty-nine weeks ended October 30, 2011 was slightly lower than the United States statutory rate due to the benefit of the overall lower tax rates in international jurisdictions where we file tax returns, largely offset by state and local taxes and foreign earnings taxed in the United States.

The income tax rate for the thirty-nine weeks ended October 31, 2010 was higher than the United States statutory rate due to the impact of certain non-deductible transaction costs associated with the Tommy Hilfiger acquisition, which caused a significant increase in the year to date effective tax rate when we achieved pre-tax income in the third quarter of 2010. This increase was partially offset by the benefit of the overall lower tax rates in international jurisdictions where we file tax returns, combined with the impact of a benefit resulting from the lapse of the statute of limitations with respect to previously unrecognized tax positions.

We currently anticipate that our 2011 income tax rate will be between 30.0% and 30.5%, which compares with the 2010 full year tax rate of 29.7%. While the year-over-year rates are similar, the 2011 rate is being adversely affected by a significant increase in the relative proportion of pretax income being earned in the U.S., due in large part to the absence of U.S. Tommy Hilfiger acquisition expenses in 2011. Conversely, the 2011 tax rate in relation to 2010 is benefiting from the absence of material short-lived Tommy Hilfiger intangible asset amortization, which amortization was not tax deductible. Our actual full year tax rate could vary from our estimate as a result of a change in the jurisdictional mix of income and discrete events such as specific transactions and audits by taxing authorities.

#### LIQUIDITY AND CAPITAL RESOURCES

##### Cash Flow Summary

We experienced a reduction in cash of \$338.7 million during the thirty-nine weeks ended October 30, 2011, which is inclusive of \$286.2 million of debt repayments. Cash flow for the full year 2011 will be impacted by various factors in addition to those noted below in this "Liquidity and Capital Resources" section, including the amount of debt payments we make in 2011.

##### Operations

Cash provided by operating activities was \$173.3 million in the thirty-nine weeks ended October 30, 2011, as compared with \$140.8 million in the thirty-nine week period of the prior year.



Tommy Hilfiger India Perpetually Licensed Rights Reacquisition

We completed a transaction on September 7, 2011 that resulted in the reacquisition of the rights to the Tommy Hilfiger trademarks in India that had been subject to a perpetual license previously granted to GVM International Limited (“GVM”). We paid \$25.0 million in the third quarter of 2011 as consideration for the transaction. In addition, we are required to make annual contingent purchase price payments based on a percentage of annual sales over a certain threshold of Tommy Hilfiger products in India for a period of five years (or, under certain circumstances, a period of six years) following the acquisition date. Such payments are subject to a \$25.0 million limit over the payment period and are due within 60 days following each one year period commencing on July 1, 2011.

In connection with the transaction, we were required to record an expense of \$20.7 million due to the settlement of an unfavorable contract as a result of a preexisting relationship with the licensee, as the license provided favorable terms to the licensee.

#### Investments in Equity-Method Investees

We formed a joint venture in China with Apax Partners L.P. (“Apax”), in which we and Apax each have a 45% equity interest, with the remaining 10% owned by another party. The joint venture assumed direct control of the Tommy Hilfiger wholesale and retail distribution business in China from the existing licensee, Dickson Concepts (International) Limited, on August 1, 2011. We made payments totaling \$17.1 million to the joint venture during the thirty-nine weeks ended October 30, 2011 to contribute our 45% share of funding.

On September 7, 2011, we completed the acquisition from Ganesha Limited and Ganesha Brands Limited, both of which are affiliates of GVM, of a 50% equity interest in Arvind Murjani Brands Private Limited, which is to be renamed Tommy Hilfiger Arvind Fashion Private Limited (“TH India”), for \$30.0 million. TH India was GVM’s sublicensee of the Tommy Hilfiger trademarks for apparel, footwear and handbags in India. As a result of the transaction, TH India is now the direct licensee of the trademarks for all categories (other than fragrance), operates a wholesale apparel, footwear and handbags business in connection with its license and sublicenses the trademarks for certain other product categories. We made additional payments totaling \$1.6 million to TH India during the thirty-nine weeks ended October 30, 2011 to contribute our 50% share of funding.

#### Capital Expenditures

Our capital expenditures in the thirty-nine weeks ended October 30, 2011 were \$117.9 million compared to \$55.4 million expended in the thirty-nine week period of the prior year. This increase was due principally to the addition of first quarter spending in our Tommy Hilfiger businesses combined with investments in the Tommy Hilfiger business, particularly related to the expansion of our international operations, and in our corporate infrastructure to support our expanded operations. We currently expect capital expenditures for the full year 2011 to be approximately \$200 million.

#### Tommy Hilfiger Acquisition

We completed the acquisition of Tommy Hilfiger on May 6, 2010. We paid \$2.485 billion in cash during the thirty-nine weeks ended October 31, 2010 and issued 7.9 million shares of our common stock, valued at \$475.6 million, as consideration for the acquisition, for total consideration of approximately \$3.0 billion. In addition, we entered into foreign currency forward exchange contracts to purchase €1.3 billion during the first quarter of 2010 and €250.0 million during the second quarter of 2010 in connection with the acquisition of Tommy Hilfiger to hedge against our exposure to changes in the exchange rate for the Euro, as a portion of the acquisition purchase price was payable in cash and denominated in Euros. We settled the foreign currency forward exchange contracts at a loss of \$140.5 million on May 6, 2010 in connection with the completion of the acquisition.

We funded the cash portion and related costs of the Tommy Hilfiger acquisition with cash on hand and the net proceeds of the following activities: (i) the sale of 5.8 million shares of our common stock; (ii) the issuances of an aggregate of 8,000 shares of Series A convertible preferred stock for an aggregate gross purchase price of \$200.0 million; (iii) the issuance of \$600.0 million of 7 3/8% senior notes due 2020; and (iv) the borrowing of \$1.9 billion of term loans under new credit facilities. See the discussion below for further detail on these activities.

#### Tommy Hilfiger Handbag License Reacquisition

On June 14, 2010, we entered into an agreement to reacquire from a licensee, prior to the expiration of the license, the rights to distribute Tommy Hilfiger handbags outside of the United States. The effective date of the transfer of the rights was December 31, 2010. In connection with this transaction, we made a payment of \$7.3 million, based on the applicable exchange rate in effect on the acquisition date, to the former licensee during the second quarter of 2010.

#### Calvin Klein Contingent Purchase Price Payments

In connection with our acquisition of Calvin Klein, we are obligated to pay Mr. Calvin Klein contingent purchase price payments based on 1.15% of total worldwide net sales (as defined in the agreement governing that acquisition, as amended) of products bearing any of the Calvin Klein brands with respect to sales made through February 12, 2018. A significant portion of the sales on which the payments to Mr. Klein are made are wholesale sales by us and our licensees and other partners to retailers. Such contingent purchase price payments totaled \$35.2 million in the thirty-nine weeks ended October 30, 2011. We

currently expect that such payments will be between \$51 million and \$52 million for the full year 2011.

#### Common Stock Offering

We sold 5.8 million shares of our common stock on April 28, 2010 for net proceeds, after commissions, discounts and related fees and expenses, of \$364.9 million during the first quarter of 2010, which were used in the second quarter of 2010 to fund a portion of the purchase price for the Tommy Hilfiger acquisition.

#### Series A Convertible Preferred Stock

On May 6, 2010, we sold an aggregate of 8,000 shares of Series A convertible preferred stock, par value \$100.00 per share, for an aggregate gross purchase price of \$200.0 million. We received net proceeds of \$188.6 million in connection with this issuance, which were used in the second quarter of 2010 to fund a portion of the purchase price for the Tommy Hilfiger acquisition. The Series A convertible preferred stock has a liquidation preference of \$25,000 per share and is convertible at a price of \$47.74 into 4.2 million shares of common stock. The conversion price was established in a definitive agreement, which formed a binding commitment with the preferred stockholders in March 2010, and is subject to equitable adjustment in the event of us taking certain actions, including stock splits, stock dividends, mergers, consolidations or other capital reorganizations. The Series A convertible preferred stock is not subject to mandatory redemption nor is it redeemable, in whole or in part, by us at our option or that of any holder. The holders of the Series A convertible preferred stock are entitled to vote and participate in dividends with the holders of our common stock on an as-converted basis.

#### Dividends

Our common stock currently pays annual dividends totaling \$0.15 per share. Our Series A convertible preferred stock participates in common stock dividends on an as-converted basis. Dividends on common and preferred stock totaled \$8.2 million in the thirty-nine weeks ended October 30, 2011.

We currently project that cash dividends on our common stock for the full year 2011 will be \$10.9 million.

#### Financing Arrangements

Our capital structure was as follows:

(in millions)	October 30, 2011	January 30, 2011
Short-term borrowings	\$12.8	\$4.9
Current portion of long-term debt	61.1	—
Long-term debt	2,030.4	2,364.0
Stockholders' equity	2,774.9	2,442.5

In addition, we had \$160.0 million of cash and cash equivalents as of October 30, 2011.

#### Short-Term Borrowings

One of our subsidiaries has a Yen-denominated overdraft facility with a Japanese bank, which provides for borrowings of up to ¥1.000 billion (\$12.8 million based on the Yen to United States dollar exchange rate on October 30, 2011) and is utilized to fund working capital. Borrowings under the facility are unsecured and bear interest at the one-month Japanese inter-bank borrowing rate ("TIBOR") plus 0.15%. Such facility renews automatically unless we give notice of termination. The weighted average interest rate on the funds borrowed at October 30, 2011 was 0.33%.

The maximum amount of borrowings outstanding under this facility during the quarter ended October 30, 2011 was approximately \$12.8 million, the amount outstanding as of October 30, 2011.

Tender for and Redemption of 2011 Notes and 2013 Notes

We commenced tender offers on April 7, 2010 for (i) all of the \$150.0 million outstanding principal amount of our notes due 2011; and (ii) all of the \$150.0 million outstanding principal amount of our notes due 2013. The tender offers expired on May 4, 2010. On May 6, 2010, we accepted for purchase all of the notes tendered and made payment to tendering holders and called for redemption all of the balance of our outstanding 7 1/4% senior notes due 2011 and all of the balance of our outstanding 8 1/8% senior notes due 2013. The redemption prices of the notes due 2011 and 2013 were 100.000% and 101.354%,

respectively, of the outstanding aggregate principal amount of the applicable note, plus accrued and unpaid interest thereon to the redemption date. On May 6, 2010, we made an irrevocable payment, including accrued and unpaid interest, to the trustee for the notes due 2011 and 2013. As a result, such indentures were satisfied and effectively discharged as of May 6, 2010.

#### 7 3/8% Senior Notes Due 2020

Our \$600.0 million 7 3/8% senior notes, which we issued on May 6, 2010 under an indenture dated as of May 6, 2010, are due May 15, 2020. Interest on the 7 3/8% notes is payable semi-annually in arrears.

We may redeem some or all of these notes on or after May 15, 2015 at specified redemption prices. We may redeem some or all of these notes at any time prior to May 15, 2015 by paying a “make whole” premium. In addition, we may also redeem up to 35% of these notes prior to May 15, 2013, by paying a set premium, with the net proceeds of certain equity offerings.

#### Senior Secured Credit Facility

On May 6, 2010, we entered into and, on March 2, 2011, amended and restated our senior secured credit facility (“the amended facility”). The amended facility consists of a Euro-denominated term loan A facility, a United States dollar-denominated term loan A facility, a Euro-denominated term loan B facility, a United States dollar-denominated term loan B facility, a United States dollar-denominated revolving credit facility and two multi-currency (one United States dollar and Canadian dollar, and the other Euro, Japanese Yen and British Pound) revolving credit facilities. The amended facility provides reduced borrowing spreads, as well as additional flexibility with respect to the application of voluntary prepayments. The full benefit of the reduction in borrowing spreads is not expected to be realized, as during the second quarter of 2011, we entered into interest rate swap and cap agreements for the intended purpose of reducing our exposure to interest rate volatility. Please refer to the discussion below for further detail on those agreements. The amended facility extends the maturity of the term loan A facilities and the revolving loan facilities from May 2015 to January 2016. The maturity of the term loan B facilities remains in May 2016.

In connection with the closing of the amended facility, we voluntarily prepaid approximately \$150 million of borrowings with cash on hand, which we had previously announced we intended to use for such purpose. We paid \$10.6 million of fees in cash in connection with the modification of our senior secured credit facility in the first quarter of 2011. We made additional payments of approximately \$135 million during the thirty-nine weeks ended October 30, 2011 for a total reduction of approximately \$535 million of the amount initially borrowed at the time of the Tommy Hilfiger acquisition closing. The revolving credit facilities remained undrawn upon the closing of the amended facility (with only letters of credit outstanding).

As of October 30, 2011, we had an aggregate of \$1.4 billion of term loan borrowings under the amended facility outstanding (based on the applicable exchange rates on October 30, 2011). The amended facility provides for approximately \$460 million of revolving credit (based on the applicable exchange rates on October 30, 2011), under which we had no revolving credit borrowings and \$102.4 million of letters of credit outstanding as of October 30, 2011. This facility remained undrawn during the third quarter of 2011.

The terms of each of the term loan A and B facilities contain a mandatory repayment schedule on a quarterly basis. The outstanding borrowings under the amended facility are prepayable without penalty (other than customary breakage costs). The terms of the amended facility require us to repay certain amounts outstanding thereunder with (a) net cash proceeds of the incurrence of certain indebtedness, (b) net cash proceeds of certain asset sales or other dispositions (including as a result of casualty or condemnation) that exceed certain thresholds, to the extent such

proceeds are not reinvested in the business in accordance with customary reinvestment provisions and (c) a percentage of excess cash flow, which percentage is based upon our leverage ratio during the relevant fiscal period.

The United States dollar-denominated borrowings under the amended facility bear interest at a rate equal to an applicable margin plus, as determined at our option, either (a) a base rate determined as the highest of (i) the prime rate, (ii) the United States federal funds rate plus 1/2 of 1% and (iii) a one-month adjusted Eurocurrency rate plus 1% (provided that, in the case of the term loan B facility, in no event will the base rate be less than 1.75%) or (b) an adjusted Eurocurrency rate, calculated in a manner set forth in the amended facility (provided that, in the case of the term loan B facility, in no event will the adjusted Eurocurrency rate be less than 0.75%).

Canadian dollar-denominated borrowings under the amended facility bear interest at a rate equal to an applicable margin plus, as determined at our option, either (a) a Canadian prime rate determined by reference to the greater of (i) the average of the rates of interest per annum equal to the per annum rate of interest quoted, published and commonly known in Canada as the “prime rate” or which Royal Bank of Canada establishes at its main office in Toronto, Ontario as the reference rate of interest in

order to determine interest rates for loans in Canadian dollars to its Canadian borrowers and (ii) the sum of (x) the average of the rates per annum for Canadian dollar bankers' acceptances having a term of one month that appears on the Reuters Screen CDOR Page as of 10:00 a.m. (Toronto time) on the date of determination, as reported by the administrative agent (and if such screen is not available, any successor or similar service as may be selected by the administrative agent), and (y) 1%, or (b) an adjusted Eurocurrency rate, calculated in a manner set forth in the amended facility.

The borrowings under the amended facility in currencies other than United States dollars or Canadian dollars bear interest at a rate equal to an applicable margin plus an adjusted Eurocurrency rate, calculated in a manner set forth in the amended facility (provided that, in the case of the term loan B facility, in no event will the adjusted Eurocurrency rate be less than 0.75%).

The current applicable margins are (a) in the case of the United States dollar-denominated term loan A facility, 2.50% for adjusted Eurocurrency rate loans and 1.50% for base rate loans, as applicable, (b) in the case of the United States dollar-denominated term loan B facility, 2.75% for adjusted Eurocurrency rate loans and 1.75% for base rate loans, as applicable, (c) in the case of the Euro-denominated term loan A facility, 2.75%, (d) in the case of the Euro-denominated term loan B facility, 3.00% and (e) in the case of the revolving credit facilities, (x) for borrowings denominated in United States dollars, 2.50% for adjusted Eurocurrency rate loans and 1.50% for base rate loans, as applicable, (y) for borrowings denominated in Canadian dollars, 2.50% for adjusted Eurocurrency rate loans and 1.50% for Canadian prime rate loans, as applicable, and (z) for borrowings denominated in other currencies, 2.75%. After the date of delivery of the compliance certificate and financial statements with respect to the Company's fiscal quarter ending October 30, 2011 and each subsequent quarter, the applicable margin for borrowings under the term loan A facilities and the revolving credit facilities will be adjusted based on the Company's leverage ratio.

On May 4, 2011, we entered into an interest rate swap agreement for a three-year term commencing on June 6, 2011. The agreement has been designed with the intended effect of converting an initial notional amount of \$632.0 million of our variable rate debt obligation under our United States dollar-denominated senior secured term loan A facility to fixed rate debt. The initial notional amount was reduced to \$624.0 million during the quarter ended October 30, 2011, and will continue to be reduced according to a pre-set schedule during the term of the swap agreement such that, based on our projections for future debt repayments, our outstanding debt under the facility is expected to always exceed the then-outstanding notional amount of the swap. Under the terms of the agreement for the then-outstanding notional amount, our exposure to fluctuations in the three-month London inter-bank borrowing rate ("LIBOR") is eliminated, and we will pay a fixed rate of 1.197%, plus the current applicable margin.

In addition, on May 4, 2011, we entered into an interest rate cap agreement for a 15-month term commencing on June 6, 2011. The agreement has been designed with the intended effect of capping the interest rate on an initial notional amount of €165.9 million of our variable rate debt obligation under our Euro-denominated senior secured term loan A and B facilities. The initial notional amount was reduced to €98.5 million during the quarter ended October 30, 2011, and will continue to be adjusted according to a pre-set schedule during the term of the agreement such that our outstanding debt under the facilities is expected to always exceed the notional amount of the cap agreement. Under the terms of this agreement, the three-month Euro inter-bank borrowing rate ("EURIBOR") that we will pay is capped at a rate of 2%. Therefore, the maximum amount of interest that we will pay on the notional amount will be at the 2% capped rate, plus the current applicable margin.

The amended facility contains covenants that restrict our ability to finance future operations or capital needs, to take advantage of other business opportunities that may be in our interest or to satisfy our obligations under our other outstanding debt. These covenants restrict our ability to, among other things:



- incur or guarantee additional debt or extend credit;
- make restricted payments, including paying dividends or making distributions on, or redeeming or repurchasing, our capital stock or certain debt;
- make acquisitions and investments;
- dispose of assets;
- engage in transactions with affiliates;
- enter into agreements restricting our subsidiaries' ability to pay dividends;
- create liens on our assets or engage in sale/leaseback transactions; and
- effect a consolidation or merger, or sell, transfer, lease all or substantially all of our assets.

The amended facility requires us to comply with certain financial covenants, including maximum leverage, minimum interest coverage and maximum capital expenditures. A breach of any of these operating or financial covenants would result in a default under the amended facility. If an event of default occurs and is continuing, the lenders could elect to declare all amounts then outstanding, together with accrued interest, to be immediately due and payable which would result in acceleration of our other debt. If we were unable to repay any such borrowings when due, the lenders could proceed against their collateral, which also secures some of our other indebtedness.

We are also subject to similar covenants and restrictions in connection with our other long-term debt agreements.

Please refer to Note 8, "Debt," in the Notes to Consolidated Financial Statements included in Part I, Item 1 of this report for a schedule of mandatory long-term debt repayments over the next five years.

As of October 30, 2011, we were in compliance with all financial and non-financial covenants.

## SEASONALITY

Our business generally follows a seasonal pattern. Our wholesale businesses tend to generate higher levels of sales and income in the first and third quarters, while our retail businesses tend to generate higher levels of sales and income in the fourth quarter. Royalty, advertising and other revenue tends to be earned somewhat evenly throughout the year, although the third quarter has the highest level of royalty revenue due to higher sales by licensees in advance of the holiday selling season.

Due to the above factors, our operating results for the thirty-nine week period ended October 30, 2011 are not necessarily indicative of those for a full fiscal year.

## CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions. Our significant accounting policies are outlined in Note 1, "Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements included in Item 8 of our Annual Report on Form 10-K for the year ended January 30, 2011. During the thirty-nine weeks ended October 30, 2011, there were no significant changes to our critical accounting policies from those described in our Annual Report on Form 10-K for the year ended January 30, 2011.

## ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial instruments held by us as of October 30, 2011, include cash equivalents, short and long-term debt, foreign currency forward exchange contracts and interest rate swap and cap agreements. Note 10, "Fair Value Measurements," in the Notes to Consolidated Financial Statements included in Part I, Item 1 of this report outlines the fair value of our financial instruments as of October 30, 2011. Cash and cash equivalents held by us are affected by short-term interest rates. Therefore, a change in short-term interest rates would have an impact on our interest income. Due to the currently low rates of return we are receiving on our cash equivalents, the impact of a further decrease in short-term interest rates would not have a material impact on our interest income, while an increase in short-term interest rates could have a more material impact. Given our balance of cash and cash equivalents at October 30, 2011, the effect of a 10 basis point increase in short-term interest rates on our interest income would be approximately \$0.2 million annually. Due to the fact that certain of our debt is denominated in foreign currency, our interest expense is, and in the future will continue to be, impacted by fluctuations in exchange rates. Borrowings under the amended facility bear

interest at a rate equal to an applicable margin plus a variable rate, each of which is determined based on the jurisdiction of such borrowings. As such, our amended facility also exposes us to market risk for changes in interest rates. During the second quarter of 2011, we entered into interest rate swap and cap agreements for the intended purpose of reducing our exposure to interest rate volatility. Please refer to Note 8, "Debt," in the Notes to Consolidated Financial Statements included in Part I, Item 1 of this report for a further discussion. As of October 30, 2011, after taking into account the interest rate swap and cap agreements, approximately 70% of our total debt was at a fixed rate or at a variable rate that was capped, with the remainder at variable rates that were uncapped. Given our debt position and the Euro to United States dollar exchange rate at October 30, 2011, and the effect of the swap and cap agreements we entered into during the second quarter of 2011, the effect of a 10 basis point increase in interest rates on our interest expense would be approximately \$0.4 million annually and the effect of a 5% increase in the exchange rate on our interest expense would be approximately \$0.8 million annually.

Our Tommy Hilfiger business has a substantial international component, which exposes us to significant foreign exchange risk. Accordingly, the impact of a strengthening United States dollar, particularly against the Euro, the Japanese Yen and the

Canadian dollar, will have a negative impact on our results of operations. Our Tommy Hilfiger business purchases the majority of the products that it sells in United States dollars, which exposes the international Tommy Hilfiger business to foreign exchange risk as the United States dollar fluctuates. As such, we currently use and plan to continue to use foreign currency forward exchange contracts or other derivative instruments to mitigate the cash flow or market value risks associated with United States dollar denominated purchases by the Tommy Hilfiger business.

We are also exposed to market risk for changes in exchange rates for the United States dollar in connection with our licensing businesses, particularly our Calvin Klein business. Most of our license agreements require the licensee to report sales to us in the licensee's local currency but to pay us in United States dollars based on the exchange rate as of the last day of the contractual selling period. Thus, while we are not exposed to exchange rate gains and losses between the end of the selling period and the date we collect payment, we are exposed to exchange rate changes during and up to the last day of the selling period. In addition, certain of our other foreign license agreements expose us to exchange rate changes up to the date we collect payment or convert local currency payments into United States dollars. As a result, during times of a strengthening United States dollar, our foreign royalty revenue will be adversely impacted, and during times of a weakening United States dollar, our foreign royalty revenue will be favorably impacted.

#### ITEM 4 - CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

## ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased(1)	(b) Average Price Paid per Share (or Unit)(1)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
August 1, 2011 - August 28, 2011	129	\$64.41	—	—
August 29, 2011 - October 2, 2011	313	63.23	—	—
October 3, 2011 - October 30, 2011	708	59.96	—	—
Total	1,150	\$61.35	—	—

(1) Our 2006 Stock Incentive Plan provides us with the right to deduct or withhold, or require employees to remit to us, an amount sufficient to satisfy any applicable tax withholding requirements applicable to stock-based compensation awards. To the extent permitted, employees may elect to satisfy all or part of such withholding requirements by tendering previously owned shares or by having us withhold shares having a fair market value equal to the minimum statutory tax withholding rate that could be imposed on the transaction. All shares shown in this table were withheld during the third quarter of 2011 in connection with the settlement of vested restricted stock units to satisfy tax withholding requirements.

## ITEM 6 - EXHIBITS

The following exhibits are included herein:

- 3.1 Certificate of Incorporation of Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 5 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 1977).
- 3.2 Amendment to Certificate of Incorporation of Phillips-Van Heusen Corporation, filed June 27, 1984 (incorporated by reference to Exhibit 3B to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 1985).
- 3.3 Certificate of Designation of Series A Cumulative Participating Preferred Stock of Phillips-Van Heusen Corporation, filed June 10, 1986 (incorporated by reference to Exhibit A of the document filed as Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the period ended May 4, 1986).
- 3.4

Amendment to Certificate of Incorporation of Phillips-Van Heusen Corporation, filed June 2, 1987 (incorporated by reference to Exhibit 3(c) to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1988).

3.5

Amendment to Certificate of Incorporation of Phillips-Van Heusen Corporation, filed June 1, 1993 (incorporated by reference to Exhibit 3.5 to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1994).

38

---

- 3.6 Amendment to Certificate of Incorporation of Phillips-Van Heusen Corporation, filed June 20, 1996 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 28, 1996).
- 3.7 Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock of Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on February 26, 2003).
- 3.8 Corrected Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock of Phillips-Van Heusen Corporation, dated as of April 17, 2003 (incorporated by reference to Exhibit 3.9 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2003).
- 3.9 Amendment to Certificate of Incorporation of Phillips-Van Heusen Corporation, filed June 29, 2006 (incorporated by reference to Exhibit 3.9 to the Company's Quarterly Report on Form 10-Q for the period ended May 6, 2007).
- 3.10 Certificate Eliminating Reference to Series B Convertible Preferred Stock from Certificate of Incorporation of Phillips-Van Heusen Corporation, filed June 12, 2007 (incorporated by reference to Exhibit 3.10 to the Company's Quarterly Report on Form 10-Q for the period ended May 6, 2007).
- 3.11 Certificate Eliminating Reference To Series A Cumulative Participating Preferred Stock From Certificate of Incorporation of Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on September 28, 2007).
- 3.12 Certificate of Designations of Series A Convertible Preferred Stock of Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed May 12, 2010).
- 3.13 Amendment to Certificate of Incorporation of Phillips-Van Heusen Corporation, filed June 30, 2011 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on June 29, 2011).
- 3.14 By-Laws of Phillips-Van Heusen Corporation, as amended through April 30, 2009 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on May 5, 2009).
- 4.1 Specimen of Common Stock certificate (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 31, 2011).
- 4.2 Indenture, dated as of November 1, 1993, between Phillips-Van Heusen Corporation and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.01 to the Company's Registration Statement on Form S-3 (Reg. No. 33-50751) filed on October 26, 1993).
- 4.3 First Supplemental Indenture, dated as of October 17, 2002 to Indenture dated as of November 1, 1993 between Phillips-Van Heusen Corporation and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.15 to the Company's Quarterly Report on Form 10-Q for the period ended November 3, 2002).

4.4 Second Supplemental Indenture, dated as of February 12, 2002 to Indenture, dated as of November 1, 1993, between Phillips-Van Heusen Corporation and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed on February 26, 2003).

4.5 Third Supplemental Indenture, dated as of May 6, 2010, between Phillips-Van Heusen Corporation and The Bank of New York Mellon (formerly known as The Bank of New York), as Trustee (incorporated by reference to Exhibit 4.16 to the Company's Quarterly Report on Form 10-Q for the period ended August 1, 2010).

39

---



- 4.6 Securities Purchase Agreement, dated as of March 15, 2010, by and among Phillips-Van Heusen Corporation, LNK Partners, L.P. and LNK Partners (Parallel), L.P. (incorporated by reference to Exhibit 4.10 to the Company's Quarterly Report on Form 10-Q for the period ended May 2, 2010).
- 4.7 Securities Purchase Agreement, dated as of March 15, 2010, by and between Phillips-Van Heusen Corporation and MSD Brand Investments, LLC (incorporated by reference to Exhibit 4.11 to the Company's Quarterly Report on Form 10-Q for the period ended May 2, 2010).
- 4.8 Stockholders Agreement, dated as of May 6, 2010, by and among Phillips-Van Heusen Corporation, Tommy Hilfiger Holding S.a.r.l, Stichting Administratiekantoor Elmira, Apax Europe VI-A, L.P., Apax Europe VI-1, L.P. and Apax US VII, L.P. (incorporated by reference to Exhibit 4.11 to the Company's Quarterly Report on Form 10-Q for the period ended August 1, 2010).
- 4.9 Amendment to Stockholders Agreement, dated as of June 8, 2010 to Stockholders Agreement, dated as of May 6, 2010, by and among Phillips-Van Heusen Corporation, Tommy Hilfiger Holding S.a.r.l, Stichting Administratiekantoor Elmira, Apax Europe VI-A, L.P., Apax Europe VI-1, L.P. and Apax US VII, L.P. (incorporated by reference to Exhibit 4.12 to the Company's Quarterly Report on Form 10-Q for the period ended August 1, 2010).
- 4.10 Stockholders Agreement, dated as of May 6, 2010, by and among Phillips-Van Heusen Corporation, LNK Partners, L.P. and LNK Partners (Parallel), L.P. (incorporated by reference to Exhibit 4.13 to the Company's Quarterly Report on Form 10-Q for the period ended August 1, 2010).
- 4.11 Stockholder Agreement, dated as of May 6, 2010, by and between Phillips-Van Heusen Corporation and MSD Brand Investments, LLC. (incorporated by reference to Exhibit 4.14 to the Company's Quarterly Report on Form 10-Q for the period ended August 1, 2010).
- 4.12 Indenture, dated as of May 6, 2010, between Phillips-Van Heusen Corporation and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.15 to the Company's Quarterly Report on Form 10-Q for the period ended August 1, 2010).
- +31.1 Certification of Emanuel Chirico, Chairman and Chief Executive Officer, pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
- +31.2 Certification of Michael Shaffer, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
- \*,+32.1 Certification of Emanuel Chirico, Chairman and Chief Executive Officer, pursuant to Section 906 of the Sarbanes – Oxley Act of 2002, 18 U.S.C. Section 1350.
- \*,+32.2 Certification of Michael Shaffer, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes – Oxley Act of 2002, 18 U.S.C. Section 1350.
- \*\*,+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

+Filed or furnished herewith.

\* Exhibits 32.1 and 32.2 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibits shall not be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

\*\* As provided in Rule 406T of Regulation S-T, this information is deemed furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, and Section 18 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

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

PVH CORP.  
Registrant

Dated: December 8, 2011

/s/ Bruce Goldstein  
Bruce Goldstein  
Senior Vice President and Controller (Chief Accounting Officer)

Exhibit Index

Exhibit Description

31.1	Certification of Emanuel Chirico, Chairman and Chief Executive Officer, pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
31.2	Certification of Michael Shaffer, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
32.1	Certification of Emanuel Chirico, Chairman and Chief Executive Officer, pursuant to Section 906 of the Sarbanes – Oxley Act of 2002, 18 U.S.C. Section 1350.
32.2	Certification of Michael Shaffer, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes – Oxley Act of 2002, 18 U.S.C. Section 1350.
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